

Good me

古茗控股有限公司
Guming Holdings Limited

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

Stock Code: 01364

GLOBAL OFFERING



Joint Sponsors, Joint Sponsor-Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Goldman Sachs 高盛

UBS 瑞銀集團

IMPORTANT

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

Good me

Guming Holdings Limited

古茗控股有限公司

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

GLOBAL OFFERING

- Number of Offer Shares under the Global Offering** : 158,612,000 Offer Shares (subject to the Offer Size Adjustment Option and the Over-allotment Option)
- Number of Hong Kong Offer Shares** : 15,861,200 Offer Shares (subject to reallocation)
- Number of International Offer Shares** : 142,750,800 Offer Shares (subject to reallocation, the Offer Size Adjustment Option and the Over-allotment Option)
- Maximum Offer Price** : HK\$9.94 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars, subject to refund)
- Nominal value** : US\$0.00001 per Share
- Stock code** : 01364

Joint Sponsors, Joint Sponsor-Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Goldman Sachs 高盛

UBS 瑞銀集團

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

CICC 中金公司

HSBC

Joint Bookrunners and Joint Lead Managers

Joint Lead Manager

農銀國際
ABC INTERNATIONAL

中銀國際 BOCI

招銀國際
CMB INTERNATIONAL

富途證券

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A copy of this document, having attached thereto the documents specified in "Documents delivered to the Registrar of Companies and on Display" in Appendix V, 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 document or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Overall Coordinators (for themselves and on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Monday, February 10, 2025. The Offer Price will be no more than HK\$9.94 per Offer Share and is currently expected to be no less than HK\$8.68 per Offer Share unless otherwise announced. If, for any reason, the Offer Price is not agreed between the Overall Coordinators (for themselves and on behalf of the Underwriters) and us by 12:00 noon on Monday, February 10, 2025, the Global Offering will not proceed and will lapse.

The Overall Coordinators (for themselves and 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 document at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. See "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" for further details.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" for further details.

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

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and may not be offered or sold within or to the United States, or for the account or benefit of U.S. persons (as defined in Regulation S) except 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 Rule 144A of the U.S. Securities Act and (ii) outside the United States in offshore transactions in accordance with Regulation S.

February 4, 2025

IMPORTANT

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 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 “HKEXnews > New Listings > New Listing Information” section and our website at www.gumingnc.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 Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
HK eIPO White Form service . . .	www.hkeipo.hk	Investors who would like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on Tuesday, February 4, 2025 to 11:30 a.m. on Friday, February 7, 2025, Hong Kong time. The latest time for completing full payment of application monies will be 12:00 noon on Friday, February 7, 2025, Hong Kong time.
HKSCC EIPO channel . . .	Your broker or custodian who is a HKSCC Participant will submit an EIPO application on your behalf through HKSCC’s FINI system in accordance with your instruction	Investors who would not like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant’s stock account.	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

IMPORTANT

We will not provide any physical channels to accept any application for the Hong Kong 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 Offer Shares” in this document for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

Your application must be for a minimum of 400 Hong Kong Offer Shares and in one of the numbers set out in the table below. If you are applying through the **HK eIPO White Form** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective maximum amount payable on application in full upon application for Hong Kong Offer Shares. If you are applying through the HKSCC EIPO channel, you are required to prefund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

No. of Hong Kong Offer Shares applied for	Maximum Amount payable ⁽²⁾ on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable ⁽²⁾ on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable ⁽²⁾ on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable ⁽²⁾ on application/ successful allotment
	HK\$		HK\$		HK\$		HK\$
400	4,016.10	8,000	80,321.96	70,000	702,817.14	900,000	9,036,220.41
800	8,032.19	10,000	100,402.45	80,000	803,219.59	1,000,000	10,040,244.90
1,200	12,048.29	12,000	120,482.94	90,000	903,622.03	2,000,000	20,080,489.80
1,600	16,064.39	14,000	140,563.43	100,000	1,004,024.49	3,000,000	30,120,734.70
2,000	20,080.49	16,000	160,643.92	200,000	2,008,048.98	4,000,000	40,160,979.60
2,400	24,096.59	18,000	180,724.41	300,000	3,012,073.46	5,000,000	50,201,224.50
2,800	28,112.68	20,000	200,804.90	400,000	4,016,097.95	6,000,000	60,241,469.40
3,200	32,128.79	30,000	301,207.35	500,000	5,020,122.46	7,000,000	70,281,714.30
3,600	36,144.88	40,000	401,609.80	600,000	6,024,146.95	7,930,400 ⁽¹⁾	79,623,158.15
4,000	40,160.98	50,000	502,012.25	700,000	7,028,171.44		
6,000	60,241.47	60,000	602,414.69	800,000	8,032,195.92		

(1) Maximum number of Hong Kong Offer Shares you may apply for and this is approximately 50% of the Hong Kong Offer Shares initially offered.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the **HK eIPO White Form** Service Provider (for applications made through the application channel of the **HK eIPO White Form** Service Provider) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

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

EXPECTED TIMETABLE

If there is any change in the following expected timetable, we will issue an announcement to be published on the websites of the Company at www.gumingnc.com and the Hong Kong Stock Exchange at www.hkexnews.hk.

Date⁽¹⁾

Hong Kong Public Offering commences 9:00 a.m. on Tuesday,
February 4, 2025

Latest time for completing electronic applications
under the **HK eIPO White Form** service through
the designated website www.hkeipo.hk. 11:30 a.m. on Friday,
February 7, 2025

Application lists open⁽³⁾ 11:45 a.m. on Friday,
February 7, 2025

Latest time for (a) completing payment for
HK eIPO White Form 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 Friday,
February 7, 2025

If you are instructing your **broker** or **custodian** who is a HKSCC Participant to submit an EIPO application on your behalf through HKSCC's FINI system to apply for the Hong Kong Offer Shares, 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 Friday,
February 7, 2025

Expected Price Determination Date⁽⁵⁾. on or before 12:00 noon on
Monday, February 10, 2025

(1) Announcement of the 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 allocation of the Hong Kong Offer Shares on our website at www.gumingnc.com⁽⁶⁾ and the website of the Hong Kong Stock Exchange at www.hkexnews.hk on or before Tuesday, February 11, 2025

EXPECTED TIMETABLE

(2) 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 and the website of the Hong Kong Stock Exchange at www.gumingnc.com⁽⁶⁾ and www.hkexnews.hk, respectively Tuesday, February 11, 2025

- from the "Allotment Results" page at the designated results of allocations website at www.hkeipo.hk/IPOResult (or www.tricor.com.hk/ipo/result) with a "search by ID" function on a 24-hour basis from 11:00 p.m. on Tuesday, February 11, 2025 to 12:00 midnight on Monday, February 17, 2025

- from the allocation results telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, February 12, 2025 to Monday, February 17, 2025 (except Saturday, Sunday and Hong Kong public holidays)

Share certificates in respect of wholly or partially successful applications to be dispatched or deposited into CCASS on or before⁽⁷⁾⁽⁹⁾ Tuesday, February 11, 2025

HK eIPO White Form e-Auto Refund payment instructions/refund checks in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications to be dispatched on or before⁽⁸⁾⁽⁹⁾ Wednesday, February 12, 2025

Dealings in the Shares on the Hong Kong Stock Exchange expected to commence at 9:00 a.m. on Wednesday, February 12, 2025

EXPECTED TIMETABLE

Notes:

- (1) All times refer to Hong Kong local time, except as otherwise stated.
- (2) You will not be permitted to submit your application through the designated website at www.hkeipo.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 Friday, February 7, 2025, the application lists will not open or close on that day. See “How to Apply for Hong Kong Offer Shares — E. Bad Weather Arrangements” in this prospectus.
- (4) Applicants who apply for Hong Kong Offer Shares by instructing your broker or custodian to submit an EIPO application on your behalf through HKSCC’s FINI system in accordance with your instruction should refer to the section headed “How to Apply for Hong Kong Offer Shares — A. Application for Hong Kong Offer Shares — 2. Application Channels” in this prospectus.
- (5) The Price Determination Date is expected to be on or around Monday, February 10, 2025. If, for any reason, we do not agree with the Overall Coordinators (on behalf of the Underwriters) on the pricing of the Offer Shares by 12:00 noon on Monday, February 10, 2025, 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” 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 Share certificates or the Share certificates becoming valid do so entirely at their own risk.
- (8) e-Auto 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 identification document number, or, if the application is made by joint applicants, part of the identification document 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 identification document number before encashment of the refund check. Inaccurate completion of an applicant’s identification document number may invalidate or delay encashment of the refund check.
- (9) Applicants who have applied through the **HK eIPO White Form** service for 1,000,000 or more Hong Kong Offer Shares may collect any Share certificates in person from our Hong Kong Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, February 12, 2025 or such other date as notified by us as the date of dispatch/collection of Share certificates/e-Auto 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. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation’s chop. Both individuals and authorized representatives must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.

Applicants who have applied for Hong Kong Offer Shares through HKSCC EIPO channel should refer to the section headed “How to Apply for Hong Kong Offer Shares — D. Dispatch/Collection of Share Certificates and Refund of Application Monies” in this prospectus for details.

EXPECTED TIMETABLE

Applicants who have applied through the **HK eIPO White Form** 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-Auto Refund payment instructions. Applicants who have applied through the **HK eIPO White Form** 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 in favor of the applicant (or, in the case of joint applicants, the first-named applicant) by ordinary post at their own risk.

Share certificates and/or refund checks for applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected Share certificates 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 Offer Shares — D. Despatch/Collection of Share Certificates and Refund of Application Monies" in this prospectus.

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

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IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

This document is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong 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 Offer Shares offered by this document pursuant to the Hong Kong Public Offering. This document 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 circumstance. No action has been taken to permit a public offering of the Hong Kong Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this document in any jurisdiction other than Hong Kong. The distribution of this document for purposes of a public offering and the offering and sale of the Hong Kong 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 authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this document 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 document. We have not authorized anyone to provide you with information that is different from what is contained in this document. Any information or representations not contained or made in this document must not be relied on by you as having been authorized by us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, any of the Underwriters, any of our or their respective directors, officers, employees, agents or representatives, or any other parties involved in the Global Offering.

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SUMMARY

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

OVERVIEW

We are a leading and fast-growing freshly-made beverage company in China. Our brand, “*Good me* (古茗),” is China’s largest mid-priced freshly-made tea store brand and the second largest freshly-made tea store brand across all price ranges, in terms of both GMV in 2023 and store count as of December 31, 2023. In 2023, we generated a gross merchandise value, or GMV, of RMB19.2 billion, representing an increase of 37.2% from 2022. In the nine months ended September 30, 2024, we generated a GMV of RMB16.6 billion, representing an increase of 20.4% from the same period in 2023, a growth rate exceeding the majority of the other top ten freshly-made tea store brands. Our store network encompassed 9,001 stores as of December 31, 2023, representing an increase of 35.0% from December 31, 2022, and expanded to 9,778 stores as of September 30, 2024.

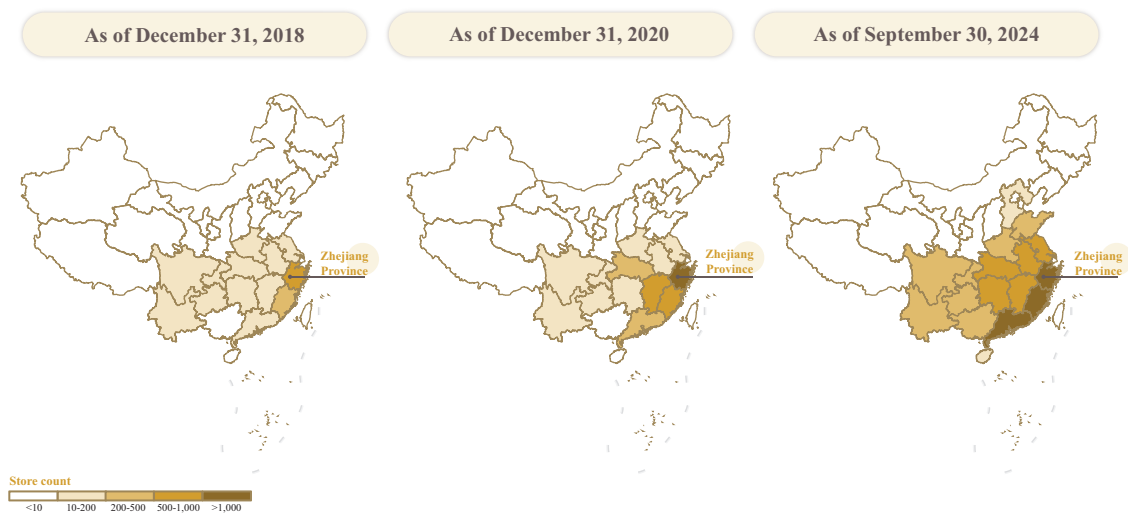
We primarily operate under a franchise model under “*Good me*” brand. The “*Good me*” stores offer three categories of beverages: (i) fruit tea beverages, (ii) milk tea beverages, and (iii) coffee beverages and others. We focus on the mid-priced segment of China’s freshly-made tea store market, which is the largest segment in terms of GMV in 2023, the fastest-growing segment in terms of expected GMV growth from 2023 to 2028, and a segment with intense competition.

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

We have steadily expanded our store network under what we refer to as the regional densification strategy. We believe that operating a network of at least 500 stores in a province signifies a critical mass. Leveraging our experience and advantage in provinces with a critical mass, we strategically venture into neighboring provinces. We first reached a critical mass in

SUMMARY

Zhejiang, where we continued to grow and now have over 2,000 stores. We have established provincewide networks with a critical mass in eight provinces, which collectively accounted for 87% of our GMV in 2023, and led us to become one of China's largest freshly-made tea store brands. In each of Zhejiang, Fujian and Jiangxi where we established store networks with a critical mass the earliest, we achieved the highest market share in terms of GMV in the freshly-made tea store markets across all price ranges. As of September 30, 2024, we had presence in 17 provinces in China where we will continue to increase our store density, which, along with another 17 provinces where we had yet to have presence, provide us with ample room for growth. As we expand our store network, we maintained positive period-over-period same-store GMV growth in these eight provinces with dense store networks and nationwide during each of the three years ended December 31, 2023. The following graphs illustrate the steady expansion footprint of our store network and ample room for our further growth.



Under our regional densification strategy, we strategically allocate resources towards building store networks with high geographical density across all city tiers in target provinces. As of December 31, 2023, our store count in second-tier and below cities accounted for 79% of our total store count, the highest percentage as compared to those of the other top five mid-priced freshly-made tea store brands in China, and slightly increased to 80% as of September 30, 2024. In addition, as of December 31, 2023, 38% of our stores were located in towns (鎮) and townships (鄉), which are administrative areas typically located away from downtown urban areas of cities. The percentage of our stores in these areas was the highest among the top five mid-priced freshly-made tea store brands in China as of December 31, 2023, and this percentage grew to 40% as of September 30, 2024.

The great density of our stores in a geographical area allows us to benefit from economies of scale. For example, our dense store network significantly enhances our warehousing and logistics efficiency. For the three years ended December 31, 2023, the logistics cost for delivery from our warehouses to stores was less than 1% of our total GMV on average. The improvements in warehousing and logistics efficiency can also be seen by comparing our own warehouses. As of September 30, 2024, we operated a total of 22 warehouses. For the nine

SUMMARY

months ended September 30, 2024, among these warehouses, 13 warehouses on average served fewer than 500 stores per month during the operation period, and nine warehouses on average served more than 500 stores per month during the operation period. In the nine months ended September 30, 2024, on a per-store and monthly basis, the warehousing and logistics cost for stores covered by such nine warehouses was 9% lower than that for stores covered by such 13 warehouses. These cost savings are primarily due to the density of our stores and their proximity to our warehouses. As of September 30, 2024, approximately 76% of our stores are located within 150 kilometers of one of our warehouses. As a result, we can also provide cold-chain supply delivery to approximately 97% of our stores every two days upon request as of September 30, 2024. In comparison, other China's freshly-made tea store brands generally provide delivery to stores every four days and often without the support of cold-chain supply delivery. Among the top 10 freshly-made tea store brands in China in terms of GMV in 2023, our Directors are of the view that we are the only brand capable of frequent deliveries every two days of short-shelf-life fresh fruits and fresh milk to stores in lower-tier cities. Substantially all beverages on our menu are made from short-shelf-life fresh fruits, tea leaves and/or fresh milk that are stored and distributed through our cold-chain warehousing and logistics infrastructure, which, our Directors are of the view that, is one of the largest in the industry as of December 31, 2023.

We believe that the shared success of our franchisees is crucial for our business. In 2023, our franchisees' per-store operating profit reached RMB376,000 and franchisees' per-store operating profit margin reached 20.2%, whereas the estimated per-store operating profit margin is generally in the low teens in the mid-priced freshly-made tea store market in China during the same period. The strong performance of our stores leads to franchisees' strong willingness to open more "Good me" stores. As of September 30, 2024, among the franchisees that had operated "Good me" stores for over two years, each on average operated 2.9 stores and 71% operated two or more franchised stores. Sharing the perspective of longtermism, we have built close and enduring franchisee relationships. These relationships enable effective and efficient store operations and consistent high-quality product and service offerings, which further enhance consumer experience and improve store-level performance, thereby attracting more franchisees and solidifying franchisee relationships, forming a virtuous cycle.

Consistent with our slogan, "one cup a day, always enjoy it (每天一杯喝不膩)," we provide our consumers with a variety of product offerings of consistent quality. Leveraging our strong product development capabilities, we regularly launch new beverages to keep our offerings appealing. In 2023 and for the nine months ended September 30, 2024, we launched 130 and 85 beverages. While we frequently update our menu, we are capable of having tens of thousands of stores serve product offerings of consistent quality and taste, enabling "Good me" to become a popular brand among consumers. We have accumulated a loyal member base, including approximately 94 million and 135 million registered members on our mini programs as of December 31, 2023 and September 30, 2024, respectively, with over 36 million and over 43 million quarterly active members in the three months ended December 31, 2023 and September 30, 2024, respectively. In 2023, our average quarterly repurchase rate reached 53%, compared to the average of below 30% among mid-priced freshly-made tea store brands in China.

SUMMARY

Our store management software can empower tens of thousands of stores. In particular, we built the largest information technology team in China’s freshly-made tea beverage industry as of December 31, 2023. Underpinned by our store management software, we have concurrently expanded our store network, achieved a track record of franchisee profitability, and offered a broad range of high-quality products. Moreover, our store management software, the franchisee relationships and consumer satisfaction reinforce each other. The diagram below illustrates the positive feedback loop.



We generate revenue mainly from the sales of goods and equipment and the provision of services to our franchisees. We have experienced substantial growth during the Track Record Period. Our revenue increased by 26.8% from RMB4,383.9 million in 2021 to RMB5,559.2 million in 2022, and further increased by 38.1% to RMB7,675.7 million in 2023. Our revenue increased by 15.6% from RMB5,570.9 million in the nine months ended September 30, 2023 to RMB6,441.3 million in the same period in 2024. Our profit for the year was RMB24.0 million, RMB372.0 million and RMB1,096.4 million in 2021, 2022 and 2023, respectively. Our profit for the period was RMB1,002.0 million and RMB1,119.8 million in the nine months ended September 30, 2023 and 2024, respectively. Our adjusted profit (non-IFRS measure) was RMB769.6 million, RMB788.1 million and RMB1,459.0 million in 2021, 2022 and 2023, respectively, and was RMB1,044.5 million and RMB1,148.7 million in the nine months ended September 30, 2023 and 2024, respectively. For more details, see “Financial Information — Description of Major Components of Our Results of Operations — Non-IFRS Measures.”

SUMMARY

OUR COMPETITIVE STRENGTHS

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

- Largest brand in the fast-growing mid-priced freshly-made tea store market in China
- Solid store network expansion under our regional densification strategy
- Track record of franchisee profitability and enduring franchisee relationships
- Diverse, consistent and high-quality product offerings, broadly embraced by consumers
- Our efficient and flexible store management, product research and development, and supply chain capabilities
- Diverse management pursuing open and inclusive culture

OUR GROWTH STRATEGIES

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

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

OUR STORE NETWORK AND STORE PERFORMANCE

Our stores are primarily operated under a franchise model. Our franchised stores contributed to approximately 99.9% of our GMV for the years ended December 31, 2021, 2022 and 2023 and the nine months ended September 30, 2024. To a much lesser extent, we directly manage a few company-operated stores. As of September 30, 2024, we directly managed seven company-operated stores.

We have steadily expanded our store network. Our store count reached 5,694 as of December 31, 2021, increased by 17.1% to 6,669 as of December 31, 2022, further increased by 35.0% to 9,001 as of December 31, 2023, and reached 9,778 as of September 30, 2024. As we continually densified our store networks in various provinces, we had positive same-store GMV growth in provinces with dense store networks and nationwide during each of the three years ended December 31, 2023. For the nine months ended September 30, 2024, our same-store GMV decreased by 0.7% due to (i) a general industry slowdown and (ii)

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intensifying market competition, with some players launching low-priced products. Nonetheless, we continued to grow our total GMV by 20.4% as compared to the same period in 2023. The following table sets forth our store count and same-store GMV growth in the periods indicated.

	For the Year Ended December 31,			For the Nine Months Ended September 30,
	2021	2022	2023	2024
Zhejiang⁽¹⁾				
Store count at year/period end. . . .	1,725	1,868	2,054	2,117
Same-store GMV growth (%)	15.2	3.3	5.1	(0.8)
Fujian and Jiangxi⁽¹⁾				
Store count at year/period end. . . .	1,590	1,641	1,914	2,039
Same-store GMV growth (%)	7.4	3.2	12.0	1.1
Other five provinces with a critical mass⁽¹⁾				
Store count at year/period end. . . .	1,689	2,349	3,317	3,643
Same-store GMV growth (%)	14.9	4.1	11.6	(1.4)
Nationwide				
Store count at year/period end. . . .	5,694	6,669	9,001	9,778
Same-store GMV growth (%)	12.0	2.8	9.4	(0.7)

Note:

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

The following table sets forth certain key performance indicators of our stores:

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2021	2022	2023	2023	2024
Total GMV (RMB in thousands)	10,593,182.6	14,004,430.4	19,213,723.3	13,792,517.5	16,607,526.0
Per-store GMV (RMB in thousands)	2,189.2	2,262.8	2,466.4	1,857.6	1,776.3
Per-store daily GMV (RMB in thousands)	6.0	6.2	6.8	6.8	6.5
Total number of cups sold (in thousands)	680,583.3	870,131.3	1,184,648.7	847,707.5	989,536.7
Per-store number of cups sold (in thousands)	140.6	140.6	152.1	114.2	105.8
Per-store daily number of cups sold. . . .	385	385	417	417	386
Total number of orders (in thousands) . .	397,816.6	500,215.6	690,665.8	489,673.6	599,801.7
Average GMV per order (RMB)	26.6	28.0	27.8	28.2	27.7
Average number of orders per store per day	225	221	243	241	234

SUMMARY

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2021	2022	2023	2023	2024
Average store equipment expenditure per newly opened franchised store (RMB in thousands)	95.2	100.8	109.2	110.3	110.8
Average daily GMV per newly opened franchised store (RMB in thousands)	5.3	5.3	5.8	5.8	5.2

Our GMV and number of cups sold have been generally increasing during the Track Record Period. However, when calculating per-store daily GMV and per-store daily number of cups sold, we use the number of days that our stores could be open for business as the denominator, which is measured by the number of days from (i) the latter of a store’s launch day and the first day of the period, to (ii) the earlier of a store’s closure day and the last day of the period. This number is usually larger than the actual number of days that our stores are open for business. In 2022, due to the impact of COVID-19, the gap between the above two numbers was larger than usual, which contributed to the lack of growth in our per-store daily GMV and per-store daily number of cups sold from 2021 to 2022.

For the nine months ended September 30, 2024, as a result of the general industry slowdown and increased competition as discussed above, we recorded smaller per-store GMV, per-store daily GMV, per-store number of cups sold, per-store daily number of cups sold, average GMV per order, average number of orders per store per day, and average daily GMV per newly opened franchised store as compared to the same period in 2023. Nonetheless, as we continued our store network expansion and opened a number of new stores, we continued to grow our total GMV and total number of cups sold. As confirmed by our industry consultant, the decrease rate of our per-store GMV is also less than the majority of the other top ten freshly-made tea store brands. Our Directors are of the view that our business will inevitably be affected by the general macroeconomic conditions in China and the freshly-made tea store market in general. In the medium and long term, with the expected growth of China’s economy and consumer spending as well as the projected expansion of the freshly-made tea store market, we believe we can capture opportunities in the industry as one of the leading players and regain growth momentum in various operating metrics.

The following table sets forth the per-store daily GMV of our stores by years of opening during the Track Record Period.

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2021	2022	2023	2023	2024
Per-store daily GMV (RMB in thousands)					
Stores opened in 2021 and before	6.0	6.3	7.1	7.0	7.1
Stores opened in 2022	–	5.3	6.5	6.4	6.6
Stores opened in 2023	–	–	5.8	5.8	5.6

SUMMARY

In 2023, our franchisees' per-store operating profit reached RMB376,000 and franchisees' per-store operating profit margin reached 20.2%, whereas the estimated per-store operating profit margin is generally in the low teens in the mid-priced freshly-made tea store market in China during the same period. In particular, in fourth-tier and below cities, our franchisees' per-store operating profit was RMB386 thousand in 2023, bringing significant income for our franchisees' household.

PRODUCT OFFERINGS

We focus on the mid-priced freshly-made tea beverage market and we offer three categories of beverage offerings at “*Good me*” stores: (i) fruit tea beverages, (ii) milk tea beverages, and (iii) coffee beverages and others. Our fruit tea beverages are made with tea and a variety of fresh fruits, many with short shelf-life, and are characterized by their vibrant, refreshing tastes. Our milk tea beverages generally have a smooth and creamy flavor and can be served with tapioca pearls, or boba, and/or a range of other additional toppings. We also serve coffee beverages, including traditional coffee beverages, beverages that combine coffee with tea or fresh fruits, and other offerings such as yogurt shakes, classic tea, bakery products and branded merchandise at our stores. During the Track Record Period, our product offerings' prices remained relatively stable, typically between RMB10 and RMB18. We currently do not have any plan to adjust the price range of our products.

OUR CUSTOMERS AND SUPPLIERS

Our customers are primarily our franchisees who operate our franchised stores and also include enterprise customers that purchase the products from our processing facilities such as blended tea leaves. During the Track Record Period, our revenue consisted primarily of proceeds from the sales of goods and equipment to our franchisees, and fees associated with the franchise management services we provided to our franchisees. For the years ended December 31, 2021, 2022 and 2023 and the nine months ended September 30, 2024, revenue from our five largest customers in each period amounted to RMB141.2 million, RMB169.6 million, RMB242.7 million and RMB169.8 million, representing 3.2%, 3.1%, 3.2% and 2.6% of our total revenue for the respective periods. During the Track Record Period, we were not subject to any material customer concentration risk.

We procure a variety of goods and equipment, including ingredients such as fresh fruits, fruit juices, tea leaves, dairy and sugar products, packaging materials, and equipment such as tea brewers, ice machines and freezers. For the years ended December 31, 2021, 2022 and 2023 and the nine months ended September 30, 2024, purchases from our five largest suppliers in each period amounted to RMB601.3 million, RMB751.7 million, RMB810.8 million and RMB756.0 million, representing 18.1%, 20.9%, 16.5% and 18.8% of our total purchase amount for the respective periods. For the years ended December 31, 2021, 2022 and 2023 and the nine months ended September 30, 2024, purchases from our largest supplier in each period amounted to RMB252.8 million, RMB265.1 million, RMB224.3 million and RMB193.9 million, representing 7.6%, 7.4%, 4.5% and 4.8% of our total purchase amount for the respective periods.

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MARKET OPPORTUNITIES AND COMPETITIVE LANDSCAPE

Over the past five years, China's freshly-made beverage market has witnessed rapid growth. The GMV of China's freshly-made beverage market increased from RMB187.8 billion in 2018 to RMB517.5 billion in 2023, representing a CAGR of 22.5%. The market GMV is expected to reach RMB1,163.4 billion in 2028, with an anticipated CAGR of 16.7% from 2024 to 2028. Freshly-made beverage stores, such as freshly-made tea stores and freshly-made coffee shops, are the primary channels for consumers to purchase freshly-made beverages. The "Good me" brand had a market share of 4.8% in China's freshly-made beverage store market in terms of GMV in 2023.

The market for freshly-made tea beverages is the largest segment of China's freshly-made beverage market in terms of GMV, and freshly-made tea stores are the primary channels through which consumers access their freshly-made tea beverages. The GMV of China's freshly-made tea store market increased from RMB70.2 billion in 2018 to RMB211.5 billion in 2023, representing a CAGR of 24.7%. The market GMV is expected to further increase to RMB519.3 billion in 2028, at a CAGR of 19.2% from 2024 to 2028. China's freshly-made tea store market was historically fragmented but has witnessed a continuous trend of consolidation. The top five freshly-made tea store brands' market share in terms of GMV increased from 38.5% in 2020 to 46.8% in 2023. The "Good me" brand ranked second in China's freshly-made tea store brands in terms of GMV in 2023, with a 9.1% market share. Additionally, the "Good me" brand ranked second in terms of store count as of December 31, 2023.

Within China's freshly-made tea store market, the mid-priced freshly-made tea store market, consisting of freshly-made tea stores with an average product list price less than RMB20 but greater than RMB10, represents the largest segment in terms of GMV in 2023 and the fastest growing segment in terms of expected GMV growth from 2024 to 2028. The market GMV grew from RMB36.4 billion in 2018 to RMB108.6 billion in 2023, representing a CAGR of 24.4%, and is expected to further increase to RMB280.9 billion in 2028, with a CAGR of 20.8% from 2024 to 2028.

The "Good me" brand competes with mid-priced freshly-made tea store brands across all city tiers. Specifically, the "Good me" brand enjoys greater presence in second-tier and below cities. As of December 31, 2023, 78.8% of "Good me" stores were located in second-tier and below cities, the largest share among the top five mid-priced freshly-made tea store brands by store count. In these cities, the "Good me" brand had approximately 22% market share in the mid-priced freshly-made tea store market in 2023 in terms of GMV. As of December 31, 2023, 38.3% of the "Good me" brand stores were located in towns and townships, while China's other top five mid-priced freshly-made tea store brands generally had below 25% of their stores located in towns and townships. Furthermore, as of the Latest Practicable Date, the "Good me" brand was the only brand to adopt a regional densification strategy among the top five mid-priced freshly-made tea store brands in China.

SUMMARY

Many stores in the freshly-made tea store market are in close proximity to each other, resulting in heightened competition. When determining the location of “*Good me*” stores (including our franchised stores and company-operated stores), we evaluate nearby pedestrian traffic, consumer profiles and purchasing power, as well as the number of nearby *Good me* stores and competitor stores, to determine whether a location meets our requirements. For details, see “Business — Our Store Network — Store Network Expansion — Store Location Selection Process.” At the store location selection stage, we generally consider the distance between our stores and the presence of our competitors’ stores, as one part of a holistic evaluation. While the presence of our competitors’ stores is one of the factors that we use to estimate the demand of our products in the neighborhood, we neither establish a protective distance between our potential new store and the competitors’ stores, nor consider the distance between our potential new store and the competitors’ stores when determining the store sites. Under our franchise agreement, we undertake not to open new franchised stores that are within certain distance of existing stores without the existing franchisees’ consent (typically being 50 meters). However, even in the city with the highest density of “*Good me*” stores, the average distance among these stores still significantly exceeds the minimum distance provided in the franchise agreements.

In the nine months ended September 30, 2024, the growth of China’s freshly-made tea store market slowed down compared with the same period of 2023. In addition, competition within the market is intensifying. Specifically, (i) the top market players are competing for appropriate locations, franchisees and consumers as they expand their store network; (ii) underperforming stores, especially those of smaller brands, cannot compete with top stores/brands and were forced to close; and (iii) several players launched low-priced products. As a result of the above, we experienced a slowdown in our GMV growth rate as well as decreases in a number of our per-store operating metrics including per-store GMV and per-store number of cups sold. In the medium and long term, with the expected growth of China’s economy and consumer spending as well as projected increases in the overall size of the freshly-made tea store market, we continue to believe that we are well-positioned to capitalize on the industry’s future growth.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

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

SUMMARY

Summary of Consolidated Statements of Profit or Loss and Comprehensive Income

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

	For the Year Ended December 31,						For the Nine Months Ended September 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(Unaudited)</i>									
	<i>(RMB in thousands, except percentages)</i>									
Revenue	4,383,901	100.0	5,559,222	100.0	7,675,665	100.0	5,570,882	100.0	6,441,288	100.0
Cost of sales	(3,070,196)	(70.0)	(3,996,290)	(71.9)	(5,272,334)	(68.7)	(3,844,469)	(69.0)	(4,476,906)	(69.5)
Gross profit	1,313,705	30.0	1,562,932	28.1	2,403,331	31.3	1,726,413	31.0	1,964,382	30.5
Other income and gains . . .	47,598	1.0	57,477	1.1	168,828	2.2	125,879	2.2	144,067	2.1
Selling and distribution expenses	(186,193)	(4.2)	(268,143)	(4.8)	(336,584)	(4.4)	(239,291)	(4.3)	(357,172)	(5.5)
Administrative expenses . . .	(123,745)	(2.8)	(187,605)	(3.4)	(282,848)	(3.7)	(180,689)	(3.2)	(225,206)	(3.3)
Research and development expenses	(65,030)	(1.5)	(118,288)	(2.1)	(198,736)	(2.6)	(129,055)	(2.3)	(165,826)	(2.6)
Other expenses	(5,775)	(0.1)	(1,069)	(0.1)	(9,456)	(0.1)	(9,434)	(0.2)	(16,711)	(0.3)
Operating profit	980,560	22.4	1,045,304	18.8	1,744,535	22.7	1,293,823	23.2	1,343,534	20.9
Finance costs	(5,079)	(0.1)	(5,424)	(0.1)	(5,233)	(0.1)	(4,299)	(0.1)	(2,216)	(0.0)
Fair value changes of financial liabilities at fair value through profit or loss	(728,388)	(16.7)	(389,523)	(7.0)	(294,215)	(3.8)	(21,669)	(0.3)	(10,556)	(0.2)
Profit before tax	247,093	5.6	650,357	11.7	1,445,087	18.8	1,267,855	22.8	1,330,762	20.7
Income tax expense	(223,101)	(5.1)	(278,332)	(5.0)	(348,733)	(4.5)	(265,818)	(4.8)	(210,994)	(3.3)
Profit for the year/period .	23,992	0.5	372,025	6.7	1,096,354	14.3	1,002,037	18.0	1,119,768	17.4
Total comprehensive income for the year/period	23,992	0.5	392,307	7.1	1,076,563	14.0	1,002,229	18.0	1,112,134	17.3
Total comprehensive income for the year/period attributable to:										
Owners of the parent	20,139	0.4	386,901	7.0	1,059,837	13.8	990,225	17.8	1,098,857	17.1
Non-controlling interests . . .	3,853	0.1	5,406	0.1	16,726	0.2	12,004	0.2	13,277	0.2

SUMMARY

Non-IFRS Measures

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

The following table reconciles our adjusted profit (non-IFRS measure) for the periods presented in accordance with IFRSs, which is profit for the year/period.

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2021	2022	2023	2023	2024
	<i>(Unaudited)</i>				
	<i>(RMB in thousands)</i>				
Reconciliation of profit for the					
year/period to adjusted profit					
(non-IFRS measure):					
Profit for the year/period	<u>23,992</u>	<u>372,025</u>	<u>1,096,354</u>	<u>1,002,037</u>	<u>1,119,768</u>
Add:					
Fair value changes of financial liabilities at fair value through profit or loss	728,388	389,523	294,215	21,669	10,556
Share-based payment expenses	17,226	24,476	55,537	18,981	–
Listing expenses	–	2,080	12,884	1,815	18,393
Adjusted profit (non-IFRS measure) . .	<u>769,606</u>	<u>788,104</u>	<u>1,458,990</u>	<u>1,044,502</u>	<u>1,148,717</u>

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

- Fair value changes of financial liabilities at fair value through profit or loss mainly represent changes in the fair value of the redeemable ordinary shares, warrants and the convertible redeemable preferred shares issued by us and relate to changes in our valuation. We do not expect to record any further fair value changes of financial liabilities at fair value through profit or loss after Listing as preferred shares liabilities will be re-designated and reclassified from liabilities to equity as a result of the automatic conversion into ordinary shares upon the Listing.
- Share-based payment expenses represent the non-cash employee benefit expenses incurred in connection with our award to key employees. Such expenses in any specific period are not expected to result in future cash payments.
- Listing expenses relate to this Global Offering of the Company.

SUMMARY

The following table reconciles our adjusted EBITDA (non-IFRS measure) for the periods presented in accordance with IFRSs, which is profit for the year/period.

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2021	2022	2023	2023	2024
	<i>(Unaudited)</i>				
	<i>(RMB in thousands)</i>				
Reconciliation of profit for the					
year/period to adjusted EBITDA					
(non-IFRS measure):					
Profit for the year/period	<u>23,992</u>	<u>372,025</u>	<u>1,096,354</u>	<u>1,002,037</u>	<u>1,119,768</u>
Add:					
Income tax expense	223,101	278,332	348,733	265,818	210,994
Finance costs	5,079	5,424	5,233	4,299	2,216
Depreciation and amortization	69,870	118,947	135,137	101,943	102,681
Less: Interest income	<u>(2,181)</u>	<u>(5,375)</u>	<u>(53,735)</u>	<u>(35,583)</u>	<u>(47,550)</u>
EBITDA	<u>319,861</u>	<u>769,353</u>	<u>1,531,722</u>	<u>1,338,514</u>	<u>1,388,109</u>
Add:					
Fair value changes of financial liabilities at fair value through profit or loss	728,388	389,523	294,215	21,669	10,556
Share-based payment expenses	17,226	24,476	55,537	18,981	–
Listing expenses	<u>–</u>	<u>2,080</u>	<u>12,884</u>	<u>1,815</u>	<u>18,393</u>
Adjusted EBITDA (non-IFRS measure).	<u>1,065,475</u>	<u>1,185,432</u>	<u>1,894,358</u>	<u>1,380,979</u>	<u>1,417,058</u>

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

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

SUMMARY

We experienced substantial growth during the Track Record Period. Our revenue increased by 26.8% from RMB4,383.9 million in 2021 to RMB5,559.2 million in 2022, primarily attributable to the growth in sales of goods and equipment mainly as a result of our growing store network and increasing GMV. Our revenue increased by 38.1% from RMB5,559.2 million in 2022 to RMB7,675.7 million in 2023, also primarily attributable to the growth in sales of goods and equipment mainly as a result of the expansion of our store network and growing GMV. Primarily because of the same reasons, our revenue increased by 15.6% from RMB5,570.9 million in the nine months ended September 30, 2023 to RMB6,441.3 million in the same period in 2024.

Our cost of sales increased by 30.2% from RMB3,070.2 million in 2021 to RMB3,996.3 million in 2022, primarily due to (i) an increase of RMB854.4 million in cost of sales of goods and equipment, and (ii) an increase of RMB67.2 million in cost of providing franchise management services. Our cost of sales increased by 31.9% from RMB3,996.3 million in 2022 to RMB5,272.3 million in 2023, primarily due to (i) an increase of RMB1,186.4 million in cost of sales of goods and equipment, and (ii) an increase of RMB87.7 million in cost of providing franchise management services. Our cost of sales increased by 16.4% from RMB3,844.5 million in the nine months ended September 30, 2023 to RMB4,476.9 million in the same period in 2024, primarily due to (i) an increase of RMB592.0 million in cost of sales of goods and equipment, and (ii) an increase of RMB38.7 million in cost of providing franchise management services. The increases in our cost of sales are generally in line with our business expansion and revenue growth.

Our gross profit increased by 19.0% from RMB1,313.7 million in 2021 to RMB1,562.9 million in 2022, and our gross profit margin slightly decreased from 30.0% in 2021 to 28.1% in 2022, primarily because we reduced the prices of certain goods supplied to our franchisees to support their operations during COVID-19. Our gross profit increased by 53.8% from RMB1,562.9 million in 2022 to RMB2,403.3 million in 2023, and our gross profit margin improved from 28.1% in 2022 to 31.3% in 2023. Our gross profit increased by 13.8% from RMB1,726.4 million in the nine months ended September 30, 2023 to RMB1,964.4 million in the same period in 2024, and our gross profit margin remained relatively stable at 30.5% in the nine months ended September 30, 2024, as compared to 31.0% in the same period in 2023.

Primarily as a result of our substantial business growth due to our growing store network and increasing GMV, and, to a lesser extent, the lower increase in the fair value of our financial liabilities at fair value through profit or loss, our profit for the year increased significantly from RMB24.0 million in 2021 to RMB372.0 million in 2022, and further increased by 194.7% to RMB1,096.4 million in 2023. Our profit for the period increased by 11.8% from RMB1,002.0 million in the nine months ended September 30, 2023 to RMB1,119.8 million in the same period in 2024.

For more discussion of our consolidated statements of profit or loss and comprehensive income, see “Financial Information — Description of Major Components of Our Results of Operations.”

SUMMARY

Breakdowns of Revenue, Gross Profit and Gross Profit Margin

The following table sets forth the breakdowns of our revenue, gross profit and gross profit margin by nature of products/services during the Track Record Period. For more details, see “Financial Information — Description of Major Components of Our Results of Operations.”

	For the Year Ended December 31,				For the Nine Months Ended September 30,							
	2021		2022		2023		2024					
	Revenue	Gross Profit Margin %	Revenue	Gross Profit Margin %	Revenue	Gross Profit Margin %	Revenue	Gross Profit Margin %				
	RMB		RMB		RMB		RMB					
Sales of goods and equipment	3,546,918	16.8	4,505,145	698,639	1,151,850	18.7	4,477,504	841,244	18.8	5,153,346	925,084	18.0
– Sales of goods	3,348,943	17.3	4,282,733	677,703	1,117,216	19.3	4,175,719	812,596	19.5	4,872,023	897,424	18.4
– Sales of equipment	197,975	8.2	222,412	20,936	34,634	9.5	301,785	28,648	9.5	281,323	27,660	9.8
Franchise management services	831,645	86.2	1,044,290	862,472	1,249,178	82.3	1,083,910	883,292	81.5	1,277,085	1,037,747	81.3
– Initial franchise fees	73,414	58.4	87,911	49,308	52,870	48.3	80,794	37,665	46.6	87,421	47,586	54.4
– Continuing support services fees	699,488	92.1	898,883	792,852	1,148,432	87.5	929,906	810,262	87.1	1,141,904	967,042	84.7
– Provision of training and other services	58,743	51.0	57,496	20,312	47,876	49.2	73,210	35,365	48.3	47,760	23,119	48.4
Sales from company-operated stores	5,338	34.9	9,787	1,821	2,303	18.7	9,468	1,877	19.8	10,857	1,551	14.3
Total	4,383,901	30.0	5,559,222	1,562,932	2,403,331	31.3	5,570,882	1,736,413	31.0	6,441,288	1,964,382	30.5

(Unaudited)

(RMB in thousands, except percentages)

SUMMARY

During the Track Record Period, the vast majority of our revenue was contributed by our franchised stores. In 2021, 2022 and 2023, revenue from franchised stores accounted for 97.9%, 97.9% and 97.1% of our total revenue, respectively. In the nine months ended September 30, 2023 and 2024, revenue from franchised stores accounted for 97.4% and 97.2% of our total revenue, respectively.

Summary of Consolidated Statements of Financial Position

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

	As of December 31,			As of
	2021	2022	2023	September 30, 2024
	<i>(RMB in thousands)</i>			
Total non-current assets	675,961	867,109	1,144,257	1,688,935
Total current assets	1,367,539	2,164,567	4,008,672	4,661,814
Total assets	2,043,500	3,031,676	5,152,929	6,350,749
Total non-current liabilities	169,091	182,628	175,220	297,335
Total current liabilities	3,080,220	3,665,642	4,362,203	4,325,774
Total liabilities	3,249,311	3,848,270	4,537,423	4,623,109
Net current (liabilities)/assets	(1,712,681)	(1,501,075)	(353,531)	336,040
Net (liabilities)/assets	(1,205,811)	(816,594)	615,506	1,727,640
Share capital	112	112	127	127
Reserves	(1,216,305)	(832,494)	582,865	1,681,722
Equity attributable to owners of the parent	(1,216,193)	(832,382)	582,992	1,681,849
Non-controlling interests	10,382	15,788	32,514	45,791
(Deficiency in assets)/Total equity	(1,205,811)	(816,594)	615,506	1,727,640

We recorded net liabilities of RMB1,205.8 million and RMB816.6 million as of December 31, 2021 and 2022, respectively, and recorded net assets of RMB615.5 million and RMB1,727.6 million as of December 31, 2023 and September 30, 2024, respectively. Our net liabilities decreased from RMB1,205.8 million as of December 31, 2021 to RMB816.6 million as of December 31, 2022, primarily attributable to our profit for the year of RMB372.0 million in 2022. As of December 31, 2023, we returned to a net assets position, primarily attributable to our profit for the year of RMB1,096.4 million in 2023. As of September 30, 2024, our net assets further increased primarily attributable to our profit for the period of RMB1,119.8 million in the nine months ended September 30, 2024.

SUMMARY

We recorded net current liabilities of RMB1,712.7 million, RMB1,501.1 million and RMB353.5 million as of December 31, 2021, 2022 and 2023, respectively, primarily due to the presentation of convertible redeemable preferred shares as current liabilities. We recorded net current assets of RMB336.0 million as of September 30, 2024, primarily due to our more sufficient cash and bank balances and financial assets at fair value through profit or loss, while fair value of financial liabilities remained stable for the nine months ended September 30, 2024. The increase in the total amounts of our cash and bank balances and financial assets at fair value through profit or loss is further attributable to the fact that we generated net cash flow from operating activities of RMB1,128.5 million in the nine months ended September 30, 2024. We recorded net current liabilities of RMB1,169.6 million as of January 15, 2025, primarily due to other payables and accruals of RMB2,099.8 million, primarily as a result of the dividend payable of RMB1,740.0 million. Our convertible redeemable preferred shares will be reclassified from liabilities to equity as a result of the automatic conversion into ordinary shares upon the Listing, after which we do not expect to recognize any further loss or gain on changes in fair value of convertible redeemable preferred shares and will further improve our net current asset position.

Our net current liabilities decreased from RMB1,712.7 million as of December 31, 2021 to RMB1,501.1 million as of December 31, 2022. The decrease was mainly due to an increase in cash and bank balances of RMB995.4 million, primarily due to the expansion of our business, partially offset by (i) an increase in financial liabilities at fair value through profit or loss of RMB389.5 million, primarily due to the increase in the fair value of our convertible redeemable preferred shares as a result of changes in the valuation of our Company, and (ii) an increase in trade payables of RMB240.0 million, attributable to the enhanced bargaining power to our suppliers and increased credit period.

Our net current liabilities decreased from RMB1,501.1 million as of December 31, 2022 to RMB353.5 million as of December 31, 2023. The decrease was mainly due to an increase in cash and bank balances of RMB1,280.8 million, primarily due to the growth of our business, partially offset by (i) an increase in financial liabilities at fair value through profit or loss of RMB294.2 million, primarily due to the increase in the fair value of our convertible redeemable preferred shares as a result of changes in the valuation of our Company, and (ii) an increase in trade payables of RMB211.7 million, attributable to the enhanced bargaining power to our suppliers and increased credit period.

We recorded net current liabilities of RMB353.5 million as of December 31, 2023, as compared to net current assets of RMB336.0 million as of September 30, 2024. The change was mainly due to (i) an increase in financial assets at fair value through profit or loss of RMB1,408.9 million, primarily due to the expansion of our business and the increase in our investment amounts in wealth management products, and (ii) an increase in trade receivables of RMB80.8 million, mainly attributable to our increased sales of coffee machines to franchisees which have long credit periods.

For more discussion of our balance sheet items, see “Financial Information — Discussion of Certain Key Items of Consolidated Statements of Financial Position.”

SUMMARY

Summary of Consolidated Statements of Cash Flows

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

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2021	2022	2023	2023	2024
				<i>(Unaudited)</i>	
				<i>(RMB in thousands)</i>	
Net cash flows from					
operating activities	267,470	1,011,162	1,573,306	1,206,286	1,128,514
Net cash flows used in					
investing activities	(237,595)	(57,341)	(470,954)	(318,607)	(1,844,425)
Net cash flows (used					
in)/from financing					
activities	<u>(42,860)</u>	<u>5,315</u>	<u>139,958</u>	<u>(145,507)</u>	<u>44,176</u>
Net (decrease)/increase in					
cash and cash					
equivalents	(12,985)	959,136	1,242,310	742,172	(671,735)
Effect of foreign exchange					
rate changes, net	(1,325)	3,524	1,183	564	(8,358)
Cash and cash equivalents					
at the beginning of the					
year/period	<u>166,118</u>	<u>151,808</u>	<u>1,114,468</u>	<u>1,114,468</u>	<u>2,357,961</u>
Cash and cash					
 equivalents at end of					
 the year/period	<u>151,808</u>	<u>1,114,468</u>	<u>2,357,961</u>	<u>1,857,204</u>	<u>1,677,868</u>

In 2021, our net cash flows generated from operating activities were RMB267.5 million, primarily consisting of our profit before tax of RMB247.1 million, adjusted for certain non-cash and non-operating items, and income tax paid of RMB159.6 million. In 2022, our net cash flows generated from operating activities were RMB1,011.2 million, primarily consisting of our profit before tax of RMB650.4 million, adjusted for certain non-cash and non-operating items, and income tax paid of RMB354.7 million. In 2023, our net cash flows generated from operating activities were RMB1,573.3 million, primarily consisting of our profit before tax of RMB1,445.1 million, adjusted for certain non-cash and non-operating items, and income tax paid of RMB310.2 million. In the nine months ended September 30, 2024, our net cash flows generated from operating activities were RMB1,128.5 million, primarily consisting of our profit before tax of RMB1,330.8 million, adjusted for certain non-cash and non-operating items, and income tax paid of RMB179.3 million.

SUMMARY

In 2021, 2022 and 2023, our net cash flows used in investing activities were RMB237.6 million, RMB57.3 million and RMB471.0 million, respectively. In the nine months ended September 30, 2024, our net cash flows used in investing activities were RMB1,844.4 million.

In 2021, our net cash flows used in financing activities were RMB42.9 million. In 2022 and 2023, our net cash flows generated from financing activities were RMB5.3 million and RMB140.0 million, respectively. In the nine months ended September 30, 2024, our net cash flows generated from financing activities were RMB44.2 million.

For more discussion of our cash flow data, adjustments for non-cash and non-operating items and the reasons underlying the changes, see “Financial Information — Liquidity and Capital Resources.”

KEY FINANCIAL RATIOS

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

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2021	2022	2023	2023	2024
				<i>(Unaudited)</i>	
Adjusted profit margin (non-IFRS measure) ⁽¹⁾ . .	17.6%	14.2%	19.0%	18.7%	17.8%
Adjusted EBITDA margin (non-IFRS measure) ⁽²⁾ . .	24.3%	21.3%	24.7%	24.8%	22.0%

Notes:

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

Our adjusted profit margin (non-IFRS measure) and adjusted EBITDA margin (non-IFRS measure) decreased in the nine months ended September 30, 2024 as compared to the same period in 2023, primarily because (i) our gross profit margin for sales of goods and equipment decreased as we maintained stable raw material supplies despite upstream price fluctuations in 2024; (ii) we incurred higher advertising and promoting fees in the nine months ended September 30, 2024; and (iii) we increased our employee headcount from 2,373 as of September 30, 2023 to 2,720 as of September 30, 2024.

SUMMARY

RISK FACTORS

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

- Our future growth depends on our ability to expand and operate our store network. We may not be able to successfully enter new geographical markets or expand our presence in the existing markets.
- A recent general industry slowdown and increased industry competition has slowed the pace of our new store openings and led to the decreases of some of our stores' operating metrics. If such trend continues, our reputation, business, financial position and results of operations could be negatively affected.
- Our business relies heavily on consumer taste, consumption trends, preferences and perceptions of freshly-made tea beverages and we might not always accurately predict and timely adapt to market trends and consumer preferences.
- We may not be able to maintain or increase the sales and profitability of our stores.
- We operate in a highly competitive and rapidly changing market in China. We face intense competition in China's freshly-made beverage market. Any failure to compete effectively might negatively impact our market share and profitability.
- Any failure by us, our franchisee, suppliers or other business partners to maintain food safety and quality might materially and adversely affect our brand, business, and financial performance.
- Our business depends significantly on market recognition of our "Good me" brand, and any failure to maintain, protect and enhance our brand could materially and adversely impact our business and results of operations.
- Our extensive store network consists primarily of franchised stores that are operated by third parties. We face certain risks associated with the use of franchise business model.
- Our operating history might not reflect our future growth or financial results. If we fail to manage our growth, our business and prospects may be materially and adversely affected.

SUMMARY

NON-COMPLIANCE INCIDENTS

Prior to and during the Track Record Period, we had certain non-compliance incidents with respect to (i) historical tax non-compliance, (ii) social insurance and housing provident funds, (iii) environmental impact assessment approval and (iv) fire safety. For details, see “Business — Legal Proceedings and Compliance — 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 regulations in all material respects and had obtained all necessary licenses that are material to our business operations from relevant government authorities during the Track Record Period and up to the Latest Practicable Date.

IMPACT OF COVID-19

The outbreak of COVID-19 and its resurgence in 2022 severely impacted China and the rest of the world. In an effort to contain the spread of COVID-19, China implemented precautionary measures that reduced economic activities, including temporary closure of workplaces and commercial centers and the imposition of travel and mobility restrictions. As a result, our store operations and financial condition were negatively affected during the Track Record Period. The supply of our goods and equipment was also adversely affected due to the associated disruptions in the upstream supply chain and logistics services. We reduced the prices of certain goods supplied to our franchisees to support their operations during COVID-19. This adjustment resulted in a slight dip in our overall gross profit margin from 30.0% in 2021 to 28.1% in 2022. We also slowed down our store expansion efforts in 2022. We opened 1,317 new stores in 2022, as compared to 1,808 new stores in 2021.

Nevertheless, our continuous efforts to improve our operation results enabled us to achieve growth in 2022, and our revenue increased from RMB4,383.9 million in 2021 to RMB5,559.2 million in 2022. This growth can be attributed to the growth of our per-store GMV and our ongoing efforts to expand our store network. Our per-store GMV increased by 3.4% from RMB2.2 million in 2021 to RMB2.3 million in 2022, and we recorded same-store GMV growth of 2.8% from 2021 to 2022. See “Risk Factors — Risks Relating to our Business and Industry — Pandemics, extreme weather conditions, natural disasters, pests and other natural conditions and other unexpected events may create substantial volatility in our business and results of operations” and “Financial Information — Impact of COVID-19.”

OFFERING STATISTICS

All statistics in the following table are based on the assumptions that (i) the Global Offering has been completed and 158,612,000 Offer Shares are issued pursuant to the Global Offering; (ii) the Offer Size Adjustment Option and the Over-allotment Option are not exercised; and (iii) each Preferred Share is converted into an Ordinary Share of our Company on a 1:1 basis immediately prior to the Global Offering.

SUMMARY

	Based on an Offer Price of HK\$8.68 per Share	Based on an Offer Price of HK\$9.94 per Share
Market capitalization of our Shares ⁽¹⁾	HK\$20,246 million	HK\$23,185 million
Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share ⁽²⁾⁽³⁾	HK\$2.81	HK\$2.90

Notes:

- (1) The calculation of market capitalization is based on 2,332,525,060 Shares expected to be in issue immediately upon completion of the Global Offering, assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised.
- (2) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as of September 30, 2024 is calculated after making the adjustments referred to in Appendix II and on the basis that 2,332,525,060 Shares are expected to be in issue immediately upon completion of the Global Offering, assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised.
- (3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after making the adjustments referred to in Appendix II to this prospectus. Had the Global Offering and the payment of the declared dividend as disclosed in “— Recent Development and No Material Adverse Change” been taken into account, the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company as of September 30, 2024 per Share would be RMB1.84 (equivalent to HK\$2.00) based on an Offer Price of HK\$8.68 per Share and RMB1.92 (equivalent to HK\$2.09) based on an Offer Price of HK\$9.94 per Share, respectively, on the basis that a total of 2,332,525,060 shares were in issue assuming that the Global Offering had been completed on September 30, 2024. After the Listing, our Company intends to declare and distribute a special dividend in an amount of no less than RMB2 billion to our shareholders, which has not been taken into account in the calculation of the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company as of September 30, 2024.

LISTING EXPENSE

Based on the mid-point Offer Price of HK\$9.31, the total estimated listing expenses in relation to the Global Offering is approximately RMB111.2 million, or approximately 8.2% of the gross proceeds, assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised. We estimate that the listing expenses will consist of approximately RMB67.0 million in underwriting fees and RMB44.2 million in non-underwriting fees. During the Track Record Period, the listing expenses charged to consolidated statement of profit or loss and comprehensive income were RMB33.4 million. We estimate that we will incur listing expenses of RMB77.8 million, of which RMB24.2 million will be charged to our consolidated statement of profit or loss and comprehensive income. The balance of approximately RMB53.6 million, which mainly includes underwriting commission, is expected to be accounted for as a deduction from equity upon the completion of the Global Offering.

SUMMARY

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$1,356 million based on an Offer Price of HK\$9.31 per Offer Share (being the mid-point of the indicative Offer Price range) and assuming no exercise of the Offer Size Adjustment Option and the Over-allotment Option, or HK\$1,813 million if the Offer Size Adjustment Option and the Over-allotment Option were exercised in full, after deducting underwriting fees and commissions and other estimated offering expenses paid and payable by us in relation to the Global Offering.

In line with our strategies, we plan to use the net proceeds from the Global Offering for the purposes and in the amounts set forth below:

- approximately 25% of the net proceeds, or approximately HK\$339 million, will be used to strengthen our information technology team and continue to digitalize our business management and store operations;
- approximately 25% of the net proceeds, or approximately HK\$339 million, will be used to enhance our supply chain capabilities and improve our supply chain management efficiency;
- approximately 20% of the net proceeds, or approximately HK\$271 million, will be used to strengthen our branding and consumer engagement efforts and implement diversified approaches to build our brand image and increase consumer awareness;
- approximately 10% of the net proceeds, or approximately HK\$136 million, will be used to recruit additional employees for franchisee management as we continue to execute our regional densification strategy, strengthen our support for franchisees and further foster a close franchisee community;
- approximately 10% of the net proceeds, or approximately HK\$136 million, will be used to recruit experts in product development and enhance our product development capabilities; and
- approximately 10% of the net proceeds, or approximately HK\$136 million, is expected to be used for working capital and other general corporate purposes.

See “Future Plans and Use of Proceeds” for further details.

OUR CONTROLLING SHAREHOLDERS

Immediately after the completion of the Global Offering and assuming that the Offer Size Adjustment Option and the Over-allotment Option are not exercised and by virtue of the Acting-in-Concert Arrangement, Mr. Wang, Mr. Qi, Mr. Ruan and Ms. Pan, through various intermediate holding companies, will together be interested in and control 1,728,260,872 Shares, representing approximately 74.09% of our issued Shares. Therefore, Mr. Wang, Mr. Qi, Mr. Ruan and Ms. Pan and their respective intermediate holding companies will constitute a group of Controlling Shareholders upon the Listing. See “Relationship with our Controlling Shareholders” for details.

SUMMARY

PRE-IPO INVESTORS

We received equity financing from our Pre-IPO Investors to support our expanding business operations. Our Pre-IPO Investors consist of Long-Z, HongShan, New Budding and Coatue 34. See “History, Reorganization and Corporate Structure — Pre-IPO Investments” for details.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue (including the Preferred Shares to be converted into our Shares) and to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option) and our Post-IPO Share Scheme.

GLOBAL OFFERING

This document is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- the Hong Kong Public Offering of initially 15,861,200 Offer Shares (subject to reallocation) in Hong Kong as described in “Structure of the Global Offering — The Hong Kong Public Offering”; and
- the International Offering of initially 142,750,800 Offer Shares (subject to reallocation, the Offer Size Adjustment Option and the Over-allotment Option) (i) in the United States to QIBs in reliance on Rule 144A or another available exemption, and (ii) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as described in “Structure of the Global Offering — The International Offering.”

The Offer Shares will represent approximately 6.8% of the total Shares in issue immediately following the completion of the Global Offering, assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised.

DIVIDENDS

In January 2025, the Company passed a Board resolution and Shareholders resolution, declaring a dividend of RMB1.74 billion based on the Company’s share premium and retained profits from our subsidiaries as of September 30, 2024 to our existing Shareholders whose names appeared in the register of members of the Company on December 31, 2024 (the “**Dividend**”). As of September 30, 2024, the total amount of our cash and bank balances and financial assets at fair value through profit or loss was RMB3.3 billion. We will not apply any proceeds from the Listing for settlement of the Dividend. RMB0.4 billion of the Dividend has

SUMMARY

been paid in January 2025. We will settle the remaining RMB1.34 billion of the Dividend by March 2026 with the funds received from the dividend declared by our subsidiaries and/or other financial resources. We shall disclose details of the payment of the Dividend in the annual reports after the Listing.

The Company intends to declare and distribute by December 2025 a special dividend (the “**Special Dividend**”) in an amount of no less than RMB2 billion to our Shareholders (including our new Shareholders after the Listing) based on our Company’s retained profits from our subsidiaries as of December 31, 2024 and share premium included in capital reserve, upon Special Dividend declaration. The Company will make announcements in due course after the Listing in respect of the declaration and payment of the foregoing Special Dividend. The Controlling Shareholders have undertaken to vote in favor of the Shareholders’ resolution for the declaration and payment of such Special Dividend.

Save as disclosed above, we intend to adopt, before the Listing, a general dividend policy of declaring and distributing dividends on an annual basis in an amount which is no less than 50% of our net profit generated in any fiscal year after the Listing after deducting any significant capital expenditures or as otherwise authorized by the Board. For the avoidance of doubt, the foregoing general dividend policy only applies to net profit generated in any fiscal year after the Listing, i.e. for the year ending 31 December 2025 onwards. Other than the foregoing Dividend declared in January 2025 and the Special Dividend, no further dividend will be declared in 2025 in respect of our Company’s retained profits from the Company and/or our subsidiaries as of December 31, 2024 or under the general dividend policy. Therefore, the payment of the Dividend and the Special Dividend will not have any impact on the general dividend policy. The decision on whether to declare dividends and the exact amount of any such distributions in any year will be based upon our operations and earnings, cash flow, financial condition, general business conditions and strategies, capital requirements, future business prospects, statutory and contractual restrictions applying to the payment of dividends and other factors that the Board may consider relevant, and subject to adjustment and determination by the Board and compliance with the requirements under applicable laws and regulations. As advised by our legal advisor on Cayman Islands law, Ogier, under the laws of the Cayman Islands, dividends may be declared and paid out of our profits or share premium account, provided that immediately following the date on which the distribution or dividend is proposed to be paid, our Company shall be able to pay its debts as they fall due in the ordinary course of business.

We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends shall be paid only out of the accumulated after-tax profits, if any, determined following PRC accounting standards and regulations. In addition, enterprises in China are required to allocate at least 10% of their respective after-tax profits each year, if any, to fund certain reserve funds until these reserves have reached 50% of the registered capital of the enterprises. Dividend distribution to our shareholders is recognized in a period in which the dividends are approved by our Shareholders or Directors, where appropriate.

SUMMARY

PROFIT ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2024

On the basis set out in Appendix IIA to this prospectus, and in the absence of unforeseen circumstances, we estimate that our unaudited consolidated profit attributable to owners of our Company for the year ended December 31, 2024 is as follows:

Estimated consolidated profit attributable Not less than RMB1.4 billion
to owners of our Company

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Since September 30, 2024 and up to the Latest Practicable Date, we continued to steadily expand our business. Our store network encompassed 9,823 stores as of November 30, 2024, as compared with 9,778 stores as of September 30, 2024. For the two months ended November 30, 2024, we generated a GMV of RMB3,794.2 million and sold a total of 224.2 million cups of beverages. We also recorded higher revenue and gross profit in the eleven months ended November 30, 2024 as compared to the same periods in 2023.

In January 2025, we declared a dividend of RMB1.74 billion to our existing shareholders whose names appeared in our register of members on December 31, 2024. RMB0.4 billion of the dividend has been paid in January 2025 and we will settle the remaining RMB1.34 billion of the dividend by March 2026. For details of this dividend and our future dividends, see “—Dividends.”

Our Directors have confirmed that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since September 30, 2024, being the end date of our latest audited consolidated financial statements, and there has been no event since September 30, 2024 that would materially affect the information shown in the Accountants’ Report set out in Appendix I to this document.

DEFINITIONS

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

“Accountants’ Report”	the accountants’ report of our Company, the text of which is set out in Appendix I
“Acting-in-Concert Arrangement”	the acting-in-concert agreement entered into by Mr. Wang, Mr. Qi, Mr. Ruan, Ms. Pan, Modern Leaves Limited, Ancient Leaves Limited, Chivalrous Lancers Limited, Chivalrous Cavalry Limited, Cousin Tea Limited, Uncle Tea Limited, Spring Equinox Drinks Limited and Winter Solstice Drinks Limited on April 14, 2022 acknowledging and confirming that, among other things, they are parties acting in concert since April 14, 2022 at any meeting of our Group where each of them and/or the directors appointed by them is entitled to vote on corporate matters as shareholders or directors and the deed of adherence to the acting-in-concert agreement entered into by Nascent Leaves Limited, Chivalrous Knights Limited, Nephew Tea Limited and Summer Solstice Drinks Limited dated December 27, 2023, details of which are set out in the section headed “History, Reorganization and Corporate Structure — Acting-in-Concert Arrangement” of this document
“affiliate(s)”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	Accounting and Financial Reporting Council of Hong Kong
“Articles” or “Articles of Association”	the third amended and restated articles of association of our Company conditionally adopted on January 27, 2025 with effect from the Listing Date, a summary of which is set out in “Summary of the Constitution of Our Company and Company Law of the Cayman Islands” in Appendix III
“associate(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Board”	the board of Directors
“business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAC”	the Cyberspace Administration of China (中華人民共和國國家互聯網信息辦公室)
“Capital Market Intermediaries”	the capital market intermediaries as named in “Directors and Parties involved in the Global Offering”
“Cayman Companies Act” or “Companies Act”	the Companies Act, Cap. 22 (As Revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“China” or “the PRC”	the People’s Republic of China, and for the purpose of this prospectus only, except where the context requires otherwise, references to China or the PRC exclude Hong Kong, Macau and Taiwan
“CIC”	China Insights Industry Consultancy Limited (灼識企業管理諮詢(上海)有限公司), a market research and consulting company, which is an independent third party
“CIC Report”	the report prepared by CIC
“close associate”	has the meaning ascribed to it under the Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Company,” “our Company,” “the Company,” “we,” “our” or “us”	Guming Holdings Limited (古茗控股有限公司), a company with limited liability incorporated in the Cayman Islands on August 31, 2021
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Wang, Mr. Qi, Mr. Ruan, Ms. Pan, and the intermediate holding companies through which they are interested in our Shares, namely Modern Leaves Limited, Ancient Leaves Limited, Nascent Leaves Limited, Chivalrous Lancers Limited, Chivalrous Cavalry Limited, Chivalrous Knights Limited, Cousin Tea Limited, Uncle Tea Limited, Nephew Tea Limited, Spring Equinox Drinks Limited, Winter Solstice Drinks Limited and Summer Solstice Drinks Limited
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of our Company
“EIT”	Enterprise income taxation
“Extreme Conditions”	the occurrence of “extreme conditions” as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below
“FINI”	“Fast Interface for New Issuance,” an online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for all new listings
“Global Offering”	the Hong Kong Public Offering and the International Offering

DEFINITIONS

“Governmental Authority”	any governmental, regulatory, or administrative commission, board, body, authority, or agency, or any stock exchange, self-regulatory organization, or other non-governmental regulatory authority, or any court, judicial body, tribunal, or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign, or supranational
“Group,” “our Group,” “the Group,” “we,” “us,” or “our”	our Company and our subsidiaries from time to time, and where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“Guide for New Listing Applicants”	the Guide for New Listing Applicants issued by the Stock Exchange in December 2023, with effect from January 1, 2024, as amended and supplemented from time to time
“Guming Technology”	Guming Technology Group Co., Ltd. (古茗科技集團有限公司), a limited liability company established in the PRC on June 12, 2018 and a wholly-owned subsidiary of our Company
“HK eIPO White Form”	the application for the Hong Kong Offer Shares to be issued in applicant’s own name by submitting applications online through the designated website at www.hkeipo.hk
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk
“HK” or “Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC EIPO channel”	the arrangement in HKSCC Operational Procedures for instructions to be given electronically to HKSCC by participants via FINI for applications to be made on their behalf for new issue shares and for the payment of application moneys, and for those instructions to be acted upon

DEFINITIONS

“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HKSCC Operational Procedures”	the operational procedures of the HKSCC, containing the practices, procedures and administrative or other requirements relating to HKSCC’s services and the operations and functions of the systems established, operated and/or otherwise provided by or through HKSCC (including FINI and CCASS) as from time to time in force
“HKSCC Participant(s)”	a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Offer Shares”	Shares being initially offered for subscription in the Hong Kong Public Offering (subject to reallocation as described in “Structure of the Global Offering”)
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%) on the terms and subject to the conditions described in “Structure of the Global Offering — The Hong Kong Public Offering”
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Hong Kong Takeovers Code” or “Takeovers Code”	Code on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering as listed in “Underwriting — Hong Kong Underwriters”
“Hong Kong Underwriting Agreement”	the underwriting agreement, dated February 3, 2025, relating to the Hong Kong Public Offering, entered into by, among others, the Joint Sponsors, the Overall Coordinators, the Hong Kong Underwriters and our Company, as further described in “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement”

DEFINITIONS

“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“independent third party(ies)”	any entity or person who is not a connected person of our Company within the meaning ascribed to it under the Listing Rules
“International Offer Shares”	Shares being initially offered for subscription under the International Offering together, where relevant, with any additional Shares that may be sold pursuant to any exercise of the Offer Size Adjustment Option and/or the Over-allotment Option (subject to reallocation as described in “Structure of the Global Offering”)
“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 requirements under the U.S. Securities Act, as further described in “Structure of the Global Offering”
“International Underwriters”	the underwriters of the International Offering
“International Underwriting Agreement”	the international underwriting agreement, expected to be entered into on or about February 10, 2025, relating to the International Offering, expected to be entered into by, among others, our Company, the Overall Coordinators and the International Underwriters, as further described in “Underwriting — International Offering — International Underwriting Agreement”
“Joint Bookrunners”	the joint bookrunners as named in “Directors and Parties involved in the Global Offering”
“Joint Global Coordinators”	the joint global coordinators as named in “Directors and Parties involved in the Global Offering”
“Joint Lead Managers”	the joint lead managers as named in “Directors and Parties involved in the Global Offering”
“Joint Sponsors”	Goldman Sachs (Asia) L.L.C. and UBS Securities Hong Kong Limited

DEFINITIONS

“Latest Practicable Date”	January 25, 2025, being the latest practicable date for ascertaining certain information in this document before its publication
“Laws”	all laws, statutes, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, directives, requests, orders, judgments, decrees, or rulings of any Governmental Authority (including the Stock Exchange and the SFC) of all relevant jurisdictions
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about Wednesday, February 12, 2025, on which the Shares are to be listed and on which dealings in the Shares are to be 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
“M&A Rules”	the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》)
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the third amended and restated memorandum of association of our Company conditionally adopted on January 27, 2025, with effect from the Listing Date, as amended from time to time, a summary of which is set out in “Summary of the Constitution of Our Company and Company Law of the Cayman Islands” in Appendix III
“MOF”	the Ministry of Finance of the PRC (中華人民共和國財政部)

DEFINITIONS

“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Qi”	Mr. Xia Qi (戚俠先生), an executive Director, the president of our Company and one of our Controlling Shareholders
“Mr. Ruan”	Mr. Xiudi Ruan (阮修迪先生), an executive Director and one of our Controlling Shareholders
“Mr. Wang” or “Founder”	Mr. Yun’an Wang (王雲安先生), founder of our Group, Chairman of the Board, an executive Director, the chief executive officer of our Company and one of our Controlling Shareholders
“Ms. Pan”	Ms. Pingping Pan (潘萍萍女士), one of our Controlling Shareholders
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy), expressed in Hong Kong dollars, at which Hong Kong 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 “Structure of the Global Offering — Pricing and Allocation”
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares

DEFINITIONS

“Offer Size Adjustment Option”	the option expected to be granted by our Company under the International Underwriting Agreement to the International Underwriters, exercisable by the Overall Coordinators (for themselves and on behalf of the International Underwriters), pursuant to which our Company may be required to allot and issue up to an aggregate of 23,791,600 additional new Shares, representing approximately 15% of the initial number of Offer Shares offered under the Global Offering, at the Offer Price to cover any excess demand in the International Offering, if any, details of which are described in the section headed “Structure of the Global Offering — Offer Size Adjustment Option”
“Overall Coordinators”	the overall coordinators as named in “Directors and Parties involved in the Global Offering”
“Over-allotment Option”	the option expected to be granted by our Company to the International Underwriters, exercisable by the Overall Coordinators (for themselves and on behalf of the International Underwriters) under the International Underwriting Agreement, to require our Company to allot and issue up to an aggregate of 27,360,400 additional Shares (representing approximately 15% of the Offer Shares offered under the Global Offering assuming the Offer Size Adjustment Option is exercised in full) or up to an aggregate of 23,791,600 additional Shares (representing approximately 15% of the Offer Shares initially offered under the Global Offering assuming the Offer Size Adjustment Option is not exercised), at the Offer Price to cover over-allocations in the International Offering, if any, details of which are described in “Structure of the Global Offering — Over-allotment Option”
“PBOC”	People’s Bank of China (中國人民銀行)
“Post-IPO Share Scheme”	the share incentive plan approved and adopted by our Company on January 27, 2025, and amended from time to time, the principal terms of which are set out in “Statutory and General Information — Post-IPO Share Scheme” in Appendix IV
“PRC Legal Advisor”	Shihui Partners, our legal advisor on PRC law

DEFINITIONS

“Pre-IPO Investment(s)”	the investments in our Company undertaken by the Pre-IPO Investors, the details of which are set out in “History, Reorganization and Corporate Structure — Pre-IPO Investments”
“Pre-IPO Investor(s)”	the investors set out in “History, Reorganization and Corporate Structure — Pre-IPO Investments — Information on the Pre-IPO Investors”
“Price Determination Agreement”	the agreement to be entered into between our Company and the Overall Coordinators (for themselves and on behalf of the Underwriters) on or about the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or about Monday, February 10, 2025 and in any event no later than 12:00 noon on Monday, February 10, 2025, on which the Offer Price is to be fixed for the purposes of the Global Offering
“QIB”	a qualified institutional buyer within the meaning of Rule 144A
“Regulation S”	Regulation S under the U.S. Securities Act
“RMB” or “Renminbi”	Renminbi, the lawful currency of China
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), which has now been merged into the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
“SAMR”	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)

DEFINITIONS

“SCNPC”	the Standing Committee of the National People’s Congress of the PRC (中華人民共和國全國人民代表大會常務委員會)
“Series A Preferred Share(s)” or “Preferred Share(s)”	Series A-1 Preferred Shares, Series A-2 Preferred Shares, Series A-3 Preferred Shares, and Series A-4 Preferred Shares
“Series A-1 Preferred Share(s)”	the Series A-1 preferred shares of the Company with par value of US\$0.00001 each
“Series A-2 Preferred Share(s)”	the Series A-2 preferred shares of the Company with par value of US\$0.00001 each
“Series A-3 Preferred Share(s)”	the Series A-3 preferred shares of the Company with par value of US\$0.00001 each
“Series A-4 Preferred Share(s)”	the Series A-4 preferred shares of the Company with par value of US\$0.00001 each
“SFC”	Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)” or “Ordinary Share(s)”	ordinary share(s) in the share capital of the Company with par value of US\$0.00001 each
“Shareholder(s)”	holder(s) of our Share(s)
“Stabilizing Manager”	Goldman Sachs (Asia) L.L.C.
“State Council”	State Council of the PRC (中華人民共和國國務院)
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules

DEFINITIONS

“ Track Record Period ”	each of the years ended December 31, 2021, 2022 and 2023 and the nine months ended September 30, 2024
“ treasury shares ”	has the meaning ascribed to it under the Listing Rules
“ 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 ”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“ U.S. dollars, ” “ US dollars ” or “ US\$ ”	United States dollars, the lawful currency of the United States
“ U.S. Securities Act ”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“ VAT ”	value-added tax
“ Warranting Shareholders ”	Mr. Wang, Nascent Leaves Limited, Ancient Leaves Limited, Modern Leaves Limited, Mr. Qi and Mr. Ruan
“ % ”	per cent

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

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

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

GLOSSARY OF TECHNICAL TERMS

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

“active members”	members that placed at least one order through one of our mini programs or over the counter in a given period
“administrative area”	According to the Ministry of Civil Affairs of the PRC, China is divided geographically into (i) province-level regions (省級行政區), including primarily provinces (省) and municipalities (直轄市), (ii) prefecture-level areas (地級行政區), including primarily prefecture-level cities (市) and autonomous prefectures (自治州), (iii) county-level areas (縣級行政區), including primarily counties (縣), districts (市轄區) and county-level cities (縣級市), and (iv) township-level areas (鄉級行政區), including primarily towns (鎮), townships (鄉) and subdistricts (街道)
“average store equipment expenditure per newly opened franchised store”	Calculated by dividing the total value of initial equipment purchase by newly opened stores for a particular period by the number of newly opened stores that made initial equipment purchase during the same period
“CAGR”	compound annual growth rate
“cold-chain”	a temperature-controlled supply chain infrastructure comprising refrigerated warehousing and logistics facilities supported by equipment that can constantly maintain the required low-temperature range
“critical mass”	in the context of discussing our regional densification strategy, a province or the store network in a province achieving “critical mass” refers to at least 500 “ <i>Good me</i> ” stores opened in the province
“first-tier cities”	Beijing, Shanghai, Guangzhou and Shenzhen
“fourth-tier and below cities”	all prefecture-level areas in China excluding first-tier cities, new first-tier cities, second-tier cities and third-tier cities

GLOSSARY OF TECHNICAL TERMS

**“franchisees’ per-store
operating profit”**

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

The total estimated operating profit of our franchised stores in a given year is calculated by removing, from the net proceeds from our franchised stores’ product sales, as recorded in our system, (i) our franchised stores’ total cost of ingredient supplies, being our franchisees’ procurement amount for the goods purchased from us, (ii) our franchised stores’ rental cost as recorded in our system based on the numbers reported to us by our franchisees, (iii) our franchised stores’ total labor cost being the actual salary cost as reported to us by our franchisees, or store-specific estimates, and (iv) our franchised stores’ total estimated utility and miscellaneous expenses, which are store-specific estimates.

For the above calculations, we rely on our franchised stores who report to us their rental cost and, in some cases, labor cost. We have cross-checked the rental cost against our record of the stores’ lease agreements and cross-checked the labor cost against the stores’ scale of operation (as measured by GMV). However, we are not able to independently verify the franchised stores’ actual rental and labor cost paid

**“franchisees’ per-store
operating profit margin”**

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

“GMV”

gross merchandise value

GLOSSARY OF TECHNICAL TERMS

“HPP”	high pressure processing, a food processing technique that helps retain the rich and fresh flavors of ingredients
“key opinion leader” or “KOL”	an influential individual on a social platform that consumers trust with purchasing decisions and popular opinions
“new first-tier cities”	Chengdu, Xi’an, Wuhan, Suzhou, Zhengzhou, Chongqing, Hangzhou, Nanjing, Tianjin, Changsha, Dongguan, Ningbo, Hefei, Kunming and Qingdao
“per-store GMV”	calculated by multiplying the per-store daily GMV by the number of days in the relevant period. The number of days for the years ended December 31 is 365 days, and the number of days for the nine months ended September 30 is 274 days. The per-store daily GMV is calculated by dividing the total GMV generated by our stores in a given period by the aggregate of the number of days that each of our stores could be open for business in the given period, which is measured by the number of days from (i) the latter of a store’s launch day and the first day of the year, to (ii) the earlier of a store’s closure day and the last day of the period. Launch day refers to the first day a newly launched store opens for business
“per-store number of cups sold”	calculated by multiplying the per-store daily number of cups sold by the number of days in the relevant period. The number of days for the years ended December 31 is 365 days, and the number of days for the nine months ended September 30 is 274 days. The per-store daily number of cups sold is calculated by dividing the total number of cups sold by our stores in a given period by the aggregate of the number of days that each of our stores could be open for business in the given period, which is measured by the number of days from (i) the latter of a store’s launch day and the first day of the period, to (ii) the earlier of a store’s closure day and the last day of the period. Launch day refers to the first day a newly launched store opens for business
“presence”	in the context of discussing our regional densification strategy, establishing “presence” in a province refers to at least 10 “ <i>Good me</i> ” stores opened in the province

GLOSSARY OF TECHNICAL TERMS

“province(s)”	unless stated otherwise, means China’s province-level regions (省級行政區) according to the Ministry of Civil Affairs of the PRC
“repurchase rate”	calculated by dividing, among those that had become our registered members before the first day of a given period, (i) the number of our members that placed at least two orders through our mini programs or over the counter in a given period, by (ii) the number of our active members in the same period
“same-store GMV growth”	the percentage difference in GMV generated by same stores between a given period and the corresponding period in the previous year, or the prior period. Same stores are stores that have been launched prior to the first day of the prior period and have not been permanently closed as of the last day of the given period
“second-tier cities”	Foshan, Shenyang, Jinan, Wuxi, Xiamen, Fuzhou, Wenzhou, Jinhua, Harbin, Dalian, Guiyang, Nanning, Quanzhou, Shijiazhuang, Changchun, Nanchang, Huizhou, Changzhou, Jiaxing, Xuzhou, Nantong, Taiyuan, Baoding, Zhuhai, Zhongshan, Taizhou, Linyi, Weifang, Shaoxing and Yantai
“store(s)” or “our stores”	in the context of describing our store network, “stores” or “our stores” include our franchised stores and company-operated stores, unless explicitly stated otherwise
“third-tier cities”	Anqing, Anyang, Bengbu, Cangzhou, Changde, Chaozhou, Chuzhou, Dezhou, Fuyang, Ganzhou, Guilin, Haikou, Handan, Hengyang, Heze, Hohhot, Huai’an, Huanggang, Huzhou, Jiangmen, Jieyang, Jingzhou, Jining, Jiujiang, Langfang, Lanzhou, Lianyungang, Liaocheng, Liuzhou, Lu’an, Luoyang, Mianyang, Nanchong, Nanyang, Ningde, Putian, Qingyuan, Sanya, Shangqiu, Shangrao, Shantou, Suqian, Suzhou, Tai’an, Taizhou, Tangshan, Urumqi, Weihai, Weinan, Wuhu, Xiangyang, Xianyang, Xingtai, Xinxiang, Xinyang, Yancheng, Yangzhou, Yichang, Yichun, Yinchuan, Yueyang, Zhangzhou, Zhanjiang, Zhaoqing, Zhenjiang, Zhoukou, Zhumadian, Zhuzhou, Zibo and Zunyi
“towns and townships”	when used together, towns and townships refer to all of China’s township-level administrative areas excluding subdistricts (街道), which are typically located in relatively developed, downtown urban areas

FORWARD-LOOKING STATEMENTS

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

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

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

FORWARD-LOOKING STATEMENTS

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 to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of or references to our intentions or those of any of our Directors are made as of the date of this document. Any such intentions may change in light of future developments.

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

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An investment in our Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an 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 is given as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in “Forward-looking Statements” in this document.

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

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

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

During the Track Record Period, we generated substantially all of our revenue from the sales of goods and equipment and the provision of management services to our franchisees. Accordingly, our future growth depends significantly on our ability to operate and expand our store network. We may not be successful in expanding our store network.

In terms of new geographical markets, any additional new markets we might enter in the future could present different competitive conditions, consumer preferences, spending patterns, and regulatory and compliance requirements. We cannot guarantee that the actual market demands of new regions will align with our expectations or that we will open new stores in these markets in a timely manner or at all. To increase our brand awareness in new geographical markets, we might need to invest more in advertising and promotional activities than originally planned. If we cannot successfully enter these new geographical markets or if there is a delay in our expansion in these markets, our business, financial position, and results of operations might be adversely affected.

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For existing geographical markets, as we increase our store density in select provinces, we will also need to enhance our supply chain infrastructure in these provinces to meet the growing market demand, while maintaining the high quality and freshness of the ingredients for our beverages. As a result, we might incur additional operating expenses as we continue our expansion in these markets. Further, we may also encounter difficulties during our expansion. For example, we may face intense competition from other brands. In the event that we fail to maintain our relationship with existing franchisees or our competitors offer more favorable terms, our existing franchisees may choose to instead collaborate with other brands, which may, in turn, negatively affect our market share in the existing markets. If our expansion in the existing markets is not cost-effective or fails to achieve positive results, it could negatively impact our business, financial position, and results of operations.

The pace of our new store openings is affected by the overall growth and competitive landscape of the freshly-made beverage market and freshly-made tea store market in China. Weak market conditions and increased competition may limit our ability to expand our store network. In the nine months ended September 30, 2024, the freshly-made tea store market experienced a slowdown in growth, which contributed to us opening fewer new stores during this period. If we and our franchisees over expand the store network, the franchised stores' operating profit may be negatively affected and our reputation, business, financial position and results of operations could be negatively affected.

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

A recent general industry slowdown and increased industry competition has caused us to slow the pace of our new store openings and led to the decreases of some of our stores' operating metrics. If such trend continues, our reputation, business, financial position and results of operations could be negatively affected.

In the nine months ended September 30, 2024, the freshly-made tea store market experienced a slowdown in growth and there was increased competition within the industry with some players launching low-priced products. As a result, we opened new stores at a slower pace in the nine months ended September 30, 2024 than we did in 2023. In addition, some of our stores' operating metrics, including same-store GMV, per-store GMV, per-store number of cups sold, average GMV per order, average number of orders per store per day, and average daily GMV per newly-opened franchised stores, experienced decreases. We also experienced a larger number of store closures and terminated our relationship with a larger number of franchisees in the nine months ended September 30, 2024. While we expect China's economy and consumer spending to experience steady growth and the freshly-made tea store market to continue to expand in the medium and long term, we cannot assure you that the trend observed in the nine months ended September 30, 2024 will not persist, at least in the short term. If such trend continues, the pace of our new store openings and our stores' operating metrics could be adversely affected, which could further impact our reputation, business, financial position and results of operations.

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

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

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

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

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

The sales and profitability of our stores would also affect the growth of our business and remain as key factors affecting our revenue and profit. Factors such as diverse product offerings, quality of products, service quality of staff, consumer experience, delivery options and prime store locations with high consumer traffic can influence these outcomes. Furthermore, the operations of our franchisees can considerably impact our brand reputation and store sales. There is no guarantee that our stores' sales growth and profitability will consistently align with our expectations. For the nine months ended September 30, 2024, in light of the general industry slowdown and increased competition, our same-store GMV decreased by 0.7% as compared to the same period of 2023. In addition, between the nine months ended September 30, 2023 and 2024, our per-store GMV decreased from RMB1.9 million to RMB1.8 million, per-store daily GMV decreased from RMB6.8 thousand to RMB6.5 thousand, per-store number of cups sold decreased from 114.2 thousand to 105.8 thousand, per-store daily number of cups sold decreased from 417 to 386, average GMV per order

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decreased from RMB28.2 to RMB27.7, average number of orders per store per day decreased from 241 to 234, and average daily GMV per newly-opened franchised store decreased from RMB5.8 thousand to RMB5.2 thousand. Should the above metrics fail to meet our expectations or experience a downturn, our business, financial status, and results of operations could be materially and adversely affected. Furthermore, our brand value may be harmed and we may encounter difficulties in attracting new franchisees.

Moreover, our strategy to broaden our footprint and densify our store network in existing geographical markets may inadvertently lead to competition among our franchisees. Establishing new stores near existing ones might result in the diversion of consumer traffic, potentially diminishing the sales performance of our established locations. In addition, it may not be profitable for the franchisees to open new stores in certain locations where there are sufficient stores from our competitors. While we currently have measures in place to evaluate the potential cannibalization effect, there is no guarantee that these measures are, or can always be, effective. As our expansion continues, these competitive pressures could dampen our overall sales growth, thereby affecting our business, financial condition, and operational results.

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

The freshly-made beverage market in China is highly competitive and rapidly evolving. We face intense competition from other freshly-made tea store brands in various areas, including product development and innovation, product quality and consistency, value for money, store location, consumer experience, and consumer acquisition and retention. In particular, there is a significant number of tea brands in China amidst low product differentiation, and many stores in the freshly-made tea store market are in close proximity to each other. In the nine months ended September 30, 2024, the growth of China's freshly-made beverage market slowed down compared with the same period in 2023. As a result, the growth rate of our GMV slowed from 37.2% between 2022 and 2023 to 20.4% between the nine months ended September 30, 2023 and 2024. We may fail to compete effectively against, or be outperformed by, other freshly-made tea stores. For example, our competitors might have more financial, technological, marketing, and other resources than we have. They might be more experienced or able to devote greater resources to develop and promote their products and expand to new areas. Any competitive measures they take in response to our expansion could hinder our growth and adversely affect our sales and results of operations. Additionally, if we are unable to attract and retain our consumers with quality beverages, develop and launch new products that cater to our consumers' preferences, continually enhance our consumer experience, or continue to build brand awareness, consumers might choose products and services offered by our competitors, which could adversely affect our business, financial condition, and results of operations.

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Furthermore, intense competition might reduce our market share and profitability and require us to increase our sales and marketing efforts and capital commitment in the future. This could negatively affect our results of operations. There is no assurance that we will continue to expand or retain our consumer base in the future against current or future competitors. If we fail to compete effectively, our business might suffer from reduced market share and consumer traffic, and our financial condition and results of operations could be materially and adversely affected.

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

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

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

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

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

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

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

- maintain the quality and attractiveness of our existing products and develop new products that address consumers’ needs;
- deliver a pleasant consumer experience;
- enhance brand awareness through marketing and brand promotion activities;
- maintain mutually beneficial relationship and retain favorable terms with our franchisees, suppliers, service providers and other business partners;

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- ensure compliance with relevant laws and regulations;
- compete effectively against current and future competitors; and
- preserve our reputation and goodwill, especially in the event of any negative publicity on our products, services, data security, or other issues affecting us or China's food and beverage sector in general.

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

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

Our extensive store network consists primarily of franchised stores that are operated by third parties. We face certain risks associated with the use of franchise business model.

We primarily operate our business under the franchise model. As of December 31, 2021, 2022 and 2023 and September 30, 2024, we had 2,381, 2,949, 4,614 and 4,842 franchisees, respectively, and 5,689, 6,664, 8,995 and 9,771 franchised stores, respectively. Therefore, our business operation depends heavily on the success of, and cooperation with, our franchisees. The results of our operations are also significantly influenced by the performance of our franchised stores.

We face a number of risks associated with the use of our franchise business model, each of which may impact our revenue generation, harm our brand image, and may adversely affect our business and results of operations. These risks include, among others:

- *Revenue contribution of our franchised stores.* During the Track Record Period, our revenue was significantly contributed by our franchised stores, including the revenue generated from the sales of goods and equipment and franchise management services. Our financial performance is highly dependent on our franchisees' sales

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growth. If they do not achieve expected sales, our revenue and profit margins could be negatively affected. Moreover, if sales trends decline for our franchisees, it might result in store closures, delayed payments, or reduced payments to us.

- *Ability and willingness of franchisees to operate stores.* The success of our store network expansion largely depends on the willingness and ability of our franchisees to implement major initiatives. These initiatives, such as marketing and promotional activities, may involve additional cost and might be more beneficial in the long term. There is no assurance that our franchisees will always implement these initiatives, align with our visions or prioritize long-term benefits.
- *Management of franchisees.* Our franchisees generally operate their businesses independently and are responsible for the day-to-day operation of their stores. Thus, the success and quality of a franchised store are largely dependent on the franchisee. We cannot guarantee that our management of franchisees will always be effective. If our franchisees do not fulfill their obligations in accordance with their franchise agreements with us or our internal policies or guidelines, or if they fail to successfully operate stores consistent with our standards, our brand's image and reputation could suffer, which in turn could hurt our business and results of operation. Our contractual rights and remedies might be limited, potentially costly to exercise, or subject to litigation.
- *Litigation regarding franchisees.* Our franchisees face various litigation risks, including consumer claims, personal-injury claims, environmental claims, and employee allegations of improper termination. Even though we are not directly responsible for these litigation costs, they might increase the costs for our franchisees and affect their profitability. This could limit funds available for fees to us, renovations, store development, or the renewal of their agreements with us, which in turn could adversely affect our business and operating results and may have negative impact on our brand image.

If any of our franchisees defaults under our agreements or commits misconducts, they may not be in a position to compensate us sufficiently for losses that we suffered as a result of such defaults or misconducts. Further, the bankruptcy of a franchisee could also substantially impact our ability to collect payments from our franchisees. While we may take action to terminate our relationship with these franchisees, it is not always possible to promptly identify and address problems. Consequently, our brand image and reputation could be compromised, leading to a material adverse impact on our operational results.

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

We have achieved rapid growth with 9,778 stores covering over 200 cities across all city tiers as of September 30, 2024. However, our operating history may not serve as an adequate basis for evaluating our prospects and operating results, and our historical growth may not be indicative of our future growth or financial performance. There is no assurance that we will be able to maintain our historical growth rates in future periods. For example, we opened a relatively large number of new stores in 2021 and 2023 and relatively fewer new stores in 2022 and the nine months ended September 30, 2024. In particular, we opened 1,218 stores and closed 441 stores in the nine months ended September 30, 2024. The speed of our new store openings may fluctuate from time to time, due to factors such as changing market conditions and adjustments to our strategic focus from increasing scale to improving operating efficiency. Our growth rates may decline for a variety of reasons, and some of them are beyond our control, including prevailing dietary preferences and perceptions of consumers, increasingly intense competition, the emergence of alternative business models, and changes in government policies or general economic conditions. We will continue to expand our store network and enrich our product offerings to further increase our consumer base and enhance the consumer experience. However, our expansion is subject to uncertainties, and our business may not grow at the rate we expect for the reasons stated above. If our growth rates decline, investors' perceptions of our business and prospects may be adversely affected, and the market price of our Shares could decline.

The expansion of our store network may place substantial demands on our management and our operational, technological, labor, and other resources. Our expansion will also place significant demands on us to maintain consistent food and service quality and preserve our reputation to ensure that our brand will not suffer as a result of any deterioration, whether actual or perceived, in the quality of our food or services. Our continued success also depends on our ability to recruit, train, and retain additional qualified management, administrative, sales, and marketing personnel, particularly as we expand into new markets. In addition, we need to continue to manage our relationships with our franchisees, consumers, suppliers, service providers, and other business partners. These endeavors will require substantial management attention and efforts and will require significant additional expenditures. We cannot assure you that we will be able to manage any future growth effectively and efficiently, and any failure to do so may materially and adversely affect our ability to capitalize on new business opportunities. This, in turn, may have a material adverse effect on our business, financial condition, and results of operations.

Pandemics, extreme weather conditions, natural disasters, pests and other natural conditions and other unexpected events may create substantial volatility in our business and results of operations.

Our business operations are vulnerable to extreme weather conditions such as windstorms, hailstorms, drought, temperature extremes and typhoons, natural disasters such as earthquakes, forest fires and floods, and other events that may affect our supplies. Our business

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is also dependent on proper warehousing and prompt delivery and transportation of products to our stores. Perishable fruits and other food ingredient may deteriorate due to malfunctioning of refrigeration facilities caused by power failures and other events. Certain events, such as adverse weather conditions, natural disasters, severe traffic accidents and delays and labor strikes, could also lead to delayed or lost deliveries of products to our stores. In addition, fires, floods, earthquakes and terrorist attacks may lead to evacuations and other disruptions in our operations, which may also prevent our stores from providing products and services to consumers, thereby affecting our business and damaging our reputation. Any such event could materially and adversely affect our business operations and results of operations.

In addition, pandemics may also cause a volatility for our business and results of operation. For instance, during the Track Record Period, our store operations and financial condition were negatively impacted by the COVID-19 pandemic. The supply of our goods and equipment was also affected due to the associated disruptions in the upstream supply chain and logistics services. We reduced the prices of certain goods supplied to our franchisees to support their operations during COVID-19. This adjustment resulted in a slight dip in our overall gross profit margin from 30.0% in 2021 to 28.1% in 2022. We also slowed down our store expansion efforts in 2022. We opened 1,317 new stores in 2022, as compared to 1,808 new stores in 2021. See “Financial Information — Impact of COVID-19.” These events are beyond our control, and we cannot assure you that similar events will not happen in the future. Our future responses to these events and other preventative measures may not always be effective.

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

Our supplies, including ingredients for our tea beverages and coffee beverages, such as fresh fruits, fresh juices, tea leaves and dairy products, are crucial to the operation of our stores. Any fluctuation in the market prices of our supplies may result in material changes in our cost of goods and equipment, which, in turn, could adversely affect our business and results of operations. For example, the consumer price index, or CPI, for fruits in China increased from 102.8 in 2021 to 112.9 in 2022. In addition, the CPI for tea in China slightly increased from 101.1 in 2021 to 102.4 in 2022, and the CPI for dairy products witnessed a minor decrease from 101.8 in 2021 to 100.8 in 2022. For more details, see “Industry Overview — Cost of Raw Materials and Labor — Cost of Raw Materials.” Our cost of sales of goods and equipment accounted for 67.3%, 68.4% and 65.0% of our total revenue in 2021, 2022 and 2023, respectively, and 65.3% and 65.6% of our total revenue in the nine months ended September 30, 2023 and 2024, respectively. In addition, as fruits and most of our supplies have relatively short shelf-life, frequent and timely supply of these products remains important to our operations. In particular, for certain seasonal fruits whose prices may vary significantly throughout the year, we also preemptively limit the extent of the fluctuations by locking in our procurement quantity and purchase prices of some of our ingredients in our procurement agreement with suppliers, sometimes as far as one year in advance. However, there is no guarantee that these measures would be effective to secure sufficient supplies or to control our cost of goods. Shortages of one or more of the supplies for our menu items could force our stores to remove items from the menus, which may cause consumers to purchase similar

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products from our competitors. Furthermore, the cancellation of our supply arrangements by our suppliers or the disruptions, delay or inability of these suppliers to deliver our supplies may materially and adversely affect our results of operations if we fail to timely secure alternative sources. Lack of availability of these products, whether due to shortages in supply, delays or interruptions in processing, failure of timely delivery or otherwise, could interrupt our operations and adversely affect our financial results.

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

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

Our business operation depends on third-party suppliers and other business partners to provide supplies and services to us. For the years ended December 31, 2021, 2022 and 2023 and the nine months ended September 30, 2024, purchases from our five largest suppliers in each period amounted to RMB601.3 million, RMB751.7 million, RMB810.8 million and RMB756.0 million, representing 18.1%, 20.9%, 16.5% and 18.8% of our total purchase amount for the respective periods. For details of our supply chain management, see “Business — Supply Chain Management.” Any interruptions to their operations, any failure of our suppliers to accommodate our fast business growth, any termination or suspension of our supply arrangements, any change in cooperation terms, any deterioration of cooperative relationships, or any disputes with our third-party suppliers or other business partners may materially and adversely affect our results of operations. For instance, a significant interruption in the operations of our suppliers could cause a delay or temporary shortage of supplies for our tea beverages. A significant interruption in the operations of our internet service provider could impact the operation of our online operations. In addition, our competitors may be more effective in providing incentives to our suppliers to prioritize their orders in case of supply shortage. We cannot assure you that we would be able to find replacement suppliers with commercially reasonable terms or on a timely manner. In the event of a loss of any suppliers or other business partners, our operations could be interrupted and we may incur additional costs in identifying other suitable suppliers or business partners. If we could not solve the impact of the interruptions of the operations of or cooperation with our third-party suppliers or other business partners, our business operations and financial results may be materially and adversely affected.

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

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

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

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

We continuously invest in comprehensive marketing and promotional activities, spanning both digital and traditional channels, to promote our products. Following our regional densification strategy, we typically consolidate resources to build up our brand awareness region by region. The effectiveness of our marketing and promotional efforts directly influences our operating results. In 2021, 2022 and 2023, our advertising and promoting fees amounted to RMB40.9 million, RMB36.6 million and RMB62.5 million, representing approximately 0.9%, 0.7% and 0.8% of our revenue in these years, respectively. In the nine months ended September 30, 2023 and 2024, our advertising and promoting fees amounted to RMB42.7 million and RMB115.9 million, representing 0.8% and 1.8% of our revenue in these periods, respectively. We will continue to adopt and implement marketing and promotional strategies to fortify our market standing.

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

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

Our reputation and operations might be harmed by illegal conduct, unsatisfactory actions or subpar performance by, disputes with, or grievances from our employees, franchisees, staff in our franchised stores, third-party suppliers, service providers and other business partners, which are beyond our control. For example, if our suppliers fail to comply with food safety or other regulations, or experience contamination during delivery to our processing facilities or warehouses, our operations could be interrupted, leading to potential claims against us. As we also use third-party vehicles to fulfill our delivery needs, our business may be negatively affected if third-party transportation service providers fail to ensure timely deliveries and maintain the quality of our ingredients during the transportation. A franchisee or staff in a franchised store could violate our protocols or mishandle consumer complaints. Potential employee misconduct, including fraudulent activities and theft, poses a risk to our operations. Additionally, any failure to adhere to our internal policies and applicable regulations might harm our reputation and/or expose us to regulatory penalties. We had also engaged external consultants to support our site selections when entering new markets. During the Track Record Period, one of our external consultants, who is no longer with us, engaged in allegedly fraudulent conduct by misrepresenting the financial prospects of our franchised stores to parties interested in becoming our franchisees and requesting personal kickbacks for helping such parties to become our franchisees. These actions are against our internal policies and strictly prohibited. Upon discovering this external consultant's actions, we promptly reported this matter to the police and are cooperating with relevant investigations. We have also adopted internal control policies to prevent similar issues from occurring. As of the Latest Practicable Date, we did not have any external consultant and did not plan to engage any external consultant. Nonetheless, any misconduct or violations of applicable laws or our internal policies by employees, franchisees, staff in the franchised stores, third-party suppliers or other business partners might harm our reputation and/or disrupt our business operation.

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

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

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

Publicity about our business can also attract heightened attention from the public, regulators, and the media. Due to our large store network and ongoing business expansion, we may face intensified regulatory and public scrutiny, particularly regarding consumer protection and food safety issues, leading to additional legal and societal obligations. Any adverse report about our business, financial condition, or results — whether true or not — can tarnish our brand image, affect sales, and potentially lead to liability claims, litigation, or damages. Any negative publicity about the freshly-made tea beverage industry in general could also adversely affect our sales on a regional or national level. Furthermore, improper actions or statements by our employees, endorsers, or celebrities we collaborate with could significantly harm our brand and operations. While we strive to maintain our reputation, there is no guarantee against future regulatory or public scrutiny, which could have a negative impact on our reputation, business, and prospects.

Significant liability claims or consumer complaints, or adverse publicity and heightened regulatory scrutiny involving our products, services or stores operations, may have a negative impact on our business and results of operation. Any complaints or claims against us, even if meritless or unsuccessful, may divert management attention and other resources from our business and adversely affect our business and operations. Consumers may lose confidence in us and our brand, which may adversely affect our business and results of operations. Furthermore, adverse publicity including but not limited to negative online reviews on social media platforms, industry findings or negative public or medical opinions about the health effects of consuming tea or coffee beverages, media reports related to food quality, safety, public health concerns, illness, injury or government, whether or not accurate, and whether or not concerning our products, can adversely affect our business, results of operations and reputation.

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

Our timely delivery of goods and equipment to our stores relies heavily on the smooth operation of our processing facilities, warehouses, and freight vehicles. As of September 30, 2024, we operated three processing facilities dedicated to fruit juice and tea leaves processing, and 22 warehouses with cold storage spaces supporting various temperature ranges. Unexpected and prolonged disruptions, such as water, electricity shortages, or fires, can seriously impact our business. If we are unable to swiftly restore or relocate the affected facilities, our business operations will be materially and adversely interrupted. While we have put prevention measures in place, there is no guarantee of their effectiveness. If our processing facilities or any of our warehouses were to experience a significant incident, we might suffer product losses, incur substantial costs for restoration or relocation, and potentially face legal repercussions for not adhering to applicable laws and regulations. Furthermore, if such incident leads to damages incurred by third parties, and we are deemed partially or wholly responsible, we might also face compensation liabilities. As a result, our business operation, results of operations and financial condition may be adversely affected.

Given the fragile and perishable nature of our tea beverage ingredients, we have set strict temperature guidelines for transportation. Our logistics capabilities ensure the safe and efficient transfer of products between the warehouses and from warehouses to stores. As of September 30, 2024, we directly owned and operated over 360 vehicles. If any significant breakdowns, especially concerning temperature or humidity controls, were to occur over an extended period, it could compromise the freshness and quality of the stored ingredients. Delays caused by traffic congestion, accidents, or other unforeseen incidents could also disrupt our logistics operations and impact timely deliveries. In the event of equipment malfunctions, not only might we need to discard compromised products, but equipment repairs or upgrades can be costly and time-consuming. These challenges in logistics could adversely affect our business operations and financial results.

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

We offer our order delivery options primarily through two channels: orders directly placed on and fulfilled by third-party online delivery platforms, and delivery orders placed via our mini programs and fulfilled by third-party delivery couriers. Approximately 241.5 million, 373.9 million, 510.8 million and 418.3 million cups were sold through delivery services in 2021, 2022, 2023 and the nine months ended September 30, 2024, respectively, representing 35.5%, 43.0%, 43.1% and 42.3% of the total cups sold in these periods, respectively.

Our delivery option is heavily reliant on a few service providers, notably two leading third-party delivery platforms in China. Any disruption or challenges in our and franchisees' collaboration with these third-party providers — be it disruptions in their delivery service, issues with order accuracy or quality control during the delivery process, interruption to their business operations, termination or suspension of our cooperation, disputes or deterioration

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with respect to our relationships, or adverse changes in key contractual terms such as increased fee rate — might lead to order delivery delays, heighten our costs, or have other negative impacts on our business and results of operations. Pursuant to our agreements with these third-party delivery platforms, our stores (including franchised stores and company-operated stores) are generally responsible for securing food safety and product quality of our products to be delivered. If third-party delivery platforms suffer losses attributable to our fault or our stores', such as the quality or safety issues of our products or services, the third-party delivery platform has the right to claim compensation from us.

There can be no assurance that our existing relationships with these third-party service providers will continue on terms that are favorable to us. Furthermore, our attempts to form new partnerships with other delivery service providers may not always result in success. If we face challenges in sustaining or developing positive relationships with these service providers or if we struggle to engage with new service providers, our store sales and brand image could suffer, which would negatively impact our overall business.

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

Our business operations exhibit a concentration within specific geographical regions. A significant number of our stores are currently located in eight provinces in Eastern and Southern China, which collectively generated 90%, 91%, 87% and 84% of our GMV in 2021, 2022, 2023 and the nine months ended September 30, 2024, respectively. Any adverse event or circumstance unique to these regions could have an amplified impact on our overall performance. This includes not only industry-specific challenges, like changes in consumer preferences or market saturation but also broader external changes. Factors such as localized economic downturns, natural disasters, outbreaks of infectious diseases, acts of terrorism, or new regulations imposed by local authorities that might impose constraints on our operations or the freshly-made tea beverage industry as a whole can substantially affect our revenue. The fallout from any of these events may materially and adversely affect our financial results and business operation.

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

As of September 30, 2024, almost all of our franchised stores, our company-operated stores, office spaces and warehouses are located on leased premises. As a result, we and our franchisees encounter various risks related to these leased properties during regular business operations. Specifically, potential title defects and usage defects of our leased properties may expose us, including our self-operated stores, to risks. Our franchised stores may be subject to similar risks from potential title defects of their leased properties.

Our stores' lease agreements are generally with a term of one to five years. Therefore, the ability to renew existing lease agreements at reasonable commercial terms is critical to the stores' continuous operations and profitability, especially for those in high traffic areas. We or

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our franchisees might struggle to negotiate lease renewal with the landlord and may be forced to relocate to locations with unsatisfactory consumer traffic. Furthermore, we and our franchisees may also face the risk of unexpected early lease termination, either initiated by the landlords or due to uncontrollable reasons. If we and our franchisees are unable to find alternative suitable premises on acceptable terms in a timely manner, affected stores may need to close temporarily, which may materially and adversely affect their financial and operational outcomes. In 2021, 2022, 2023 and the nine months ended September 30, 2024, 17, 20, 25 and 34 of our franchised stores were closed due to early termination or failure of renewal of their lease agreements. Relocations would also lead to additional costs, thus affecting our business operations and financial condition. Additionally, we and our franchisees may also need to compete with other businesses for desired locations. As a result, rental payments may significantly increase due to high demand for the leased properties, which may further adversely affect the business operations and financial condition of us and our franchised stores.

In addition, potential title defects might exist in the leasehold interest of our properties and our rights to some of the leased properties could face challenges from property owners or other external parties. As of the Latest Practicable Date, 10 of our 44 leased properties in China with an aggregate gross floor area of approximately 48,000 square meters were subject to potential title defects, representing approximately 23% of the total gross floor area of our leased properties in China. Such 10 leased properties are used for office, warehousing or production activities. The landlords of such leased properties failed to provide us with the relevant title ownership certificates for the leased properties or proof of authorizations from the property owners to sublease the properties to us. See “Business — Properties and Facilities.” There is a risk that such landlords may not have the relevant property ownership certificates or the right to lease or sublease such properties to us, in which case the relevant lease agreements might be deemed unenforceable in accordance with the relevant laws and regulations and we may be forced to vacate these properties and relocate. In this event, our operations in such properties may be impaired and we may not be adequately indemnified by the landlords for our related losses. Also, we cannot assure you that our franchised stores are not faced with similar title defects or our franchisees’ rights to their leased properties would not be challenged by third parties. We and our franchisees will incur additional costs in relocating to other suitable locations, thus affecting our business operations and financial condition. Moreover, if our lease agreements are challenged by third parties, it could result in diversion of management attention and cause us to incur costs associated with defending such actions, even if such challenges are ultimately determined in our favor.

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

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Additionally, as of the Latest Practicable Date, the actual use of five leased properties, with an aggregate gross floor area of approximately 220 square meters, representing approximately 0.1% of our total leased gross floor area, did not fit into the prescribed scope of usage shown on the relevant certificates. Some of these leased properties are used for our self-operated stores. For the leased properties with usage defects, as advised by our PRC Legal Advisor, administrative penalties may be imposed on the landlords if the properties are leased for the usage incompatible with the prescribed scope, and our usage of the leased properties with usage defects may be interrupted, which may negatively affect the operations of our self-operated stores, our business and results of operation.

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

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

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

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

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

Consumers may purchase products at our stores using a variety of payment methods through third-party online payment service providers, including Weixin Pay, Alipay and Union Pay, among others. Substantially all of our cups sold in 2023 and the nine months ended September 30, 2024 were attributable to some form of third-party online payment. There are certain risks associated with these payment methods, including but not limited to the following:

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

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

We may not be successful in promoting our membership program.

We have launched our membership program through our mini programs and Weixin official account. See “Business — Marketing and Promotion — Our Membership Program.” We use our members’ past transaction history to enhance our consumer experience and gain insights to further improve our membership program. Our ability to track and analyze information regarding consumers and transactions will largely depend on consumer acceptance of our membership program as well as its successful operations. We have limited experience in operating such membership program, and we cannot accurately predict the rate or extent to which our consumers will subscribe for such membership program. There is no assurance that our membership program will be implemented successfully or remain sustainable, nor can we assure you that the program will be effective in retaining existing members or increase their repurchases. Additionally, our membership program may adversely affect the volume and frequency of purchases by consumers who do not become our members. If any of the foregoing risks materializes, our businesses and results of operations may be materially and adversely affected.

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

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

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

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

We cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate intellectual property rights held by third parties. We may be subject to legal proceedings and claims relating to the intellectual property rights of others in the future. There may also be existing intellectual property that we are unaware of, which our products might inadvertently infringe. We cannot assure you that holders of intellectual property purportedly relating to some aspect of our technology systems, software and other applications or business in general, if any such holders exist, would not seek to enforce relevant intellectual property against us. If we are found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or be

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forced to develop alternatives of our own. In addition, we may incur significant expenses, and may be forced to divert management's time and other resources from our business and operations to defend against these infringement claims, regardless of their merits. Successful infringement or licensing claims made against us may result in significant monetary liabilities and may materially disrupt our business and operations by restricting or prohibiting our use of the intellectual property in question, and our business, financial position and results of operations could be materially and adversely affected.

The insurance policies we have might not offer sufficient coverage for all risks related to our business operations.

We purchase and maintain insurance policies that we believe are customary for businesses of our size and type and as required under the relevant laws and regulations. See "Business — Insurance." However, we cannot guarantee that our insurance policies will provide adequate coverage for all the risks in connection with our business operations, nor can we assure you that our franchisees will adhere to our requirements regarding insurance coverage. Consistent with customary practice in China, we do not carry specific business interruption or litigation insurance. If we were to incur substantial losses and liabilities that are outside the scope of our insurance coverage, we could suffer significant costs and diversion of our resources, which could have a material and adverse effect on our financial conditions and results of operations. We may also be required to bear the losses to the extent that our insurance coverage is insufficient.

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

Our success is dependent upon the continuing services and performance of our key employees and senior management, as well as experienced and capable personnel generally. If one or more members of our key employees and senior management are not able or willing to continue to perform their current responsibilities, we may not be able to locate suitable replacements, and may incur additional expenses to recruit and train new staff, which could disrupt our business and growth. In addition, if any of our key employees and senior management joins a competitor or forms a competing business, we may lose trade secrets, technical know-how, key professionals and staff members.

Our growth also requires us to hire, train, and retain a wide range of talents who can adapt to a dynamic, competitive and challenging business environment and are capable of helping us conduct effective marketing, develop new products, and enhance technological capabilities. We may need to offer attractive compensation and other benefits package, including share-based compensation, to attract and retain them. We also need to provide our employees with sufficient training to help them realize their career development goal and grow with us. Any failure to attract, train, retain or motivate key employees and senior management, as well as experienced and capable personnel, could severely disrupt our business and growth.

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

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

We, our Directors, management, franchisees and employees may not always succeed in defending against litigation and regulatory investigations and proceedings, including claims related to food safety, commercial issues, labor, employment, antitrust or securities matters.

We face potential liabilities, legal claim expenses, and regulatory risks due to the nature of our business. For example, consumers might file legal claims against us related to personal injuries from food poisoning or tampering incidents. The focus on consumer protection has intensified in recent years, with the PRC government, media entities, and public advocacy groups playing a pivotal role. See “Regulations — Regulations on Consumer Protections.” The offering of defective products by our stores may expose us to liabilities associated with consumer protection laws. We may be generally responsible for compensation on consumers’ loss even if the contamination of food and beverage is not caused by us. Therefore, we may also be held liable if our employees, franchisees, suppliers or other business partners fail to comply with applicable food-safety related rules and regulations. While we can seek indemnification from the responsible parties afterwards, the indemnification may not be sufficient and our reputation could still be adversely affected. Furthermore, our Directors, management, franchisees, and employees might occasionally face litigation, regulatory investigations, and other proceedings. These matters, which can relate to food safety, commercial issues, labor, employment, antitrust, or securities, could adversely affect our reputation and results of operations.

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

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

Our business is subject to various compliance and operation requirements under applicable laws, regulations, and regional policies relating to the freshly-made tea beverage industry, fire safety, food hygiene, and environmental protection. We and our franchisees are required to maintain various approvals, licenses and permits to operate our business and stores in the PRC, respectively. See “Regulations — Regulations on Business Operation of Food Service Industry in the PRC” and “Regulations — Regulations on Fire Prevention.” However, some of the licenses or approvals may be subject to satisfaction of certain prerequisites that are out of our control. For example, we could not complete the record-filing of fire safety acceptance check results for the decorating projects of some of the stores directly operated by us because (i) the owners of the leased properties have not completed the required as-built acceptance check, or (ii) the local government authorities refused to accept the application for such record-filing if the prescribed scope of usage of the leased properties is for residential purposes. In addition, we failed to comply with the environmental impact assessment requirements for one of our processing facilities in Guangxi, on a leased property, because the property was constructed by the lessor on agricultural land, which is in violation of the applicable laws and regulations. We have not been subject to any material fines or other penalties in relation to any non-compliance in the past. If we, our franchisee or our stores operated by our franchisee fail to comply with relevant rules and regulations or to cure any non-compliance in a timely manner, we, our franchisee or the franchise stores may be subject to fines, confiscation of the gains or the suspension of operations related to non-compliant stores, which could cause a material and adverse effect on the business or results of operation. As advised by our PRC Legal Advisor, given that we and the franchisees operate independently and shall independently assume the obligations, and it is the franchisees who shall be responsible for obtaining necessary permits and licenses and completing the necessary filings in accordance with the franchise agreements, we would not be legally liable for the non-compliance of the franchisees or the franchise stores themselves. However, non-compliance by the franchisees may adversely affect our reputation, which, in turn, may adversely impact on our business and results of operation. Additionally, complying with government regulations may require substantial expense, and any non-compliance may expose us to liability. In case of any non-compliance, we may have to incur significant expense and divert substantial management time to resolving any deficiencies. We may also experience adverse publicity arising from the non-compliance with government regulations that negatively impacts our brand and business.

New laws and regulations may be promulgated and come into effect from time to time, and the interpretation and implementation of existing laws and regulations may be subject to change. If additional approvals or licenses are required according to new laws and regulations or new interpretation and implementation of existing laws and regulations, additional restrictions are imposed on our operations, we may incur additional costs and liabilities and our reputation, business and operations might be adversely affected once we are unable to comply with the then-applicable laws and regulations.

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

In accordance with the PRC laws and regulations, we, our stores, processing facilities, warehouses, and freight vehicles require various approvals, licenses and permits to operate. These approvals, licenses and permits are achieved upon satisfactory compliance with, amongst other things, the applicable food hygiene and safety, environmental protection and fire safety laws and regulations. For example, each of our stores in China needs to obtain the relevant food operation license. We are also required to obtain the road transportation operation permits and the road transportation certificates for relevant freight vehicles, in relation to the delivery and transportation of products performed by our freight vehicles. As of the Latest Practicable Date, all but seven of our freight vehicles in operation had obtained the required road transport certificates. As of the same date, we were in the process of applying for the required road transport certificates for the remaining freight vehicles, and expected to obtain such certificates in the near future. If we fail to apply for road transport certificates in a timely manner for any of our newly added freight vehicles, we may be subject to a fine between RMB3,000 and RMB10,000 per vehicle. In addition, substantially all our stores, processing facilities, and warehouses need to complete the record-filing of fire safety acceptance check. As of the Latest Practicable Date, six of our company-operated stores and four of our leased warehouses had not completed the necessary record-filing of fire safety acceptance check. We and our franchisees may be subject to a fine of not more than RMB 5,000 on each store and/or warehouse that had not completed the necessary the record-filing of fire safety acceptance check. In addition, certain of our processing facilities might also be required to submit environment impact report and statement of construction projects to competent environmental protection authorities for review and approval. Most of these licenses are subject to examinations or verifications by relevant authorities and some are valid only for a fixed period of time subject to renewal and accreditation. As of the Latest Practicable Date, we had not obtained the approval for the environmental impact assessment with respect to our tea leaves processing facility in Guangxi and we may be subject to a fine between RMB50,000 and RMB250,000 and required to restore the processing facility to its original condition. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any administrative investigation or penalty resulting from the environment impact assessment. However, we cannot assure you that the relevant government authorities will not impose fines on us or require us to restore the processing facility. If we are otherwise subject to investigations related to non-compliance with relevant laws and regulations and are imposed severe penalties, our business, financial condition and results of operations may be adversely affected.

Our franchisees are responsible for and required to obtain and maintain relevant approvals, licenses and permits relating to their operation of franchised stores in accordance with the PRC laws and regulations. In addition, according to the franchise agreements between our franchisees and us, our franchisees are responsible for the validity and effectiveness of the required approvals, licenses and permits for operating the franchised stores, and the

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non-compliance in this regard may cause penalties, such as temporary closure, for related franchised stores until they regain compliance. If a large number of franchised stores are subject to such penalties or temporary closure, our results of operation and financial performance may be adversely affected.

We and our franchisees may experience difficulties, delays or failures in obtaining the necessary approvals, licenses and permits for new stores. In addition, there can be no assurance that we or our franchisees will be able to obtain, renew and/or convert all approvals, licenses and permits required for existing business operations upon expiration in a timely manner, or at all. If we or our franchisees cannot obtain or maintain all approvals, licenses and permits required to operate our stores, our business operations and expansion of store network may be delayed and our ongoing business could be interrupted. We may also be subject to fines and penalties. For details, see “Business — Licenses and Regulatory Approvals.”

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

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

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

During the Track Record Period and up to the Latest Practicable Date, we had not made full contributions to Employee Benefits for our employees. In 2021, 2022 and 2023 and the nine months ended September 30, 2024, the aggregate shortfall of social insurance and housing provident fund contributions amounted to RMB4.9 million, RMB6.1 million, RMB9.8 million and RMB9.3 million, respectively. We had not made any provision for the shortfall in our social insurance and housing provident fund contributions during the Track Record Period and

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up to the Latest Practicable Date. As of the Latest Practicable Date, we had not received any notice from the relevant government authorities or any claim or request from these employees in this regard. In addition, during the Track Record Period, we used third-party service providers to apply for social insurance registration and housing provident fund deposit registration and to pay social insurance and housing provident funds for some of our employees, which may be inconsistent with relevant laws and regulations. See “Business — Legal Proceedings and Compliance — Compliance — Social Insurance and Housing Provident Funds,” and “Regulations — Regulations on Labor Right and Interests” for details.

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

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

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

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

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As of the Latest Practicable Date, we have not been subject to any material administrative penalties, mandatory rectifications, or other sanctions by any competent regulatory authorities in relation to cybersecurity and data protection, nor have there been material cybersecurity and data protection incidents or infringement upon any third parties, or other legal proceedings, administrative or governmental proceedings, pending or, to the best of our knowledge, threatened against or relating to us. In addition, we have neither received any notification from the relevant authorities that the data we process is important data or core data, nor been involved in any investigation on data processing activities that affect or may affect national security as of the Latest Practicable Date. Based on the foregoing and a detailed analysis of its provisions by our PRC Legal Advisor, we and our PRC Legal Advisor do not foresee any impediment for us to comply with the Measures for Cyber Security Review in any material aspect, given that we have implemented a comprehensive set of internal policies, procedures and measures to ensure our compliance practice. Nevertheless, there are challenges in predicting future regulatory developments and we cannot assure you that relevant authorities will not take a view contrary to, or otherwise different from, that of our PRC Legal Advisor above in the future. We will closely monitor the legislative and regulatory development in connection with cybersecurity and data protection, including the interpretation or implementation rules of laws and regulations of cybersecurity and data protection, if any, and we will adjust and enhance our data practices in a timely manner to ensure compliance once the regulations come into effect.

The interpretation and application of laws, regulations and standards on data protection and privacy shall follow the then effective laws and regulations and are still evolving. We cannot assure you that our data privacy and protection measures are, and will be, always considered sufficient under applicable laws and regulations. We may be subject to investigations and inspections by government authorities regarding our compliance with laws and regulations on data privacy, and we cannot assure you that our practices will always fully comply with all applicable rules and regulatory requirements. In addition, laws, regulations and standards on data protection and privacy continue to develop and may vary from jurisdiction to jurisdiction. Complying with emerging and changing international requirements may cause us to incur substantial costs or require us to change our business practices. Additionally, the integrity of our data privacy and protection measures is also subject to risks of systemic failure, interruption, inadequacy, security breaches or cyber-attacks. If we are unable to comply with the then applicable laws and regulations, or to address any data privacy and protection concerns, such actual or alleged failures could damage our reputation, impact our ability to manage digital operations and could subject us to significant legal, financial and operational consequences.

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

From January 1, 2021 and up to November 22, 2023 (the “**Relevant Period**”), we accepted payment made on behalf of certain of our franchisees (the “**Relevant Franchisees**”) through the accounts of third parties designated by the Relevant Franchisees (the “**Third-party Payment Arrangement**”). During the Relevant Period, we have duly booked all payments received under the Third-party Payment Arrangement according to our internal accounting policies and tax related laws and regulations. In 2021, 2022 and 2023, we received third-party

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payments from 729, 573 and 614 franchisees, and the aggregate amount of third-party payments we received was RMB867.9 million, RMB1,017.8 million and RMB856.8 million, respectively, representing approximately 18.0%, 16.9% and 10.3% of the total payments we received from our franchisees, respectively. Subsequent to November 22, 2023, we had ceased accepting third-party payments and updated our system such that our franchisees can only pay with their own bank accounts.

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

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

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

Our business is subject to seasonal fluctuations.

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

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

We recorded net liabilities of RMB1,205.8 million and RMB816.6 million as of December 31, 2021 and 2022, respectively. In addition, we recorded net current liabilities of RMB1,712.7 million, RMB1,501.1 million and RMB353.5 million as of December 31, 2021, 2022 and 2023, respectively. Our net liabilities and net current liabilities position as of each of these dates were primarily due to non-operational impact of our convertible redeemable preferred shares classified as financial liabilities at fair value through profit and loss. There is no assurance that we will generate sufficient net income or operating cash flows to meet our working capital requirements and repay our liabilities as they become due. There can be no assurance that we will be able to prudently manage our working capital or raise additional equity or debt financing on terms that are acceptable to us. Our inability to take these actions as and when necessary could materially adversely affect our liquidity, results of operations and financial condition.

Our results of operations, financial conditions and prospects have been adversely affected by fair value changes in our convertible redeemable preferred shares. The valuation of our convertible redeemable preferred shares is uncertain due to the use of unobservable inputs.

Historically, we issued to investors certain convertible redeemable preferred shares, consisting of Series A-1, Series A-2, Series A-3 and Series A-4 Preferred Shares (the “**Convertible Redeemable Preferred Shares**”), upon the completion of certain specified events, respectively. For more details, see note 30 to the Accountants’ Report in Appendix I to this document. 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 — Pre-IPO Investments” of this document.

Upon conversion, the Convertible Redeemable Preferred Shares will be recorded on a fair value basis based on market valuation. We use significant unobservable inputs, such as expected volatility, discount for lack of marketability, risk-free interest rate, expected rate of return and discount rate, in valuing certain of our assets and liabilities, including the Convertible Redeemable Preferred Shares. The use of unobservable inputs involves a significant degree of management judgement and are inherently uncertain. Changes in these unobservable inputs and other estimates and judgements could materially affect the fair value of our Convertible Redeemable Preferred Shares, which in turn may adversely and materially affect our results of operations, financial conditions and prospects. We recorded fair value changes in financial liabilities at fair value through profit or loss of RMB728.4 million, RMB389.5 million and RMB294.2 million for the years ended December 31, 2021, 2022 and 2023, respectively and of RMB21.7 million and RMB10.6 million for the nine months ended

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September 30, 2023 and 2024, respectively. Factors beyond our control can significantly influence and cause adverse changes to the estimates we use and thereby affect the fair value of such financial liabilities. These factors include, but are not limited to, general economic condition, changes in market interest rates and stability of the capital markets. Any of these factors, as well as others, could cause our estimates to vary from actual results, which could materially and adversely affect our results of operation and financial condition. After the automatic conversion of the Convertible Redeemable Preferred Shares into Shares upon the completion of the 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 we were to be required to redeem all such Convertible Redeemable Preferred Shares if the Global Offering is not consummated on or prior to a certain date or upon the occurrence of certain specified events, the aggregate redemption price shall be the sum of the aggregate consideration for the issuance of such Convertible Redeemable Preferred Shares, plus applicable interest accrued thereon. The aggregate consideration at which our Convertible Redeemable Preferred Shares were issued equal to RMB674.1 million. As of September 30, 2024, our cash and cash equivalents was RMB1,677.9 million. The redemption of the Convertible Redeemable Preferred Shares, if triggered, could have a negative impact on our cash and liquidity position and financial condition.

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

During the Track Record Period, we invested in wealth management products to mobilize our capital and generate investment returns for the benefits of our Shareholders. As of December 31, 2021, 2022 and 2023 and September 30, 2024, the amounts of our wealth management products were RMB241.7 million, RMB37.3 million, RMB197.3 million and RMB1,606.2 million, respectively. Going forward, we may from time to time invest in wealth management products with low/medium risks or low-risks on a case-by-case basis if these products are in our interest upon evaluations and analyses. The investment in wealth management products may be subject to various risks that are out of our control, including risks relating to macro-economic environment and general market conditions, as well as risk control and credit of issuing banks. There can be no assurance that the internal policies and guidelines that we currently have in place to manage our investment in wealth management products 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.

Our financial assets at fair value through profit or loss represented wealth management products with maturity period within one year that we purchased from various reputable financial institutions in China without guaranteed returns, which amounted to RMB241.7 million, RMB37.3 million, RMB197.3 million and RMB1,606.2 million as of December 31, 2021, 2022 and 2023 and September 30, 2024, respectively. We recorded fair value gains in financial assets at fair value through profit or loss of RMB16.3 million, RMB10.9 million and RMB1.9 million for the years ended December 31, 2021, 2022 and 2023, respectively, and of

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RMB1.7 million and RMB7.7 million for the nine months ended September 30, 2023 and 2024, respectively. We cannot assure you that market conditions and regulatory environment will result in fair value gains on the wealth management products we invest in or we will not incur any fair value losses on our investments in wealth management products in the future. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected.

Our equity investment designated at fair value through other comprehensive income represent our investment in the equity interests of a company, which also supplies us with milk and dairy products during our procurement process. See note 16 to the Accountants' Report in Appendix I to this document for more details. We recorded equity investment designated at fair value through other comprehensive income of RMB247.5 million, RMB277.1 million, RMB257.1 million and RMB248.1 million as of December 31, 2021, 2022 and 2023 and September 30, 2024, respectively. We use valuation technique to determine the price-to-sales ratio for similar instruments, adjusted by discount for lack of marketability, which involves estimates that could materially affect the fair value of our equity investment designated at fair value through other comprehensive income, which in turn may adversely and materially affect our results of operations.

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

Expanding our store network, building a well-known brand and accumulating a large and continuously growing consumer base are costly and time-consuming. Substantial and continuous investments in advertising, branding and marketing activities are also required for further establishing brand awareness to attract new consumers and retain existing ones. Our Directors are of the view that, taking into account our current cash and cash equivalents, anticipated cash flow from operations and the net proceeds we expect to receive from this Global Offering, we will have available sufficient working capital to meet our present requirements and for at least the next 12 months from the date of this document. We may, however, require additional cash resources to finance our continued growth or other future developments or adapt to changes in business conditions, including any investments we may decide to pursue. If our financial resources are insufficient to satisfy our cash requirements, we will be required to seek additional financing or to defer planned expenditures. There can be no assurance that we can obtain additional financing on favorable terms to us, if at all. In addition, our ability to raise additional funds in the future is subject to a variety of uncertainties, including, but not limited to:

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

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In addition, if we raise additional financing by selling additional equity securities, your equity interest in us may be diluted. Alternatively, if we raise additional financing by incurring debt obligations, we may be subject to various covenants under the relevant debt instruments that may, among other things, restrict our ability to pay dividends or obtain additional financing. If we cannot obtain sufficient capital on favorable terms, our business, financial condition and prospects may be materially and adversely affected.

RISKS RELATING TO DOING BUSINESS IN THE COUNTRY WHERE WE OPERATE

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

We are headquartered in Zhejiang, China, and substantially all of our operations are conducted in China. Accordingly, our business, financial condition and results of operations may be influenced by the economic, political and social conditions in China. China's freshly-made tea beverage market in general is affected by macro-economic factors, including changes in international, national, regional and local economic conditions, employment levels, consumer demands and discretionary spending. In addition, any severe or prolonged slowdown in the global or regional economy may materially and adversely affect our business, financial condition and results of operations.

Developments in the applicable PRC laws and regulations may affect our business operations and the legal protection available thereunder.

Our business in the PRC is subject to the applicable PRC laws and regulations, including those applicable to food safety and hygiene, product quality and foreign investment in the PRC. The laws and regulations in China are subject to revisions or interpretations from time to time. New laws, regulations, guidelines and interpretations that are promulgated in the future may affect the rights and obligations of the parties involved. We cannot assure you that our business operations will not be adversely affected in the future.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, the outcome of administrative and court proceedings and the level of legal protection we enjoy would be subject to the prevailing legislative environment and the conditions for implementation and enforcement, and it may be difficult to predict the outcome of administrative and court proceedings and the level of legal protection we may enjoy in the future. Any failure to respond to developments in the applicable PRC laws and regulations, including laws relating to food safety and hygiene, product quality and foreign investment in China effectively, could materially and adversely affect our business and operations.

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

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

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

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

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

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

Under existing foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will

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continue in the future. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or to satisfy any other foreign exchange requirements, capitalize our capital expenditure plans, and even our business, operating results and financial condition, may be affected.

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

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

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

On January 18, 2019, the Supreme People’s Court of the PRC and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “**2019 Arrangement**”), which seeks to establish a bilateral legal mechanism that provides clarity and certainty for the recognition

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and enforcement of judgments in a wider range of civil and commercial matters between Hong Kong and mainland China, based on criteria other than a written choice of court agreement. Under the 2019 Arrangement, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the effective judgments in civil and commercial cases subject to the conditions set forth in the 2019 Arrangement. However, we cannot assure you that all final judgments will be recognized and effectively enforced by the relevant PRC court.

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

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

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

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

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

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

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

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

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

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

RISK FACTORS

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

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

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

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

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

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

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

If our preferential tax treatments and government subsidies are revoked or become unavailable or if the calculation of our tax liability is successfully challenged by the PRC tax authorities, we may be required to pay tax, interest and penalties in excess of our tax provisions, and our financial performance may be materially and adversely impacted.

Our PRC subsidiaries enjoy certain tax incentives pursuant to relevant laws and regulations, including reduced enterprise income tax rates. For example, under the Enterprise Income Tax Law and its implementation rules, the statutory enterprise income tax rate is 25%. However, the income tax of an enterprise that has been determined to be a high and new technology enterprise can be reduced to a preferential rate of 15%. Certain of our subsidiaries in China were accredited as “High and New Technology Enterprises” and therefore entitled to a preferential income tax rate of 15% for the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024. Additionally, certain of our subsidiaries that are registered in Jingning She Autonomous County, Zhejiang, are entitled to a preferential income

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tax policy for an exemption of the local portion of income tax for 10 years since the date of their registration. Furthermore, one of our subsidiaries in China was qualified as a “Double Soft Enterprise” (“DSE”) under the PRC Enterprise Income Tax Law during the years ended December 31, 2021, 2022 and 2023 and the nine months ended September 30, 2024, which entitled it to an income tax exemption for two years commencing from its first profitable year, and a 50% reduction in the applicable tax rates for the subsequent three years if it meets the criteria of DSE each year. Any increase in the enterprise income tax rate applicable to our PRC subsidiaries in China, or any discontinuation, retroactive or future reduction or refund of any of the preferential tax treatments and local government subsidies currently enjoyed by our PRC subsidiaries in China, could adversely affect our business, financial condition and results of operations.

In 2021, 2022 and 2023, we recognized government grants of RMB23.5 million, RMB18.6 million and RMB90.0 million, respectively, which represent incentives received from the local governments as their support to the growth of local enterprises. In the nine months ended September 30, 2023 and 2024, we recognized government grants of RMB77.5 million and RMB72.9 million, respectively. However, we cannot assure you that we will continue to be eligible to receive government grants from any local government in China in the future. If we cannot continue to receive such government grants, our financial performance may be materially and adversely affected.

Further, in the ordinary course of our business, we are subject to complex income tax and other tax regulations, and significant judgements are required in the determination of a provision for income taxes. Although we believe our tax provisions are reasonable, if the PRC tax authorities successfully challenge our position, and we are required to pay tax, interest and penalties in excess of our tax provisions, our financial condition and results of operations would be materially and adversely affected.

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

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

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

RISKS RELATING TO THE GLOBAL OFFERING

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

Prior to completion of the 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 Overall 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.

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.

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

Future sales of a substantial number of our Shares, especially by our Directors, executive officers and substantial shareholders, or the perception or anticipation of such sales, could negatively impact the 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.

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

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

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

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

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

We did not declare or distribute dividends to our shareholders during the Track Record Period. Save for the intended declaration of Special Dividend as disclosed in the section headed “Summary — Dividends”, there can be no assurance that we will declare and distribute any amount of dividends in the future. Therefore, you should not rely on an investment in our Shares as a source for any future dividend income.

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

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

Immediately upon the completion of the Global Offering, without taking into account any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option, our Controlling Shareholders will control approximately 74.09% of the voting power at our general meetings. Our Controlling Shareholders will, through their voting power at the Shareholders’ meetings and their delegates on the Board, have significant influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisition or disposition of assets, issuance of additional Shares or other equity securities, timing and amount of dividend payments, and our management. Our Controlling Shareholders may not act in the best interests of our minority Shareholders. In addition, without the approval of our Controlling Shareholders, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares as part of a sale of our Company and may significantly reduce the price of our Shares.

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Certain statistics contained in this document are derived from publicly available official sources.

This document, particularly the section headed “Industry Overview,” contains information and statistics relating to the freshly-made beverage market in China. Such information and statistics have been derived from various official government and other publications and from a third-party report commissioned by us. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, we cannot guarantee the quality or reliability of information from official government sources. The information from official government sources has not been independently verified by the Company, the Joint Sponsors, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering and no representation is given as to its accuracy. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as or consistent with similar statistics presented elsewhere or similar metrics we used, and such information may not be complete or up-to-date. In any event, you should consider carefully the importance placed on such information or statistics.

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

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

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

We are or will be subject to rules and regulations by various governing bodies, including, for example, the Stock Exchange, which together with the SFC is charged with the protection of investors and the oversight of companies whose securities are publicly traded, the various regulatory authorities in China, Hong Kong and the Cayman Islands, and to new and evolving regulatory measures under applicable law. Our efforts to comply with new and changing laws

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and regulations have resulted in and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Moreover, the interpretation and application of these laws, regulations and standards may evolve from time to time. This evolution may result in continuing uncertainty regarding compliance matters and additional costs necessitated by ongoing revisions to our disclosure and governance practices. If we fail to address and comply with these regulations and any subsequent changes, we may be subject to penalty and our business may be harmed.

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

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

WAIVERS AND EXEMPTIONS

In preparation for the Listing, we have sought the following waivers from strict compliance with the Listing Rules and exemptions from 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 a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. We do not have sufficient management presence in Hong Kong for the purposes of Rule 8.12 of the Listing Rules.

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

Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.12 of the Listing Rules. We will ensure that there is an effective channel of communication between us and the Stock Exchange in accordance with paragraph 10 of Chapter 3.10 of the Guide for New Listing Applicants issued by the Stock Exchange by way of the following arrangements:

- (a) pursuant to Rule 3.05 of the Listing Rules, our Company has appointed and will continue to maintain two authorized representatives who shall act at all times as the principal channel of communication with the Stock Exchange. Each of our authorized representatives will be readily contactable by the Stock Exchange by telephone, facsimile and/or e-mail to deal promptly with enquiries from the Stock Exchange. Both of our authorized representatives are authorized to communicate on our behalf with the Stock Exchange. At present, our two authorized representatives are Mr. Wang, our Chairman of the Board, an executive Director and the chief executive officer of our Company, and Ms. Ying Man Sham, one of our joint company secretaries;
- (b) pursuant to Rule 3.20 of the Listing Rules, each Director will provide his/her contact information (including their mobile phone numbers, office phone numbers and e-mail addresses (if available)) to the Stock Exchange and to the authorized representatives. This will ensure that the Stock Exchange and the authorized representatives should have means for contacting all Directors promptly at all times as and when required;
- (c) we will endeavour to ensure that each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period;

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- (d) pursuant to Rule 3A.19 of the Listing Rules, our Company has retained the services of Altus Capital Limited as compliance adviser (the “**Compliance Adviser**”), who will act as an additional channel of communication with the Stock Exchange. The Compliance Adviser will provide our Company with professional advice on ongoing compliance with the Listing Rules. We will ensure that the Compliance Adviser has prompt access to our Company’s authorized representatives and Directors. In turn, they will provide the Compliance Adviser with such information and assistance as the Compliance Adviser may need or may reasonably request in connection with the performance of the Compliance Adviser’s duties. The Compliance Adviser will also provide advice to our Company when consulted by our Company in compliance with Rule 3A.23 of the Listing Rules; and
- (e) meetings between the Stock Exchange and the Directors can be arranged through the authorized representatives or the Compliance Adviser, or directly with the Directors within a reasonable time frame. We will inform the Stock Exchange as soon as practicable in respect of any change in the authorized representatives, the Directors and/or the Compliance Adviser in accordance with the Listing Rules.

JOINT COMPANY SECRETARIES

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

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

- (a) a member of The Hong Kong Chartered Governance Institute;
- (b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and
- (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

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

- (a) length of employment with the issuer and other issuers and the roles he/she played;
- (b) familiarity with the Listing Rules and other relevant law and regulations including the SFO, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, and the Takeovers Code;

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- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

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

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

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

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

Our Company has applied for, and the Exchange has granted, a waiver from strict compliance with Rules 3.28 and 8.17 of the Listing Rules for a three-year period from the Listing Date on the conditions that: (i) Ms. Ying Man Sham is appointed as a joint company secretary to assist Mr. Saibin Wang in discharging his functions as a company secretary and in gaining the relevant experience under Rule 3.28 of the Listing Rules; the waiver will be revoked immediately if Ms. Ying Man Sham, during the three-year period, ceases to provide assistance to Mr. Saibin Wang as a joint company secretary; and (ii) the waiver will be revoked if there are material breaches of the Listing Rules by our Company. In addition, Mr. Saibin Wang will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance his knowledge of the Listing Rules during the three-year period from the Listing Date. Our Company will further ensure that Mr. Saibin Wang has access to the relevant training and support that would enhance his understanding of the Listing Rules and the duties of a company secretary of an issuer listed on the Stock Exchange. Before the end of the three-year period, the qualifications and experience of Mr. Saibin Wang and the need for on-going assistance of Ms. Ying Man Sham will be further evaluated by our Company. We will liaise with the Stock Exchange before the end of the three year period to enable it to assess whether Mr. Saibin Wang, having benefited from the assistance of Ms. Ying Man Sham for the

WAIVERS AND EXEMPTIONS

preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

WAIVER FROM STRICT COMPLIANCE WITH RULE 4.04(1) OF THE LISTING RULES AND EXEMPTION FROM STRICT COMPLIANCE WITH SECTION 342(1)(b) IN RELATION TO PARAGRAPH 27 OF PART I AND PARAGRAPH 31 OF PART II OF THE THIRD SCHEDULE TO THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Rule 4.04(1) of the Listing Rules requires this document to include, among other things, details of the financial results of the company for the financial year immediately preceding the issue of the document, being the year ended December 31, 2024 or such shorter period as may be acceptable to the Stock Exchange.

Section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires, subject to section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, all prospectuses to state the matters specified in Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and set out the reports specified in Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

According to paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, a company is required to include in the prospectus a statement as to the gross trading income or sales turnover (as may be appropriate) of the company during each of the three financial years immediately preceding the issue of the prospectus as well as an explanation of the method used for the computation of such income or turnover and a reasonable breakdown of the more important trading activities.

According to paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, a company is required to include in the prospectus a report by auditors of the listing applicant with respect to profits and losses in respect of each of the three financial years immediately preceding the issue of the prospectus and assets and liabilities of the listing applicant at the last date to which the financial statements of the listing applicant were prepared.

Pursuant to section 342A(1)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFC may, subject to such conditions (if any) as the SFC thinks fit, issue a certificate of exemption from compliance with the relevant requirements under Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interest of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

WAIVERS AND EXEMPTIONS

Chapter 1.1A of the Guide for New Listing Applicants has provided the conditions for granting a waiver from strict compliance with Rule 4.04(1) of the Listing Rules.

The Accountants' Report for each of the three years ended December 31, 2023 and the nine months ended September 30, 2024 has been prepared and is set out in Appendix I to this document.

Pursuant to the relevant requirements set out above, our Company is required to include three full years of audited accounts for the three years ended December 31, 2024 in this document. As such, an application has been made to the Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules, and such waiver has been granted by the Stock Exchange on the conditions that:

- (a) this document will be issued on or before February 4, 2025 and the Company's Shares will be listed on or before March 31, 2025, i.e. three months after the latest financial year-end;
- (b) in accordance with Chapter 1.1A of the Guide for New Listing Applicants, a profit estimate for the financial year ended December 31, 2024 has been included in this document, in compliance with Rules 11.17 to 11.19 of the Listing Rules and a Directors' statement that there is no material and adverse change to the financial and trading positions or prospects of our Company, with specific reference to the trading results from October 1, 2024 to December 31, 2024; and
- (c) our Company obtains a certificate of exemption from the SFC on strict compliance with paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

An application has also been made to the SFC for a certificate of exemption from strict compliance with the requirements under section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and a certificate of exemption has been granted by the SFC under section 342A(1)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that:

- (a) the particulars of the exemption are disclosed in this document;
- (b) the issuance of the document on or before February 4, 2025; and
- (c) our Company's Shares will be listed on the Stock Exchange on or before March 31, 2025.

WAIVERS AND EXEMPTIONS

The applications to Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules and to the SFC for a certificate of exemption from strict compliance with the requirements under section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance have been made on the grounds, among others, that strict compliance with the above requirements would be unduly burdensome and the waiver and exemption would not prejudice the interests of the investing public as:

- (a) there would not be sufficient time for our Company and the reporting accountants of our Company (the “**Reporting Accountants**”) to finalise the audited financial statements for the year ended December 31, 2024 for inclusion in this document. If the financial information for the year ended December 31, 2024 is required to be audited, our Company and the Reporting Accountants would have to carry out substantial volume of work to prepare, update and finalise the Accountants’ Report and this document, and the relevant sections of the document will need to be updated to cover such additional period. This would involve additional time and costs since substantial work is required to be carried out for audit purposes. It would be unduly burdensome for the audited results for the year ended December 31, 2024 to be finalised in a short period of time. Our Directors consider that the benefits of such work to the existing and prospective shareholders of our Company may not justify the additional work and expenses involved and the delay of the listing timetable;
- (b) our Directors and the Joint Sponsors confirm, after performing sufficient due diligence work up to the date of this prospectus, that there has been no material adverse change to the financial and trading positions or prospects of the Group since October 1, 2024 (immediately following the date of the latest audited statement of financial position in the Accountants’ Report set out in Appendix I to this document) up to the date of this prospectus, and there has been no event since October 1, 2024 which would materially affect the information contained in the Accountants’ Report as set out in Appendix I to this document, the financial information section, the profit estimate as set out in Appendix IIA to this document and information regarding the Company’s recent development subsequent to the Track Record Period and up to the date of this document;
- (c) our Company and the Joint Sponsors are of the view that the Accountants’ Report covering the three years ended December 31, 2023 and the nine months ended September 30, 2024, together with the profit estimate for the year ended December 31, 2024 (in compliance with Rules 11.17 to 11.19 of the Listing Rules) included in this document have already provided the potential investors with adequate and reasonably up-to-date information in the circumstances to form a view on the track record and earnings trend of our Company; and our Directors confirm that all information which is necessary for the investing public to make an informed assessment of the activities, assets and liabilities, financial position, trading position, management and prospects has been included in this document. Therefore, the waiver and exemption would not prejudice the interests of the investing public; and

WAIVERS AND EXEMPTIONS

- (d) our Company will comply with the requirements under Rules 13.46(2) and 13.49(1) of the Listing Rules in respect of the publication of our annual results and annual report. Our Company currently expects to issue our annual results and annual report for the financial year ended December 31, 2024 on or before March 31, 2025 and April 30, 2025, respectively. In this regard, our Directors consider that the Shareholders, the investing public as well as potential investors of our Company will be kept informed of the financial results of our Group for the financial year ended December 31, 2024.

CONTINUING CONNECTED TRANSACTIONS

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

CORNERSTONE SUBSCRIPTION BY A CLOSE ASSOCIATE OF AN EXISTING SHAREHOLDER

Rules 2.03(2) and (4) of the Listing Rules require the issue and marketing of securities to be conducted in a fair and orderly manner, and that all holders of listed securities be treated fairly and equally.

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 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) are fulfilled. The conditions under Rule 10.03 of the Listing Rules are that (1) no securities are offered to the existing shareholder on a preferential basis and no preferential treatment is given to the existing shareholder in the allocation of the securities; and (2) the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Listing Rules is achieved.

Paragraph 5(2) of Appendix F1 to the Listing Rules prohibits allocation of shares in a global offering to existing shareholders of the applicant or their close associates, whether in their own names or through nominees, unless the conditions in Rules 10.03 and 10.04 of the Listing Rules are fulfilled or prior written consent of the Stock Exchange has been obtained.

WAIVERS AND EXEMPTIONS

According to Chapter 4.2 of the Guide for New Listing Applicants, notwithstanding the requirements under Rule 10.04 of, and paragraph 5 of Appendix F1 to, the Listing Rules, exercise of anti-dilution rights before and in connection with the global offering is permissible if:

- (a) the allocation is necessary to give effect to pre-existing contractual rights;
- (b) there is full disclosure of the anti-dilution rights and the number of shares to be subscribed in the listing document and the allotment results announcement; and
- (c) the additional shares will be subscribed at the IPO price.

Chapter 4.15 of the Guide for New Listing Applicants sets out the basis and conditions and/or required information for the Stock Exchange to grant its consent to allow placing to existing shareholders or their close associates in the International Offering. According to:

- (a) paragraph 12 of Chapter 4.15 of the Guide for New Listing Applicants, the Stock Exchange would ordinarily agree to grant a consent and waiver for allocation to existing shareholders or their close associates if it is satisfied that the actual or perceived preferential treatment arising from their ability to influence the applicant during the allocation process can be addressed; and
- (b) paragraph 15 of Chapter 4.15 of the Guide for New Listing Applicants, the Stock Exchange will generally not presume that there is preferential treatment, and fulfilment of the Existing Shareholder Conditions (as defined in paragraph 13 of Chapter 4.15 of the Guide for New Listing Applicants) is not required, where existing shareholders are purchasing securities pursuant to an anti-dilution provision.

Immediately before the completion of the Global Offering, Beijing Meiming Enterprise Management Consulting Partnership (Limited Partnership) (北京美茗企業管理諮詢合夥企業(有限合夥)) (“**Meiming**”) and Beijing Meiyuan Enterprise Management Consulting Partnership (Limited Partnership) (北京美岩企業管理諮詢合夥企業(有限合夥)) (“**Meiyan**”, together with Meiming, “**Long-Z**”), two of our existing Shareholders, held in aggregate approximately 8.0% of the total issued share capital of our Company.

Pursuant to the Shareholders Agreement entered into between our Company and the Pre-IPO Investors on December 26, 2023, each of the Pre-IPO Investors (including Long-Z) have been granted an anti-dilution option, which it is entitled to apportion among itself and its affiliates, to purchase all or part of the pro rata ratio of total securities issued in a qualified initial public offering at the Offer Price (the “**Anti-Dilution Right**”). See the section headed “History, Reorganization and Corporate Structure — Pre-IPO Investments — Special rights of the Pre-IPO Investors” in this prospectus for details.

An affiliate of Long-Z, Long-Z Fund I, LP (“**Long-Z’s Affiliate**”), a limited partnership entity which is also ultimately controlled by Mr. Yonghua Zhu, intends to invest Hong Kong dollar equivalent of US\$8 million (excluding brokerage, transaction levies and stock exchange

WAIVERS AND EXEMPTIONS

trading fees which will be paid in respect of the Offer Share) as a cornerstone investor, through exercise of the Anti-Dilution Right (the “**Exercise of Anti-Dilution Right**”) to subscribe for a maximum of 7,180,000 Offer Shares (calculated based on the low-end of the indicative range of the Offer Price) to be issued by our Company pursuant to the Global Offering and to which it is entitled under the Anti-Dilution Right (the “**Entitled Shares**”), at the Offer Price.

Upon subscription of the Offer Shares by Long-Z’s Affiliate pursuant to the Exercise of Anti-Dilution Right, based on the low-end of the indicative range of the Offer Price and assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised, Long-Z and Long-Z’s Affiliate will hold, in aggregate, approximately 7.76% of the total issued share capital of our Company.

Our Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 10.04 of, and a consent under paragraph 5(2) of Appendix F1 to, the Listing Rules, in respect of the Exercise of Anti-Dilution Right based on the following conditions:

- (a) the allocation of the Entitled Shares to Long-Z’s Affiliate pursuant to the Exercise of the Anti-Dilution Right is necessary in order to give effect to the Anti-Dilution Right under the Shareholders Agreement, which is a pre-existing contractual right;
- (b) full disclosure of the Anti-Dilution Right and the number of shares to be subscribed for by Long-Z’s Affiliate will be made in the prospectus and the allotment results announcement of our Company;
- (c) the Entitled Shares will be subscribed for by Long-Z’s Affiliate at the Offer Price, and will not result in the aggregate percentage of equity interest held by Long-Z and Long-Z’s Affiliate in the Company exceeding that held by Long-Z immediately prior to the Global Offering;
- (d) the allocation of the Entitled Shares to Long-Z’s Affiliate pursuant to the Exercise of the Anti-Dilution Right will not affect our Company’s ability to satisfy the public float requirement under Rule 8.08(1)(a) of the Listing Rules;
- (e) our Company confirms that (i) the cornerstone investment agreement with Long-Z’s Affiliate does not contain any material terms which are more favorable than those in other cornerstone investment agreements; and (ii) no preferential treatment has been, nor will be, given to Long-Z and Long-Z’s Affiliate in the allocation of Shares by virtue of their relationship with our Company other than the assured entitlement as a cornerstone investor; and
- (f) the Overall Coordinators confirm that, to the best of their knowledge and belief, no preferential treatment has been, nor will be, given to Long-Z and Long-Z’s Affiliate in the allocation of Shares by virtue of their relationship with our Company, other than the assured entitlement as a cornerstone investor.

WAIVERS AND EXEMPTIONS

PUBLIC FLOAT REQUIREMENTS

Rule 8.08(3) of the Listing Rules provides that not more than 50% of the securities in public hands at the time of listing can be beneficially owned by the three largest public shareholders, save where: (a) the securities to be listed are options, warrants or similar rights to subscribe or purchase shares; (b) such securities are offered to existing holders of a listed issuer's shares by way of bonus issue; and (c) in the 5 years preceding the date of the announcement on the proposed bonus issue, there are no circumstances to indicate that the shares of the issuer may be concentrated in the hands of a few shareholders.

We are proposing to offer 158,612,000 Offer Shares, representing approximately 6.80% of our Company's issued share capital immediately after the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised). Upon completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised), our Company's issued share capital held in public hands will be approximately 25.38%. On this basis, pursuant to Rule 8.08(3) of the Listing Rules, the aggregate shareholding of the three largest public Shareholders should not exceed 12.69% of our Company's issued share capital, being 50% of the Shares to be held in public hands.

Based on the proposed size of the Global Offering, the aggregate shareholding of the three largest public Shareholders will be approximately 14.63% of our Company's enlarged issued share capital, representing approximately 57.65% of the Shares to be held in public hands, immediately after the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised), comprising:

- (a) Meiming and Meiyuan (together "**Long-Z**"), both existing Shareholders, and Long-Z's Affiliate, each of which are ultimately controlled by the same independent third party individual, holding in aggregate approximately 7.76% of our Company's issued share capital;
- (b) Max Mighty Limited ("**HongShan**"), an existing Shareholder, holding approximately 3.73% of our Company's issued share capital; and
- (c) Nascent Sprouts Limited, an existing Shareholder, holding approximately 3.14% of our Company's issued share capital.

WAIVERS AND EXEMPTIONS

Rule 8.08 of the Listing Rules aims to ensure an open market in the securities to be listed on the Stock Exchange. In light of the size of the Global Offering, as well as the number and the corresponding board lots and market capitalization of Shares in public hands (excluding the shareholding of the three largest public Shareholders), there will be sufficient Shares (in terms of board lots) for broad distribution to the public in Hong Kong as well as professional and institutional investors and other investors in and outside Hong Kong. This would ensure a diverse investor base in the Shares, and will further contribute to an active and liquid aftermarket in the trading of the Shares, subject to market conditions and other external factors.

The following table sets out (i) the total number of Shares held by public Shareholders; (ii) the number of Shares held by public Shareholders other than the three largest public Shareholders; and (iii) the number of Shares held by public Shareholders other than those which are the subject of lock-up undertakings, immediately after the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised):

	Shares in public hands	Shares in public hands (excluding the three largest public Shareholders)	Shares in public hands and not subject to any lock-up
Number of Shares and number of board lots of 400 Shares each . . .	592,032,303 ⁽¹⁾ (1,480,080 board lots)	250,750,838 ⁽²⁾ (626,877 board lots)	94,890,000 ⁽³⁾ (237,225 board lots)
HK\$ value of the Shares (based on HK\$8.68 per Offer Share, being the low-end of the indicative Offer Price range)	HK\$5.1 billion	HK\$2.2 billion	HK\$0.8 billion
Approximate percentage of total issued Shares immediately following completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over- allotment Option are not exercised)	25.38%	10.75%	4.07%

Notes:

- (1) Consists of an aggregate of: (i) 158,612,000 initial Offer Shares under the Global Offering (including Offer Shares to be subscribed by Long-Z's Affiliate as a cornerstone investor); and (ii) 433,420,303 Shares held by certain existing Shareholders (i.e. Long-Z, HongShan, Coatue PE Asia 34 LLC, New Budding Capital Inc, Nascent Sprouts Limited and Thriving Leafbuds Limited) immediately prior to the completion of the Global Offering, which count towards the public float.

WAIVERS AND EXEMPTIONS

- (2) Calculated by deducting (i) 173,913,040 Shares in aggregate held by Long-Z and 7,180,000 Offer Shares to be subscribed by Long-Z's Affiliate as cornerstone investor based on the low end of the indicative Offer Price range; (ii) 86,956,540 Shares held by HongShan; and (iii) 73,231,885 Shares held by Nascent Sprouts Limited, from the total number of Shares in public hands as set out in note (1) above.
- (3) Calculated by considering that (i) all of the Shares held by each of the existing Shareholders will be subject to lock-up arrangements due to their respective undertakings to, among others, the Company, the Overall Coordinators and the Joint Sponsors. For further details, please refer to the section headed "Underwriting — Lock-Up Arrangements"; and (ii) among the 158,612,000 initial Offer Shares under the Global Offering, a maximum of 63,722,000 Offer Shares would be subscribed by cornerstone investors participating in the Global Offering (based on the low end of the indicative Offer Price range) who would be subject to lock-up arrangements pursuant to their respective cornerstone investment agreement.

Accordingly, we have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 8.08(3) of the Listing Rules to allow the three largest public Shareholders to hold no more than 57.65% of the Shares to be held in public hands immediately after the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised).

We will disclose in the allotment results announcement the total number of Shares held by the three largest public Shareholders and the corresponding percentage of Shares held in public hands and of our Company's issued share capital at the time of Listing.

INFORMATION ABOUT THIS DOCUMENT AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors, including any proposed director who is named as such in this prospectus, collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), 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.

GLOBAL OFFERING

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 contains the terms and conditions of the Hong Kong Public Offering.

The Hong Kong 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 Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, and any of the Underwriters, any of their respective directors, agents, employees or advisors 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 Overall Coordinators and the Joint Global Coordinators. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price. 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.

The Offer Price is expected to be determined among the Overall Coordinators (on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Monday, February 10, 2025. If, for whatever reason, the Offer Price is not agreed among the Overall Coordinators and our Company on or before 12:00 noon on Monday, February 10, 2025, the Global Offering will not become unconditional and will lapse immediately.

INFORMATION ABOUT THIS DOCUMENT AND THE GLOBAL OFFERING

See the section headed “Underwriting” in this prospectus for further information about the Underwriters and the underwriting arrangements.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The application procedures for the Hong Kong Offer Shares are set forth in “How to Apply for Hong Kong Offer Shares” in this prospectus.

CSRC FILING

Pursuant to the Trial Measures released by the CSRC on February 17, 2023, which came into effect on March 31, 2023, domestic companies that seek to offer and list securities overseas, directly or indirectly, should fulfill the filing procedure and report relevant information to the CSRC. Pursuant to the Trial Measures, any overseas offering and listing made by an issuer that meets both of the following conditions will be deemed as indirect overseas offering and listing that should be filed with the CSRC: (i) 50% or more of the issuer’s operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by PRC domestic companies; and (ii) the key aspects of the issuer’s business activities are conducted in mainland China, or its main places of operations are located in mainland China, or the senior managers in charge of its operation and management are mostly Chinese citizens or domiciled in the PRC.

Given that our domestic operating entities generated a substantial amount of our total revenue as shown in our audited consolidated financial statements for the year ended December 31, 2022 and that our business activities are mainly conducted in the PRC, our PRC Legal Advisor is of the opinion that we are required to go through the filing procedures with the CSRC with respect to the offering and listing after the submission of our application to the Stock Exchange. We have timely filed with the CSRC on January 3, 2024, which was officially accepted by the CSRC on January 8, 2024. The CSRC issued a notice of filing on December 9, 2024 for the Global Offering and the listing of our Shares on the Stock Exchange.

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.

SELLING RESTRICTIONS ON OFFERS AND SALE OF SHARES

Each person acquiring the Hong Kong 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.

INFORMATION ABOUT THIS DOCUMENT AND THE GLOBAL OFFERING

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the 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 authorisation by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the listing of, and permission to deal in, (a) the Shares in issue (including the Shares to be converted from Preferred Shares); (b) the Shares to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option); and (c) the Shares which may be issued pursuant to the Post-IPO Share Scheme.

Dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, February 12, 2025. No part of our Shares or loan capital 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 register of members of our Company in order to enable them to be traded on the Stock Exchange.

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.

OFFER SIZE ADJUSTMENT OPTION, OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Offer Size Adjustment Option, the Over-allotment Option and stabilization are set out in the section headed “Structure of the Global Offering” in this prospectus.

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 settlement day after any trading day. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

INFORMATION ABOUT THIS DOCUMENT AND THE GLOBAL OFFERING

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 advisor 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, Ogier Global (Cayman) Limited. Our Hong Kong Share register of members will be maintained by the Hong Kong Share Registrar, Tricor 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 advisors 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 Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters, any of their respective affiliates, directors, supervisors, employees, agents or advisors 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:

RMB0.9204 to HK\$1.00

RMB7.1705 to US\$1.00

HK\$7.7903 to US\$1.00

INFORMATION ABOUT THIS DOCUMENT AND THE GLOBAL OFFERING

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 the English prospectus that are not in the English language and are English translations, the names in their respective original languages shall prevail.

ROUNDING

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

OTHER

Unless otherwise specified, all references to any shareholdings in our Company following the completion of the Global Offering assume that the Offer Size Adjustment Option and the Over-allotment Option are not exercised.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Yun'an Wang (王雲安先生)	Room 201, Unit 2, Building 18 Jinyayuan, Jianggan District, Hangzhou Zhejiang Province, PRC	Chinese
Mr. Xia Qi (戚俠先生)	Room 2404, Unit 3, Block 1 Hefeng Court, Linfeng Garden Shangcheng District, Hangzhou Zhejiang Province, PRC	Chinese
Mr. Xiudi Ruan (阮修迪先生)	Room 1702, Building 6 Qianjiang Yufu, Ziyang Street Shangcheng District, Hangzhou Zhejiang Province, PRC	Chinese
Ms. Yayu Jin (金雅玉女士)	Room 202, Unit 2 Building 9, Renbin Apartment Shangcheng District, Hangzhou Zhejiang Province, PRC	Chinese
Mr. Yunjiang Cai (蔡雲江先生)	219, Qianwayu Village Daxi Town, Wenling Zhejiang Province, PRC	Chinese
Non-executive Director		
Mr. Yaoxin Huang (黃堯鑫先生)	San'ai Center, No. 15, Guanghuali Chaoyang District Beijing, PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Independent Non-executive Directors

Mr. Yue Zhuo (卓越先生)	No. 16-2, Zone A, Xueli'aoxiang Xisanqi Huayuan 1 Li Haidian District Beijing, PRC	Chinese (Hong Kong)
Ms. Xiaodong Zheng (鄭曉冬女士)	Room 402, Building 59 No. 258 Kaixuan Road, Hangzhou Zhejiang Province, PRC	Chinese
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Further information about the directors and other senior management members are set out in the section headed “Directors and Senior Management” in this document.

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Registered office in the Cayman Islands	89 Nexus Way, Camana Bay Grand Cayman, KY1-9009 Cayman Islands
Company's website	<u>www.gumingnc.com</u> <i>(The information contained on this website does not form part of this prospectus)</i>
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Authorized representatives	Mr. Yun'an Wang 5/F, Tower A Science and Technology Innovation Center 618 Boxue Road, Xiaoshan District Hangzhou, Zhejiang Province, China Ms. Ying Man Sham Room 1910, 19/F Lee Garden One 33 Hysan Avenue Causeway Bay, Hong Kong

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Remuneration committee	Mr. Jianbo Li (<i>chairperson</i>) Mr. Yun'an Wang Mr. Yue Zhuo
Nomination committee	Mr. Yun'an Wang (<i>chairperson</i>) Ms. Xiaodong Zheng Mr. Jianbo Li
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Hong Kong Share Registrar	Tricor Investor Services Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
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INDUSTRY OVERVIEW

The information and statistics set out in this section and other sections of this document were extracted from a report prepared by CIC, or the CIC Report, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged CIC to prepare the CIC Report, an independent industry report, in connection with the Global Offering. The information from official government sources has not been independently verified by us, the Joint Sponsors, the Joint Global Coordinators, the Overall Coordinators, the Joint Bookrunners and Joint Lead Managers, any of our and their respective directors, supervisors, officers, representatives, employees, advisers or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy.

SOURCE OF INFORMATION

We engaged CIC, an independent market research and consulting company that provides industry consulting services, commercial due diligence, and strategic consulting, to conduct detailed research on and analysis of the freshly-made beverage market in China. We have agreed to pay a fee of RMB954,000 to CIC in connection with the preparation of the CIC Report. We have incorporated certain information from the CIC Report into this section, as well as into “Summary,” “Business,” “Financial Information,” and elsewhere in this document to provide potential investors with a comprehensive presentation of the industries where we operate.

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

The CIC Report was compiled based on the following assumptions: (i) the overall social, economic, and political environment in China is expected to remain stable during the forecast period; and (ii) China’s economic and industrial development is likely to maintain a steady growth trajectory during the forecast period, supported by sustained market demand, technological advancements, and ongoing initiatives promoting infrastructure development.

CHINA’S FRESHLY-MADE BEVERAGE MARKET

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

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The market for freshly-made beverages in China is burgeoning, exhibiting ample room for growth when compared to more mature markets. According to the CIC Report, the annual per capita consumption of freshly-made beverages in China was approximately 22 cups in 2023, in comparison to the 323 cups in the United States, 225 cups in the United Kingdom, and 172 cups in Japan, indicating the significant potential for expansion in China.

Over the past five years, China's freshly-made beverage sector has witnessed rapid growth. According to the CIC Report, the GMV of China's freshly-made beverage market increased from RMB187.8 billion in 2018 to RMB517.5 billion in 2023, representing a CAGR of 22.5%. The market GMV is expected to reach RMB1,163.4 billion in 2028, with an anticipated CAGR of 16.7% from 2024 to 2028. This robust growth can be attributed to rising per capita disposable incomes, evolving consumer habits, and ongoing enhancements in product quality spurred by market innovations and supply chain improvements.

In the nine months ended September 30, 2024, the growth of China's freshly-made beverage market slowed down compared with the same period of 2023. Even so, along with the expected growth of China's economy and consumer spending in the coming years, the market is expected to increase in size at a CAGR of 16.7% between 2024 and 2028, considering that (i) per capita annual consumption of freshly-made beverages in China was 22 cups in 2023, compared to 323, 225 and 172 cups in the United States, the United Kingdom and Japan, respectively. By 2028, per capita annual consumption of freshly-made beverages in China is expected to more than double to 51 cups, presenting significant growth prospects; (ii) per capita annual consumption of freshly-made beverages in first-tier cities of China was 70 cups in 2023, compared to 16 cups in second-tier and below cities, leaving great potential in lower-tier markets; and (iii) in the medium to long term, both the economy in general and consumer spending in China are expected to show steady growth.

Major Segments of China's Freshly-made Beverage Market

China's freshly-made beverage market primarily consists of tea beverages and coffee beverages, representing about 50.0% and 33.3% of the GMV of the entire freshly-made beverage market in 2023, respectively.

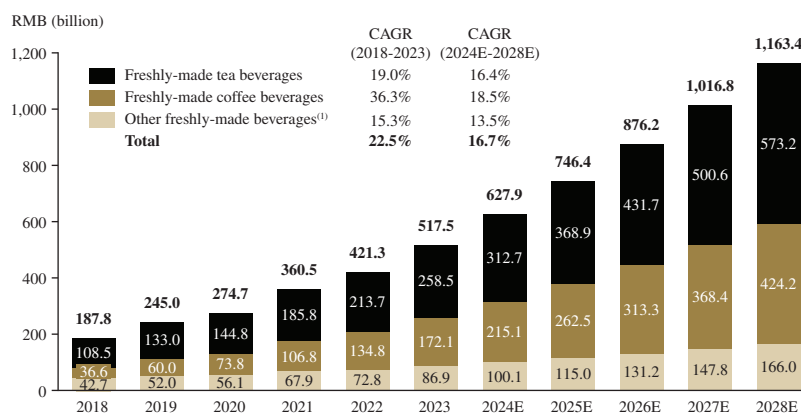
- *Freshly-made tea beverages.* The market for freshly-made tea beverages is the largest segment of China's freshly-made beverage market in terms of GMV. Made with tea, a long-time favorite in China, and innovatively added ingredients like fresh fruits, freshly-made tea beverages have gained immense popularity and become daily staples for work and leisure. The market segment has witnessed rapid growth, highlighting its widespread appeal. According to the CIC Report, the GMV of this segment grew from RMB108.5 billion in 2018 to RMB258.5 billion in 2023, representing a CAGR of 19.0%, and is expected to reach RMB573.2 billion in 2028, with a CAGR of 16.4% from 2024 to 2028. Freshly-made tea beverages are predominantly available in freshly-made tea stores, but can also be offered by coffee shops, bakeries, and restaurants.

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- Freshly-made coffee beverages.** The market for freshly-made coffee beverages is the most rapidly expanding segment of China’s freshly-made beverage market. Thanks to market innovations that modified coffee beverages to suit Chinese consumers’ taste, the habit of consuming coffee beverages has gained traction in China and the popularity of freshly-made coffee beverages continues to soar. According to the CIC Report, the GMV of this segment expanded from RMB36.6 billion in 2018 to RMB172.1 billion in 2023, representing a CAGR of 36.3%, and is expected to further grow to RMB424.2 billion in 2028, with a CAGR of 18.5% from 2024 to 2028.

The following diagram sets forth the GMV of China’s freshly-made beverage market, broken down by major segments, from 2018 to 2028.

**GMV of China’s freshly-made beverage market,
breakdown by major segments, 2018-2028E**



Source: The CIC Report, National Bureau of Statistics of the PRC, International Monetary Fund

Note:

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

Freshly-made beverage stores, such as freshly-made tea stores and freshly-made coffee shops, are the primary channels for consumers to purchase freshly-made beverage. The “Good me” brand had a market share of 4.8% in China’s freshly-made beverage store market in terms of GMV in 2023.

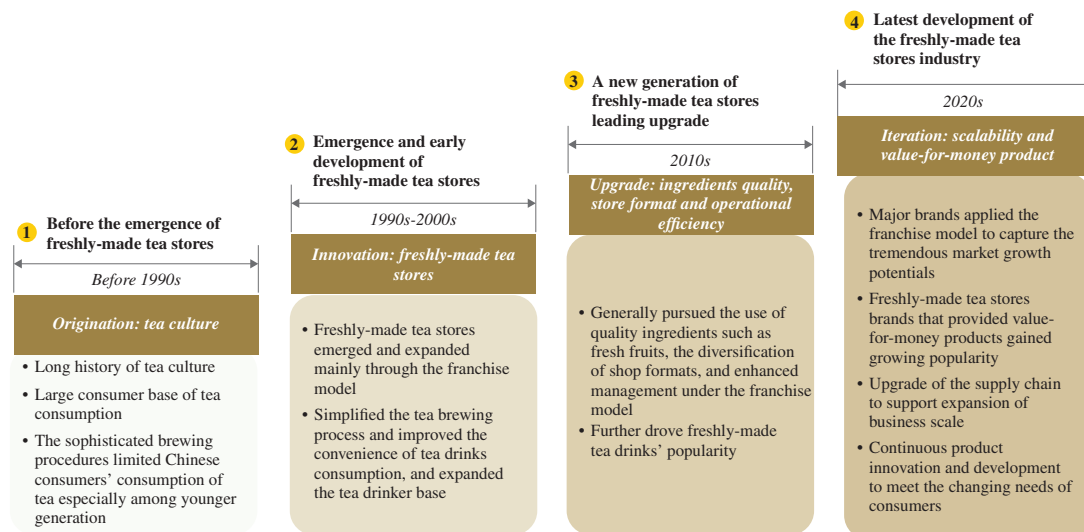
CHINA’S FRESHLY-MADE TEA STORE MARKET

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

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

China's freshly-made tea store market has witnessed substantial growth and is expected to see persistent and rapid expansion going forward. According to the CIC Report, the GMV of China's freshly-made tea store market increased from RMB70.2 billion in 2018 to RMB211.5 billion in 2023, representing a CAGR of 24.7%. This rapid growth marks the latest development in a series of evolutions of China's freshly-made tea stores over the past decades, as illustrated in the following chart.



Source: The CIC Report

According to the CIC Report, the GMV of China's freshly-made tea store market is expected to further increase to RMB519.3 billion in 2028, at a CAGR of 19.2% from 2024 to 2028. This uptrend stems from an expanding consumer base and amplified consumption frequency of freshly-made tea beverages, driven by the continuous evolution of China's freshly-made tea stores. As consumers continue to demand enhancements in product quality and purchase convenience, as well as more personalized consumption experiences, China's freshly-made tea stores are expected to keep evolving by incorporating more fresh ingredients into their recipes, improving management and operation efficiency through digitalization, optimizing store expansion strategies, and exploring many other potential avenues for innovation. In the nine months ended September 30, 2024, the growth of China's freshly-made tea store market slowed down compared with the same period of 2023. Even so, along with the expected growth of China's economy and consumer spending, the market size is expected to increase at CAGR of 19.2% between 2024 and 2028, considering that (i) per capita annual consumption of freshly-made tea beverages in mainland China was 11 cups in 2023, compared to over 50 cups in Hong Kong and Taiwan, both of which share a similar long-standing tea drinking culture. By 2028, per capita annual consumption of freshly-made tea beverages in mainland China is expected to more than double to 26 cups, presenting significant growth prospects; (ii) per capita annual consumption of freshly-made tea beverages in first-tier cities of China was 27 cups in 2023, compared to less than 10 cups in second-tier and below cities,

INDUSTRY OVERVIEW

leaving great potential in lower-tier markets; (iii) the number of freshly-made tea chain stores (as defined below) as a percentage of the total number of freshly-made tea stores in China is expected to increase from 56.1% in 2023 to 72.0% in 2028. The increase is expected to lead to higher average store-level performance in China's freshly-made tea store market and thus a larger market size overall; and (iv) in the medium to long term, both the economy in general and consumer spending in China are expected to show steady growth.

A significant trend in the evolution of China's freshly-made tea stores has been the increasing adoption of the franchise model. China's freshly-made tea stores consist of chain stores and independent stores, with chain stores operated under the franchise or direct operation models. With a franchise model, brand owners generally can accomplish rapid growth to meet consumers' rising demand, with a lower need for capital investment since they can leverage their franchisee's local knowledge and resources. Recent trends show an increasing preference for the franchise model in China, with franchised stores accounting for 91.9% of the total number of freshly-made tea chain stores as of December 31, 2023 in China.

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

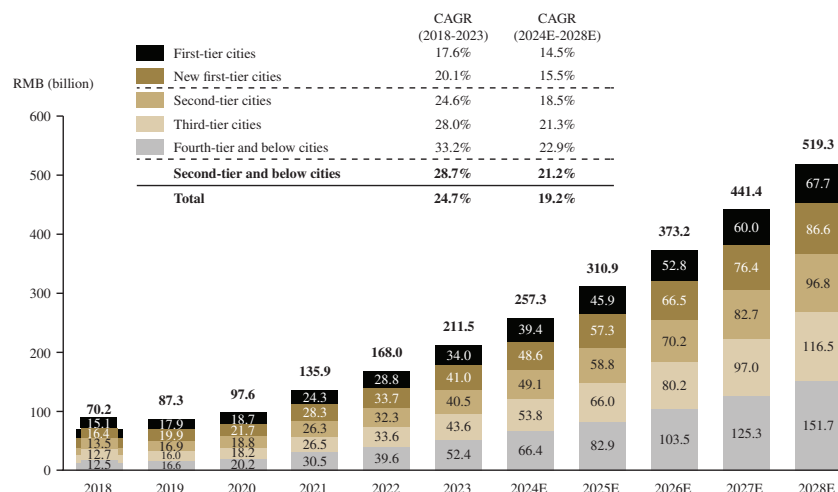
Market Segmentation of China's Freshly-made Tea Store Market

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

Due to their underserved consumer demands for freshly-made tea beverage, second-tier and below cities have been the fastest-growing city tiers in China's freshly-made tea store market in terms of GMV between 2018 and 2023, and are expected to continue being the fastest-growing city tiers between 2024 and 2028. The following diagram sets forth the GMV of China's freshly-made tea store market, broken down by city tiers, from 2018 to 2028. The CAGRs between 2024 and 2028 for the market sizes of first-tier cities, new first-tier cities, and second-tier and below cities are 14.5%, 15.5%, and 21.2%, respectively. In the long term (2028-2033), with the expected growth of China's economy and consumer spending, the freshly-made tea store market is projected to further expand at a CAGR around 15%, with CAGRs for first-tier cities, new first-tier cities, and second-tier and below cities projected to be approximately 10%, approximately 10%, and approximately 15%, respectively.

INDUSTRY OVERVIEW

GMV of China's freshly-made tea store market, broken down by city tiers, 2018-2028E

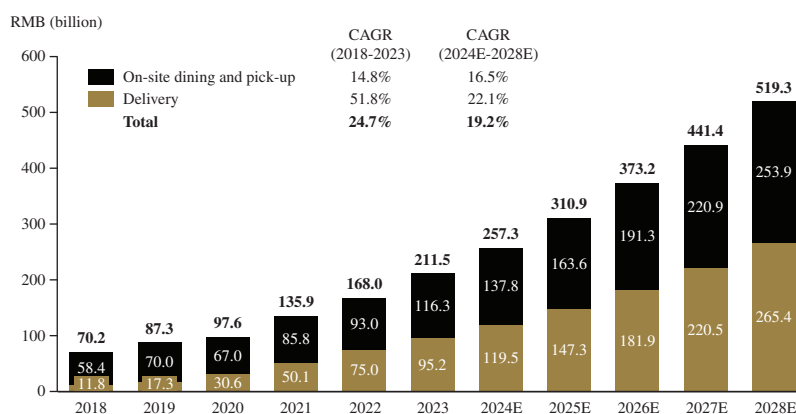


Source: The CIC Report, National Bureau of Statistics of the PRC, International Monetary Fund

With the emergence of delivery services and the increasing consumer demand for convenience in purchasing, the GMV of China's freshly-made tea store through delivery services grew from RMB11.8 billion in 2018 to RMB95.2 billion in 2023, representing a CAGR of 51.8%, and is expected to further increase to RMB265.4 billion in 2028, with a CAGR of 22.1% from 2024 to 2028. This market segment accounted for 45.0% of the total GMV of China's freshly-made tea store market in 2023, and the market share is expected to increase to 51.1% in 2028.

The following diagram sets forth the GMV of China's freshly-made tea store market, broken down by on-site dining and pick-up, and delivery, from 2018 to 2028.

GMV of China's freshly-made tea store market, broken down by on-site dining and pick-up, and delivery, 2018-2028E



Source: The CIC Report, National Bureau of Statistics of the PRC, International Monetary Fund

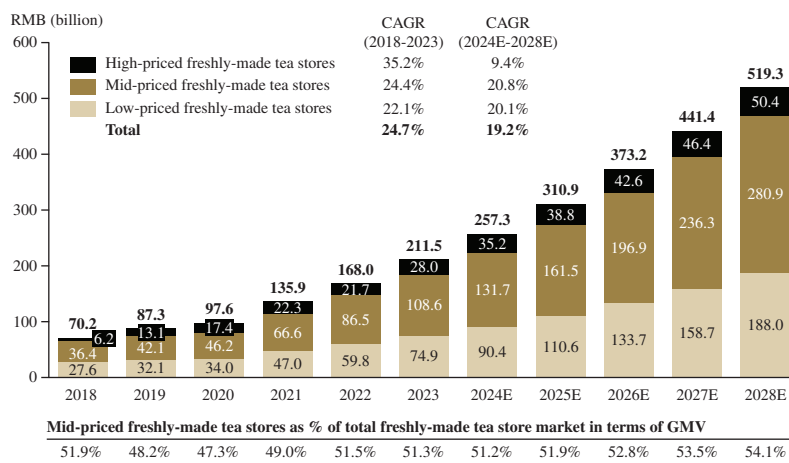
INDUSTRY OVERVIEW

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

The mid-priced freshly-made tea store market represents the largest segment of China's freshly-made tea store market in terms of GMV in 2023 and the fastest-growing segment in terms of expected GMV growth from 2024 to 2028. Compared with the low-priced brands, mid-priced freshly-made tea store brands generally use more quality ingredients such as fresh fruits and fresh milk in their beverages, meeting a rising consumer demand for high-quality beverages. Compared with the high-priced brands, mid-priced freshly-made tea store brands provide better value for money, giving consumers a more suitable alternative for daily consumptions. According to the CIC Report, the GMV of China's mid-priced freshly-made tea store market grew from RMB36.4 billion in 2018 to RMB108.6 billion in 2023, representing a CAGR of 24.4%, and is expected to further increase to RMB280.9 billion in 2028, with a CAGR of 20.8% from 2024 to 2028. This market segment accounted for 51.3% of the total GMV of China's freshly-made tea store market in 2023, and the market share is expected to grow to 54.1% in 2028.

The following diagram sets forth the GMV of China's freshly-made tea store market, broken down by price segments, from 2018 to 2028.

**GMV of China's freshly-made tea store market,
breakdown by price segments, 2018-2028E**



Source: The CIC Report, National Bureau of Statistics of the PRC, International Monetary Fund

INDUSTRY OVERVIEW

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

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

- *Growing purchasing power and expansion of consumer base.* With China's rising disposable income and purchasing power, the number of China's freshly-made tea drinkers has increased from 224.8 million in 2018 to 320.0 million in 2023, with a CAGR of 7.3%. With the improvement of living standards, an increasing number of consumers are opting for freshly-made tea beverages to meet their demands for fresh drinks. Therefore, the number of China's freshly-made tea drinkers is expected to reach 482.7 million in 2028, indicating a CAGR of 8.5% from 2024 to 2028.
- *Innovation and product differentiation.* As the freshly-made tea store industry becomes increasingly competitive, freshly-made tea store brands have started to diversify and innovate their products by incorporating advancements in tea base extraction technologies, introducing new scents, and exploring niche fruits. They are also focusing on enhancing product quality to ensure value for money and foster consumer loyalty. Additionally, freshly-made tea store brands are improving consumer experience by creating a welcoming in-store environment, offering superior product designs, and providing convenient sales channels.
- *Development of chain stores.* Compared to independent freshly-made tea stores, freshly-made tea chain stores benefit from economies of scale, which foster rapid expansion and drive the overall growth of the freshly-made tea store market in China. The freshly-made tea chain stores as a percentage of total freshly-made tea stores in China is expected to increase from 56.1% in 2023 to 72.0% in 2028. The increase could facilitate the standardization of store operations and improve product and service quality, leading to higher average store-level performance in China's freshly-made tea store market.
- *Expanded consumer accessibility thanks to food delivery services.* Evolving consumer purchase behaviors are leaning towards channels that offer greater convenience. The development of food delivery services in China aligns with this trend, enlarging the service radius of freshly-made tea stores and potentially increasing consumers' purchase frequency. Meanwhile, due to this development, poorly managed brands face increased risk of cannibalization. Food deliveries accounted for approximately 45.0% of the GMV of China's freshly-made tea stores in 2023, and this figure is expected to increase to 51.1% in 2028.

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

- *Established store network.* For freshly-made tea store brands, dense store networks help achieve economies of scale which significantly enhances brand awareness, store accessibility, and warehousing and logistics efficiency. Without the support of a comprehensive supply chain infrastructure and in-depth know-how for store network expansions, new market entrants may find it hard to establish extensive store networks.
- *Widely acknowledged brand reputation.* Consumers tend to select freshly-made tea beverages from brands familiar to them, therefore new entrants may struggle to attract enough consumers in the early stages of operation. In addition, freshly-made tea store brands with widely acknowledged brand reputation are more attractive to franchisees, as the brand reputation is a guarantee of consumer traffic. New entrants may find it difficult to recruit quality franchisees due to the lack of brand recognition.
- *Capabilities of product quality control.* Consumers are becoming more cautious and selective about product safety and taste when selecting freshly-made tea beverages. Leading brands have established rigorous internal quality standards and operational procedures, creating competitive pressure on new entrants, as new entrants' product quality control systems are generally at an early stage and may not ensure product quality in an effective manner.

Market Challenges and Threats of China's Freshly-made Tea Store Market

- *Food safety and hygiene compliance risks.* Food safety and hygiene compliance risks are typical problems in the freshly-made tea store market and other catering sectors. Freshly-made tea store brands must proactively manage food safety and hygiene compliance issues by controlling store environment, beverage manufacturing process and employee personal hygiene. Failures to effectively comply with food safety requirements may result in consumer loss, brand reputation damage, or even legal risks.
- *Product consistency and stability.* It is difficult for freshly-made tea store brands to serve diverse product offerings of consistent quality and taste while having a large number of stores. Ensuring product consistency not only needs strong supply chain capabilities and standardized in-store operating procedures, but also comprehensive digital capabilities to enhance overall operational efficiency and to adapt to changing product offerings and innovations. Brands may struggle to concurrently balance store network expansion, product offering diversity, and product quality and consistency.

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

China's freshly-made tea store market was historically fragmented and has been continuously consolidating. According to the CIC Report, the top five freshly-made tea store brands' market share, in terms of GMV, increased from 38.5% in 2020 to 46.8% in 2023.

The following table set forth China's top five freshly-made tea store brands by GMV in 2023 and by store count as of December 31, 2023. The "Good me" brand ranked second in China's freshly-made tea store brands in terms of GMV in 2023, with a 9.1% market share. Additionally, the "Good me" brand stood second in terms of store count as of December 31, 2023.

Ranking of leading freshly-made tea store brands in China by GMV in 2023 and by store count as of December 31, 2023

Ranking	Brand	GMV in 2023	Market share in terms of GMV in 2023
		<i>(RMB in billions)</i>	<i>(%)</i>
1	Brand A ⁽¹⁾	42.7	20.2
2	<i>Good me</i>	19.2	9.1
3	Brand B ⁽²⁾	16.9	8.0
4	Brand C ⁽³⁾	10.5	5.0
5	Brand D ⁽⁴⁾	9.7	4.6
	Subtotal	99.0	46.8
	Total	211.5	100.0

Ranking	Brand	Store count as of December 31, 2023
1	Brand A ⁽¹⁾	~30,300
2	<i>Good me</i>	9,001
3	Brand B ⁽²⁾	7,801
4	Brand D ⁽⁴⁾	~7,800
5	Brand E ⁽⁵⁾	~7,000
	Subtotal	~61,900
	Total	~463,800

Source: The CIC Report

Notes:

- (1) Launched in 1999, Brand A is operated by a private multi-brand freshly-made beverage company headquartered in Henan. The company had approximately 33,200 freshly-made beverage stores in China as of December 31, 2023, among which approximately 30,300 were freshly-made tea stores. This company has submitted listing application to the Stock Exchange.
- (2) Launched in 2008, Brand B is operated by a Hong Kong listed freshly-made tea store company headquartered in Sichuan. The company had over 7,800 freshly-made tea stores in China as of December 31, 2023.

INDUSTRY OVERVIEW

- (3) Launched in 2017, Brand C is operated by a private freshly-made tea store company headquartered in Sichuan. The company had approximately 3,400 freshly-made tea stores in China as of December 31, 2023.
- (4) Launched in 2013, Brand D is operated by a private freshly-made tea store company headquartered in Shanghai. The company had approximately 7,800 freshly-made tea stores in China as of December 31, 2023. This company has submitted listing application to the Stock Exchange.
- (5) Launched in 2007, Brand E is operated by a private freshly-made tea store company headquartered in Sichuan. The company had approximately 7,000 freshly-made tea stores in China as of December 31, 2023.

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

Geographical Distribution of Mid-priced Freshly-made Tea Stores

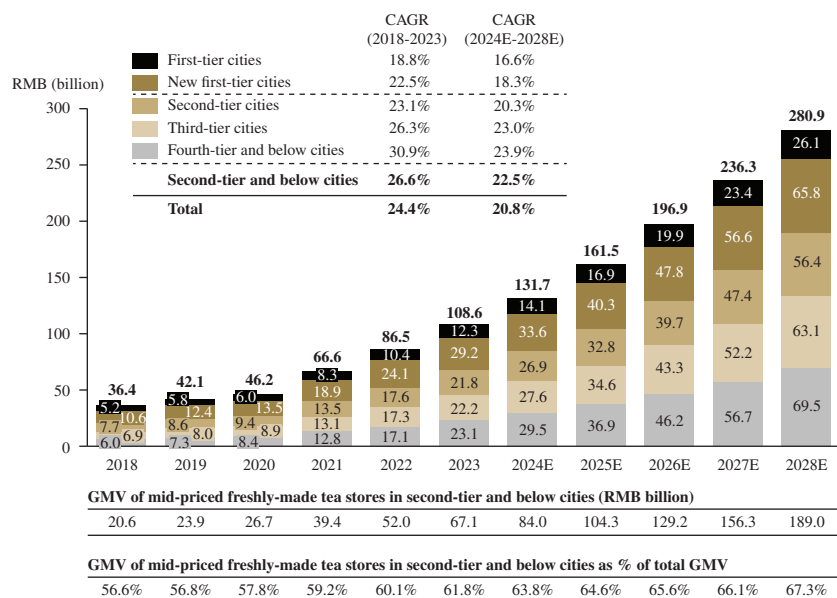
Cities ranked second-tier and below are critical for the future growth of the mid-priced freshly-made tea store market, due to their large populations and relatively low penetration of freshly-made tea stores at the current stage. It is vital for mid-priced freshly-made tea store brands to establish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

- Given their population size, second-tier and below cities are the largest segment of China's mid-priced freshly-made tea store market. According to the CIC Report, in 2023, mid-priced freshly-made tea stores located in second-tier and below cities constituted 61.8% of the market's total GMV.
- There is significant growth potential in second-tier and below cities due to the relatively low penetration of mid-priced freshly-made tea stores. According to the CIC Report, in 2023, there were approximately 122 mid-priced freshly-made tea stores for every million people in second-tier and below cities, while there were approximately 214 mid-priced freshly-made tea stores for every million people in first-tier and new first-tier cities.
- Second-tier and below cities are forecasted to have the highest growth rate in the coming years and contribute to the majority of the market's overall growth. According to the CIC Report, the GMV of mid-priced freshly-made tea stores in second-tier and below cities is expected to grow from RMB84.0 billion in 2024 to RMB189.0 billion in 2028, representing a CAGR of 22.5%. This growth is expected to contribute 70.4% to the expansion of China's mid-priced freshly-made tea store market in the same period in terms of GMV.

INDUSTRY OVERVIEW

The following diagram sets forth the GMV of China’s mid-priced freshly-made tea store market, broken down by city tiers, from 2018 to 2028.

GMV of China’s mid-priced freshly-made tea store market, breakdown by city tiers, 2018-2028E



Source: The CIC Report, National Bureau of Statistics of the PRC, International Monetary Fund

Towns (鎮) and townships (鄉), which are administrative areas typically located away from downtown urban areas of cities, generally have the majority of the population and significant unmet demand for freshly-made tea beverages due to a lack of supply. According to the Chinese population census conducted in 2020, approximately 840 million individuals resided in towns and townships, which constituted nearly 60% of the population nationwide. In particular, lower-tier cities generally have a higher population proportion resided in towns and townships. Nonetheless, logistics infrastructure in towns and townships is generally underdeveloped, creating supply chain and cost challenges for freshly-made tea stores. Only a few leading brands have successfully penetrated towns and townships, leaving a significant portion of the market untapped. As of December 31, 2023, there were 3,448 “Good me” stores in towns and townships, representing approximately 38.3% of the brand’s total store count, while China’s other top five mid-priced freshly-made tea store brands, as measured by store count as of December 31, 2023, generally had below 25% of their stores located in towns and townships.

INDUSTRY OVERVIEW

Drivers and Trends of China's Mid-priced Freshly-made Tea Store Market

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

- *Formation of consumption habit for freshly-made tea beverages.* Several interrelated factors have spurred the consumption of freshly-made tea beverages: (i) it has become increasingly convenient for consumers to enjoy freshly-made tea beverages with a continuous increase in the number of freshly-made tea stores; (ii) young people, the primary consumers of freshly-made tea beverages in China, have gained increasing purchasing power and have increasingly accepted freshly-made tea beverage consumption as a pleasant and relaxing component of their daily life, fully expecting such consumption to continue as they grow older; and (iii) there has been a constant expansion of the consumer base of freshly-made tea beverages, as per capita disposable income and purchasing power of the Chinese population grow and as diversified product offerings attract a wider age group. As a result, the frequency of the consumption of freshly-made tea beverages is expected to increase. According to the CIC Report, the annual per capita consumption of freshly-made tea beverages in mid-priced freshly-made tea stores is expected to increase from 4.2 cups in 2023 to 11.4 cups in 2028.
- *Heightened consumer emphasis on product quality and value for money.* As consumers consume freshly-made tea beverages more frequently and integrate them into their daily routines, they increasingly seek products of both high quality and high value for money. In addition, as freshly-made tea beverages became more accessible and their marketing campaigns become more widespread in second-tier and below cities, consumers in these cities have placed a similar emphasis on product quality and value for money. The overall value proposition of freshly-made tea beverages has become a pivotal aspect of consumers' purchasing decisions. Brands of mid-priced freshly-made tea stores that can provide quality products and services at a comparatively affordable price are gaining popularity among consumers. Even some of the more expensive freshly-made tea store brands are adjusting their pricing strategies to lean more towards the mid-priced segment. This trend reaffirms the growing significance of providing products of high quality and high value for money.
- *Growing demand for fresh ingredients.* As consumers' health awareness grows, many brands start to invest more in product freshness and nutritiousness. This has led to (i) innovations in fruit preservation and processing techniques, flavor combining techniques and fresh fruits and tea extraction techniques, and (ii) a growing emphasis on supply chain capabilities. Tea beverages made with fresh fruits and fresh milk have received significant consumer attention due to the health benefits associated with consuming fresh fruits and fresh milk.

INDUSTRY OVERVIEW

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

Key Success Factors in China's Mid-priced Freshly-made Tea Store Market

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

- *Store network expansion capabilities.* Opening new stores directly boosts the sales growth of freshly-made tea store brands. A widespread and dense store network not only enhances brand image but also fortifies consumer loyalty. However, brands adopting a franchise model might struggle to densify their store network after achieving a certain level of geographical coverage. Brands that effectively address concerns from existing franchisees and increase store density via a strategic store expansion plan are poised for enduring success.
- *Penetration in second-tier and below cities.* Second-tier and below cities in China have a population exceeding 1.1 billion in 2023, yet the density of freshly-made tea stores in these areas lags behind that of first-tier and new first-tier cities. As purchasing power grows in these areas, they offer significant growth potential. The ability to penetrate through these second-tier and below cities, especially the towns and townships, is a critical factor for achieving sustainable growth for mid-priced freshly-made tea store brands. In general, these cities also have lower population densities and less frequent population inflows, making it harder for freshly-made tea store brands to attract new consumers. Brands that attend to the price-sensitive nature of these cities' residents stand a better chance at success. Moreover, brands that have established consumer recognition and loyalty can attract and retain consumers in these areas more effectively.
- *Insistence on product freshness and quality.* The mid-priced freshly-made beverage market in China has evolved from using heavily-processed ingredients towards the increasing adoption of fresh and natural ingredients such as fresh fruits and fresh milk. To establish a competitive barrier and stand out from competitions in the long run, freshly-made tea store brands should strive to serve fresh and high-quality beverages to consumers across their extensive store networks. To do so, brands need to invest in many aspects of their operations, including supply procurement, product development, supply chain management (particularly the warehousing and logistics infrastructure for short-shelf-life ingredients), store operation, and quality control.

INDUSTRY OVERVIEW

- *Robust supply chain capabilities.* Mid-priced freshly-made tea stores rely on ingredients including fresh fruits, tea leaves and fresh milk, which significantly influence beverage taste. Brands need to strengthen their supply chain capabilities, including enhancing ingredient procurement, processing, storage and logistics, particularly in relation to cold-chain capabilities, in order to maintain their product quality and stable supply, sustain positive consumer perceptions and enhanced consumer loyalty. In addition, increasing the density of their store network can result in significant cost advantages through enhanced supply chain efficiency.
- *Franchisee management proficiency.* The performance at the store level is vital for both the franchisees and the brand owner. Favorable store-level profitability attracts quality franchisees, ensuring long-term growth and facilitating network expansion. However, the management skills of franchisees can vary. High-caliber franchisees can significantly elevate a brand's sales and image. Therefore, a harmonious and long-term relationship with franchisees, underpinned by stringent selection processes, effective management mechanism and comprehensive training and support, is vital for the brands adopting a franchise model.
- *Digitalized operation and management.* The development of an advanced technology infrastructure and the continuous application of new technologies are critical for the efficient management of large-scale store networks. For example, some brands have established digital supply chain management systems and incorporated connected appliances in stores to heighten operating efficiency.
- *Expertise in product development.* As the mid-priced freshly-made tea store market rapidly evolves, brands need the capability to launch new products across their extensive store networks. Mid-priced freshly-made tea store brands need to have robust research and analytical capabilities to understand latent consumer demands, and to rapidly develop high-quality products that appeal to consumers.
- *Strong brand image.* Brand is an important factor when consumers choose mid-priced freshly-made tea stores. Mid-priced freshly-made tea stores with exceptional brand reputations supported by consistently high-quality products are able to continuously attract new consumers and retain existing ones, improve consumer loyalty and increase consumer repurchase rate, thereby granting the brand a competitive edge against competitors.

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

The following table sets forth China's top five mid-priced freshly-made tea store brands by GMV in 2023 and by store count as of December 31, 2023. The "Good me" brand is China's largest mid-priced freshly-made tea store brand in terms of GMV in 2023, with a 17.7% market share. The "Good me" brand is also China's largest mid-priced freshly-made tea store brand in terms of store count as of December 31, 2023.

INDUSTRY OVERVIEW

Ranking of leading mid-priced freshly-made tea store brands in China by GMV in 2023 and by store count as of December 31, 2023

Ranking	Brand	GMV in 2023	Market share in terms of GMV in 2023
		<i>(RMB in billions)</i>	<i>(%)</i>
1	<i>Good me</i>	19.2	17.7
2	Brand B ⁽¹⁾	16.9	15.6
3	Brand C ⁽²⁾	10.5	9.7
4	Brand D ⁽³⁾	9.7	8.9
5	Brand F ⁽⁵⁾	8.7	8.0
	Subtotal	65.0	59.9
	Total	108.6	100.0

Ranking	Brand	Store count as of December 31, 2023
1	<i>Good me</i>	9,001
2	Brand B ⁽¹⁾	7,801
3	Brand D ⁽³⁾	~7,800
4	Brand E ⁽⁴⁾	~7,000
5	Brand F ⁽⁵⁾	~4,300
	Subtotal	~35,900
	Total	~198,500

Source: The CIC Report

Notes:

- (1) Launched in 2008, Brand B is operated by a Hong Kong listed freshly-made tea store company headquartered in Sichuan. The company had over 7,800 freshly-made tea stores in China as of December 31, 2023.
- (2) Launched in 2017, Brand C is operated by a private freshly-made tea store company headquartered in Sichuan. The company had approximately 3,400 freshly-made tea stores in China as of December 31, 2023.
- (3) Launched in 2013, Brand D is operated by a private freshly-made tea store company headquartered in Shanghai. The company had approximately 7,800 freshly-made tea stores in China as of December 31, 2023. This company has submitted listing application to the Stock Exchange.
- (4) Launched in 2007, Brand E is operated by a private freshly-made tea store company headquartered in Sichuan. The company had approximately 7,000 freshly-made tea stores in China as of December 31, 2023.
- (5) Launched in 1997, Brand F is operated by a private freshly-made tea store company headquartered in Taiwan province, and entered the mainland China market in 2007. The company had approximately 4,300 freshly-made tea stores in mainland China as of December 31, 2023.

INDUSTRY OVERVIEW

The “*Good me*” brand competes with mid-priced freshly-made tea store brands across all city tiers. In particular, within second-tier and below cities, the “*Good me*” brand had approximately 22% market share in the mid-priced freshly-made tea store market in 2023 in terms of GMV. The following table sets forth the store distribution, by city tiers, of the top five mid-priced freshly-made tea store brands by store count as of December 31, 2023 listed above. The “*Good me*” brand had 78.8% of stores located in second-tier and below cities, the largest share among the top five mid-priced freshly-made tea store brands by store count as of December 31, 2023. Furthermore, as of the Latest Practicable Date, the “*Good me*” brand was the only brand to adopt a regional densification strategy among the top five mid-priced freshly-made tea store brands in China.

Store distribution by city tiers of top five mid-priced freshly-made tea store brands in China by store count as of December 31, 2023

Brand	First-tier cities	New first-tier cities	Second-tier and below cities
	(%)	(%)	(%)
<i>Good me</i>	3.0	18.2	78.8
Brand B ⁽¹⁾	10.6	26.9	62.5
Brand D ⁽²⁾	~8	~22	~70
Brand E ⁽³⁾	~4	~31	~65
Brand F ⁽⁴⁾	~16	~31	~53

Source: The CIC Report

Notes:

- (1) Launched in 2008, Brand B is operated by a Hong Kong listed freshly-made tea store company headquartered in Sichuan. The company had over 7,800 freshly-made tea stores in China as of December 31, 2023.
- (2) Launched in 2013, Brand D is operated by a private freshly-made tea store company headquartered in Shanghai. The company had approximately 7,800 freshly-made tea stores in China as of December 31, 2023. This company has submitted listing application to the Stock Exchange.
- (3) Launched in 2007, Brand E is operated by a private freshly-made tea store company headquartered in Sichuan. The company had approximately 7,000 freshly-made tea stores in China as of December 31, 2023.
- (4) Launched in 1997, Brand F is operated by a private freshly-made tea store company headquartered in Taiwan province, and entered the mainland China market in 2007. The company had approximately 4,300 freshly-made tea stores in mainland China as of December 31, 2023.

INDUSTRY OVERVIEW

Our Competitive Advantages

- *Largest brand in the mid-priced freshly-made tea store market in China.* The brand “Good me” is China’s largest mid-priced freshly-made tea store brand and the second largest freshly-made tea store brand across all price ranges, as measured by both GMV in 2023 and store count as of December 31, 2023.
- *Leading presence in lower-tier cities and towns and townships.* As of December 31, 2023, 38.3% of the Group’s stores located in towns and townships, while China’s other top five mid-priced freshly-made tea store brands generally had below 25% of their stores located in towns and townships. Meanwhile, the Group had 78.8% of stores located in second-tier and below cities, the largest share among the top five mid-priced freshly-made tea store brands by store count as of December 31, 2023. Logistics infrastructures in these regions are generally underdeveloped, creating supply chain and cost challenges for freshly-made tea stores. Only a few leading brands have the ability to penetrate into these areas, indicating the first-mover advantage for the Group.
- *Supply chain efficiency based on the regional densification strategy.* Through its regional densification strategy, the Group is able to efficiently establish and expand its supply chain, optimize its logistics cost and ensure the quality of its ingredients, which supports its quality beverage offerings and its industry-leading consumer repurchase rate. For the three years ended 31 December 2023, the logistics cost for delivery from the Group’s warehouses to stores was less than 1% of the Group’s total GMV on average, due to the Group’s higher logistics efficiency benefiting from its regional densification strategy.

In addition, the Group’s industry-leading cold-chain warehousing and logistics infrastructure enables it to deliver short-shelf-life fresh fruits, tea leaves and/or fresh milk to lower-tier cities as well as towns and townships frequently. Among the top 10 freshly-made tea store brands in China in terms of GMV in 2023, the Directors are of the view that the Group is the only brand capable of frequent deliveries every two days of short-shelf-life fresh fruits and fresh milk to stores in lower-tier cities. Most of the top 10 freshly-made tea store brands in China do not have such capabilities because (i) they have to generally rely on third-party logistics providers whereas the Group has developed an in-house logistics infrastructure, and/or (ii) some of them usually do not use short-shelf-life ingredients. As a result, they generally only provide delivery to stores every four days.

Meanwhile, the Directors are of the view that the Group has one of the largest cold-chain warehousing and logistics infrastructure in the industry as of December 31, 2023. In 2023, the Group completed cold-chain delivery of over RMB4 billion worth of ingredients, and the value of ingredients that it stores and delivers through cold-chain infrastructure is one of the largest in the industry, while (i) most other tea store brands’ store networks are not as large as the Company’s and/or (ii) the majority of their ingredients are stored and delivered under room temperature rather than cold chain.

INDUSTRY OVERVIEW

Supported by the above strengths, the Company provides fresh and consistent beverage offerings and enjoys a loyal membership base with high repurchase rate. In 2023, the Group's average quarterly repurchase rate reached 53%, compared to the average of below 30% among mid-priced freshly-made tea store brands in China*. The Directors are of the view that the higher repurchase rate as compared to the industry average is primarily because the Group has cultivated a loyal customer base, which, in turn, is primarily attributable to:

- the Group regularly updated lineup of fresh, tasty and value-for-money beverages with consistently high quality. The Group's warehousing and logistics infrastructure allows it to prepare substantially all of the beverages with short-shelf-life fresh fruits, tea leaves and/or fresh milk. The Group has also been able to regularly launch new beverages to keep its offerings appealing and to capture emerging opportunities presented by evolving industry trends; and
- the Group's leading presence in second-tier and below cities, which tend to be more community-based and more dominated by repeat customers. Specifically, as of December 31, 2023, the Group's store count in second-tier and below cities accounted for 79% of its total store count, which was the highest percentage as compared to those of the other top five mid-priced freshly-made tea store brands in China, and slightly increased to 80% as of September 30, 2024.
- *Track record of franchisee profitability and enduring franchisee relationships.* In 2023, the Group's franchisees' per-store operating profit reached RMB376,000 and franchisees' per-store operating profit margin reached 20.2%, whereas the estimated per-store operating profit margin is generally in the low teens in the mid-priced freshly-made tea store market in China during the same period*. The Directors are of the view that the Group has a higher per-store operating profit margin compared with the industry average primarily due to the Group's higher per-store net proceeds from product sales and lower rental cost and labor cost as percentages of the per-store net proceeds from product sales. Specifically, the Directors are of the view that the Group's higher per-store net proceeds from product sales is primarily attributable to the Group's high brand awareness and popularity among consumers, as well as operating efficiency due to its in-house developed store management modules and connected appliances integrated with IoT. While its lower rental cost and labor cost as percentages of the per-store net proceeds from product sales is primarily attributable to the Group's leading presence in second-tier and below cities, which typically enjoy lower rental cost and labor cost. The Group's track record of franchisee profitability is helpful to attract and retain quality franchisees, fostering close and enduring franchisee relationships.
- *Store management software.* The Group's store management software can empower tens of thousands of stores. In particular, the Group has the largest information technology team as of December 31, 2023, with over 320 engineers, and the majority of peers have fewer than 150 engineers in the information technology team*.

* The information has been verified by CIC through public information and expert interviews. Specifically, since most of the market players are private companies without sufficient publicly available information, CIC collected certain information about the market players through interviews with reputable industry experts, who typically have over 10 years of working experience in the freshly-made tea store industry usually. CIC has performed cross-checking on such information through interviews with different industry experts.

INDUSTRY OVERVIEW

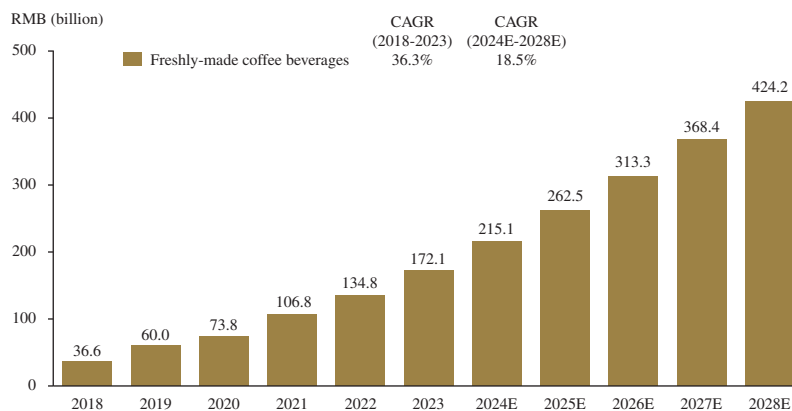
CHINA'S FRESHLY-MADE COFFEE BEVERAGE MARKET

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

China's freshly-made coffee beverage market is at an early stage of development when compared to more mature markets such as that of the United States. As freshly-made coffee beverages continuously improves in quality and becomes more widely available, their consumption shows steady increases. According to the CIC Report, the GMV of China's freshly-made coffee beverage market grew from RMB36.6 billion in 2018 to RMB172.1 billion in 2023, representing a CAGR of 36.3%. With continuous product innovations and a surge in habitual coffee consumers, the GMV of China's freshly-made coffee beverage market is expected to grow to RMB424.2 billion in 2028, with a CAGR of 18.5% from 2024 to 2028.

The following diagram sets forth the GMV of China's freshly-made coffee beverage market from 2018 to 2028.

GMV of China's freshly-made coffee beverage market, 2018-2028E



Source: The CIC Report, National Bureau of Statistics of the PRC, International Monetary Fund, United States Department of Agriculture

INDUSTRY OVERVIEW

Drivers and Trends of China's Freshly-made Coffee Beverage Market

The following are the key drivers and trends influencing the market of freshly-made coffee beverage:

- *Growing purchasing power and expansion of consumer base.* As the Chinese people's disposable income and purchasing power continue to increase, the popularity of freshly-made coffee beverage is on the rise among consumers. The number of freshly-made coffee drinkers grew from 41.4 million in 2018 to 131.9 million in 2023, representing a CAGR of 26.1% during this period. Looking ahead, it is anticipated that this trend will persist, with projections indicating that freshly-made coffee drinkers in China will reach 257.0 million by 2028, with a CAGR of 13.4% from 2024 to 2028, highlighting the enduring appeal and expanding market potential of freshly-made coffee beverages.
- *Product diversification and innovation.* The trend of flavored freshly-made coffee beverages is gaining traction in China, driven by a desire for innovative and unique taste experiences among consumers. This shift reflects a growing appreciation for diverse flavor profiles beyond traditional coffee offerings. As coffee culture continues to evolve in China, flavored freshly-made coffee beverages emerge as a popular choice, catering to the increasingly sophisticated palates of consumers and fueling further product diversification and innovation in the market.
- *Expansion of sales channels.* In China, more and more catering venues, including freshly-made tea stores, bakeries, convenience stores, and other places, are starting to sell freshly-made coffee beverage to cater to the evolving preferences of their consumers, enhancing their competitiveness and attracting a broader consumer base. Additionally, selling freshly-made coffee beverage provides these venues with an opportunity to increase revenue streams and capitalize on the growing market for freshly-made coffee beverages in China.

COST OF RAW MATERIALS AND LABOR

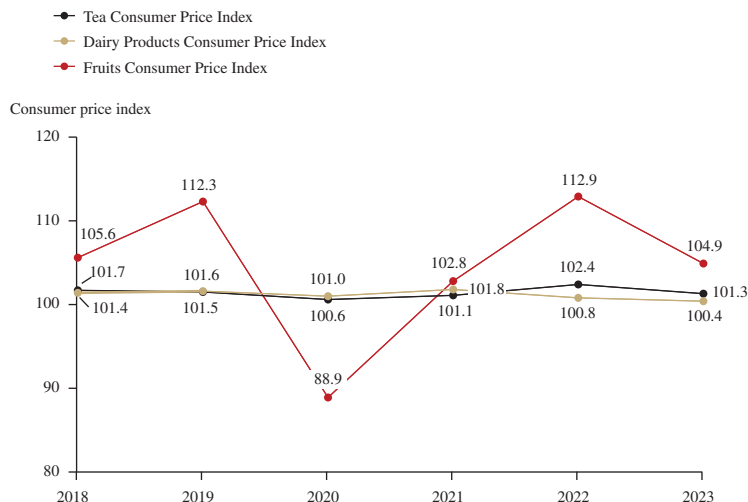
Cost of Raw Materials

For freshly-made beverage stores in China, one of the primary cost factors is the expense associated with raw materials, including fruits, tea, and dairy products. The consumer price index for fruits in China has experienced fluctuations over the past few years, increasing from 105.6 in 2018 to 112.3 in 2019, decreasing to 88.9 in 2020, rebounding to 112.9 in 2022, and decreasing to 104.9 in 2023. The consumer price indexes for tea and dairy products have been relatively stable. The consumer price index for tea decreased slightly from 101.7 in 2018 to 101.3 in 2023, while dairy products witnessed a minor decrease from 101.4 in 2018 to 100.4 in 2023.

INDUSTRY OVERVIEW

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

Consumer price index⁽¹⁾ for tea, dairy products, and fruits, China, 2018-2023



Source: The CIC Report, National Bureau of Statistics of the PRC

Note:

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

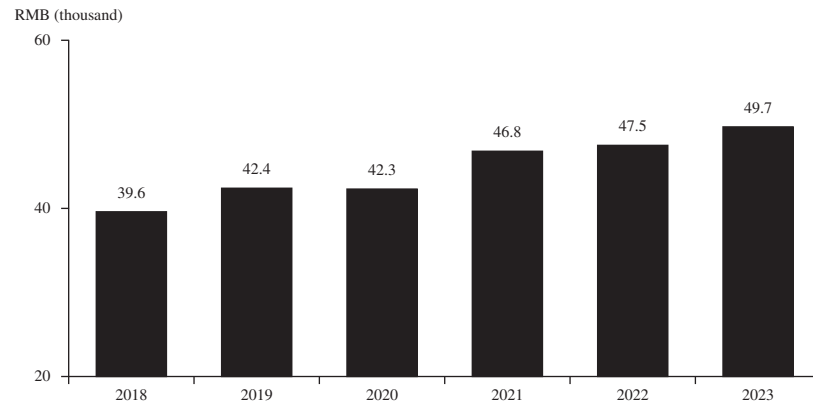
Cost of Labor

In line with the rapid growth of China's economy, the average annual salary for employees in China's private sector catering industry increased from RMB39,632 in 2018 to RMB49,681 in 2023 (private sector refers to businesses operated by private individuals or groups, usually for profit, and are not controlled by a government). Labor cost is expected to continue to grow at a moderate rate, driven by factors such as the overarching economic growth, urban development, and inflation.

INDUSTRY OVERVIEW

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

Average annual salary of employees in the private sector catering industry, China, 2018-2023



Source: *The CIC Report, National Bureau of Statistics of the PRC*

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OVERVIEW

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

KEY MILESTONES

The following is a summary of our key development milestones:

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

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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

OUR MAJOR SUBSIDIARIES

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

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

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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

Note:

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

ESTABLISHMENT AND DEVELOPMENT OF OUR GROUP

Establishment of Guming Technology

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

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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

Equity Financings of Guming Technology

In 2020, Guming Technology completed certain equity financings, pursuant to which certain pre-IPO investors invested in our business. See “— Pre-IPO Investments” below for further details of the Pre-IPO Investments.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

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

REORGANIZATION

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



Notes:

- (1) Zhejiang Guming Trading Co., Ltd. (浙江古茗商貿有限公司) and Wenling Guming Trading Co., Ltd. (溫嶺古茗商貿有限公司) were our subsidiaries with material revenue contributions prior to the Reorganization and were subsequently deregistered on December 25, 2023 and December 21, 2023, respectively. See “— Our Major Subsidiaries” for details.
- (2) Ningbo Guming is a limited partnership established in the PRC, the general partner of which is Mr. Wang and its limited partnership interests are owned as to 93.72% and 6.28% by Mr. Wang and Ms. Pan, respectively.
- (3) Ningbo Qizhi is a limited partnership established in the PRC, the general partner of which is Mr. Qi and its limited partnership interests are owned as to 99.0% and 1.0% by Mr. Qi and Ms. Jianxia Yang, the spouse of Mr. Qi, respectively.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (4) Ningbo Yuncha is a limited partnership established in the PRC, the general partner of which is Mr. Ruan and its limited partnership interests are owned as to 99.0% and 1.0% by Mr. Ruan and Ms. Jing Zhang, the spouse of Mr. Ruan, respectively.
- (5) Ningbo Hou'an, being an onshore employee shareholding platform, is a limited partnership established in the PRC, the general partner of which is Mr. Wang.
- (6) The pre-IPO investors of Guming Technology consist of Changsha Xiangjiang Long-Z Private Equity Investment Fund Partnership (Limited Partnership) (長沙湘江龍珠私募股權投資基金企業(有限合夥)), Shenzhen Long-Z Equity Investment Fund Partnership (Limited Partnership) (深圳龍珠股權投資基金合夥企業(有限合夥)), Shenzhen HongShan Hanchen Equity Investment Partnership (Limited Partnership) (深圳市紅杉瀚辰股權投資合夥企業(有限合夥)), Coatue PE Asia 34 LLC and Tumi Consulting (Beijing) Co., Ltd. (途覓諮詢(北京)有限公司), which are affiliates of our Pre-IPO Investors. See “— Pre-IPO Investments — Information on the Pre-IPO Investors” for details.
- (7) The remaining 30% equity interest of Zhejiang Lichuan Food Technology Co., Ltd. (浙江勵川食品科技有限公司) is held by Hangzhou Qiyu Enterprise Management Partnership (Limited Partnership) (杭州奇昱企業管理合夥企業(有限合夥)), of which Mr. Yu Wu is the general partner and the limited partnership interests of which are owned as to 99% and 1% by Mr. Yu Wu and Ms. Fuying Lin, respectively. (i) Mr. Yu Wu is the director of Zhejiang Lichuan Food Technology Co., Ltd., Zhejiang Shuicang Food Technology Co., Ltd. (浙江水倉食品科技有限公司) and Lishui Shuicang Trading Co., Ltd. (麗水水倉貿易有限公司) and the supervisor of Guangxi Hengxian Sanhe Tea Co., Ltd. (廣西橫縣三禾茶業有限公司), each a subsidiary of our Group; and (ii) Ms. Fuying Lin is not a connected person of our Company.
- (8) The remaining 35% equity interest of Hangzhou Guoru Food Technology Co., Ltd. (杭州果如食品科技有限公司) is held by Lishui Qisheng Enterprise Management Partnership (Limited Partnership) (麗水奇晟企業管理合夥企業(有限合夥)), of which Mr. Xuanhao Chen is the general partner and the limited partnership interests of which are owned as to 99% and 1% by Mr. Xuanhao Chen and Mr. Wenjun Mao, respectively. Mr. Xuanhao Chen is the director of Zhejiang Guoru Food Technology Co., Ltd. (浙江果如食品科技有限公司) and Hangzhou Guoru Food Technology Co., Ltd., each a subsidiary of our Group. Mr. Wenjun Mao is an employee of the Company.

Establishment of Offshore Corporate Structure

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

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

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Allotment and Issuance of Shares and Warrants by Our Company

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

Capital Reduction of Guming Technology and Exercise of Warrants by Pre-IPO Investors

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

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

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

For the corporate structure of our Group after completion of the Reorganization and immediately prior to the Global Offering, see “— Corporate and Shareholding Structure — Corporate structure immediately before completion of the Global Offering” in this section.

Compliance with PRC laws

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

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

ACTING-IN-CONCERT ARRANGEMENT

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

EMPLOYEE SHAREHOLDING PLATFORMS

In recognition of the contributions of our employees and to incentivize them to further promote our development, Thriving Leafbuds Limited and Nascent Sprouts Limited were established as our employee shareholding platforms in December 2023. Thriving Leafbuds Limited was held by Futu Trustee Limited in its capacity as trustee of a trust established to hold Shares for the benefits of Mr. Hailing Meng, the chief financial officer of our Company, Mr. Yu Qiang, the chief technology officer of our Company, and certain employees of our Group (who are not directors, senior management or connected persons of our Group). Futu Trustee Limited, a professional trustee company which provides wealth management services, is wholly owned by Futu Holdings Limited (NASDAQ: FUTU). Nascent Sprouts Limited was held by Kastle Limited in its capacity as trustee of a trust established to hold Shares for the benefits of Ms. Yayu Jin and Mr. Yunjiang Cai, each an executive Director, Mr. Jifeng Li, the chief operating officer of our Company, and certain employees of our Group (who are not directors, senior management or connected persons of our Group). Our Company is the settlor of both trusts.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

In preparation for the Listing, our Company restructured our employee shareholding platforms in December 2024 (the “**Employee Shareholding Platform Restructuring**”), pursuant to which:

- 10,855,073 Shares held by Thriving Leafbuds Limited, representing the Shares held by Futu Trustee Limited as trustee for the benefit of Mr. Hailing Meng, the chief financial officer of the Company, and a number of employees of the Group, were surrendered to the Company and an equivalent number of Shares were issued to Flourishing Leaves Limited, a newly established employee shareholding platform, to be held by The Core Trust Company Limited as trustee for their benefit. Our Company is the settlor of the trust. The Core Trust Company Limited, a professional trustee company which provides trustee and fiduciary services, is wholly owned by Mr. Shih Jung Chang; and
- 1,376,812 Shares held by Nascent Sprouts Limited, representing the Shares currently held by the Kastle Limited as trustee for the benefit of Ms. Yayu Jin and Mr. Yunjiang Cai, each an executive Director, and an employee of the Group, were surrendered to the Company and an equivalent number of Shares were issued to Flourishing Leaves Limited to be held by The Core Trust Company Limited as trustee for their benefit.

Following completion of the Employee Shareholding Platform Restructuring, none of the remaining beneficiaries in each of the trusts holding Shares through Nascent Sprouts Limited and Thriving Leafbuds Limited respectively is a core connected person of the Company and the Shares held by Nascent Sprouts Limited and Thriving Leafbuds Limited will count towards the public float.

PRE-IPO INVESTMENTS

Overview

In 2020, we carried out the Pre-IPO Investments. The table below summarizes the principal terms of the Pre-IPO Investments:

Principal Terms of the Pre-IPO Investments

Date of investment agreements	March 31, 2020 and June 27, 2020
Date of full settlement . . .	November 26, 2020
Approximate amount of consideration paid	RMB674,128,047

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Cost per share paid⁽¹⁾ . . .	RMB2.33 (in respect of Long-Z and Coatue 34), RMB2.40 (in respect of HongShan) and RMB2.20 (in respect of New Budding)
Discount to the Offer Price⁽²⁾	72.8% (in respect of Long-Z and Coatue 34), 72.0% (in respect of HongShan) and 74.3% (in respect of New Budding)
Basis of consideration . . .	The basis of consideration of the Pre-IPO Investments was determined through our arm's length negotiations with the relevant parties, based on the valuation of our Group at the time of the investment, taking into account the timing of the investment, the then status of the businesses and financial performance of our Group, the inherent risks of investing in our Group at the relatively early stage of the establishment and development of our Group, the outlook/growth potential of our Group, and the industry in which we operate.
Use of proceeds from the Pre-IPO Investments . .	We utilized the proceeds from the Pre-IPO Investments for the operations of our Group and in accordance with the business plan or budget as approved by the Board. As of the Latest Practicable Date, we have utilized all of the proceeds from the Pre-IPO Investments.
Lock-up	The Pre-IPO Investors agreed under the Shareholders Agreement (as defined below) that, if so requested by the managing underwriters, the Shares held by them will be subject to lock-up arrangements for the period commencing on the date of this prospectus and ending on the date specified by the Company and the managing underwriters. For details of lock-up arrangements in respect of the Pre-IPO Investors, please refer to the subsection headed "Underwriting — Lock-up Arrangements — (E) Undertakings by Certain Existing Shareholders pursuant to Lock-up Deeds".
Strategic benefits of the Pre-IPO Investments . .	At the time of the Pre-IPO Investments, our Directors were of the view that in addition to providing additional capital for our Group's continued growth, our Group could also benefit from the knowledge and experience of our Pre-IPO Investors. Moreover, our Directors were of the view that our Group could benefit from the Pre-IPO Investments as the Pre-IPO Investors' investments demonstrated their confidence in the operations of our Group and served as an endorsement of our Group's performance, strengths and prospects.

Notes:

- (1) This is calculated based on the approximate amount of consideration paid by the Pre-IPO Investors, taking into account the effect of the Reorganization.
- (2) The discount to the Offer Price is calculated based on the assumption that the Offer Price is HK\$9.31 per Share, being the midpoint of the indicative Offer Price range of HK\$8.68 to HK\$9.94.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Special rights of the Pre-IPO Investors

Certain special rights were granted to our Pre-IPO Investors under the relevant agreements, such as preemptive rights, redemption rights, liquidation preferences, right to appoint directors or observers on the board, rights of first refusal, and information and inspection rights. The redemption rights were terminated prior to our first submission of the listing application by our Company to the Stock Exchange (the “**First Filing**”) for the purpose of the Global Offering in accordance with the guidance in chapter 4.2 of the Guide for New Listing Applicants issued by the Stock Exchange, provided that such rights shall resume to be exercisable upon the earliest of (i) the withdrawal or abandonment of such listing application by our Company; (ii) the rejection of such listing application by the Stock Exchange; (iii) the lapse of such listing application and such listing application is not renewed by our Company within six (6) months; (iv) the expiry of eighteen (18) months from the day of the First Filing if no qualified IPO (as defined in the Shareholders Agreement (as defined below)) has been consummated by then (or such later dates as the parties to the Shareholders Agreement unanimously agree in writing); or (v) the earlier of (a) September 30, 2027, or (b) the twenty-four (24) months after the day of the First Filing if no qualified IPO has been consummated by then. All other special rights will terminate upon the completion of the Listing and no special rights granted to the Pre-IPO Investors will survive after the Listing, in compliance with the guidance in chapter 4.2 of the Guide for New Listing Applicants issued by the Stock Exchange.

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

All of the Preferred Shares will be converted into Ordinary Shares on a one-for-one basis by way of repurchasing the relevant Preferred Shares by the Company out of the proceeds made from the issue of the equivalent number of new Ordinary Shares to the relevant Pre-IPO Investors immediately upon the completion of the Global Offering, at which our share capital will comprise of one class of shares, namely the Ordinary Shares.

Public float

Upon the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised), the Shares held by (i) Modern Leaves Limited, Chivalrous Lancers Limited, Cousin Tea Limited and Spring Equinox Drinks Limited, which are our Controlling Shareholders by virtue of the Acting-in-Concert Arrangement; and (ii) Flourishing Leaves Limited, which is our employee shareholding platform held by The Core Trust Company Limited in its capacity as trustee of a trust established to hold Shares for the benefits of certain core connected persons of our Company and employees of our Group, will not be counted towards the public float. No Pre-IPO Investor is a core connected person of our Company as defined under the Listing Rules. Therefore, the Shares held by all the Pre-IPO Investors will count towards the public float.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Compliance with Pre-IPO Investment Guidance

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

Information on the Pre-IPO Investors

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

Long-Z

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

HongShan

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

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Coatue 34

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

New Budding

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

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

CAPITALIZATION OF OUR COMPANY

The following table sets out the shareholding structure of our Company as of the Latest Practicable Date and immediately upon the completion of the Global Offering, assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised.

Shareholders	Ordinary Shares	Series A-1 Preferred Shares ⁽¹⁾	Series A-2 Preferred Shares ⁽¹⁾	Series A-3 Preferred Shares ⁽¹⁾	Series A-4 Preferred Shares ⁽¹⁾	Subtotal	Shareholding percentage as of the Latest Practicable Date	Shareholding percentage upon completion of the Global Offering
Controlling Shareholders⁽²⁾								
Modern Leaves Limited ⁽²⁾⁽³⁾	939,441,461	-	-	-	-	939,441,461	43.21%	40.28%
Chivalrous Lancers Limited ⁽²⁾⁽⁴⁾	429,999,961	-	-	-	-	429,999,961	19.78%	18.43%
Cousin Tea Limited ⁽²⁾⁽⁵⁾	298,782,650	-	-	-	-	298,782,650	13.74%	12.81%
Spring Equinox Drinks Limited ⁽²⁾⁽⁶⁾	60,036,800	-	-	-	-	60,036,800	2.76%	2.57%
Pre-IPO Investors								
Coatue PE Asia 34 LLC ⁽⁷⁾	-	21,739,140	-	-	-	21,739,140	1.00%	0.93%
New Budding Capital Inc ⁽⁷⁾	-	-	4,347,820	-	-	4,347,820	0.20%	0.19%
Beijing Meiming Enterprise Management Consulting Partnership (Limited Partnership) and Beijing Meiyuan Enterprise Management Consulting Partnership (Limited Partnership) ⁽⁷⁾⁽¹¹⁾								
Max Mighty Limited ⁽⁷⁾	-	-	-	173,913,040	-	173,913,040	8.00%	7.74%
	-	-	-	-	86,956,540	86,956,540	4.00%	3.73%

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Shareholders	Ordinary Shares	Series A-1 Preferred Shares ⁽¹⁾	Series A-2 Preferred Shares ⁽¹⁾	Series A-3 Preferred Shares ⁽¹⁾	Series A-4 Preferred Shares ⁽¹⁾	Subtotal	Shareholding percentage as of the Latest Practicable Date	Shareholding percentage upon completion of the Global Offering
<i>Others</i>								
Thriving Leafbuds Limited ⁽⁸⁾	73,231,878	—	—	—	—	73,231,878	3.37%	3.14%
Nascent Sprouts Limited ⁽⁹⁾	73,231,885	—	—	—	—	73,231,885	3.37%	3.14%
Flourishing Leaves Limited ⁽¹⁰⁾	12,231,885	—	—	—	—	12,231,885	0.56%	0.52%
Other public shareholders	—	—	—	—	—	—	—	6.51%
Total	1,886,956,520	21,739,140	4,347,820	173,913,040	86,956,540	2,173,913,060	100%	100%

Notes:

- (1) Each Series A-1 Preferred Share, Series A-2 Preferred Share, Series A-3 Preferred Share and Series A-4 Preferred Share shall be converted into one Ordinary Share with effect from the Listing Date.
- (2) Mr. Wang, Mr. Qi, Mr. Ruan, Ms. Pan, Modern Leaves Limited, Ancient Leaves Limited, Nascent Leaves Limited, Chivalrous Lancers Limited, Chivalrous Cavalry Limited, Chivalrous Knights Limited, Cousin Tea Limited, Uncle Tea Limited, Nephew Tea Limited, Spring Equinox Drinks Limited, Winter Solstice Drinks Limited and Summer Solstice Drinks Limited are parties acting in concert with each other pursuant to the Acting-in-Concert Arrangement. For details, see “Acting-in-Concert Arrangement” in this section.
- (3) Modern Leaves Limited is owned by (i) Nascent Leaves Limited, which is in turn wholly-owned by a trust established by Mr. Wang as the settlor with his family members being the beneficiaries, as to 99.0% and (ii) Ancient Leaves Limited, which is wholly owned by Mr. Wang, as to 1.0%.
- (4) Chivalrous Lancers Limited is owned by (i) by Chivalrous Knights Limited, which is in turn wholly-owned by a trust established by Mr. Qi as the settlor with his family members being the beneficiaries, as to 99.0% and (ii) Chivalrous Cavalry Limited, which is wholly owned by Mr. Qi, as to 1.0%.
- (5) Cousin Tea Limited is owned by (i) Nephew Tea Limited, which is in turn wholly-owned by a trust established by Mr. Ruan as the settlor with his family members being the beneficiaries, as to 99.0%; and (ii) Uncle Tea Limited, which is wholly owned by Mr. Ruan, as to 1.0%.
- (6) Spring Equinox Drinks Limited is owned by (i) Summer Solstice Drinks Limited, which is in turn wholly-owned by a trust established by Ms. Pan as the settlor with her family members being the beneficiaries, as to 99.0%; and (ii) Winter Solstice Drinks Limited, which is wholly owned by Ms. Pan, as to 1.0%.

- (7) For details of our Pre-IPO Investors, see “— Pre-IPO Investments — Information on the Pre-IPO Investors” in this section.
- (8) Thriving Leafbuds Limited is an employee shareholding platform held by Futu Trustee Limited in its capacity as trustee of a trust established to hold Shares for the benefits of Mr. Yu Qiang, the chief technology officer of our Company, and certain employees of our Group (who are not directors, senior management or connected persons of our Group) and our Company is the settlor of the trust. None of such individuals held 30% or more interest in such shareholding platform as at the Latest Practicable Date. The relevant Shares held by Thriving Leafbuds Limited were issued by our Company as incentive and for the benefit of the employees.
- (9) Nascent Sprouts Limited is an employee shareholding platform held by Kastle Limited in its capacity as trustee of a trust established to hold Shares for the benefits of Mr. Jifeng Li, the chief operating officer of our Company, and certain employees of our Group (who are not directors, senior management or connected persons of our Group) and our Company is the settlor of the trust. None of such individuals held 30% or more interest in such shareholding platform as at the Latest Practicable Date. The relevant Shares held by Nascent Sprouts Limited were issued by our Company as incentive and for the benefit of the employees.
- (10) Flourishing Leaves Limited is an employee shareholding platform held by The Core Trust Company Limited in its capacity as trustee of a trust established to hold Shares for the benefits of Ms. Yayu Jin and Mr. Yunjiang Cai, each an executive Director, Mr. Hailing Meng, the chief financial officer of our Company, and certain employees of our Group (who are not directors, senior management or connected persons of our Group) and our Company is the settlor of the trust. The relevant Shares held by Flourishing Leaves Limited were issued by our Company as incentive and for the benefit of the employees.
- (11) Long-Z Fund I, LP, a controlled corporation of Mr. Yonghua Zhu, will subscribe for 6,694,000 Offer Shares (based on a final Offer Price of HK\$9.31 per Share (being the mid-point of the indicative Offer Price range)) under the Global Offering pursuant to the exercise of an anti-dilution right granted to Meiming and Meiyao (or their affiliates) on December 26, 2023. For more information on this subscription, see the section headed “Cornerstone Investors”.

PRC REGULATORY REQUIREMENTS

SAFE Registration

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

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

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

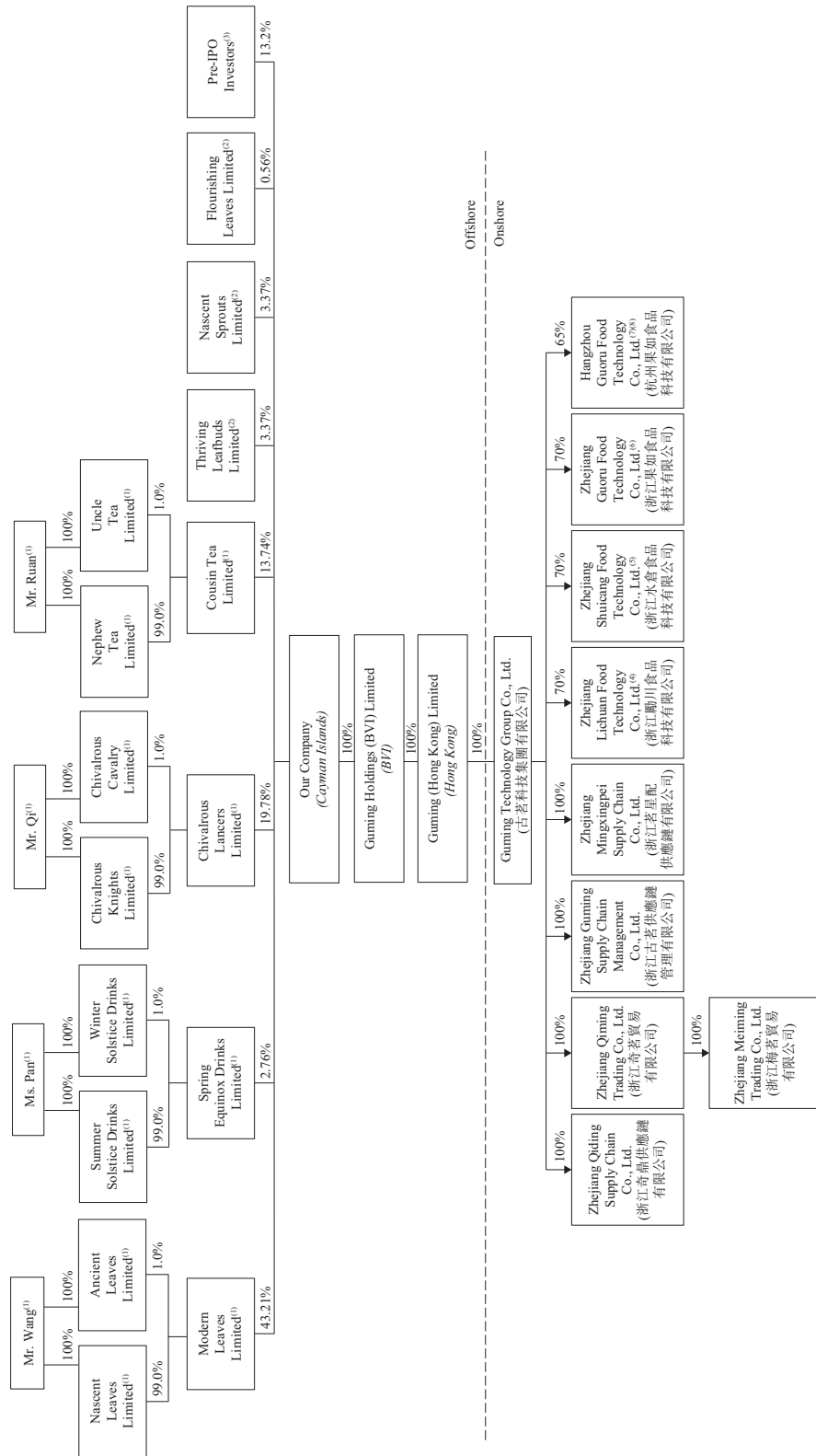
M&A Rules

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

CORPORATE AND SHAREHOLDING STRUCTURE

Corporate structure immediately before completion of the Global Offering

The following diagram illustrates the simplified corporate and shareholding structure of our Group immediately prior to the completion of the Global Offering:

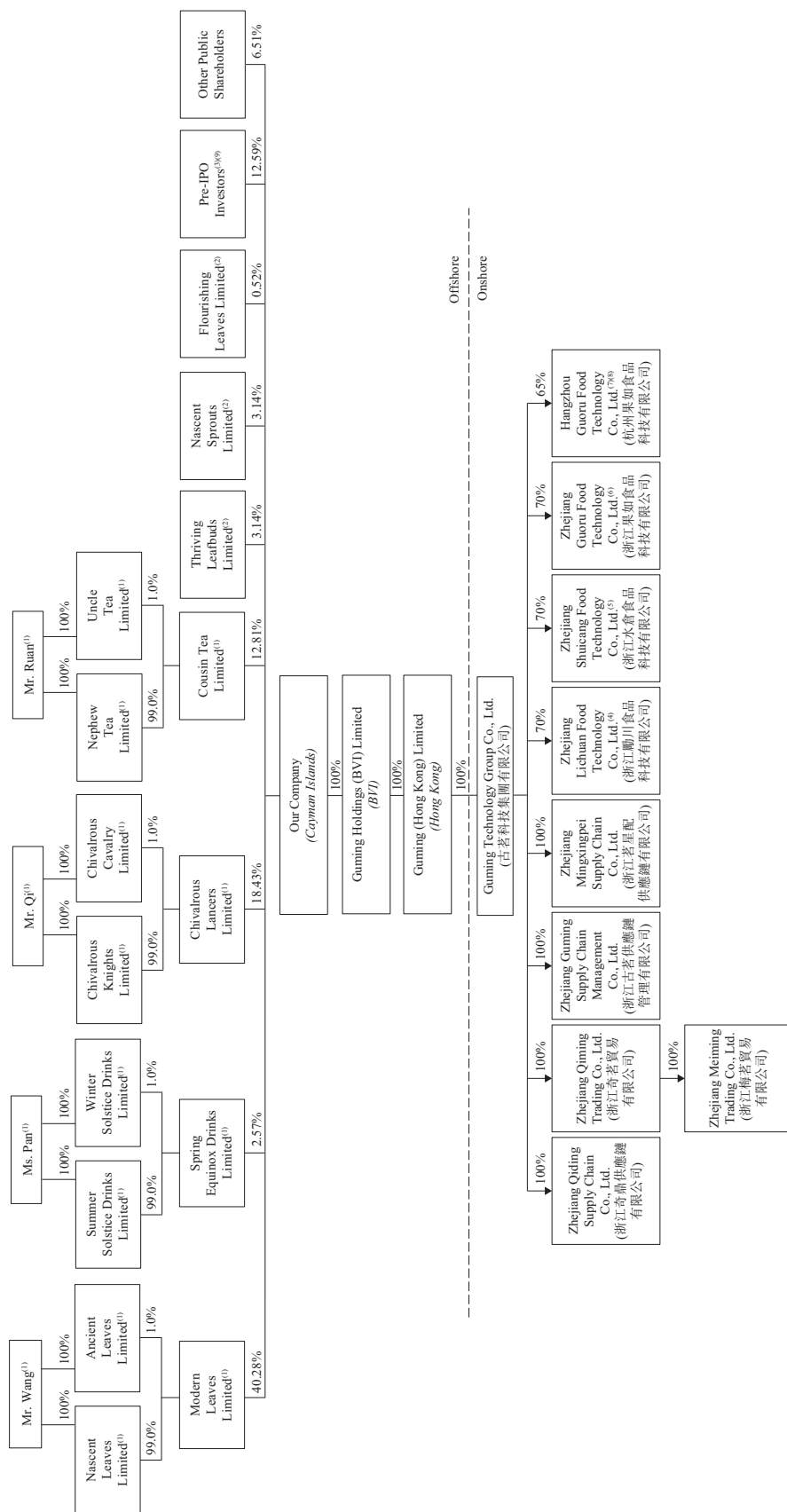


Notes:

- (1) These Shares are held by Modern Leaves Limited, Chivalrous Lancers Limited, Cousin Tea Limited and Spring Equinox Drinks Limited respectively, which is controlled by Mr. Wang, Mr. Qi, Mr. Ruan and Ms. Pan, respectively. See “— Capitalization of our Company” for details. Mr. Wang, Mr. Qi, Mr. Ruan, Ms. Pan and among others, are parties acting in concert with each other pursuant to the Acting-in-Concert Arrangement.
- (2) Each of Thriving Leafbuds Limited, Nascent Sprouts Limited and Flourishing Leaves Limited is an employee shareholding platform. See “— Employee Shareholding Platforms” and “— Capitalization of our Company” for details.
- (3) See “— Pre-IPO Investments — Information on the Pre-IPO Investors” for details.
- (4) The remaining 30% equity interest of Zhejiang Lichuan Food Technology Co., Ltd. (浙江勵川食品科技有限公司) is held by Hangzhou Qiyu Enterprise Management Partnership (Limited Partnership) (杭州奇昱企業管理合夥企業(有限合夥)), of which Mr. Yu Wu is the general partner and the limited partnership interests of which are owned as to 99% and 1% by Mr. Yu Wu and Ms. Fuying Lin, respectively. (i) Mr. Yu Wu is the director of Zhejiang Lichuan Food Technology Co., Ltd., Zhejiang Shuicang Food Technology Co., Ltd. (浙江水倉食品科技有限公司) and Lishui Shuicang Trading Co., Ltd. (麗水水倉貿易有限公司) and the supervisor of Guangxi Hengxian Sanhe Tea Co., Ltd. (廣西橫縣三禾茶業有限公司), each a subsidiary of our Group; and (ii) Ms. Fuying Lin is not a connected person of our Company.
- (5) The remaining 30% equity interest of Zhejiang Shuicang Food Technology Co., Ltd. (浙江水倉食品科技有限公司) is held by Hangzhou Qiyu Enterprise Management Partnership (Limited Partnership), of which Mr. Yu Wu is the general partner and the limited partnership interests of which are owned as to 99% and 1% by Mr. Yu Wu and Ms. Fuying Lin, respectively. (i) Mr. Yu Wu is the director of Zhejiang Lichuan Food Technology Co., Ltd., Zhejiang Shuicang Food Technology Co., Ltd. and Lishui Shuicang Trading Co., Ltd. and the supervisor of Guangxi Hengxian Sanhe Tea Co., Ltd., each a subsidiary of our Group; and (ii) Ms. Fuying Lin is not a connected person of our Company.
- (6) The remaining 30% equity interest of Zhejiang Guoru Food Technology Co., Ltd. (浙江果如食品科技有限公司) is held by Lishui Qisheng Enterprise Management Partnership (Limited Partnership) (麗水奇晟企業管理合夥企業(有限合夥)), of which Mr. Xuanhao Chen is the general partner and the limited partnership interests of which are owned as to 99% and 1% by Mr. Xuanhao Chen and Mr. Wenjun Mao, respectively. Mr. Xuanhao Chen is the director of Zhejiang Guoru Food Technology Co., Ltd. and Hangzhou Guoru Food Technology Co., Ltd. (杭州果如食品科技有限公司), respectively, each a subsidiary of our Group.
- (7) The remaining 35% equity interest of Hangzhou Guoru Food Technology Co., Ltd. (杭州果如食品科技有限公司) is held by Lishui Qisheng Enterprise Management Partnership (Limited Partnership), of which Mr. Xuanhao Chen is the general partner and the limited partnership interests of which are owned as to 99% and 1% by Mr. Xuanhao Chen and Mr. Wenjun Mao, respectively. Mr. Xuanhao Chen is the director of Zhejiang Guoru Food Technology Co., Ltd. and Hangzhou Guoru Food Technology Co., Ltd., respectively, each a subsidiary of our Group.
- (8) Hangzhou Guoru Food Technology Co., Ltd. has no longer been engaged in any business operation and is currently in the process of voluntary deregistration.

Corporate structure immediately following the Global Offering

The following diagram illustrates the simplified corporate and shareholding structure of our Group immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised):



Notes:

- (1) to (8) Please refer to the details contained in the preceding page.
- (9) Long-Z Fund I, LP, a controlled corporation of Mr. Yonghua Zhu, will subscribe for 6,694,000 Offer Shares (based on a final Offer Price of HK\$9.31 per Share (being the mid-point of the indicative Offer Price range)) under the Global Offering pursuant to the exercise of an anti-dilution right granted to Meiming and Meiyan (or their affiliates) on December 26, 2023. For more information on this subscription, see the section headed "Cornerstone Investors".

OVERVIEW

We are a leading and fast-growing freshly-made beverage company in China. Our brand, “*Good me* (古茗),” is China’s largest mid-priced freshly-made tea store brand and the second largest freshly-made tea store brand across all price ranges, in terms of both GMV in 2023 and store count as of December 31, 2023. In 2023, we generated a gross merchandise value, or GMV, of RMB19.2 billion, representing an increase of 37.2% from 2022. In the nine months ended September 30, 2024, we generated a GMV of RMB16.6 billion, representing an increase of 20.4% from the same period in 2023. Our store network encompassed 9,001 stores as of December 31, 2023, representing an increase of 35.0% from December 31, 2022, and expanded to 9,778 stores as of September 30, 2024.

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

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

Under our regional densification strategy, we strategically allocate resources towards building store networks with high geographical density across all city tiers in target provinces. As of December 31, 2023, our store count in second-tier and below cities accounted for 79% of our total store count, the highest percentage as compared to those of the other top five mid-priced freshly-made tea store brands in China, and slightly increased to 80% as of September 30, 2024. In addition, as of December 31, 2023, 38% of our stores were located in towns (鎮) and townships (鄉), which are administrative areas typically located away from downtown urban areas of cities. The percentage of our stores in these areas was the highest among the top five mid-priced freshly-made tea store brands in China as of December 31, 2023, and this percentage slightly grew to 40% as of September 30, 2024.

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The great density of our stores in a geographical area allows us to benefit from economies of scale. For example, our dense store network significantly enhances our warehousing and logistics efficiency. For the three years ended December 31, 2023, the logistics cost for delivery from our warehouses to stores was less than 1% of our total GMV on average. The improvements in warehousing and logistics efficiency can also be seen by comparing our own warehouses. As of September 30, 2024, we operated a total of 22 warehouses. For the nine months ended September 30, 2024, among these warehouses, 13 warehouses on average served fewer than 500 stores per month during the operation period, and nine warehouses on average served more than 500 stores per month during the operation period. In the nine months ended September 30, 2024, on a per-store and monthly basis, the warehousing and logistics cost for stores covered by such nine warehouses was 9% lower than that for stores covered by such 13 warehouses. These cost savings are primarily due to the density of our stores and their proximity to our warehouses. As of September 30, 2024, approximately 76% of our stores are located within 150 kilometers of one of our warehouses. As a result, we can also provide cold-chain supply delivery to approximately 97% of our stores every two days upon request as of September 30, 2024. In comparison, other China's freshly-made tea store brands generally provide delivery to stores every four days and often without the support of cold-chain supply delivery. Among the top 10 freshly-made tea store brands in China in terms of GMV in 2023, we are the only brand capable of frequent deliveries every two days of short-shelf-life fresh fruits and fresh milk to stores in lower-tier cities. Substantially all beverages on our menu are made from short-shelf-life fresh fruits, tea leaves and/or fresh milk that are stored and distributed through our cold-chain warehousing and logistics infrastructure, which, our Directors are of the view that, is one of the largest in the industry as of December 31, 2023.

We believe that the shared success of our franchisees is crucial for our business. In 2023, our franchisees' per-store operating profit reached RMB376,000 and franchisees' per-store operating profit margin reached 20.2%, whereas the estimated per-store operating profit margin is generally in the low teens in the mid-priced freshly-made tea store market in China during the same period. The strong performance of our stores leads to franchisees' strong willingness to open more "Good me" stores. As of September 30, 2024, among the franchisees that had operated "Good me" stores for over two years, each on average operated 2.9 stores and 71% operated two or more franchised stores. Sharing the perspective of longtermism, we have built close and enduring franchisee relationships. These relationships enable effective and efficient store operations and consistent high-quality product and service offerings, which further enhance consumer experience and improve store-level performance, thereby attracting more franchisees and solidifying franchisee relationships, forming a virtuous cycle.

Consistent with our slogan, "one cup a day, always enjoy it (每天一杯喝不膩)," we provide our consumers with a variety of product offerings of consistent quality. Leveraging our strong product development capabilities, we regularly launch new beverages to keep our offerings appealing. In 2023 and for the nine months ended September 30, 2024, we launched 130 and 85 beverages. While we frequently update our menu, we are capable of having tens of thousands of stores serve product offerings of consistent quality and taste, enabling "Good me" to become a popular brand among consumers. We have accumulated a loyal member base and recorded industry-leading repurchase rates. We had accumulated approximately 94 million and

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135 million registered members on our mini programs as of December 31, 2023 and September 30, 2024, respectively, with over 36 million and over 43 million quarterly active members in the three months ended December 31, 2023 and September 30, 2024, respectively. In 2023, our average quarterly repurchase rate reached 53%, compared to the average of below 30% among mid-priced freshly-made tea store brands in China.

Our store management software can empower tens of thousands of stores. In particular, we built the largest information technology team in China’s freshly-made tea beverage industry as of December 31, 2023. Underpinned by our store management software, we have concurrently expanded our store network, achieved a track record of franchisee profitability, and offered a broad range of high-quality products. Moreover, our store management software, the franchisee relationships and consumer satisfaction reinforce each other. The diagram below illustrates the positive feedback loop.



We generate revenue mainly from the sales of goods and equipment and the provision of services to our franchisees. We have experienced substantial growth during the Track Record Period. Our revenue increased by 26.8% from RMB4,383.9 million in 2021 to RMB5,559.2 million in 2022, and further increased by 38.1% to RMB7,675.7 million in 2023. Our revenue increased by 15.6% from RMB5,570.9 million in the nine months ended September 30, 2023 to RMB6,441.3 million in the same period in 2024. Our profit for the year was RMB24.0 million, RMB372.0 million and RMB1,096.4 million in 2021, 2022 and 2023, respectively. Our profit for the period was RMB1,002.0 million and RMB1,119.8 million in the nine months ended September 30, 2023 and 2024, respectively. Our adjusted profit (non-IFRS measure) was RMB769.6 million, RMB788.1 million and RMB1,459.0 million in 2021, 2022 and 2023, respectively, and was RMB1,044.5 million and RMB1,148.7 million in the nine months ended September 30, 2023 and 2024, respectively. For more details, see “Financial Information — Description of Major Components of Our Results of Operations — Non-IFRS Measures.”

OUR COMPETITIVE STRENGTHS

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

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

Our “*Good me*” brand is China's largest mid-priced freshly-made tea store brand and the second largest freshly-made tea store brand across all price ranges, as measured by both GMV in 2023 and store count as of December 31, 2023. Our GMV increased by 37.2% to RMB19.2 billion in 2023 from RMB14.0 billion in 2022, which represented approximately 18% market share of the mid-priced freshly-made tea store market in China in 2023, and increased by 20.4% to RMB16.6 billion in the nine months ended September 30, 2024 from RMB13.8 billion in the same period in 2023. Our store count increased by 35.0% to 9,001 as of December 31, 2023 from 6,669 as of December 31, 2022, and further increased to 9,778 as of September 30, 2024.

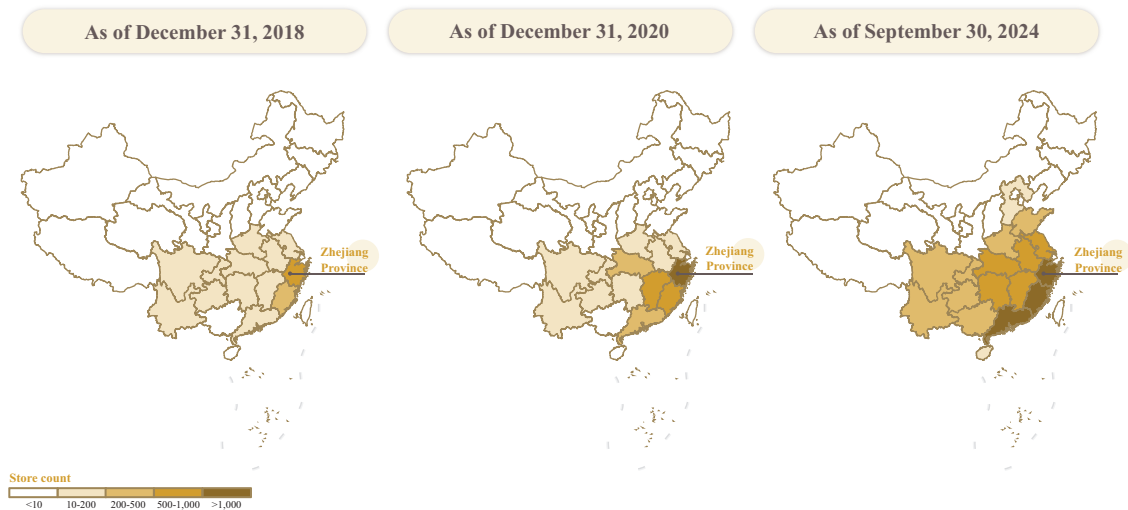
The mid-priced segment of China's freshly-made tea store market is the largest and the fastest-growing segment. The GMV of China's mid-priced freshly-made tea store market reached RMB108.6 billion in 2023 and is expected to further increase to RMB280.9 billion in 2028, with a CAGR of 20.8% from 2024 to 2028. In particular, second-tier and below cities are expected to have the highest growth rate from 2024 to 2028 and contribute to the majority of the market's overall growth. We have successfully established our leading presence in second-tier and below cities. As of December 31, 2023, our store count in second-tier and below cities accounted for 79% of our total store count, the highest percentage as compared to those of the other top five mid-priced freshly-made tea store brands in China, and slightly increased to 80% as of September 30, 2024. In 2023, the GMV generated by “*Good me*” stores in second-tier and below cities reached RMB14.7 billion, which represented approximately 22% market share, making us the largest brand of the mid-priced freshly-made tea store market in these cities. At the same time, as of December 31, 2023, 38% of our stores were located in towns and townships, where the majority of China's population reside. The presence of our stores in towns and townships is significantly higher than those of other top five mid-priced freshly-made tea store brands in China, both in terms of absolute store count and the percentage within our total store count as of December 31, 2023. This percentage slightly grew to 40% as of September 30, 2024.

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

Solid Store Network Expansion under Our Regional Densification Strategy

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

We have built provincewide networks with a critical mass in eight provinces in China, which collectively accounted for 87% of our GMV in 2023, and led us to become China's largest mid-priced freshly-made tea store brand. By capitalizing on our accumulated operational experience and the natural spread of our brand reputation among consumers and franchisees, we have consistently replicated our regional densification strategy to neighboring provinces. In 2017, we first reached a critical mass in Zhejiang, where we continued to grow and now have over 2,000 stores. We then reached a critical mass in Fujian in 2019 and Jiangxi in 2020. As of September 30, 2024, we had also established a store network with a critical mass in each of Guangdong, Hubei, Jiangsu, Hunan and Anhui. As of September 30, 2024, we had presence in 17 provinces in China where we will continue to densify our store network, and we will also prudently and efficiently expand into other provinces. The following graphs illustrate the steady expansion footprint of our store network and ample room for our further growth.



We have accomplished the following under our regional densification strategy:

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

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- During each of the three years ended December 31, 2023, we maintained positive period-over-period same-store GMV growth nationwide while we continually densified our store network. In particular, we also maintained positive period-over-period same-store GMV growth in these periods in each of Zhejiang, Fujian and Jiangxi where we established store networks with a critical mass the earliest. For the nine months ended September 30, 2024, our same-store GMV decreased by 0.7% due to the general industry slowdown and increased competition. Nonetheless, we continued to grow our total GMV by 20.4% as compared to the same period in 2023.
- Our dense store network significantly enhances our warehousing and logistics efficiency. We provide cold-chain supply delivery to approximately 97% of our stores every two days upon request as of September 30, 2024. Among the top 10 freshly-made tea store brands in China in terms of GMV in 2023, we are the only brand capable of frequent deliveries every two days of short-shelf-life fresh fruits and fresh milk to stores in lower-tier cities. For the three years ended December 31, 2023, the logistics cost for delivery from our warehouses to stores was less than 1% of our total GMV on average.

Track Record of Franchisee Profitability and Enduring Franchisee Relationships

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

We have maintained strong franchisee profitability. In 2023, our franchisees' per-store operating profit reached RMB376,000 and franchisees' per-store operating profit margin reached 20.2%, whereas the estimated per-store operating profit margin is generally in the low teens in the mid-priced freshly-made tea store market in China during the same period. In particular, in fourth-tier and below cities, our franchisees' per-store operating profit was RMB386 thousand in 2023, bringing significant income to our franchisees' household. The strong performance of our stores leads to franchisees' strong willingness to open more "Good me" stores. As of September 30, 2024, among the franchisees that had operated "Good me" stores for over two years, each operated 2.9 stores on average and 71% operated two or more franchised stores.

We aim to foster close and enduring franchisee relationships by cultivating a franchisee culture grounded in values such as unity, sincerity, and continuous pursuit of excellence. We are the first freshly-made tea store company in China that established a franchisee committee to gather franchisees' feedbacks on potential major business decisions. To promote transparent communication, the annual "Good me" nationwide franchisee conferences were held in the past 11 years consecutively. The close and enduring franchisee relationships enable effective and efficient store operations and consistent high-quality product and service offerings, which enhance consumer experience and improve store-level performance, thereby attracting more franchisees and solidifying franchisee relationships, forming a virtuous cycle.

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

Consistent with our slogan, “one cup a day, always enjoy it (每天一杯喝不膩),” we provide our consumers with a variety of product offerings of consistent quality. Our store menu typically contains approximately 30 beverages at a time, offering three categories of beverages, namely (i) fruit tea beverages, (ii) milk tea beverages, and (iii) coffee beverages and others. Our industry-leading cold-chain warehousing and logistics infrastructure allows us to prepare substantially all of these beverages with short-shelf-life fresh fruits, tea leaves and/or fresh milk. Leveraging our product development capabilities, we regularly launch new beverages to keep our offerings appealing and to capture emerging opportunities presented by evolving industry trends. In 2021, 2022 and 2023 and for the nine months ended September 30, 2024, we launched 94, 82, 130 and 85 beverages, respectively. While we frequently update our menu, we are capable of having tens of thousands of stores serve product offerings of consistent quality and taste. In particular, at the recipe development stage, we factor in the impact of potential variances in store operations, implement store systems to standardize operating procedures, adopt centralized supply chain management, and provide comprehensive training to and supervision of our franchisees. We also maintain an unwavering commitment to food quality and safety. Backed by a dedicated quality control team of over 130 professionals as of September 30, 2024, and leveraging our team of approximately 470 supervisors and inspectors as of the same date, our quality control measures cover the entire operating process, including product development, procurement, warehousing and logistics, and store operations.

Thanks to the consistently high quality of our store offerings, “*Good me*” has grown to be a broadly embraced brand among consumers. We engage with our consumers through both online social media platforms and offline marketing channels. For example, in the “First Cup of Milk Tea in Autumn” campaign on August 7, 2024, integrating both online and offline marketing efforts, we achieved a daily GMV of over RMB160 million. Moreover, we have been crafting and launching creative and diverse marketing campaigns that resonate well with our consumers. In June 2024, we launched a brand collaboration event with “*Love and Deepspace* (戀與深空),” a popular Chinese mobile game, under which we opened our first store in Shanghai in the form of a pop-up store and achieved single-store GMV of over RMB290,000 on the first day of the event.

Enabled by our consistently high-quality products and effective and diverse marketing campaigns, we effectively enhance our brand awareness among consumers. We received excellent consumer reviews, accumulated a loyal member base, and recorded industry-leading repurchase rates. We had accumulated approximately 94 million and 135 million registered members on our mini programs as of December 31, 2023 and September 30, 2024, respectively, with over 36 million and over 43 million quarterly active members in the three months ended December 31, 2023 and ended September 30, 2024, respectively. In 2023, our average quarterly repurchase rate reached 53%, compared to the average of below 30% among mid-priced freshly-made tea store brands in China.

Our efficient and flexible store management, product research and development, and supply chain capabilities

We believe in introducing and applying technologies to improve the efficiency and flexibility of the traditional catering service stores. To that end, we have established store management software which can empower tens of thousands of stores.

We leverage technology to improve operating efficiency. We have been actively building our information technology team since 2018. As of December 31, 2023, this team has grown to include over 320 engineers, being the largest information technology team in China's freshly-made tea beverage industry, and further grew to over 340 engineers as of September 30, 2024. For our stores, we have implemented store systems that encompass in-house developed store management modules and connected appliances integrated with IoT, to digitalize their operations and enhance their operating efficiency. For instance, our proprietary tea brewer can automatically adjust brewing parameters based on our centralized inputs, delivering a consistent, optimal tea flavor across our stores. For our franchisees, our online management system offers comprehensive support, such as site selection recommendations based on our expanding database of over 22,000 store sites as of September 30, 2024. The system also generates tailored routes and store-specific checklists for our store supervisors to ensure comprehensive and efficient supervision. For consumer engagement, we have accumulated a large and loyal member base through our membership program and are able to dynamically customize our user engagement strategies.

We take a food-science-centric approach to product research and development. We are one of the first companies in the freshly-made tea store industry that engaged in the research on food sciences in China's freshly-made tea store market and possesses comprehensive research and development capabilities. Our product research and development team includes "connoisseurs," who continually originate product inspirations and monitor the latest consumer preference trends, and "engineers," who rigorously analyze ingredients, usually with degrees in fields such as food science, agriculture and tea science. Our "engineers" quantify the flavors of different ingredients in terms of, for instance, aroma, acidity and sweetness. In this way, we have accumulated flavor profiles of over 1,000 ingredients of different varieties and/or from different suppliers as of September 30, 2024. With this approach, we are able to consistently launch new beverages that are popular among consumers. In each of the three years ended December 31, 2023, our top 10 best-selling beverages included two to three completely new beverages we launched in the same or prior year, and these beverages continue to be popular over time. Our emphasis on food science also extends to supply chain management. We process, pack and ship fruits with various advanced technologies to ensure their freshness. For example, by promptly processing mangoes at source and strictly controlling their packaging, delivery and ripening processes, we decreased the ripening spoilage rate to 10% in 2023, far below the industry average of approximately 20%.

Our supply chain management provides robust support to our stores. We require franchisees to procure all materials from us to ensure quality and consistency, making us one of the very few companies in the industry that enforce such requirements. We procured

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approximately 85,000 tons of fresh fruits spanning across 36 kinds in 2023. The large volume of our fresh fruit procurement offers substantial economies of scale, allowing us to supply ingredients to our stores at competitive prices, well below market averages. In response to supply chain disruptions, our closely collaborating product research and development team and supply chain management team can quickly adjust product mix to alleviate the change's impact on our inventory and supplies. We also operate one of the largest cold-chain warehousing and logistics infrastructure among China's freshly-made tea store brands as of December 31, 2023, enabling cold-chain supply delivery to approximately 97% of our stores every two days upon request as of September 30, 2024. In 2023, we completed cold-chain delivery of over RMB4 billion worth of ingredients, the highest in China's freshly-made tea store industry. As of September 30, 2024, approximately 76% of our stores are located within 150 kilometers of one of our warehouses. Our proprietary logistics distribution system harnesses advanced algorithms to intelligently match our available resources with the logistics demand, optimizing delivery route to substantially reduce delivery costs.

Diverse Management Pursuing Open and Inclusive Culture

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

Led by Mr. Wang, our talented management team encompasses company veterans, accomplished experts recognized in their respective fields, and home-grown young talents attuned to evolving consumer trends. This combination of diverse professional backgrounds and age groups fosters multi-perspective feedback during decision-making. Guided by our entrepreneurial spirit valuing openness, our management team swiftly adapts to changing market environments, engaging in rapid upgrades and refinement. We adhere to a simple and candid communication style, fostering a humble and honest atmosphere that cultivates strong bonds among our people and extending to our partners. We embrace an inclusive and open corporate culture, which allows us to continually attract talented individuals with diverse backgrounds and perspectives. We are committed to being responsible corporate citizens, continuously fulfilling corporate social responsibility. For details, see "— Environmental, Social and Governance".

OUR GROWTH STRATEGIES

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

Expand Our Store Network and Solidify Our Position in the Industry

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

- *Increasing our store density in existing markets.* We expect to continue increasing our store density in the 17 provinces where we have presence. We expect that our products of consistently high quality and strong store performance will help extend our consumer reach and drive our growth in these markets.
- *Expanding our store network to new markets.* Leveraging our rich experience executing the regional densification strategy, we intend to expand into new areas and capture the untapped market opportunities. As of September 30, 2024, there were 17 provinces in China where we had yet to have presence, providing us with ample room for growth. We will strategically venture into provinces adjacent to where we have presence.

We will also continually evaluate opportunities to enter overseas markets. The GMV of the global freshly-made beverage market reached US\$779.1 billion in 2023, and is expected to reach US\$1,103.9 billion in 2028, with a CAGR of 7.1% from 2024 to 2028. We will prioritize markets where freshly-made beverages have large growth potential. We will also factor in the development of supply chain infrastructures and the extension of our platform to support our overseas store network.

Enhance Our Technologies to Improve Operating Efficiency

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

- *Business management.* We will continue to invest in technologies related to our business management, such as our cloud server facilities, accounting management system, office software and other third-party applications, enabling efficient coordination internally and with our franchisees and other business partners.
- *Store operation.* We have implemented our store systems that integrate software and connected appliances for our store operations. We will further enhance these technologies to improve our stores' operating efficiency and ensure the consistency of offerings across our stores.

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- *Intelligent decision-making.* Leveraging our accumulated business insights, we aim to strengthen our business intelligence tools to optimize various aspects of our operation, including product development, procurement, warehousing and logistics, and sales and marketing, among others.
- *Talent recruitment.* We plan to continue to recruit and cultivate technology talents.

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

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

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

Strengthen Our Branding and Consumer Engagement Efforts

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

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

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Enhance Our Supply Chain Capabilities

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

- *Procurement.* As our business continues to scale up and our brand receives greater recognition, we expect to enjoy greater bargaining power when procuring our supplies. We will continue to procure quality ingredients, such as tea leaves and fresh fruits, directly from their source to ensure their freshness.
- *Ingredient processing.* We expect to continue investing in our processing facilities, including one facility recently constructed in Zhuji, Zhejiang, which will enhance our ingredient processing capacity and capabilities.
- *Warehousing and logistics.* As we expand our store network to new regions or increase our presence in existing markets, we will holistically evaluate our warehousing cost and delivery efficiency, and strategically invest in our warehousing and logistics infrastructure. We intend to invest in intelligent equipment and software for our warehouses, which will support automatic storage, packaging, inventory management and information tracking. We also plan to strengthen our logistics infrastructure by increasing and upgrading our freight vehicles. We will continue to refine our cold-chain capabilities to deliver short-shelf-life ingredients, such as fresh fruits, to our stores, including those in lower-tier cities, and maintain the stability of our deliveries and the quality of our ingredients.

BRAND AND PRODUCT OFFERINGS

Our Brand

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

Our beverages are broadly embraced by consumers and have received excellent consumer reviews. We had accumulated approximately 94 million and 135 million registered members on our mini programs as of December 31, 2023 and September 30, 2024, respectively, with over 36 million and over 43 million quarterly active members in the three months ended December 31, 2023 and September 30, 2024, respectively. In 2023, our average quarterly repurchase rate reached 53%, compared to the average of below 30% among mid-priced freshly-made tea store brands in China.

Product Offerings at “Good me” Stores

“Good me” stores generated a GMV of RMB19.2 billion in 2023, representing an increase of 37.2% from RMB14.0 billion in 2022, and generated a GMV of RMB16.6 billion in the nine months ended September 30, 2024, representing an increase of 20.4% from RMB13.8 billion in the same period in 2023. We focus on three categories of beverage offerings at “Good me” stores: (i) fruit tea beverages, (ii) milk tea beverages, and (iii) coffee beverages and others.

Fruit Tea Beverages

Our fruit tea beverages are made with tea and a variety of fresh fruits, many with short shelf-life, and are characterized by their vibrant, refreshing tastes. In 2021, 2022, 2023 and the nine months ended September 30, 2024, our fruit tea beverages recorded total sales of 298.0 million cups, 365.3 million cups, 499.3 million cups and 402.6 million cups, respectively. In the nine months ended September 30, 2024, our fruit tea beverages collectively accounted for 41% of the total number of cups sold. Illustrated below are some of our representative fruit tea beverages.



- Superb Grape and Cheese (超A芝士葡萄) has consistently been one of our best-selling beverages, achieving total sales of over 180 million cups during the Track Record Period. We have continually fine-tuned its recipe over the years and have upgraded the recipe 11 times since its initial launch in June 2019. To optimize the taste and consistency of our beverages all year round, we make use of different types of grapes in different seasons and, leveraging our food-science-centric product development capabilities, matches various grape types with particular tea bases for better flavor.
- Superb Peach and Cheese (超A芝士桃桃) made use of fresh, premium peaches, procured from 22 different sources in seven provinces in 2023, that have consistent sweetness, ripeness and firmness. Our product research and development team also tested 210 types of Oolong teas and evaluated over 100 tea blending formulas to select the final tea base for the beverage.

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- Fragrant Lemon (一顆香水檸) is a beverage built around Taiwan citrus lemons (臺灣香水檸檬), a particular type of lemon. We source our lemons from Yunnan, the only lemon-producing area in mainland China with a rainforest climate. The rainforest climate provides the right condition to ensure the fragrant aroma of these lemons. We also customized a tea base using premium tea leaves to complement the citrus lemons' taste.
- Full of Waxberries (滿杯楊梅) attests to our commitment to maintaining the freshness of a delicate fruit with very short shelf-life with the support of our industry-leading supply chain capabilities. Striving to enable our consumers to have waxberries with freshly-harvested taste, we distribute them to stores with end-to-end cold-chain delivery, covering as long as 2,300 kilometers from the source to our stores.

Milk Tea Beverages

Our milk tea beverages generally have a smooth and creamy flavor and can be served with tapioca pearls, or boba, and/or a range of other additional toppings. In 2021, 2022, 2023 and the nine months ended September 30, 2024, our milk tea beverages recorded total sales of 267.2 million cups, 344.6 million cups, 508.6 million cups and 466.8 million cups, respectively. In the nine months ended September 30, 2024, our milk tea beverages collectively accounted for 47% of the total number of cups sold. The images below showcase some of our representative milk tea beverages.



- *Good me* Milk Tea (古茗奶茶), created since the early days of our brand, has consistently been our best-selling beverage in terms of annual cups sold in 2021, 2022 and 2023, with over 436 million cups sold during the Track Record Period. We continually refined its recipe to maintain its competitive edge. For example, our product research and development team has carefully curated black teas from India, Sri Lanka and Yunnan, China to create a blended tea base with stable and rich flavors.
- All-in-one Milk Tea (什麼都有) has also been a long-time consumer favorite thanks to its one-litre size, rich ingredients, and high value for money with a typical list price of RMB14. The beverage makes use of multiple ingredients requiring on-site cooking, which demonstrates the in-store ingredient processing capabilities of our stores.

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- Longjing with Qingtuan (龍井香青團) innovatively replaces boba with a traditional Chinese sticky rice ball, Qingtuan. The “connoisseurs” in our product research and development team were drawn to Qingtuan as part of their market research efforts and realized how well it complements the flavor of Longjing, a classic fine tea from Zhejiang. This finding led us to consider combining the two ingredients. The “engineers” in our product research and development team then explored the optimal mix of Longjing tea leaves from different sources to find the ideal tea base for the beverage.
- Yunling Jasmine Blossom (雲嶺茉莉白) is an example of our light milk tea series (輕乳茶系列) launched in 2023 in response to market demand. With ingredients including premium tea base sourced from Yunnan and scented with jasmine blossoms from Guangxi, and quality fresh milk, the beverage was widely embraced by our consumers and consistently ranked as one of our top 3 beverages in the first few months after launch. In the one year following its launch, the beverage became the best-selling product among our product portfolio.

Coffee Beverages and Others

We also serve coffee beverages, including traditional coffee beverages, beverages that combine coffee with tea or fresh fruits, and other offerings such as yogurt shake, classic tea, bakery products and branded merchandise at our stores. These products enrich our product offerings, allowing us to serve a wider consumer base and cater to more diversified consumption scenarios. In 2021, 2022, 2023 and the nine months ended September 30, 2024, our beverages sold under this category amounted to total sales of 115.4 million cups, 160.3 million cups, 176.8 million cups and 120.1 million cups, respectively. In the nine months ended September 30, 2024, the beverages sold under this category collectively accounted for 12% of the total number of cups sold. The images below showcase some of our favored products in this category.



- Orange-infused Americano (大橘美式) is made with carefully selected, freshly-harvested oranges from premium sources. We leverage our HPP technology to retain the freshness and sweetness of orange juices, and combine them with citrus lemons for a rich flavor. We also use award-winning dark roasted espresso blend to complement the fruit juices for a balanced taste.

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- Aromatic Coconut Latte (香水椰椰拿鐵) makes use of high-quality, aromatic coconut from Thailand, with just the right level of ripeness, to bring out a pronounced fragrance and ensure a sweet and full-bodied taste. The coconut water is paired with our award-winning espresso blend for a light and smooth texture and a lingering finish.
- Avocado Milk Shake (牛油果奶昔) makes use of quality avocados sourced from Peru, Chile and Mexico. Even with a long travel distance, we insist on delivering avocados with cold-chain transportation to ensure their quality.
- Pure Jasmine Tea (曲香茉莉) is our take on the classic jasmine tea that leverages our extensive tea leaf knowledge and capability to source premium tea leaves. We work closely with our jasmine tea suppliers and provide stringent requirement for their preparation process.

Pricing Strategy for Our Product Offerings

We focus on the mid-priced freshly-made tea beverage market. During the Track Record Period, our product offerings' prices remained relatively stable, typically between RMB10 and RMB18. We currently do not have any plan to adjust the price range of our products.

We intend to set prices that reflect our value propositions. Our pricing decisions for specific beverages take into account various pertinent factors. These include the purchasing power of local consumers, prevailing market prices, ingredient and supply costs, market demand and the competitive landscape, among other factors. During the Track Record Period, we did not sell pre-paid packages to our consumers.

While we serve our beverages to end consumers primarily through our franchised stores, our direct customers are primarily our franchisees. For details of our products and services to our franchisees, including our pricing policy for such products and services, see “— Our Franchisees — Products and Services to Our Franchisees.”

OUR STORE NETWORK

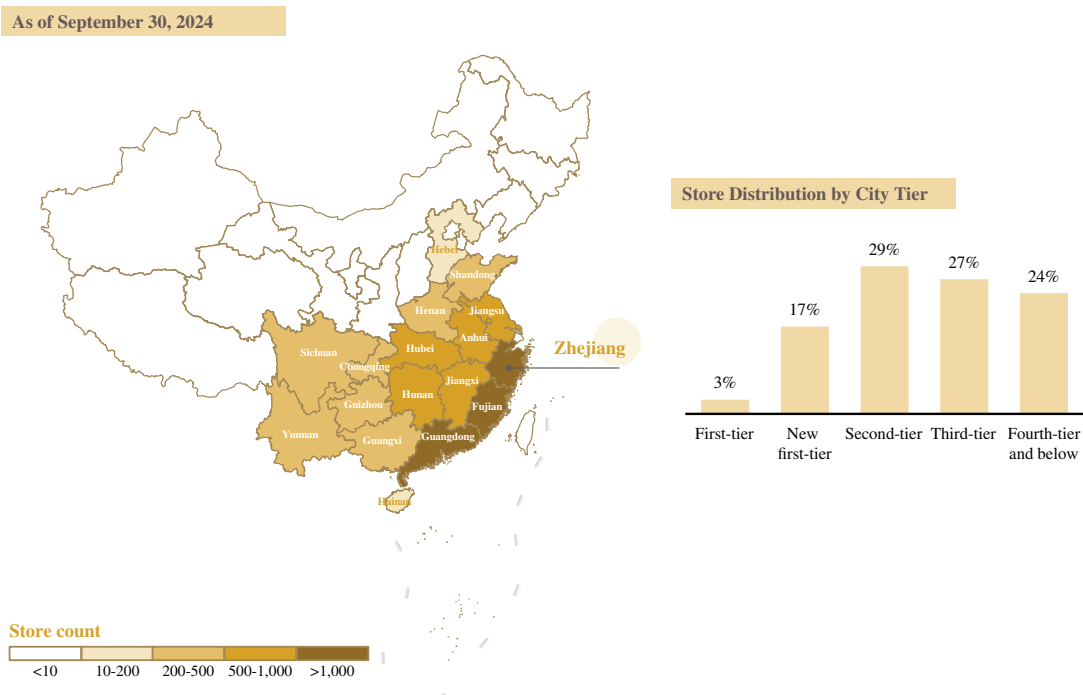
We manage an extensive network of stores with steadily increasing GMV and a track record of profitability. We have established this store network with our regional densification strategy. Our stores offer high-quality products and services to our consumers.

Overview of Our Store Network

We had an extensive store network comprising 9,778 stores covering over 200 cities across all city tiers in China as of September 30, 2024. Our stores are primarily operated under a franchise model. Our franchised stores contributed to approximately 99.9% of our GMV for the years ended December 31, 2021, 2022 and 2023 and the nine months ended September 30, 2024. To a much lesser extent, we directly manage a few company-operated stores. As of September 30, 2024, we directly managed seven company-operated stores. For details of our franchisees, see “— Our Franchisees.”

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The following map illustrates our store network as of September 30, 2024.



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

	As of December 31,						As of September 30,	
	2021		2022		2023		2024	
	<i>Store count</i>	%	<i>Store count</i>	%	<i>Store count</i>	%	<i>Store count</i>	%
First-tier cities	93	2	165	3	272	3	288	3
New first-tier cities . . .	1,165	20	1,362	20	1,634	18	1,694	17
Second-tier and below cities	4,436	78	5,142	77	7,095	79	7,796	80
– Second-tier cities . . .	1,884	33	2,140	32	2,690	30	2,853	29
– Third-tier cities	1,307	23	1,581	24	2,349	26	2,606	27
– Fourth-tier and below cities	1,245	22	1,421	21	2,056	23	2,337	24
Total	<u>5,694</u>	<u>100</u>	<u>6,669</u>	<u>100</u>	<u>9,001</u>	<u>100</u>	<u>9,778</u>	<u>100</u>

As of December 31, 2023, our store count in second-tier and below cities accounted for 79% of our total store count, the highest percentage as compared to those of the other top five mid-priced freshly-made tea store brands in China, and slightly increased to 80% as of September 30, 2024. In 2023, the GMV generated by “Good me” stores in second-tier and below cities reached RMB14.7 billion, which represented approximately 22% market share, making us the largest brand of the mid-priced freshly-made tea store market in these cities.

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We have successfully established our leading presence not only in second-tier and below cities, but also in towns and townships, which are administrative areas typically located away from downtown areas, across all city tiers. As of December 31, 2023, 38% of our stores were located in towns and townships. The presence of our stores in towns and townships, both in terms of absolute store count and in terms of the percentage within our total store count as of December 31, 2023, is significantly higher than those of the other top five mid-priced freshly-made tea store brands in China, attesting to our strong capability to reach these markets. This percentage grew to 40% as of September 30, 2024.

We believe that second-tier and below cities and towns and townships represent large untapped markets with significant potential. In terms of second-tier and below cities, in 2023, there were approximately 122 mid-priced freshly-made tea stores for every million people in second-tier and below cities, while there were approximately 214 mid-priced freshly-made tea stores for every million people in first-tier and new first-tier cities. The GMV of mid-priced freshly-made tea stores in second-tier and below cities is expected to grow from RMB84.0 billion in 2024 to RMB189.0 billion in 2028, representing a CAGR of 22.5%. This growth is expected to contribute to 70.4% of the expansion of China’s mid-priced freshly-made tea store market in the same period in terms of GMV. In terms of towns and townships, according to the Chinese population census conducted in 2020, approximately 840 million individuals resided in towns and townships, which constituted nearly 60% of the population nationwide. For details, see “Industry Overview — China’s Mid-priced Freshly-made Tea Store Market — Geographical Distribution of Mid-priced Freshly-made Tea Stores.” Not only have we established a leading presence in second-tier and below cities and in towns and townships, our stores have had strong performance in these areas. In 2023 and the nine months ended September 30, 2024, our per-store GMV was RMB2.3 million and RMB1.7 million in fourth-tier and below cities, respectively, and RMB2.4 million and RMB1.8 million in towns and townships, respectively.

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

	For the Year Ended December 31,			For the Nine Months Ended September 30,
	2021	2022	2023	2024
Store count at the beginning of the year/period	4,091	5,694	6,669	9,001
Stores opened during the year/period	1,808	1,317	2,597	1,218
Stores closed during the year/period	205	342	265 ⁽¹⁾	441 ⁽²⁾
Store count at the end of the year/period	5,694	6,669	9,001	9,778

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Notes:

- (1) The number of stores closed in 2023 is less than the number of franchisees terminated in the same period, primarily because for 367 franchisees terminated in 2023, their stores were taken up by other franchisees for continuous operation and thus not considered to be closed in this period.
- (2) The number of stores closed in the nine months ended September 30, 2024 is less than the number of franchisees terminated in the same period, primarily because for 445 franchisees terminated in the nine months ended September 30, 2024, their stores were taken up by other franchisees for continuous operation and thus not considered to be closed in this period.

For the nine months ended September 30, 2024, we opened new stores at a slower pace than we did in 2023 and closed more stores than we did in 2023, primarily because (i) the freshly-made tea store market experienced a slowdown in growth, and (ii) there was increased competition within the industry, with some players launching low-priced products. In response to these changes, we adjusted our business strategy to focus on improving the operating efficiency and business performance of our existing stores, while slowing down the pace of new store openings. In particular, (i) we promoted the sale of coffee machines to existing franchisees (including offering flexible payment terms for the machines) to help our stores diversify their product offerings and increase overall GMV; (ii) we increased our spending on promotional activities to build brand awareness; (iii) we enhanced our standards during store inspections with respect to the quality of beverages made on-site; and (iv) we placed greater importance on expected store performance when evaluating new store openings. In addition, a greater number of stores were closed in the nine months ended September 30, 2024, as (i) some of our per-store operating metrics experienced decreases during this period and more franchisees decided to close their stores and (ii) for certain stores that fail to meet our operating standards and/or are located in sites we deem to be less ideal, we proactively discussed with the relevant franchisees and reached mutual agreements to close the relevant stores.

Our Store Performance

The following table sets forth certain key performance indicators of our stores:

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2021	2022	2023	2023	2024
Total GMV (RMB in thousands)	10,593,182.6	14,004,430.4	19,213,723.3	13,792,517.5	16,607,526.0
Per-store GMV (RMB in thousands) . .	2,189.2	2,262.8	2,466.4	1,857.6	1,776.3
Per-store daily GMV (RMB in thousands)	6.0	6.2	6.8	6.8	6.5
Total number of cups sold (in thousands)	680,583.3	870,131.3	1,184,648.7	847,707.5	989,536.7
Per-store number of cups sold (in thousands)	140.6	140.6	152.1	114.2	105.8
Per-store daily number of cups sold . .	385	385	417	417	386
Total number of orders (in thousands) .	397,816.6	500,215.6	690,665.8	489,673.6	599,801.7

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	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2021	2022	2023	2023	2024
Average GMV per order (RMB)	26.6	28.0	27.8	28.2	27.7
Average number of orders per store per day	225	221	243	241	234
Average store equipment expenditure per newly opened franchised store (RMB in thousands)	95.2	100.8	109.2	110.3	110.8
Average daily GMV per newly opened franchised store (RMB in thousands)	5.3	5.3	5.8	5.8	5.2

Our GMV and number of cups sold have been generally increasing during the Track Record Period. However, when calculating per-store daily GMV and per-store daily number of cups sold, we use the number of days that our stores could be open for business as the denominator, which is measured by the number of days from (i) the latter of a store’s launch day and the first day of the period, to (ii) the earlier of a store’s closure day and the last day of the period. This number is usually larger than the actual number of days that our stores are open for business. In 2022, due to the impact of COVID-19, the gap between the above two numbers was larger than usual, which contributed to the lack of growth in our per-store daily GMV and per-store daily number of cups sold from 2021 to 2022.

For the nine months ended September 30, 2024, as a result of the general industry slowdown and increased competition as discussed above, we recorded smaller per-store GMV, per-store daily GMV, per-store number of cups sold, per-store daily number of cups sold, average GMV per order, average number of orders per store per day, and average daily GMV per newly opened franchised store as compared to the same period in 2023. Nonetheless, as we continued our store network expansion and opened a number of new stores, we continued to grow our total GMV and total number of cups sold. As confirmed by our industry consultant, the decrease rate of our per-store GMV is also less than the majority of the other top ten freshly-made tea store brands. Our Directors are of the view that our business will inevitably be affected by the general macroeconomic conditions in China and the freshly-made tea store market in general. In the medium and long term, with the expected growth of China’s economy and consumer spending as well as the projected expansion of the freshly-made tea store market, we believe we can capture opportunities in the industry as one of the leading players and regain growth momentum in various operating metrics.

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The following table sets forth the per-store daily GMV of our stores by years of opening during the Track Record Period.

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2021	2022	2023	2023	2024
Per-store daily GMV (RMB in thousands)					
Stores opened in 2021 and before . . .	6.0	6.3	7.1	7.0	7.1
Stores opened in 2022	–	5.3	6.5	6.4	6.6
Stores opened in 2023	–	–	5.8	5.8	5.6

In 2023, our franchisees’ per-store operating profit reached RMB376,000 and franchisees’ per-store operating profit margin reached 20.2%, whereas the estimated per-store operating profit margin is generally in the low teens in the mid-priced freshly-made tea store market in China during the same period. In particular, in fourth-tier and below cities, our franchisees’ per-store operating profit was RMB386 thousand in 2023, bringing significant income to our franchisees’ household. Among our stores existing as of December 31, 2023 that had been launched prior to the first day of 2023, 99%, or 6,335 stores, had positive per store operating profit in 2023. Among our stores existing as of September 30, 2024 that had been launched on or after the first day of 2023, 98%, or 3,550 stores, had accomplished breakeven (as measured by recording positive operating profit in a consecutive 30-day period). The average breakeven period for these stores was 0.25 months, assuming each 30 calendar days after a store is launched to be one month. For the purpose of calculating this breakeven period, stores that accomplish breakeven within the first month are taken to accomplish breakeven in month 0.

The following table sets forth certain operating data of existing franchised stores and newly opened franchised stores for the periods indicated.

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2021	2022	2023	2023	2024
Total GMV (RMB in thousands)					
Existing franchised stores	9,002,135.0	12,719,148.9	16,558,989.1	12,394,771.6	15,807,029.0
Newly opened franchised stores . . .	1,578,536.6	1,270,869.8	2,637,523.8	1,384,578.6	784,646.8
Total number of cups sold (in thousands)					
Existing franchised stores	582,045.5	791,016.1	1,019,474.9	761,088.9	940,786.7
Newly opened franchised stores . . .	97,717.1	78,196.5	164,080.2	85,783.1	47,794.2
Per-store GMV (RMB in thousands)					
Existing franchised stores	2,244.4	2,300.8	2,534.7	1,893.8	1,798.8
Newly opened franchised stores . . .	1,917.9	1,939.8	2,107.7	1,584.0	1,412.1
Per-store daily GMV (RMB in thousands)					
Existing franchised stores	6.1	6.3	6.9	6.9	6.6
Newly opened franchised stores . . .	5.3	5.3	5.8	5.8	5.2

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The following table sets forth a breakdown of our revenue from existing franchised stores and newly opened franchised stores in an absolute amount and as a percentage of total revenue for the periods indicated.

	For the Year Ended December 31,						For the Nine Months Ended September 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>									
Existing franchised stores	3,454,056	78.8	4,766,111	85.8	6,064,024	79.1	4,572,467	82.1	5,802,278	90.0
Newly opened franchised stores	838,933	19.1	674,286	12.1	1,384,921	18.0	849,898	15.3	463,139	7.2
Total franchised stores	4,292,989	97.9	5,440,397	97.9	7,448,945	97.1	5,422,365	97.4	6,265,417	97.2
Corporate customers	85,574	2.0	109,038	1.9	214,412	2.8	139,049	2.5	165,014	2.6
Self-operated stores	5,338	0.1	9,787	0.2	12,308	0.1	9,468	0.1	10,857	0.2
Total Revenue	4,383,901	100.0	5,559,222	100.0	7,675,665	100.0	5,570,882	100.0	6,441,288	100.0

The following table sets forth a breakdown of our gross profit and gross profit margin of the existing franchised stores and newly opened franchised stores for the periods indicated.

	For the Year Ended December 31,						For the Nine Months Ended September 30,			
	2021		2022		2023		2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>(in thousands, except percentages)</i>									
Existing franchised stores	1,045,539	30.3	1,350,706	28.3	1,914,155	31.6	1,413,734	30.9	1,782,073	30.7
Newly opened franchised stores	255,249	30.4	200,648	29.8	468,277	33.8	290,367	34.2	156,036	33.7
Total franchised stores	1,300,788	30.3	1,551,354	28.5	2,382,432	32.0	1,704,101	31.4	1,938,109	30.9
Corporate customers	11,055	12.9	9,757	8.9	18,596	8.7	20,435	14.7	24,722	15.0
Self-operated stores ⁽¹⁾	1,862	34.9	1,821	18.6	2,303	18.7	1,877	19.8	1,551	14.3
Total	1,313,705	30.0	1,562,932	28.1	2,403,331	31.3	1,726,413	31.0	1,964,382	30.5

Note:

- (1) In 2022, our self-operated stores hired a higher number of staff to provide more training to staffs from franchised stores. Between December 31, 2021 and 2022, the number of staff at our self-operated stores increased from 42 to 59. Cost associated with these staff are recorded under cost of sales, which led to the decrease in gross profit margin from 2021 to 2022 and also explains why the gross profit margin for self-operated stores is consistently lower than that of franchised stores in 2022, 2023 and the nine months ended September 30, 2024.

In the nine months ended September 30, 2024, gross profit margin for self-operated stores experienced a further decrease, primarily because (i) during a special IP collaboration event, we opened a self-operated pop-up store in Shanghai, which recorded relatively low gross profit margin, and (ii) our self-operated stores engaged in more promotional activities that lowered their gross profit margin.

Store Network Expansion

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

Our Regional Densification Strategy

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

We have been executing our regional densification strategy since the early days of our business and have built almost all aspects of our operations towards its implementation. To achieve a desired level of density, we have opened stores not only in downtown areas of large cities but also in less developed areas in lower-tier cities. We have tailored our product offerings to cater to consumers of all types, curating a range of diverse product offerings with a balance of classic and innovative items at various price points. Moreover, we have steadily built up our supply chain infrastructure factoring in the location of our expected store openings, ensuring optimal infrastructure distribution to deliver stable supply of fresh, high-quality ingredients at competitive prices. For the three years ended December 31, 2023, the logistics cost for delivery from our warehouses to stores was less than 1% of our total GMV on average,

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demonstrating how the regional densification strategy enhances our warehousing and logistics efficiency. The improvements can also be seen by comparing our own warehouses. As of September 30, 2024, we operated a total of 22 warehouses. For the nine months ended September 30, 2024, among these warehouses, 13 warehouses on average served fewer than 500 stores per month during the operation period, and nine warehouses on average served more than 500 stores per month during the operation period. In the nine months ended September 30, 2024, on a per-store and monthly basis, the warehousing and logistics cost for stores covered by such nine warehouses was 9% lower than that for stores covered by such 13 warehouses. These cost savings are primarily due to the density of our stores and their proximity to our warehouses. As of September 30, 2024, approximately 76% of our stores are located within 150 kilometers of one of our warehouses. As a result, we can also provide cold-chain supply delivery to approximately 97% of our stores every two days upon request as of September 30, 2024. In comparison, other China's freshly-made tea store brands generally provide delivery to stores every four days and often without the support of cold-chain supply delivery. Among the top 10 freshly-made tea store brands in China in terms of GMV in 2023, we are the only brand capable of frequent deliveries every two days of short-shelf-life fresh fruits and fresh milk to stores in lower-tier cities. Substantially all beverages on our menu are made from short-shelf-life fresh fruits, tea leaves and/or fresh milk that are stored and distributed through our cold-chain warehousing and logistics infrastructure, which, our Directors are of the view that, is one of the largest in the industry as of December 31, 2023.

Our Accomplishments Under the Strategy

The first “*Good me*” store was opened in Zhejiang, China in 2010. Since then we have steadily built up our store network through our regional densification strategy. As of September 30, 2024, we had presence in 17 provinces in China. In particular, we have been building provincewide store networks with more than 500 stores, which indicates a critical mass to enjoy the benefits of regional densification. We first reached a critical mass in Zhejiang, where we continued to grow and now have over 2,000 stores. Our store network in Fujian reached a critical mass in 2019 and store network in Jiangxi reached a critical mass in 2020. Subsequently, our store networks in Guangdong, Hubei, Jiangsu, Hunan and Anhui also achieved a critical mass. As of September 30, 2024, we had established provincewide networks with a critical mass in eight provinces in China, which collectively accounted for 87% and 84% of our GMV in 2023 and the nine months ended September 30, 2024, respectively. As we continually accumulated experiences in our strategy's execution, our provincewide store networks achieved a critical mass with an accelerating pace. We also continue to densify our store network in provinces where we have reached a critical mass, as we believe there is still significant room for growth.

Riding on our unmatched success in the eight provinces with a critical mass, we have become China's second largest freshly-made tea store brand across all price ranges. We achieved the highest market share in the freshly-made tea store markets in terms of GMV across all price ranges in each of Zhejiang, Fujian and Jiangxi, and in each prefecture-level area of these three provinces in 2023.

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As we continually densified our store networks in various provinces, we had positive same-store GMV growth during each of the three years ended December 31, 2023. For the nine months ended September 30, 2024, our same-store GMV decreased by 0.7% due to (i) a general industry slowdown and (ii) intensifying market competition, with some players launching low-priced products. Nonetheless, we continued to grow our total GMV by 20.4% as compared to the same period in 2023. The following table sets forth our store count and same-store GMV growth in the periods indicated, grouped by the time period that we achieved a critical mass in these provinces.

	For the Year Ended December 31,			For the Nine Months Ended September 30,
	2021	2022	2023	2024
Zhejiang⁽¹⁾				
Store count at year/period end .	1,725	1,868	2,054	2,117
Same-store GMV growth (%). .	15.2	3.3	5.1	(0.8)
Fujian and Jiangxi⁽¹⁾				
Store count at year/period end .	1,590	1,641	1,914	2,039
Same-store GMV growth (%). .	7.4	3.2	12.0	1.1
Other five provinces with a critical mass⁽¹⁾				
Store count at year/period end .	1,689	2,349	3,317	3,643
Same-store GMV growth (%). .	14.9	4.1	11.6	(1.4)
Nationwide				
Store count at year/period end .	5,694	6,669	9,001	9,778
Same-store GMV growth (%). .	12.0	2.8	9.4	(0.7)

Note:

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

Case Study: Our Store Network in Zhejiang

Our store network in Zhejiang is an example of the effectiveness of our regional densification strategy. We began our journey in Zhejiang. It is the first province where we reached a critical mass. We also had the largest number of stores in Zhejiang among the provinces where we had presence as of September 30, 2024.

As of September 30, 2024, there were 2,117 "Good me" stores in Zhejiang distributed across all city tiers. The store network included 710 in new first-tier cities, 1,153 in second-tier cities, 108 in third-tier cities and 146 in fourth-tier and below cities. The store network included 681 stores located in towns and townships.

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With our dense store network, we enjoy significant brand recognition leading to outstanding store performances. In 2023, in terms of GMV, we had over 30% market share in the overall freshly-made tea store market of Zhejiang. We have also secured the highest market share across each prefecture-level area in the province. As we continually increased our store count in Zhejiang, we maintained positive period-over-period same-store GMV growth during each of the three years ended December 31, 2023.

Our dense store distribution in Zhejiang facilitates efficient and cost-effective cold-chain supply delivery. As of September 30, 2024, we had 3 warehouses and 62 freight vehicles with cold-chain capabilities supporting the 2,117 stores in Zhejiang, with 94% of the stores located within 150 kilometers of one of our warehouses.

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

Our Path Forward

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

We expect to continue strengthening our presence in the eight provinces where we had reached a critical mass and in other provinces where we had yet to reach a critical mass. We have been experiencing rapid growth in all provinces where we operate. In Guangdong, a province where we had reached a critical mass, our store count increased rapidly from 690 to 975 between December 31, 2022 and 2023, representing a growth rate of 41.3%, and further increased to 1,075 as of September 30, 2024. We achieved same-store GMV growth of 16.4% in 2023, and became one of the largest freshly-made tea store brands in Guangdong in terms of GMV in 2023. In Guangxi, a more recently entered province, we established the first “*Good me*” store in December 2022 and have become one of the largest freshly-made tea store brands there in terms of monthly GMV since July 2023. Furthermore, there were still 17 provinces in China where we had yet to have presence as of September 30, 2024. We choose target provinces each year based on a number of factors including market momentum, competitive landscape and other strategic considerations. Capitalizing on the organic growth and word-of-mouth referrals facilitated by our franchisees and consumers, we will strategically venture into provinces that are adjacent to the provinces that we had presence.

Store Location Selection Process

Every year, within our targeted provinces, we prioritize specific cities for store openings. We evaluate a number of factors including: (i) population density and level of economic development of the area; (ii) capacity of our warehousing and logistics infrastructure within or

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nearby the area to the extent that such capacity may be leveraged; (iii) the density of our store network both within and adjacent to the area, since our reputation among consumers and franchisees in one place often drives the organic growth of our store network in nearby regions; and (iv) the preferences of our franchisees and prospective franchisees.

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

Within the targeted cities, we work closely with our franchisees on site selection, helping them identify sites with the appropriate location and size. We had developed a database of over 22,000 store sites as of September 30, 2024 based on our insights gained from years of local operation experience and third-party information, enabling us to make recommendations to our franchisees based on their expertise and preferences, significantly enhancing site selection efficacy and precision. For details on how we collaborate with our franchisees on site selection and other steps of our franchisee onboarding process, see “— Our Franchisees — Our Franchisee Selection Process.” Our store site database covered a large number of cities, including their towns and townships, and tracks multifaceted parameters including the potential sites’ size, rental cost, nearby pedestrian traffic, features of surrounding environment. We can utilize these parameters to estimate the GMV and profitability of stores to be opened at the potential store sites. After we complete site selection recommendations, we also track the performance of relevant stores at the recommended locations to continually refine our site recommendation capabilities. Due to the density of our stores in targeted cities, we can accumulate significant insight into local circumstances, further enhancing the efficacy of our site recommendations at a local level. In case that the franchised stores experience early termination of their leases, we also help them identify new locations following similar procedures.

The benefits of our regional densification strategy, such as better brand recognition and our scientific planning for store openings, also allow us to mitigate the potential cannibalization effect, and we have managed to achieve positive same-store GMV growth during each of the three years ended December 31, 2023.

In particular, we mitigate the potential of cannibalization among our stores or among our stores and our competitors’ stores through pre-emptive planning at the store location selection stage, which takes into account nearby pedestrian traffic, consumer profiles and purchasing power, and the number of nearby “*Good me*” and competitor stores. Many stores in the freshly-made tea store market are in close proximity to each other, resulting in heightened competition. At the store location selection stage, we generally consider the distance between our stores (including our franchised stores and company-operated stores) and the presences of our competitors’ stores, as one part of a holistic evaluation. While the presence of our competitors’ stores is one of the factors that we use to estimate the demand of our products in

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the neighborhood, we neither establish a protective distance between our potential new store and the competitors' stores, nor consider the distance between our potential new store and the competitors' stores when determining the store sites. Under our franchise agreement, we undertake not to open new franchised stores that are within certain distance (typically being 50 meters) of existing stores without the existing franchisees' consent. However, even in the city with the highest density of "Good me" stores, the average distance among these stores still significantly exceeds the minimum distance provided in the franchise agreements.

Despite our anti-cannibalization measures, we may not effectively limit cannibalization among our stores or between our stores and our competitors' stores in areas where there are limited consumer demand and excess supply of products similar to ours. To manage the limitations of our measures, we continuously track our stores' key performance indicators to allow for timely guidance and intervention. We are also dedicated to enhancing the competitive edge of our stores and beverages so that they may out-compete our competitors' stores. For risks associated with potential cannibalization, see "Risk Factors — Risks Relating to Our Business and Industry — We may not be able to maintain or increase the sales and profitability of our stores." During the Track Record Period, our anti-cannibalization measures have not had any material negative impact on our financial performance.

During the Track Record Period, as we expanded into new regional markets, we engaged a total of 19 external consultants who were familiar with local conditions and assisted with our site selection process in new markets. As we have developed greater site selection capabilities internally, we gradually reduced our collaboration with external consultants. As of the Latest Practicable Date, we did not have any external consultants and had no plans to engage new external consultants going forward. Under our agreements with these external consultants, they are typically paid a base monthly salary and bonus payments related to their site recommendations. The agreements typically last for one year and automatically terminate upon expiration unless both parties reach an agreement to renew at least one month in advance. For risks associated with these external consultants who had previously been engaged by us, see "Risk Factors — Risks Relating to Our Business and Industry — Any illegal actions or misconduct, alleged illegal actions or misconduct, or any failure or alleged failure by employees, franchisees, staff in the franchised stores, third-party suppliers or other business partners to provide satisfactory products or services could materially and adversely affect our business, reputation, financial condition and results of operations. Additionally, we may not be able to secure adequate compensation from these parties for the damages they cause."

Features of Our Stores

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

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As our stores are located throughout all city tiers and may be located in towns and townships, our stores' format varies in size and internal set-up, among others, depending on their locations. Our stores mainly comprise standard stores with a gross floor area of around 30 to 50 square meters and large stores with a gross floor area of around 70 to 80 square meters. Our large stores typically feature spacious layouts, tables and seats for dine-in experiences, and display of branded merchandises, whereas the standard stores do not have tables and seats, and are more limited in space yet maintain the warm ambience that our stores share. As of September 30, 2024, 5,011 of our 9,778 stores, or approximately 51%, had dine-in areas.

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



Order Placement at Our Stores

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

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Many of our stores also offer beverage delivery services in collaboration with third-party delivery platforms. Our consumers can order deliveries using our in-house developed mini programs or through third-party food delivery platforms with which we collaborate. Our delivery service to consumers increases our stores' service radius and expands the potential consumer base. Approximately 241.5 million, 373.9 million, 510.8 million and 418.3 million cups were sold through delivery services in 2021, 2022, 2023 and the nine months ended September 30, 2024, respectively, representing 35.5%, 43.0%, 43.1% and 42.3% of the total cups sold in these periods, respectively.

OUR FRANCHISEES

We operate our store network primarily in collaboration with our franchisees. Leveraging our franchisees' local knowledge, including their insights into local consumer preferences, our franchise model drives efficient and high-quality growth. We aim to foster a mutually beneficial relationship with our franchisees, working closely together to deliver high-quality products and services to our consumers. Beginning with franchisee selections, we adopt a rigorous process to ensure we onboard individuals who resonate with our longtermist philosophy. When opening new stores, we offer various supports, such as site selection and comprehensive trainings, to ease the process. For day-to-day operations, we help optimize franchisee profitability by centrally sourcing and supplying quality ingredients at competitive prices and bearing a majority of the warehousing and logistics expenses to reduce their cost.

Overview of Our Franchisees

As of December 31, 2021, 2022 and 2023 and September 30, 2024, we collaborated with 2,381, 2,949, 4,614 and 4,842 franchisees, respectively.

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

	For the Year Ended December 31,			For the Nine Months Ended September 30,
	2021	2022	2023	2024
Number of franchisees at the beginning of the year/period	1,987	2,381	2,949	4,614
Number of franchisees enrolled during the year/period	551	781	2,085 ⁽¹⁾	871
Number of franchisees terminated during the year/period	157	213	420	643
Number of franchisees at the end of the year/period	2,381	2,949	4,614	4,842

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Note:

- (1) In 2023, we enrolled a large number of new franchisees primarily because (i) we opened 2,597 new stores in 2023, as compared with 1,317 new stores in 2022, and (ii) we expanded our operation in regions where we had limited presence, such as Shandong, Guangxi and Guizhou, and opened 730 new stores in these three regions. Stores in these regions are typically opened by newly-enrolled franchisees. For reference, 39% of all new stores in 2022 were opened by newly-enrolled franchisees, whereas 82% of new stores in Shandong, Guangxi and Guizhou in 2023 were opened by newly-enrolled franchisees.

We seek to foster long-term and robust relationships with our franchisees. Reasons for the termination of our relationship with franchisees include, among others, mutual agreement to terminate after discussions, breaches of franchise agreements, our decision not to renew our agreements with certain franchises based on our evaluation of their performance and suitability, and our franchisees' decisions to pursue different career paths after our agreements expire. We generally seek to reach mutual agreement before terminating any franchise agreements, including when certain franchised stores do not meet our operating standards, although in case of material violations we are contractually entitled to terminate the agreement. In 2021, 2022, 2023 and the nine months ended September 30, 2024, 72%, 73%, 83% and 92% of our terminated franchisee relationships were due to mutual agreement to terminate; 14%, 22%, 12% and 4% were due to breaches of franchise agreements; and 14%, 5%, 5% and 4% were due to non-renewal of the franchise agreements. In 2021, 2022, 2023 and the nine months ended September 30, 2024, our franchisee turnover rate was 6.2%, 6.7%, 8.3% and 11.7%, respectively, where franchisee turnover rate is calculated as the number of franchisees terminated in a given year divided by the sum of the number of franchisees at the beginning of the year and the number of franchisees enrolled in the year. Our franchisee turnover rate slightly increased during these years as (i) there is generally a higher turnover rate among newly-enrolled franchisees, and we had an increasing number of newly-enrolled franchisees from 2021 to 2023, and (ii) our industry experienced slowdown and increased competition in the nine months ended September 30, 2024. In 2021, 2022, 2023 and the nine months ended September 30, 2024, franchisees terminated within the period contributed a total GMV of RMB161.0 million, RMB215.1 million, RMB671.3 million and RMB584.8 million, respectively, and franchisees newly-enrolled within the period contributed a total GMV of RMB422.9 million, RMB618.0 million, RMB1,949.6 million and RMB487.9 million, respectively. After experiencing the benefits of our comprehensive support mechanisms, many of our franchisees are keen on managing additional stores with us. As of September 30, 2024, among the franchisees that had operated “*Good me*” stores for over two years, each on average operated 2.9 stores and 71% operated two or more franchised stores.

During the Track Record Period, we were not subject to any material risk of store concentration among a small number of franchisees. For the years ended December 31, 2021, 2022 and 2023 and the nine months ended September 30, 2024, our largest franchisee customer in each period accounted for less than 1% of our total revenue, respectively.

Products and Services to Our Franchisees

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

Sales of products. We provide our franchisees with fresh and high-quality goods primarily including ingredients such as fresh fruits, fruit juices, tea leaves and dairy products, and packaging materials. We also supply equipment including our connected appliances, such as tea brewers, refrigerators, freezers, water purifiers and other electronic appliances. Guided by our commitment to fostering long-term, mutually beneficial relationships with our franchisees and leveraging our robust supply chain, we price our products competitively, helping our franchisees achieve a healthy profit margin. Using Men Dian Bao (門店寶), or the MDB system, our proprietary store operating system, our franchisees can conveniently place supply orders with us. Their order information is transmitted to our internal technology modules for warehousing and transport management, enabling us to efficiently fulfill our franchisee orders. Our swift supply order fulfillment enables our stores to serve beverages with ingredients of short shelf-life. For details of our supply chain and logistics capabilities, see “— Supply Chain Management.” In practice, we will not deliver supplies to franchisees that have not made payment in full for any prior supply order.

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

Comprehensive and regular trainings. We have implemented a comprehensive franchisee training system. As of September 30, 2024, we operated two training centers and designated approximately 140 stores for on-site training. We had a team of over 140 employees dedicated to the training and evaluation of our franchisees. We have curated our proprietary training

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material. We require our franchisees and their employees to attend mandatory training sessions prior to opening their stores, which cover operations, management, product information, appliance usage, and our technological systems. We also mandate additional training before the launch of new products. Franchisees must complete the prescribed trainings, typically in the form of video tutorials accessible on the MDB system, and pass relevant evaluations before serving our new products to consumers. During the Track Record Period, we had provided offline training to over 29,000 individuals who were either our franchisees or their employees. In 2023, our online training sessions, such as video tutorial for newly launched beverages, was completed for approximately 2.3 million times.

Pricing for Our Products and Services to Franchisees

Guided by our commitment to fostering long-term, mutually beneficial relationships with franchisees, we price our products and services to franchisees with a view towards helping them achieve a healthy profit margin. We set prices of the products and services for our franchisees considering a number of factors such as procurement and processing cost, warehousing and logistics cost, and the pricing of comparable products in the market. During the Track Record Period, there are no material differences in terms of the franchise agreements among our franchisees, or the selling prices of our products sold to franchisees. The prices of goods, equipment and services we provide are standardized for all franchised stores, and we charge the same for all franchised stores regardless of their locations.

Pursuant to our franchise agreements, our franchisees typically pay us an initial franchise fee of RMB98,800, covering licensing, marketing advisory and operation support services of RMB73,800 (recorded under “income from initial franchise fees”), and training services of RMB25,000 (recorded under “income from the provision of training and other services”). In practice, we offer flexible payment terms to mitigate uncertainties faced by new franchisees. On a monthly basis, the franchisees also pay us continuing support services fees, which consist of two parts: a fixed amount of RMB500 per store, and a floating amount that equals to 15% to 20% of their stores’ total procurement amounts. In addition, our franchisees may incur additional expenses as we provide additional training or marketing support from time to time.

For accounting purposes, we categorize revenues generated from our products and services to franchisees under (i) sales of goods and equipment or (ii) provision of franchise management services, which includes “income from initial franchise fees,” “income from continuing support services fees,” and “income from the provision of training and other services.” For details, see “Financial Information — Critical Accounting Policies and Estimates — Material Accounting Policy Information — Revenue Recognition.” The initial franchise fee of RMB98,800 is mostly recorded under “income from initial franchise fees,” but its training component is recorded under “income from the provision of training and other services.” The monthly continuing support services fees are recorded under “income from continuing support services fees.” And the additional expenses for training or marketing support are recorded under “income from the provision of training and other services.”

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When a newly onboarded franchisee opens the first store with us, he or she can expect to incur a total upfront investment up to over RMB330,000 (excluding rent) that consists of the following expenses: a safety deposit of RMB10,000, store decoration fees of RMB100,000, other one-off service fees (including training and marketing) of RMB33,000 (recorded under “income from the provision of training and other services”), initial franchise services fees (including licensing, marketing advisory and operation support) of RMB73,800 (recorded under “income from initial franchise fees”), and initial equipment expenses of approximately RMB100,000 and initial ingredient expenses of approximately RMB20,000 to RMB40,000 (recorded under “sales of goods and equipment”).

Management of Our Franchisees

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

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

We take a variety of approaches to monitor the business activities and daily operations of our franchisees. To ensure compliance with our protocols, we require our franchised stores to operate under the view of in-store cameras at all times, and arrange for store-specific supervisors to visit regularly to review the store’s management and operation. Our information technology system can automatically generate tailored routes and store specific checklists for store inspections to improve efficiency. We continuously monitor our franchisees’ operations, including their stores’ quality, service, adherence to our quality control and food safety protocols, interior presentation (cleanness, hygiene issues, etc.), consumer feedback and compliance status. As of September 30, 2024, we had a team of approximately 470 employees dedicated to supervising and inspecting our franchisees’ store operation and management. In addition, we leverage technologies to efficiently monitor our store operations. For example, to ensure our stores do not use ingredients purchased from third parties, our system tracks the

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sales of our stores and checks if the amount of required ingredients to fulfill those sales is in line with our stores' actual orders for ingredients. In this way, the system automatically detects anomalies, which help prompt further checks by our supervisors.

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

We listen to our franchisees and seek to address their feedback promptly. Being aware of the challenges that small business owners face, we have a deep understanding of our franchisees' perspectives and needs. To promote transparent communication, the annual "*Good me*" nationwide franchisee conferences were held in the past 11 years consecutively. We are the first brand to establish a franchisee committee in the market of freshly-made tea stores. Our franchisee committee consists of representatives from various regions, and we encourage our franchisee committee members to regularly provide feedback about our business. Owing to our multifaceted support for and close relationship with our franchisees, our franchisees appreciate our franchisee management capabilities and are willing to have long-term collaborations with us.

When a franchised store suspends its operation due to non-compliance or other events, the purchasing and operating functions for the store in the MDB system will be suspended. When a franchised store is permanently closed, the decision goes through our internal closure approval process. Upon process completion, we terminate the relevant franchisee's access to all related accounts and settle all outstanding receivables and payables. For related terms in the franchise agreement, see "— Our Agreements with Franchisees."

Our Franchisee Selection Process

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

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

- *Initial inquiry/application.* We primarily rely on applications submitted through our mini programs to identify potential franchisees, and have been able to organically attract a large number of talented franchisees applicants thanks to our strong store-level performance. Many of our prospective franchisees became interested in joining us through seeing the performance of our stores first-hand or through word-of-mouth referrals by our existing franchisees. During the Track Record Period, we did not purchase any advertisement for franchisee recruitment, engage

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any marketing firm, or introduce any commission/bonus system for franchisee referrals. To attract potential franchisees, we publicly announce the geographical regions where we are expanding, and our franchisee development team holds information sessions to introduce our franchise opportunities. Interested franchisee applicants can find more information related to our franchise opportunities on our website and mini programs. They can then submit an application to us through our mini programs. In the application, we require candidates to provide basic information, where they would like to open a store, and prior work experiences. We also encourage applicants to get in touch with us to discuss any questions they may have.

- *Preliminary screening, talent pool and interviews.* We have a dedicated team that conducts the first round of screening based on the information submitted by franchisee applicants. We assess a number of factors such as the applicants' past experience and background. Those who pass the preliminary screening are placed into our talent pool, and are usually invited for online or offline interviews shortly thereafter. Through the interviews both the applicants and us get to learn more about each other.
- *Site selection at interested regions.* After the interview, if both parties are interested in further collaborations, we work with the applicants to identify appropriate sites to open their stores. The applicants can propose their preferred store location, in which case we can leverage our proprietary database of store locations to evaluate their proposals and suggest alternatives. For those who do not have a specific store location in mind, we leverage our database to make recommendations. In both cases, we work closely with the applicants to identify appropriate locations based on their preferences and our experience.
- *Final review and entry into franchise agreement.* After the applicants confirm their proposed store locations, we perform another round of review on their proposals. If the proposals are approved, we invite them to enter into franchise agreement with us and formally become our franchisees.

Our Agreements with Franchisees

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

- *Nature of relationship.* Our franchise agreement explicitly stipulates that there is no principal/agent relationship between us and our franchisees. In our relationship with franchisees, we act as a seller and they act as a buyer.
- *Licensing of intellectual properties.* We license our franchisees to use certain intellectual properties for the operation of their stores, including our trademarks, recipes, standard operating procedures, technologies, etc.

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- *Training and support.* We agree to provide various training and operational support to our franchisees, including the provision of an operation manual, pre-opening trainings and consultations, and regular trainings throughout the terms of the agreement.
- *Franchise fees.* Our franchisees typically pay us an initial franchise fee of RMB98,800, covering licensing, marketing advisory, operation support, and training. In practice, we offer flexible payment terms to mitigate uncertainties faced by new franchisees. On a monthly basis, the franchisees also pay us continuing support services fees, which consist of two parts: a fixed amount of RMB500 per store, and a floating amount that equals to 15% to 20% of their stores' total procurement amounts. In addition, our franchisees may incur additional expenses as we provide additional training or marketing support from time to time.
- *Operational standard.* We have the right to determine various facets of our stores' operation, including interior design, product offerings, appliances, technology systems, marketing materials, etc. To ensure stores are operated up to our standards, we have the right to send supervisors to visit our stores at any time during normal business hours and to monitor store operations remotely via camera as well. In addition, our franchisees pay us an upfront deposit, from which we are entitled to deduct any penalties imposed if they violate the terms of our agreement.
- *Sourcing of ingredients, packing materials and connected appliances.* We have the right to determine the choice of suppliers for all of our franchised stores to fulfill their need for ingredients, packaging materials and connected appliances. In practice, we require our franchised stores to procure the aforementioned supplies directly from us. Our franchisees are generally not allowed to return products purchased from us unless there are clear product quality defects. Our return policy is generally in line with industry practice. The value of returned products accounted for less than 1% of the total value of products we sold to our franchisees in 2021, 2022, 2023 and the nine months ended September 30, 2024.
- *Penalties.* We have the right to impose penalties if our franchisees violate our operation protocols, including those set out in our franchised store compliance handbook. For first-degree violations including actions that violate laws and regulations or constitute material breaches of contract, we may impose fines ranging from RMB10,000 to RMB200,000, block the franchisee from opening new stores, suspend a store's operation, or require a store to be transferred or closed. For second-degree violations such as those that constitute breaches of contract or causes risks to neighboring franchisees, we may impose fines between RMB2,000 and RMB50,000, among other measures. For third-degree violations including when franchisees attain the lowest category of ratings on our supervisors' scorecard during on-site inspections, we may impose fines up to RMB10,000, among other measures. We generally do not impose early termination cost on our franchisees under the franchise agreement.

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- *Operation of delivery platform.* We have the right to operate the online delivery service of our stores and our franchisees bear the cost associated with using the delivery services, such as paying commission fees to third-party delivery platforms.
- *Anti-cannibalization.* Our franchisees are required to operate their franchised stores in the designated premises as specified under the relevant agreement. Meanwhile, we undertake not to open additional stores within a certain proximity to our franchisees' existing stores, with details to be specified in the relevant agreement. In addition, we have implemented a number of anti-cannibalization measures in practice that take into account factors beyond the distance between our stores. For details, see “— Our Store Network — Store Network Expansion — Store Location Selection Process.”
- *Sales target.* We generally do not set any sales target for our franchisees under the franchise agreement.
- *Minimum purchase amount.* We generally do not set any minimum purchase amount for our franchisees under the franchise agreement.
- *Mandate selling prices.* Our franchisees must follow the selling prices set by us.
- *Non-competition.* Our franchisees shall not operate any business, on their own or through partnership with others, to sell products identical or similar to ours within the term of the franchise agreement and for three years after the termination of the franchise agreement. We request existing franchisees to disclose and refrain from engaging in any competing activities during the onboarding procedure and deter such behavior by classifying competing activities within the most severe category of violations under our franchised store operational and compliance handbooks on store inspections. To monitor ongoing compliance, we rely on regular inspection by store supervisors and reporting from other franchisees in the past. Upon discovering suspected competing activities, our risk and compliance personnel is responsible for following up to gather evidence and ensuring any violating franchisees have terminated the competing activities as instructed. Other parties, such as suppliers, can also report to us if they know that any franchisees violate the non-competition clause, and we will investigate the circumstances. We have the right to terminate the franchise relationships with any franchisees engaging in competing activities. For terminated franchisees, we will also conduct follow-up measures if other parties report these matters to us.
- *Term, renewal and termination.* Our franchise agreement typically has an initial term of three years and is renewed with one-year terms. In the last three months before an agreement expires, our franchisees can submit a written request to renew and we can decide whether to renew based on our internal standards and evaluations. If our franchisees do not submit written requests or if we decide not to renew, our franchise agreement will be automatically terminated.

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Non-independent Franchisees

During the Track Record Period, certain of our franchisees were our former employees or relatives of our employees. As of December 31, 2021, 2022 and 2023 and September 30, 2024, 13, 18, 29 and 45 of our franchisees, who collectively operated 48, 57, 92 and 112 franchised stores during the respective year/period, were our former employees or relatives of our employees. These non-independent franchised stores accounted for approximately 1% of our 5,689, 6,664, 8,995 and 9,771 franchised stores as of December 31, 2021, 2022 and 2023 and September 30, 2024, respectively. The GMV generated by these stores accounted for 0.8%, 0.9%, 1.0% and 1.0% of our GMV for the years ended December 31, 2021, 2022 and 2023 and the nine months ended September 30, 2024, respectively. The revenue contributed by these stores accounted for 0.8%, 0.9%, 0.9% and 1.0% of our total revenue for the years ended December 31, 2021, 2022 and 2023 and the nine months ended September 30, 2024, respectively. To the best of our knowledge, other than as described above, our franchisees during the Track Record Period were independent third parties that do not have any other past or present relationships (including, without limitation, family, business, financing, trust or otherwise) with us or our substantial shareholders, directors or senior management, or any of their respective associates.

We treat these non-independent franchisees in the same way that we treat our other franchisees. We applied the same selection criteria when enrolling the franchisees and the franchise agreements that we entered into with these franchisees contained the same terms and conditions that we offered to independent franchisees. We sell goods and equipment and provide franchise management services to the non-independent franchisees at the same price that we serve our independent franchisees. Therefore, there is no material difference between our gross profit margin attributable to the non-independent franchisees and independent franchisees.

The following table sets forth certain operating data of non-independent franchised stores and independent franchised stores for the periods indicated.

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2021	2022	2023	2023	2024
Total GMV (RMB in thousands)					
Non-independent franchised stores	86,662.9	141,799.5	194,252.0	143,145.8	173,352.7
Independent franchised stores	10,494,008.7	13,848,219.2	19,002,260.9	13,636,204.3	16,418,323.2
Total number of cups sold (in thousands)					
Non-independent franchised stores	5,320.5	8,584.1	11,808.0	8,668.1	10,184.3
Independent franchised stores	674,442.1	860,628.5	1,171,747.1	838,203.9	978,396.6

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	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2021	2022	2023	2023	2024
	Per-store GMV (RMB in thousands)				
Non-independent franchised stores	2,561.5	2,515.3	2,704.3	2,023.2	1,894.7
Independent franchised stores	2,186.2	2,260.2	2,463.8	1,855.7	1,774.6
Per-store daily GMV (RMB in thousands)					
Non-independent franchised stores	7.0	6.9	7.4	7.4	6.9
Independent franchised stores	6.0	6.2	6.8	6.8	6.5

The following table sets forth a breakdown of our revenue from non-independent franchised stores and independent franchised stores in an absolute amount and as a percentage of total revenue generated from franchised stores for the periods indicated.

	For the Year Ended December 31,						For the Nine Months Ended September 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
<i>(in thousands, except percentages)</i>										
Non-independent franchised stores	35,111	0.8	50,230	0.9	72,363	0.9	54,182	1.0	63,683	1.0
Independent franchised stores	4,257,878	97.1	5,390,167	97.0	7,376,582	96.2	5,368,183	96.4	6,201,734	96.2
Total franchised stores	4,292,989	97.9	5,440,397	97.9	7,448,945	97.1	5,422,365	97.4	6,265,417	97.2

The following table sets forth a breakdown of our gross profit and gross profit margin of the non-independent franchised stores and independent franchised stores for the periods indicated.

	For the Year Ended December 31,						For the Nine Months Ended September 30,			
	2021		2022		2023		2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
<i>(in thousands, except percentages)</i>										
Non-independent franchised stores	10,379	29.6	13,948	27.8	22,107	30.6	16,382	30.2	19,387	30.4
Independent franchised stores	1,290,409	30.3	1,537,406	28.5	2,360,325	32.0	1,687,719	31.4	1,918,722	30.9
Total franchised stores	1,300,788	30.3	1,551,354	28.5	2,382,432	32.0	1,704,101	31.4	1,938,109	30.9

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The following table sets forth the balance of trade receivables for our non-independent and independent franchised stores.

	As of December 31,			As of September 30,
	2021	2022	2023	2024
	<i>(RMB in thousands)</i>			
Non-independent	225	225	447	518
Independent	22,996	24,425	50,619	116,137
Total	23,221	24,650	51,066	116,655

As of the Latest Practicable Date, RMB0.5 million and RMB107.0 million of the trade receivables for our non-independent and independent franchised stores as of September 30, 2024 had been settled, respectively. Credit terms granted the non-independent franchised stores are fair, reasonable and no more favorable than those offered to the independent franchised stores.

SUPPLY CHAIN MANAGEMENT

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

Product Flow within Our Supply Chain

We usually require our suppliers to ship their supplies to our warehouses or processing facilities for inspection and acceptance, and the suppliers are responsible for ensuring the quality of delivered goods. In some cases our procurement agreement obligates us to pick up the supplies from a location designated by the supplier, in which case we utilize our own fleet of freight vehicles or leverage third-party logistics service providers to transport the supplies to our warehouses or processing facilities. Some of our ingredients, such as tea leaves and fruit juices, go through our processing facilities where we leverage our proprietary recipes to create tea leave mixes and blended fruit juices, which are subsequently transported and stored in our warehouses. To transport products from our warehouses or processing facilities to our other warehouses or our stores, we primarily use our own fleet of freight vehicles although we also use third-party logistics service providers during peak seasons. Our stores also use third-party delivery services to serve beverages and other product offerings to consumers. For details of product flow from our stores to consumers, see “— Our Store Network — Features of Our Stores — Order Placement at Our Stores.”

Procurement and Supplier Management

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

Our Procurement

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

We procure supplies in significant quantities. We procured approximately 85,000 tons of fresh fruits spanning across 36 kinds in 2023. We also procure significant quantities of fruit juices, tea leaves and dairy products. Our large procurement size enables us to purchase supplies at below-market prices, which subsequently lowers the price at which we deliver goods and equipment to our franchisees. For example, the price at which we supplied mangoes to our stores was approximately 30% below their prevailing market price in 2023. We procure from a variety of sources including overseas. For example, we source premium avocados from Peru, Chile and Mexico.

We carefully select our suppliers to procure quality supplies. For certain fresh fruits such as lemons and mangoes, tea leaves, and other key ingredients for our beverages, we directly purchase from their producers rather than purchasing through intermediary distributors so that we have more control over their availability, quality and price. Our direct contact with producers also enables us to influence, to some extent, how producers cultivate their products. Leveraging our research on food sciences, for example, we work with some of our suppliers to determine the right time for them to harvest their products to better suit our needs. In 2023, we procured approximately 4,000 tons of citrus lemon (香水檸檬) directly from their producers, representing 89.9% of our total procurement of this fruit.

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

We do not believe that we face material supplier concentration risks. As of September 30, 2024, we had a total of over 1,100 suppliers. In general, we worked with multiple suppliers for each type of ingredient. During the Track Record Period, we did not experience any material incidents of supply interruption, early termination of contracts with suppliers, or failure to secure sufficient quantities of supplies.

Selection Process for Suppliers

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

Our procurement center is responsible for the selection of our suppliers. As of September 30, 2024, our procurement center consisted of over 110 dedicated employees. Senior members of our procurement center generally have worked in our product research and development team before, which enables seamless collaboration between supply chain team and product research and development team, thereby ensuring fresh, high-quality and stable supply from the field to the cup.

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

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

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

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Our Major Suppliers

For the years ended December 31, 2021, 2022 and 2023 and the nine months ended September 30, 2024, purchases from our five largest suppliers in each year amounted to RMB601.3 million, RMB751.7 million, RMB810.8 million and RMB756.0 million, representing 18.1%, 20.9%, 16.5% and 18.8% of our total purchase amount for the respective periods. For the years ended December 31, 2021, 2022 and 2023 and the nine months ended September 30, 2024, purchases from our largest supplier in each year amounted to RMB252.8 million, RMB265.1 million, RMB224.3 million and RMB193.9 million, representing 7.6%, 7.4%, 4.5% and 4.8% of our total purchase amount for the respective periods.

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

Rank	Supplier	Products/Services Provided	Purchase Amount	Percentage of Total Purchase	Business Relationship Since
			<i>(RMB in millions)</i>	<i>(%)</i>	
For the Year Ended December 31, 2021					
1	Supplier A/B ⁽¹⁾	Cream	252.8	7.6	2019
2	Supplier C ⁽²⁾	Syrups and other ingredients	120.8	3.6	2020
3	Supplier D ⁽³⁾	Milk tea ingredients	92.1	2.8	2018
4	Supplier E ⁽⁴⁾	Topping ingredients	69.9	2.1	2019
5	Supplier F ⁽⁵⁾	Milk tea ingredients	65.8	2.0	2021
For the Year Ended December 31, 2022					
1	Supplier A/B ⁽¹⁾	Cream	265.1	7.4	2019
2	Supplier F ⁽⁵⁾	Milk tea ingredients	181.1	5.0	2021
3	Supplier G ⁽⁶⁾	Packaging materials	121.3	3.4	2021
4	Supplier H ⁽⁷⁾	Topping ingredients	104.7	2.9	2021
5	Supplier D ⁽³⁾	Milk tea ingredients	79.5	2.2	2018
For the Year Ended December 31, 2023					
1	Supplier A/B ⁽¹⁾	Cream	224.3	4.5	2019
2	Supplier H ⁽⁷⁾	Topping ingredients	169.7	3.5	2021
3	Supplier I ⁽⁸⁾	Packaging materials	161.6	3.3	2019
4	Supplier D ⁽³⁾	Milk tea ingredients	130.9	2.7	2018
5	Supplier J ⁽⁹⁾	Sugar	124.3	2.5	2022

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Rank	Supplier	Products/Services Provided	Purchase Amount	Percentage of Total Purchase	Business Relationship Since
			<i>(RMB in millions)</i>	<i>(%)</i>	
For the Nine Months Ended September 30, 2024					
1	Supplier I ⁽⁸⁾	Packaging materials	193.9	4.8	2019
2	Supplier A/B ⁽¹⁾	Cream	171.4	4.3	2019
3	Supplier C ⁽²⁾	Syrups and other ingredients	163.3	4.1	2020
4	Supplier K ⁽¹⁰⁾	Coffee machine	130.4	3.2	2023
5	Supplier F ⁽⁵⁾	Milk tea ingredients	97.0	2.4	2021

Notes:

- (1) Supplier A is headquartered in Shanghai and engages in the sale of ingredients. Supplier B is headquartered in Xiamen and provides logistics services for Supplier A. We have signed a tripartite contract with Supplier A and B under which Supplier B acts as an agent of Supplier A, as requested by Supplier A following customary practices.
- (2) Supplier C is headquartered in Guangzhou and engages in the sale of ingredients and beverages.
- (3) Supplier D is a company listed on the Shanghai Stock Exchange and headquartered in Suzhou and engages in the sale of ingredients and beverages.
- (4) Supplier E is headquartered in Suzhou and engages in the sale of ingredients and beverages.
- (5) Supplier F is headquartered in Shanghai and engages in the sale of ingredients and beverages.
- (6) Supplier G is headquartered in Taizhou and engages in the sale of packaging materials.
- (7) Supplier H is headquartered in Guilin and engages in the sale of ingredients.
- (8) Supplier I, Zhejiang Mingxing Packaging, is headquartered in Taizhou and engages in the sale of packaging materials. For details of our transactions with Zhejiang Mingxing Packaging, see “Connected Transactions.”
- (9) Supplier J is headquartered in Chongzuo and engages in the sale of ingredients.
- (10) Supplier K is headquartered in Switzerland and engages in the sales of fully automated coffee machines.

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

During the Track Record Period, we sold unused ingredients and raw materials (mainly including fresh fruit, canned fruit, and fruit juice) to certain suppliers while we purchased ingredients and raw materials (mainly including topping ingredients, syrups, and milk tea ingredients) from such suppliers as well, which is a customary practice in the industry,

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according to CIC. The ingredients and raw materials that we sold to suppliers are generally different from those that we purchased from such suppliers. These transactions are mainly due to commercial reasons such as demand on the specific products and satisfactory quality. Except for Supplier H, none of our five largest suppliers in each period during the Track Record Period was also our customer during the Track Record Period. In 2022, 2023 and the nine months ended September 30, 2024, we sold certain unused raw materials to Supplier H. The sale amount was RMB19.5 million, RMB43.2 million and RMB13.5 million in 2022, 2023 and the nine months ended September 30, 2024, respectively, representing approximately 0.4%, 0.6% and 0.2% of our revenue in these periods, respectively. Our sales and purchases with Supplier H were not inter-conditional with each other. All of our sales to and purchases from Supplier H were conducted in the ordinary course of business under normal commercial terms and on an arm's length basis. Except for Supplier H, which was also one of our five largest customers in 2023, none of our five largest customers in each year of the Track Record Period was also our supplier during the Track Record Period.

Material Terms of Our Procurement Agreement

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

- *Product specifications and order placement procedures.* We specify what we are buying, how orders are placed and how suppliers will fulfill our orders.
- *Quality requirements.* We provide detailed requirements on the quality of our ingredients. We require the products to satisfy all relevant national and industry standards as well as our internal standard laid out in the agreement. We typically reserve the right to conduct random quality inspections when receiving the products, and require that the remaining shelf-life of products we receive to be at least one half of the standard shelf-life as specified on the packaging. Shipments with quality issues are typically rejected and returned. In some cases, we demand suppliers to compensate us in the amount of twice the book value of all defective products.
- *Transportation and delivery requirements.* We also impose requirements in relation to how goods are packaged and stored during transportation, the timeliness of deliveries, and the amount of permissible shipment size inaccuracies. We may reject and return shipments because they do not meet our transportation and delivery requirements. We may also impose fines if there are significant deviations from our requirement.
- *Settlement.* We settle transactions with most of our suppliers monthly. For some of our suppliers, we settle weekly. Most of our settlement are completed electronically.

Our Ingredient Processing Capabilities

Guided by our food-science-centric research and development, we process fruits with various advanced technologies to ensure their freshness. For example, by promptly processing mangoes at source and strictly controlling their packaging, delivery and ripening processes, we decreased the ripening spoilage rate to 10% in 2023, far below the industry average of approximately 20%. Our research also led our attention to the high pressure processing (HPP) technology that helps retain the rich and fresh flavor of our fruit juices. We are a pioneer that introduced it to our industry for ingredient processing. Our stores consumed the largest volume of HPP-processed fruit juices in the freshly-made tea store market in China for the year ended December 31, 2023. In addition, to our knowledge, as of September 30, 2024, we owned the only Hyperbaric 525i HPP system in mainland China, which is the highest standard HPP equipment among its supplier's product portfolio.

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

As of September 30, 2024, we operated three processing facilities to process our ingredients. In 2021, 2022, 2023 and the nine months ended September 30, 2024, in terms of sales amount, approximately 11%, 13%, 13% and 13% of the ingredients that we supplied to our franchisees were processed through our processing facilities. In addition to supplying our processed ingredients to our franchised stores, we also sell some of the processed ingredients, primarily blended tea leaves, to corporate customers some of whom use the tea leaf mixes to prepare their own freshly-made tea beverages. Subsequent to September 30, 2024, we completed the construction of another processing facility in Zhuji, Zhejiang, which consists of two separate sections. We have moved processing tasks that used to be completed at two of our existing processing facilities as of September 30, 2024 to the two sections of the new processing facility, respectively. This change has enabled us to (i) increase our processing capacity and (ii) reduce cost over the long-term, since we own, instead of lease, the land parcel for the new processing facility and are no longer exposed to risks of the land owner increasing the rent on or refusing to extend our existing leases. In particular, the two existing processing facilities had a combined processing capacity for approximately RMB1.0 billion worth of products, whereas the new facility in Zhuji has a processing capacity for approximately RMB1.5 billion worth of products. Although our two existing facilities were not at full capacity when we moved the processing tasks to the new facility, we believe this change is appropriate considering the rate of our business expansion and our need to preemptively prepare for the expected demand for increased processing facilities. Moving to a facility for which we own the land also grants us more flexibility to expand the facility in the future, since any significant modification to the leased facilities may require owners' approval.

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The following table sets forth certain details regarding our processing facilities, where utilization rate is calculated as the ratio of actual production volume to maximum potential capacity. The utilization rates of our processing facilities are averaged throughout the period to accommodate for peak seasons and we believe that the utilization rates are in line with the average level in the industry. The utilization rate for the processing facility in Zhuji, Zhejiang is not reflected below since it was not in operation during the Track Record Period.

	Products	Location	Utilization Rate			
			For the Year Ended December 31,			For the Nine Months Ended September 30,
			2021	2022	2023	2024
Lichuan Processing Facility	Tea leave mixes	Hangzhou	45%	50%	69%	81%
Guoru Processing Facility	Blended fruit juices	Hangzhou	74%	56% ⁽¹⁾	69%	51% ⁽²⁾
Guangxi Processing Facility	Tea leave mixes	Guangxi	45%	46%	63%	79%

Note:

- (1) Guoru processing facility's utilization rate decreased from 2021 to 2022 as it adopted new processing equipment in May 2022, which led to an increase in overall capacity. The old processing equipment that were replaced had an annual processing capacity of 6,048 tons whereas the new equipment have an annual processing capacity of 17,472 tons.
- (2) Guoru processing facility's utilization rate was lower in the nine months ended September 30, 2024 since it experienced a slowdown in operations in September 2024 as we moved processing tasks that used to be completed therein to the new processing facility in Zhuji.

Our Warehousing and Logistics Management

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

Warehousing and Logistics Infrastructure

As of September 30, 2024, we operated 22 warehouses for our business operation, substantially all of which were leased or contracted from third parties. These warehouses have an aggregate floor area of approximately 220,000 square meters, including cold storage spaces of over 60,000 cubic meter supporting various temperature ranges. As of September 30, 2024, approximately 76% of our stores are located within 150 kilometers of one of our warehouses. We operate one of the largest cold-chain warehousing and logistics infrastructure among China's freshly-made tea store brands as of December 31, 2023. In 2023, we completed cold-chain delivery of over RMB4 billion worth of ingredients, the highest in China's freshly-made tea store industry.

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The below graph illustrates the distribution of our warehouses as of September 30, 2024.



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

We also possess strong logistics capabilities to transport products between our warehouses and from our warehouses to our stores. As of September 30, 2024, we directly owned and operated 362 vehicles to make deliveries between our warehouses and from our warehouses to our stores. Our vehicles are equipped with specialized equipment that can accomplish precise control over the temperature of our delivered products, thereby enabling effective and quality cold-chain delivery from our warehouses to our stores. We also use

third-party vehicles to fulfill our delivery needs. In 2023, third-party vehicles accounted for 37% to 44% of our monthly vehicle deployments, providing effective support to our own vehicles particularly during peak seasons. We believe our cold-chain logistics capabilities sets us apart from many others in the industry, as we directly own and operate many of the vehicles used for cold-chain delivery and are able to ensure that our products are well-stored in cold environments throughout the delivery trips.

Delivery Service to Our Stores

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

Thanks to our cold-chain warehousing and logistics infrastructure, we can ship diversified and fresh ingredients to our stores, including those with a short shelf-life such as strawberries and waxberries. We operate one of the largest cold-chain warehousing and logistics infrastructure among China's freshly-made tea store brands as of December 31, 2023, enabling cold-chain supply delivery to approximately 97% of our stores every two days upon request as of September 30, 2024. In comparison, China's freshly-made tea store brands generally provide delivery to stores every four days and often without the support of cold-chain supply delivery. Among the top 10 freshly-made tea store brands in China in terms of GMV in 2023, we are the only brand capable of frequent deliveries every two days of short-shelf-life fresh fruits and fresh milk to stores in lower-tier cities. As a result, our stores, including those in lower-tier markets, can still serve consistently fresh, tasty and value-for-money beverages to consumers.

With our regional densification strategy, combined with our extensive warehousing and logistics infrastructure, we supply our franchised stores at relatively low cost. For the three years ended December 31, 2023, the logistics cost for delivery from our warehouses to stores was less than 1% of our total GMV on average.

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

PRODUCT DEVELOPMENT

Our product development framework is firmly rooted in continuous research, analysis, and accumulation of fundamental food science knowledge. As of September 30, 2024, we had a team of approximately 120 employees dedicated to product research and development, of which over 40 employees specialized in the research of tea leaves and extraction. Within the team, approximately half possess a master's or more advanced degree.

Our Product Development Philosophy

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

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

Our Product Development Capabilities

We have accumulated flavor profiles of over 1,000 ingredients of different varieties and/or from different suppliers as of September 30, 2024, factoring in details such as each ingredient's place of origin, availability throughout the year, taste features, close substitutes and complementary ingredients. With a wide selection of ingredients, we can mix and match to create new recipes that cater to the latest trends efficiently. We can also develop beverages that meet specific consumers' preferences on taste in certain regions. For example, we perceived that consumers in different regions favor distinct tastes of tea bases, and launched multiple tea bases for our lemon teas. In addition, to support our need to manage across thousands of stores distributed across various regions, and taking into account the regional and seasonal nature of many of our ingredients, we tailor our recipes of the same drink for specific regions and for certain time periods of the year, based on the availability of ingredients and our supply chain coverage, to ensure that our beverages are always made with fresh and high-quality ingredients and to achieve taste consistency.

We regularly launch new beverages to keep our offerings fresh and to capture emerging opportunities presented by evolving industry trends. Our store menus typically contain around 30 beverages at a time. Meanwhile, in 2021, 2022 and 2023 and for the nine months ended September 30, 2024, we launched 94, 82, 130 and 85 beverages, respectively. Our newly launched beverages are generally well-received by consumers. In 2021, 2022 and 2023, our top 10 best-selling beverages included two to three completely new beverages we launched in the same or prior year, and these beverages continue to be popular over time, demonstrating our ability to continually develop and launch popular products and to keep up with evolving market trends.

Our Product Development Process

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

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

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

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

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

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

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

OUR TECHNOLOGIES

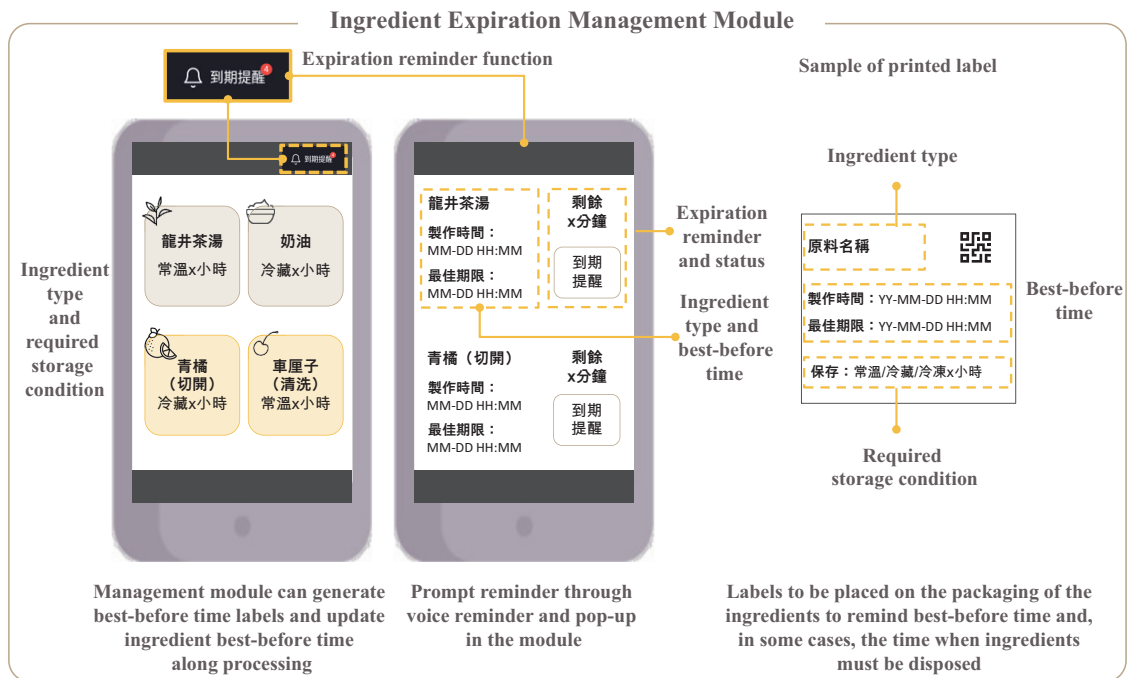
We place great importance on harnessing the power of technology to improve our operating efficiency, enhance our management of franchisees and drive our long-term growth. We have been actively building our information technology team since 2018. As of December 31, 2023, this team has grown to include over 320 engineers, being the largest team in China's freshly-made tea beverage industry, and further grew to over 340 engineers as of September 30, 2024.

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

Our Store-level Technologies

We have implemented store systems across our stores that digitalize, standardize and automate the operating procedures to improve our stores’ operating efficiency and enhance product and service quality.

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



We have also developed connected appliances that can improve the operating efficiency of our stores and maintain the quality of our beverages. All our connected appliances can be connected to the Internet of Things, or IoT, and managed digitally and centrally. As of September 30, 2024, we had deployed eight proprietary connected appliances, providing automation and tracking of store equipment operations. For example, based on our in-depth knowledge of the tea brewing process and solid research, we have developed a proprietary tea brewer that can automatically adjust parameters like brewing time based on our centralized inputs through IoT. We tailor these parameters taking into accounts factors such as water acidity and tea leaf varieties, delivering a consistent, optimal tea flavor across our stores. Besides receiving our centralized inputs through IoT, the connected appliances also enable real-time upload of operating information. In this way, we can remotely monitor the connected appliances’ operating status and receive automatic alerts when there is parameter anomaly.

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Thanks to our continued investment in connected appliances, we have been able to supply our stores with increasingly sophisticated equipment. In 2021, 2022 and 2023, the average equipment expenses of each of our newly-opened stores were RMB95,224, RMB100,763 and RMB109,230, respectively. In the nine months ended September 30, 2023 and 2024, the average equipment expenses of each of our newly-opened stores were RMB110,269 and RMB110,856, respectively.

Our Franchisee-facing Technologies

We adopt various modules to manage our franchisees efficiently. Our online system for franchisee management and supervision covers a range of functions including recruitment, site selection, comprehensive training, and store visits and inspections. Built upon our database of over 22,000 store sites as of September 30, 2024, our algorithm make intelligent store site recommendations to our franchisees that match the expertise and preferences of our franchisees. We manage information about our franchisees in our proprietary customer relationship management module, which maintains their details as well as information about their franchise agreements. The customer relationship module feeds into our MDB system, our main module for franchisee interactions, which integrates a suite of functions to help facilitate communication between us and our franchisees. Through the MDB system, our franchisees can place orders for ingredients, complete trainings before new product launches and submit feedbacks to and seek assistance from us. We generate daily tasks to be performed by franchisees through the MDB system so that we can enforce our store operation standards and regularly share knowledge with them related to store management and operation, recipe execution, and other matters. Our modules can also automatically generate tailored inspection routes and store-specific checklists for our store supervisors, ensuring thorough risk identification and timely rectification.

Our Consumer-related Technologies

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

Our Supply Chain Technologies

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

QUALITY CONTROL AND SAFETY PROTOCOLS

We understand that ensuring the highest standards of product safety is of paramount importance to our consumers. We have therefore implemented a stringent quality control system, backed by a team of over 130 professionals as of September 30, 2024, to maintain quality at every step of our business operation.

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

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

At the store-operation level, although we do not directly operate our franchised stores, we clearly communicate our expectations with respect to product safety to our franchisees. Our training to franchisees encompasses our ingredient acceptance procedures and standards, under which the franchisees are required to evaluate ingredients upon delivery and reject any unqualified ingredients. In particular, we emphasize to our franchisees that they must pay attention to the ingredients' shelf life and reject all ingredients with expiration time below the

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prescribed thresholds. In addition, we provide training to franchisees on proper procedures to handle various kinds of ingredients. In general, our store staff must inspect the quality of all ingredients before use, especially refrigerated or frozen ingredients, which are not allowed to be used if any anomalies are found. We require all defective ingredients to be disposed and customer complaint incidents of defective ingredients to be reported to us in accordance with our policies. Beyond training, we require our store staff to check in morning and evening every business day, including taking photos of various parts of the store, related to personnel hygiene, equipment cleaning and disinfection, equipment calibration, ingredient storage status, towel disinfection, etc., and upload the photos to our system. Our proprietary ingredient expiration management module helps store staff track and update our ingredient's expiration time after each step of ingredient processing. Our supervisors conduct routine inspections where they evaluate and score our stores' performances based on specific checklists. Beyond site visits, we ask our franchisees to always conduct their business operations under camera within business hours. We have developed a digital system that tracks certain features of our store operations, including sales volume, changes in inventory and the shelf-life of ingredients. Although the system does not monitor the exact current inventory of our franchised stores, it can detect anomalies by tracking the sales of *Good me* stores in real time, calculate the theoretical amount of ingredients required to fulfill those sales. If we notice that there exists significant difference between the theoretical amount and the amount of ingredients purchased by a store during a period of time, we will conduct further investigations to see if the stores have purchased ingredients from third parties or used expired ingredients. In addition, franchisees are required to complete the prescribed trainings (typically in the form of video tutorials accessible on our system) and pass relevant evaluations before serving new products to consumers, and franchisees can also submit feedback to and seek assistance from us through the system. These measures would help the franchisees to better understand and follow our quality control and food safety protocols.

Our stores deliver some of our products to consumers with the help of third-party delivery platforms. While we do not exercise direct control over this last step of the process, we carefully select the third-party delivery platforms that we work with and closely monitor any consumer complaints relating to food quality issues. To address the consumer complaints relating to food quality issues, including those received by our franchised stores, we have established a professional customer service team and implemented a series of procedures, including (i) communicating with the consumers in a timely manner and actively negotiating solutions; (ii) identifying the reasons for the complaints, and initiating an investigation of the store(s) involved in the complaint if necessary; and (iii) recording consumer feedback to enhance future supervision of our franchised stores. During the Track Record Period and up to the Latest Practicable Date, we had not received any consumer complaints that could have a material adverse impact on our business operations and financial performance, and we had not been subject to any material penalties as a result of food safety incidents.

MARKETING AND PROMOTION

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

We engage in targeted marketing activities through both online and offline channels. As we typically build up a dense network of stores in select regions, the marketing of the “*Good me*” brand and our products has proven effective at attracting consumers and building our brand image. We promote our brand and products using various mainstream online platforms, including in collaboration with key opinion leaders, or KOLs. For example, in the “First Cup of Milk Tea in Autumn” campaign on August 7, 2024, integrating both online and offline marketing efforts, we achieved a daily GMV of over RMB160 million.

Moreover, we have been crafting and launching creative and diverse marketing campaigns that resonate well with our consumers. In October 2023, our collaboration with “*Heaven Official’s Blessing* (天官賜福),” a popular fantasy anime showcasing Chinese culture, was an instant hit among consumers. The beverages under this collaboration achieved sales of approximately 6.7 million cups within three days after launch. On launch day, “*Good me*” achieved the highest ranking for Douyin keyword search index (抖音關鍵詞搜索指數) and Weixin index (微信指數) among the freshly-made tea store brands in China, and was ranked among the top five in Weibo’s Hot Search list. In December 2023, we launched a collaboration with “*Mysterious Lotus Casebook* (蓮花樓),” a popular Chinese TV series. “*Good me*” reached No. 1 on Weibo’s Hot Search list after the launch.

In June 2024, we launched a brand collaboration event with “*Love and Deepspace* (戀與深空),” a popular Chinese mobile game, under which we opened our first store in Shanghai in the form of a pop-up store and achieved single-store GMV of over RMB290,000 on the first day of the event. On July 12 and 13, 2024, we livestreamed a launch event for our upgraded light milk tea series with “zero non-dairy creamer, zero hydrogenation, and zero trans fatty acids (0植脂末、0氫化、0反式脂肪酸)” on a short-video platform, which was recommended to platform users for over 153 million times; the promotions we unveiled during the livestream attracted over 12.6 million participants throughout the promotional period. The following graph illustrates our marketing activities.

Online and Offline Marketing

Livestreaming event for upgraded light milk tea series

“First Cup of Milk Tea in Autumn” campaign

Branded merchandise

Pop-up store for collaboration with “Love and Deepspace (戀與深空)”

Our Membership Program

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

We have designed various programs to engage our members and create a sense of community. For example, we have implemented a tiered membership system where members can accumulate membership points based on their cumulative expenditures and join higher membership tiers that give them extra rewards if their membership points pass certain thresholds. We also encourage our members to join certain member-only social media groups, and seek to foster close-knit environments that enhance our members’ loyalty. We host monthly “Members’ Day” when our members can receive additional benefits and accumulate more membership points for their orders. We had accumulated approximately 29 million, 51 million, 94 million, and 135 million registered members on our mini programs as of December 31, 2021, 2022 and 2023 and September 30, 2024, respectively. We had approximately 12 million, 19 million, 36 million, and 43 million quarterly active members in the quarters ended December 31, 2021, 2022 and 2023 and September 30, 2024, respectively.

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

Consumer Feedback

We place great importance on our consumers’ feedback and actively collect consumer opinions to improve our product offerings and our service qualities. We collect consumer feedback through different channels, including in-store surveys and online review solicitations, and evaluate the responses to continually optimize our business operations. We also encourage

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our franchisees to communicate consumer feedback that they have received with us. For consumer complaints received, we have a dedicated team to continually track the complaints and promptly take remedial measures when necessary. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material consumer complaints or other claims which may cause a material and adverse effect on our business and results of operations.

OUR CUSTOMERS

Our customers are primarily our franchisees who operate our franchised stores and also include corporate customers that purchase the products from our processing facilities such as blended tea leaves. These corporate customers are not our franchisees, and they are mainly engaged in food production business where they use our ingredients to produce other food products, or tea beverage and trade business where they use our ingredients for their own beverage business or trading. They procure ingredients from us because we have our own processing facilities and the products that we produce can satisfy their requirements for quality. For the years ended December 31, 2021, 2022 and 2023 and the nine months ended September 30, 2024, revenue from our corporate customers in each period amounted to 2.0%, 1.9%, 2.8% and 2.6% of our total revenue for the respective periods. During the Track Record Period, our revenue consisted primarily of proceeds from the sales of goods and equipment to our franchisees, and fees associated with the franchise management services we provided to our franchisees. For the years ended December 31, 2021, 2022 and 2023 and the nine months ended September 30, 2024, revenue from our five largest customers in each period amounted to RMB141.2 million, RMB169.6 million, RMB242.7 million and RMB169.8 million, representing 3.2%, 3.1%, 3.2% and 2.6% of our total revenue for the respective periods. During the Track Record Period, we were not subject to any material customer concentration risk. In addition, except for one of our five largest customers in 2023, which supplied topping ingredients to us in 2022, 2023 and the nine months ended September 30, 2024, none of our five largest customers in each period during the Track Record Period was also our supplier during the Track Record Period. For details of the customer that was also our supplier in 2022, 2023 and the nine months ended September 30, 2024, see “— Supply Chain Management — Procurement and Supplier Management — Our Major Suppliers” where the customer is disclosed as Supplier H.

DATA PRIVACY AND SECURITY

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

In order to effectively provide our services, we may collect and use basic user data from our consumers, franchisees and their employees as: (i) when consumers register for our membership program or place orders for drinks through our mini programs, we may collect their user codes, phone numbers, transaction information and delivery addresses and (ii) during the franchisee onboarding process, we collect franchisees' basic information, such as their

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names, ID numbers and phone numbers. For both of consumers and franchisees, we only collect the personal information and data necessary for the use of our operation. We desensitize data with encryption, masking, or replacement techniques.

To ensure that we, our franchisees and third-party service providers comply with our data protection policy and the relevant PRC laws and regulations, our franchisees and we only collect and use personal data for the stated purpose in both privacy policies of our mini programs and MDB system as authorized by users, including our consumers, franchisees and their employees, or with other legal bases as provided by laws and regulations. We have also in place internal policies to provide our employees with the guidelines for data sharing, transmission, and processing. Furthermore, we implement an access control mechanism. Besides, we have confidentiality and data protection arrangements with our franchisees and third-party service providers, including that (i) the rights and obligations of both the third-party service providers and us regarding personal information involved, protection measures (such as processing personal information only to the minimum extent necessary) and processing purposes have been specified in our cooperation agreements; (ii) we have confidentiality agreements (or provisions) with our franchisees and third-party service providers, and they are subject to liability in case of the breach of confidentiality; and (iii) our franchisees only have access to the personal data of their respective consumers to process relevant orders. We do not share with, transfer, or disclose personal data to any third parties except under certain limited circumstances, including when it is expressly authorized by users, necessary to fulfill our main services to users, or in compliance with the applicable laws and regulations. With respect to using the data collected, we adopt encrypted storage and backup measures to store and protect consumers' personal data. In addition, we comprehensively classify the data in our systems by the level of confidentiality. During the Track Record Period and up to the Latest Practicable Date, all consumers' personal data collected during our daily business operations within the PRC had been stored within the PRC, and our operations do not involve in any cross-border transmission of users' data.

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

COLLABORATION WITH THIRD-PARTY PAYMENT AND DELIVERY PLATFORMS

To help our stores accept payment from consumers, we collaborate with established third-party online payment platforms including Weixin Pay, Alipay and Union Pay, among others. Consistent with the industry norm, under our agreements with these payment platforms, they are entitled to a small percentage of the payments they facilitate. As non-cash payments have become increasingly common, and considering the substitutability of services provided by the payment platforms, we do not believe that we have a material reliance on any particular third-party payment platform.

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To help our stores deliver beverages and other product offerings to consumers, we also collaborate with third-party delivery platforms including Meituan and Ele.me. We enter into framework agreements with third-party online delivery platforms that set forth the unified standards for terms applied to delivery orders placed on such platforms for all of our stores (including franchised stores and company-operated stores). Consistent with the industry norm, under our agreements with the platforms, the platforms provide delivery service for our stores in exchange for a commission fee for each successful order of our products generated through the platforms. Set forth below are key contractual terms of our agreements with third-party online delivery platforms:

- *Fund flow between the platforms and our stores.* For customers' orders placed via third-party delivery platforms, the delivery platforms collect customer payments on our stores' behalf first, and then settle the payments with our stores within the agreed period (generally on a T+3 basis), net of service fees due to the delivery platforms.
- *Payment settlement.* Our stores (including franchised stores and company-operated stores) are responsible for the commission fees owed to the delivery platforms specified under our agreement with the delivery platforms.
- *Delivery services.* Third-party delivery platforms are generally responsible for their failure to achieve the specified delivery completion rate or losses arising from their faults in the delivery process. Delivery persons of the third-party delivery platforms are required to secure quality and safety of our products in transit.
- *Product quality.* Generally, we are responsible for securing food safety and product quality of our products to be delivered. We have implemented a variety of quality control measures to ensure the quality of our stores' offerings. For details, see "— Quality Control and Safety Protocols."
- *Liability.* If third-party delivery platforms suffer losses attributable to our fault or our stores', such as the quality or safety issues of our products or services, the third-party delivery platform has the right to claim compensation from us.

In 2021, 2022, 2023 and the nine months ended September 30, 2024, approximately 35%, 43%, 42% and 41% of our total cups sold were attributable to third-party delivery platforms. Considering the substitutability of services provided by the delivery platforms, we do not believe that we have a material reliance on any particular third-party delivery platform. For risks related to our collaboration with these third-party delivery platforms, see "Risk Factors — Risks Relating to Our Business and Industry — We depend on a limited number of third-party service providers for order delivery to our consumers."

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

EMPLOYEES

We had a total of 2,720 employees as of September 30, 2024. Substantially all of our employees were located in mainland China.

The following table sets forth the numbers of our employees categorized by function as of September 30, 2024.

Function	Number of Employees
Store management, franchisee development and training	1,158
Supply chain operation and management	760
Information technology	342
General and administrative	203
Branding and marketing	140
Product research and development	117
Total	<u>2,720</u>

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

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

We maintain a collaborative culture that helps us recruit talent from diverse backgrounds. We strive to foster an environment where our employees can feel supported and contribute effectively, as we believe that encouraging varied perspectives and fostering collaboration across all levels are key driving forces behind our continued growth. Specifically, our policy states that under no circumstances shall employees be discriminated against based on race, gender, religion, age, ethnicity, or disability. We have also adopted various policies and measures to support employee diversity. For example, we offer maternity and paternity leaves

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to our employees and have dedicated nursing rooms within our office building, and substantially all of our job postings are gender-blind. As of September 30, 2024, 46% of our employees are female. We believe that we maintain a good working relationship with our employees, and we have not experienced any major labor disputes.

During the Track Record Period, we had not made social insurance and housing provident funds for some of our employees in full in accordance with the relevant PRC laws and regulations. For details, see “— Legal Proceedings and Compliance — Compliance — Social Insurance and Housing Provident Funds.” For risks associated with our underpayment of social insurance and housing provident funds and our use of third-party service providers to pay social insurance and housing provident funds, see “Risk Factors — Risks Relating to Our Business and Industry — We may be subject to additional contributions of social insurance and housing provident funds and late payments and fines imposed by relevant governmental authorities, which may materially and adversely affect our business and results of operations.”

PROPERTIES AND FACILITIES

Our principal place of business is located in Zhejiang, China. As of the Latest Practicable Date, we leased 44 properties in various cities in China, with a gross floor area of over 210,000 square meters. Our leased properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules and are principally used as storage or office spaces for our business operations. We believe that there is sufficient supply of properties in China, and thus we do not rely on any single existing lease for our business operations.

As of the Latest Practicable Date, landlords of 10 of 44 leased properties in mainland China, which are used as storage, ingredient processing, or office spaces, have not provided us with valid title certificates or relevant authorization documents evidencing their rights to lease the properties to us. These properties, with an aggregate gross floor area of approximately 48,000 square meters, represent approximately 23% of the total gross floor area of our leased properties in China. Additionally, five leased properties, with an aggregate gross floor area of approximately 220 square meters, representing approximately 0.1% of our total leased gross floor area, their actual use does not fit into the prescribed scope of usage shown on the relevant certificates. As advised by our PRC Legal Advisor, for the leased properties that were subject to title defects or with inconsistent usage, the property owners and the relevant lessors shall take the responsibility to obtain valid title certificates and ensure the actual usage complies with the prescribed usage of the properties and the lands. As the tenants, we would not be subject to any administrative penalties pursuant to the relevant laws and regulations. However, if any of these leases is terminated as a result of challenges by third parties, we may not be able to continue to use the properties. Nevertheless, considering these properties' uses, we believe there is a sufficient supply of similar properties and do not expect any material adverse effect on our business due to these potential terminations and the potential costs of relocation would not have a material adverse effect on our daily operation. In addition, as of the Latest Practicable Date, we had not completed lease registration or lease registration modification for 43 of the 44 properties we leased, primarily due to the difficulty of procuring the relevant landlords' cooperation to register their leases. Our PRC Legal Advisor has advised us that the

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lack of registration for the lease contracts will not affect the validity of the lease contracts under PRC law, and has also advised us that the relevant PRC authorities may request us to complete the registration and if we still fail to do so, we may be imposed a fine ranging from RMB1,000 to RMB10,000 for each of such lease agreements. For a detailed discussion of risks relating to property interest defects, see “Risk Factors — Risks Relating to Our Business and Industry — We encounter risks related to leased properties, which could negatively impact our business operations and financial outcomes.”

As of the Latest Practicable Date, we had a total of 10 leased properties, with an aggregate gross floor area of approximately 51,000 square meters, representing 24% of the aggregate gross floor area of all our leased properties, for which we failed to complete the required record-filing of fire safety acceptance check. As advised by our PRC Legal Advisor, with respect to these properties that we failed to complete the required record-filing of fire safety acceptance check, the maximum administrative fine for us will be no more than RMB3,050,000. For a detailed discussion relating to our non-compliance and rectification on fire safety issues, see “Business — Legal Proceedings and Compliance — Compliance — Fire Safety.” As of the Latest Practicable Date, with respect to one leased property in Guangxi, we failed to obtain the required approval for the environmental impact assessment before commencing the construction and production, which could subject us to a fine ranging from RMB50,000 to RMB250,000 and we could be required to restore the processing facility to its original state. For a detailed discussion relating to our non-compliance and rectification on environmental impact assessment approval, see “Business — Legal Proceedings and Compliance — Compliance — Environmental Impact Assessment Approval.”

We had obtained the land use certificates for four parcels of land with a total site area of over 113,000 square meters. We have constructed a processing facility in Zhuji, Zhejiang. The processing facility consists of two sections that were built on two separate land parcels. For the years ended December 31, 2021, 2022 and 2023 and the nine months ended September 30, 2024, we incurred capital expenditures related to the construction of the processing facility of nil, RMB54.0 million, RMB190.4 million and RMB196.9 million, respectively. The two sections of the processing facility have commenced operations subsequent to September 30, 2024. In addition, we have constructed a warehouse and are constructing an office building on two land parcels in Taizhou, Zhejiang. For the years ended December 31, 2021, 2022 and 2023 and the nine months ended September 30, 2024, we incurred capital expenditures related to the warehouse’s construction of nil, RMB45.9 million, RMB96.5 million and RMB71.3 million, respectively. The warehouse commenced operations in July 2024. For the years ended December 31, 2021, 2022 and 2023 and the nine months ended September 30, 2024, we incurred capital expenditures related to the office building’s construction of nil, RMB25.1 million, RMB73.1 million and RMB51.0 million, respectively. We expect construction of the office building to finish in the first half of 2025.

As of September 30, 2024, each of our property interests had a carrying amount less than 15% of our consolidated total assets. Therefore, according to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this 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 require a valuation report with respect to all our interests in land or buildings.

INTELLECTUAL PROPERTY

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

- We have formulated and implemented a comprehensive intellectual property management framework, consisting of the protective registration of trademarks, dynamic inspection of trademark registration by third parties, and regular communication with franchisees, to protect our own trademarks and other intellectual property rights;
- To prevent illegal use of our trademarks and brands, we have standardized the management of our trademarks in relation to registration, renewal, transfer, use and protection;
- We proactively register trademarks similar to our core trademarks to prevent potential malicious registration by third parties;
- We encourage franchisees to report to us any trademark misuse or infringement they found through a smooth communication mechanism;
- We engaged an external trademark consultant to (i) continuously monitor trademark protection matters such as the update of trademark registration status and renewal of registered trademarks to ensure that our registered trademarks are effective and cover the business we engaged in, and (ii) to regularly search the trademark office's announcements and other public information related to our trademarks and brand in order to timely detect unauthorized use of and infringement on our trademarks and brand and promptly take remedial actions; and
- We designated dedicated personnel to monitor the market for unauthorized use of the identical or similar trademarks by third parties, manage the disputes and legal proceedings regarding our trademarks and trade names, and prevent infringement by third parties through legal means such as litigation.

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During the Track Record Period and up to the Latest Practicable Date, we had initiated over 40 legal proceedings against certain third parties. These legal proceedings had been settled in ways satisfactory to us, in which the infringing parties had stopped the infringement. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material infringement of our intellectual property rights.

As of the Latest Practicable Date, we held 7 registered trademarks, 11 patents and 7 registered domain names in China, which are material to our business. As of the Latest Practicable Date, we have obtained all the necessary trademarks and IP rights that are material for our tea drink stores and products.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Our ESG subject areas mainly include supply chain management, energy consumption and waste generation. We are dedicated to improve the ESG performance of ourselves and, to the extent practicable, our stakeholders such as franchisees and suppliers. With respect to our own operation, we have identified specific metrics and set performance targets based on their historical levels. Upon our Listing, our Board will take overall responsibility of our ESG strategy, become directly involved in setting up and periodically reviewing our ESG policies, and evaluate our ESG strategies, priorities and targets.

Our Governance

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

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

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

- ensure that we abide by the latest ESG laws and regulations, including the applicable sections of the Listing Rules, and keep the Board informed of any changes in the laws and regulations and update our ESG policies accordingly;
- assess ESG risks on a regular basis according to applicable laws, regulations and policies, and formulate strategic plans and mitigating measures to ensure our responsibilities with respect to ESG matters are met;
- monitor local environmental, social, and climate changes in regions where we operate and take timely measures to mitigate the risks associated with volatile changes during our daily business operations;
- monitor the implementation of our ESG policies and engage third-party consultants to support us in fulfilling our ESG goals if the ESG committee considers it necessary;
- identify our key stakeholders based on our business operations and understand the stakeholders' influences and dependence with respect to ESG matters;
- hold meetings on a regular basis to identify, assess, and manage our progress in achieving our key ESG targets; and
- prepare annual ESG report, report to our Board on our ESG performance and the effectiveness of our ESG policy, and provide our Board recommendations relating to ESG matters.

Identification, Assessment, Management and Mitigation of ESG Risks

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

Product Safety

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

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

Supply Chain Management

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

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

Energy Consumption

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

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

Waste Generation

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

We comply with national regulations to reduce plastic pollution and promote circular economy. We continuously work on alternative packaging solutions and spread food waste prevention message to minimize waste. Since 2020, we have gradually adopted the use of environmentally friendly materials for our cups, straws and product stickers. We have also used packaging bags made with low-density polyethylene, a reusable material with good insulation properties, and made with paper and polylactic acid materials, which are biodegradable materials, for our delivery orders. During the Track Record Period, we had cumulatively provided our franchisees with approximately 1.8 billion cups, 3.9 billion straws, 2.4 billion bags and 5.7 million forks and spoons made with environmentally friendly materials such as low-density polyethylene and polylactic acid materials. We also adopt online, paperless training methods for our franchisees. In 2023, our online training sessions, such as video tutorial for newly launched beverages, was completed for approximately 2.3 million times. In terms of food waste prevention, our ingredient expiration management system allows for efficient tracking of ingredient shelf-life. We leverage various advanced technologies to reduce fruit spoilage. For example, by promptly processing mangoes at source and strictly controlling their packaging, delivery and ripening processes, we decreased the ripening spoilage rate to 10% in 2023, far below the industry average of approximately 20%. We also maintain compliance with laws and regulations governing environmental protection.

Health and Work Safety

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

Metrics and Reduction Targets

We are committed to operating our business in an environmentally sustainable manner. We have formulated a set of key performance indicators that are relevant to our ESG subject areas and identified targets based on the historical level of our key performance indicators.

We evaluate our power and water usage level and intensity by tracking our two main office buildings’ annual total electricity and water consumption and annual average electricity and water consumption per RMB1 million of revenue. We also operate a fleet of freight vehicles which results in the emissions of air pollutants including nitrogen oxides (“NO_x”),

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sulphur oxides (“SO_x”) and particulate matters (“PM”). The vehicles’ operations also result in carbon dioxide (“CO₂”) emissions, of which we track both the absolute amount and intensity. The following table sets forth the historical level of our key performance indicators during the Track Record Period.

	For the Year Ended December 31,			For the Nine Months Ended September 30,
	2021	2022	2023	2024
Total electricity consumption (kWh)	1,486,765	2,436,263	2,680,733	2,103,411
Intensity of electricity consumption (kWh/RMB1 million of revenue)	339.1	438.2	349.3	326.6
Total water consumption (ton) .	18,672	32,315	43,228	32,853
Intensity of water consumption (ton/RMB1 million of revenue)	4.3	5.8	5.6	5.1
NO _x emission (kg)	37,010	58,418	76,328	67,003
SO _x emission (kg)	48	75	97	69
PM emission (kg)	1,718	2,843	3,813	3,409
CO ₂ emission (ton)	7,822.8	12,114.5	15,736.8	11,255.9
Intensity of CO ₂ emission (ton/RMB1 million of revenue)	1.8	2.2	2.1	1.7

The intensity of our electricity consumption, water consumption and CO₂ emission have all decreased from 2022 to 2023 and from 2023 to the nine months ended September 30, 2024, following an increase from 2021 to 2022. Our ESG performance is currently in line with our peers. Going forward, while our power and water usage level may increase in line with our expected business expansions, we intend to reduce our power and water usage intensity by cultivating a culture of conversation within our Company through internal trainings and awareness campaigns. To reduce our freight vehicles’ emissions in the future, we intend to continue upgrading our proprietary transportation management module which optimizes our vehicles’ delivery routes and reduces their emission levels. We will also evaluate the adoption of electric vehicles to reduce the environmental impact of our vehicle fleet.

We have identified certain quantitative reduction targets for our key performance indicators discussed above to guide our operations. As our business has been undergoing rapid expansion and may continue such growth going forward, we expect to revisit our reduction targets after our business development becomes more stabilized and potentially adjust them based on our actual business conditions at the time. The following table sets forth our quantitative reduction targets based on information currently available to us.

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Reduction Targets by 2025

Intensity of electricity consumption (kWh/RMB1 million of revenue)	Approximately 5% from 2023 level
Intensity of water consumption (ton/RMB1 million of revenue)	Approximately 5% from 2023 level
Intensity of CO ₂ emission (ton/RMB1 million of revenue)	Approximately 5% from 2023 level

Corporate Social Responsibilities

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

Community Outreach

We actively engage with stakeholders in our community. As of September 30, 2024, our franchisees and we collectively and cumulatively created employment opportunities for over 230,000 people, and our efforts to directly procure ingredients from the sources have benefited many producers in the agriculture sector. We procured approximately 85,000 tons of fresh fruits spanning across 36 kinds in 2023. In 2023, we co-founded the “new tea beverages charity fund” with the China Foundation for Rural Development to facilitate rural area development, provide industrial support for farmers and explore sustainable paths for rural area revitalization.

Employee Well-being and Diversity

We believe a core part of our corporate social responsibility is to take care of our employees. We value our people and respect the dignity, character, privacy, and personal interest of each of our employees. We place strong emphasis on well-being in the workplace. Activities are organized regularly to facilitate our employees to explore and pursue their hobbies and interests, and achieve a healthy work-life balance. In 2023, we organized nine large-scale activities that involved almost all of our employees.

Our management team adheres to a simple and candid communication style, fostering a humble and honest atmosphere among all employees that cultivates strong bonds among our people. We embrace an inclusive and open corporate culture, which allows us to continually attract talented individuals with diverse backgrounds and perspectives. We actively work to create an environment where every employee feels valued and empowered to contribute to their fullest potential, as we believe that encouraging varied perspectives and fostering collaboration across all levels are key driving forces behind our continued growth. We also foster inclusion and equality among employees from all backgrounds, regardless of age, gender, disability, and

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citizenship status, among others. We have adopted various policies and measures to support employee diversity. For example, we offer maternity and paternity leaves to our employees and have dedicated nursing rooms within our office building, and substantially all of our job postings are gender-blind. As of September 30, 2024, 46% of our employees are female. We believe that diversity, including but not limited to gender diversity, is important to us in thriving in the business environment.

Professional Development

We encourage everyone within our organization to pursue professional development opportunities. In furtherance of this goal, we have been offering trainings and career development programs to our employees to support their growth and upward mobility. We encourage our young employees to take leadership roles. We provide a large variety of professional development training. In 2023, we provided approximately 28,000 hours of training with over 13,500 cumulative attendees. We conduct employee assessments at the end of each year to provide feedback and guidance, and, depending on their performance and responsibilities, provide promotion and training opportunities.

Business Ethics

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

Anti-corruption, Anti-money Laundering and Anti-bribery

To protect our reputation and integrity, we have implemented an anti-corruption, anti-money laundering and anti-bribery policy to safeguard against any corruption, money laundering or bribery acts within our Company. We provide training sessions to our employees to ensure that our employees' awareness of such policy and their compliance with applicable laws and regulations in the course of conducting business. Additionally, we have a variety of complaint and reporting channels, such as reporting hotline and e-mail address that are open to both internal employees and the public to report any bribery or corruption acts, and our employees can also make anonymous reports to our internal audit committee. Our legal and internal control teams accept the reports of fraud and bribery and hold special investigations against such incidents. We maintain strict confidentiality of all whistleblower information.

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We require our franchisees to sign integrity agreements in which they undertake to comply with our anti-bribery and corruption requirements. For instance, the integrity agreement prohibits our franchisees from giving and taking any bribes, as well as making or receiving any improper payment. We also emphasize ethical value and commitment when picking suppliers, and we have implemented relevant policies forbidding our employees from receiving any kickbacks from our suppliers. We request our suppliers to comply with all the applicable laws and regulations relating to the procurement transactions. Our suppliers shall not make any payment to us out of the ordinary scope of our business collaboration. In the event that we find our suppliers are in breach of the foregoing arrangements, we are entitled to report the illegal acts to applicable authorities or terminate the supply agreement.

Our Franchisees and Suppliers

We continuously improve the franchisee management system and support franchisees in improving their ESG management level and performance through management assessments, training and empowerment. For example, we actively provide ESG-related training and educational programs to our franchisees. By equipping our franchisees with knowledge about sustainable practices, we empower them to actively abide by our ESG policies and contribute to our ESG goals in their day-to-day activities. We also take a variety of measures to monitor the daily operations of our franchisees, such as regular store visits by our supervisors and inspectors, to ensure that our franchisees follow our ESG policies and strategies. In our franchisee evaluation process, we consider franchisees' ESG efforts as a key factor in assessing their performance. For example, we check for hygiene within and around our franchised stores to prevent environmental pollution, require standardized beverage preparation to prevent waste, prohibit the use of expired food ingredients to ensure food safety, and prohibit the use of child labor. Failure to meet our standards may result in penalties such as fines.

In addition, to engage our suppliers in our environmental protection endeavors, we encourage our suppliers to establish sound quality management systems and obtain professional system certifications in ESG areas. We also encourage our suppliers to use environmental-friendly packaging materials and promote innovation and environmental-friendliness in packaging.

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

Control of Third-Party Payment Arrangements

From January 1, 2021 and up to November 22, 2023 (the “**Relevant Period**”), we accepted payment made on behalf of certain of our franchisees (the “**Relevant Franchisees**”) through the accounts of third parties designated by the Relevant Franchisees (the “**Third-party Payment Arrangement**”). Subsequent to November 22, 2023, we had ceased accepting third-party payments and updated our system such that our franchisees can only pay with their own bank accounts. As advised by our PRC Legal Advisor, the Third-party Payment Arrangement is not in breach of mandatory requirements of the current applicable laws and regulations in China. We believe that the cessation of Third-party Payment Arrangement did not and will not have a material adverse effect on our business, results of operations and financial condition.

During the Relevant Period, we have duly booked all payments received under the Third-party Payment Arrangement according to our internal accounting policies and tax related laws and regulations. In 2021, 2022 and 2023, we received third-party payments from 729, 573 and 614 franchisees, and the aggregate amount of third-party payments we received was RMB867.9 million, RMB1,017.8 million and RMB856.8 million, respectively, representing approximately 18.0%, 16.9% and 10.3% of the total payments we received from our franchisees, respectively. During the Relevant Period, no individual Relevant Franchisee had a material impact on our revenue.

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

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

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Reasons for the Third-party Payment Arrangements

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

- *Payment convenience.* Many of our franchisees are small-sized private businesses. For convenience, some of them prefer the settlement arrangement of payment through designated third parties, such as family members, which may offer more flexibility in terms of handling transactions.
- *Managing multiple stores.* For some of our franchisees that manage multiple franchised stores, they prefer to use multiple banks accounts to track the individual financial performance of each store. In doing so, they use accounts of third parties such as their employees.

Implication and Termination of the Third-party Payment Arrangements

To ascertain the implications of the third-party payment arrangements, we communicated with the Relevant Franchisees and their designated third-party payors and obtained confirmations from 770 Relevant Franchisees, and their designated third-party payors, whose payments under the Third-party Payment Arrangements represented approximately 76%, 79% and 80% of total payments we received pursuant to the Third-Party Payment Arrangements in 2021, 2022 and 2023, respectively. The confirmations include:

- The third-party payment arrangement was a voluntary arrangement between the Relevant Franchisees and their designated third parties. We did not propose any such arrangement and, except for accepting the payments, did not participate in such arrangement in any other way;
- The Relevant Franchisees' delegation of payment obligations to their designated third-party payors involve genuine underlying business transactions between the Relevant Franchisee and us. The third-party payments are not used for bribery or other illegitimate purposes;
- The Relevant Franchisees and their designated third parties did not receive any financial aid from us. Funds involved in the third-party payments were from legal sources and such third-party payment arrangement was not used for illegal activities such as money laundering;
- All risks arising from the above third-party payment shall be borne by the Relevant Franchisees and their designated third-party payors and not us;

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- The payment obligation of the Relevant Franchisees shall be deemed to be fully performed after the designated third-party payors paid the amount due;
- The designated third-party payors have not and will not request for the return of funds paid to us under the Third-Party Payment Arrangement;
- We are entitled to seek payment from the Relevant Franchisees in the event that the designated third-party payors failed to perform the payment obligation in full or in part; and
- We shall not be involved in any risks or disputes arising from the payment arrangement between the Relevant Franchisees and their designated third-party payors, and are not obligated to return the payment received from the designated third-party payors regardless of any disputes between the Relevant Franchisees and their designated third-party payors.

To our best knowledge, the third parties payors designated by the Relevant Franchisees do not have any other past or present relationships (including, without limitation, family, business, financing, trust or otherwise) with us or our substantial shareholders, directors or senior management, or any of their respective associates. Moreover, during the Track Record Period and up to the Latest Practicable Date, we were not aware of any commercial bribery, money laundering, tax evasion or existing or potential disputes existed under the Third-party Payment Arrangement and were not subject to any administrative notice, investigation or penalty related to the Third-party Payment Arrangement. As advised by our PRC Legal Advisor, in light of the above, (i) the Third-party Payment Arrangement is not in breach of mandatory requirements of current applicable laws and regulations in China; (ii) with respect to the Relevant Franchisees and their designated third parties who have duly made the confirmations above, the risks for our Group to be obligated to return the payments under the Third-party Payment Arrangement to the Relevant Franchisees and their designated third parties are remote; (iii) considering the written compliance confirmations for all of our subsidiaries that received third-party payments during the Relevant Period, which are issued by the competent authorities in the respective regulatory regions at which these subsidiaries are located, and the fact that during the Track Record Period and up to the Latest Practicable Date, none of these subsidiaries had been subject to any investigation or penalties from the relevant branches of PBOC due to third-party payments, the risks that we were deemed as committing the crime of money laundering and subject to relevant criminal liability thereto are remote; and (iv) the risks of such arrangement being deemed as circumventions of relevant PRC laws and regulations or the risks that we would be committed as covering up or concealing the source and nature of illegally obtained proceeds or gains under Article 191 of the Criminal Law are remote. In light of the above, our Directors concur with the PRC Legal Advisor's view. Based on the independent due diligence undertaken by the Joint Sponsors, nothing material has come to the attention of the Joint Sponsors that would reasonably cause them to disagree with the aforementioned views of the PRC Legal Advisor. In addition, although our PRC Legal Advisor has advised us that there is a risk that we may be obligated to return some payments made under the Third-party Payment Arrangement, especially with respect to those Relevant Franchisees

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and their designated third parties who have not provided us duly executed confirmations, considering such payments constituted a very insignificant proportion of the total payments we received from our franchisees, our Directors believe that it would not have any material adverse effect on our overall business.

We had ceased accepting third-party payments subsequent to November 22, 2023. We believe that the cessation of Third-party Payment Arrangement did not and will not have a material impact on our business. No franchisees terminated their relationships with us as a result of the cessation of Third-party Payment Arrangement. Nevertheless, we face certain risks relating to the Third-party Payment Arrangement. For details, see “Risk Factors — Risks Relating to Our Business and Industry — We face risks in connection with Third-party Payment Arrangements.”

Our Enhanced Internal Control measures

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

All of our franchisees are required to register for accounts on our MDB system to place orders for supplies, and to link their accounts to certain payment methods. Previously, on the MDB system, franchisees were allowed to link their accounts to third-party bank accounts and pay for their orders with these accounts. We have since updated our system to only allow franchisees to pay with their own bank accounts and automatically reject any payment made with third-party accounts. To confirm that the bank accounts used belong to the relevant franchisees, we have developed our MDB system to interface with the payment system of financial institutions such as banks to verify key elements of the bank account information, including account owners’ names, ID numbers, cell phone number and bank card number. The MDB system offers payment options through two financial institutions in China, namely Zhejiang E-Commerce Bank and China CITIC Bank. Franchisees are required to open a virtual account at one of these financial institutions with their own verified identity to transact with us. Payments initiated from other accounts will not be accepted in our system. In this way, we can effectively prevent all potential third-party payments.

We are not required to obtain any license, certificates or registration for the operation of our MDB system. With respect to the compliance of data privacy and protection laws in relation to the collaboration with financial institutions, based on the opinion of our PRC Legal Adviser, according to the confidentiality obligation under the cooperation agreement between the Company and each of the financial institutions, the financial institution shall only use the Company’s information and transaction records within the scope permitted by laws and regulations, and keep confidential the fund dynamics and related transactions of the Company and its franchisees. In light of these, as advised by our PRC Legal Advisor, we have complied with all applicable laws and regulations in the PRC in relation to data privacy and protection in all material aspects.

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Subsequent to November 22, 2023, we had completely ceased accepting third-party payments. We do not have any plan to adopt third-party payment arrangement again in the future, and intend to continuously monitor the effectiveness of our internal control measures to prevent third-party payments and promptly address any identified deficiencies. Our Directors are of the view that the foregoing internal control measures are sufficient and can substantially mitigate any risk we face relating to future use of third-party payments. Our internal control consultant has performed a follow-up review of our internal control measures, and did not identify any issues. No further recommendations were made for the samples tested. Based on the independent due diligence undertaken by the Joint Sponsors, in particular, having considered the work and procedures undertaken by the internal control consultant to the Company, nothing material has come to the attention of the Joint Sponsors that would reasonably cause them to disagree with the aforementioned view of our Directors.

Use of Licensed Software

We adopt stringent policies and rules to prevent unauthorized or other illegal use of third-party software. We require all of our employees to use legally purchased software for business purposes. Any software purchase must go through prescribed procurement processes and the purchased licenses are required to be recorded. We prohibit our employees from, among others, knowingly downloading unlicensed software. We require each department to designate specific persons to be responsible for overseeing the use of licensed software in their department and, in cases where a misuse of copyrighted software causes material impact to the Company's image, the persons directly responsible for the misuse and the designated persons in charge of oversight will both be held responsible.

Financial Reporting Risk Management

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

Internal Control Risk Management

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

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

We continually review the implementation of our risk management policies and measures to ensure our policies and implementation are effective and sufficient.

Audit Committee Experience and Qualification and Board Oversight

We have established an audit committee to monitor the implementation of our risk management policies across our company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations.

The audit committee consists of three members, namely Mr. Yue Zhuo, Mr. Jianbo Li and Mr. Yaoxin Huang, all of whom are non-executive directors. Mr. Yue Zhuo is the chairperson of the audit committee. For the professional qualifications and experiences of the members of our audit committee, see “Directors and Senior Management.”

We also maintain an internal audit department which is responsible for reviewing the effectiveness of internal controls and reporting to the audit committee and senior management on any issues identified. Our internal audit department members hold regular meetings with management to discuss any internal control issues we face and the corresponding measures to implement toward resolving the issues. The internal audit department reports to the audit committee to ensure that any major issues identified are channeled to the committee on a timely basis. The audit committee then discusses the issues and reports to the board of directors, if necessary.

Ongoing Measures to Monitor the Implementation of Risk Management Policies

Our audit committee, internal audit department and senior management together monitor the implementation of our risk management policies on an ongoing basis to ensure our policies and implementation are effective and sufficient.

LICENSES AND REGULATORY APPROVALS

In accordance with the laws and regulations in the jurisdictions in which we operate, we are required to obtain various licenses and regulatory approvals to operate our business. Please refer to the section entitled “Regulation” in this prospectus for details about the regulations that apply to us.

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During the Track Record Period and up to the Latest Practicable Date, we had obtained all necessary licenses that are material to our business operations from the relevant government authorities. All of our licenses are valid and subsisting. Our Directors do not expect any impediment in the renewal of our licenses.

The table below sets forth a summary of the material licenses and regulatory approvals that we have obtained for our business operations as of the Latest Practicable Date:

Type of License or Regulatory Approval	Number of Licenses
Record-filing for Commercial Franchise (商業特許經營備案)	1
Food Operation License (食品經營許可證)	10
Food Production License (食品生產許可證)	5
Road Transportation Operation Permit (道路運輸經營許可證)	13
Record-filing for the Sale of Prepackaged Food Only (僅銷售預包裝食品備案)	14

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

From time to time, we may become a party to various legal or administrative proceedings arising in the ordinary course of our business, including actions with respect to intellectual property infringement, violation of third-party licenses or other rights, breach of contract and labor and employment claims. We are currently not a party to, and we are not aware of any threat of, any legal or administrative proceedings that, in the opinion of our management, are likely to have any material adverse effect on our business, financial condition, cash-flow or results of operations.

Compliance

Save for the non-compliance incidents disclosed below, which we do not believe have had or will have a material adverse impact on our business operations or financial results, during the Track Record Period and up to the Latest Practicable Date, we had complied with all relevant laws and regulations applicable to us in all material respects concerning our operations. For more information about the laws and regulations applicable to us, please see “Regulations.”

Historical Tax Non-Compliance

In December 2021, the investigation division of the tax bureau of Taizhou city (the “**Investigation Authority**”) found that Guming Technology had underpaid taxes and surcharges for the period from June 14, 2018 to January 31, 2020 (the “**Historical Period**”) in a total amount of RMB23.6 million, and imposed on it a fine of RMB11.6 million and a late payment fee of RMB6.5 million. Guming Technology fully settled the underpaid taxes and surcharges, the fine and the late payment fee by January 2022.

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Guming Technology was established in June 2018. Back then, our business experienced a period of rapid expansion. However, in the early stage of its establishment, Guming Technology did not have sophisticated internal control systems in place to cope with its rapid business growth and ensure that all its tax reporting obligations were duly performed. In particular, there was a lack of manpower and experience at Guming Technology's finance department and a lack of comprehensive and automated IT system for order placement and financial management. As a result, although revenue had been recognized in our accounting books in corresponding periods, some of Guming Technology's revenue during the Historical Period, which was prior to the Track Record Period, was not recognized for tax reporting and Guming Technology underpaid the relevant taxes.

We believe the tax non-compliance incident mentioned above did not and will not have any material adverse effect on our business operations or financial results. We have obtained a confirmation from the Investigation Authority dated August 15, 2023 that confirms (i) Guming Technology had fully and timely settled the underpaid taxes, the fine and the late payment fee; (ii) no aggravating factors were found in respect of the tax non-compliance; (iii) the investigation of the tax non-compliance had concluded; and (iv) from the date of establishment of Guming Technology and up to the date of such confirmation, save for the tax non-compliance incident mentioned above, the Investigation Authority has not found any other tax non-compliances of Guming Technology that may lead to the imposition of penalties or recovery of tax by the Investigation Authority, and there were no existing or potential disputes, arbitration or litigations between Guming Technology and the Investigation Authority. As advised by our PRC Legal Advisor, the Investigation Authority is the competent authority for providing the above confirmation, because it was the tax authority for supervision and penalties with respect to Guming Technology and had the authority to inspect its tax-related affairs. We have also obtained a tax compliance certificate from the tax bureau of Wenling, Taizhou, which confirms that up to September 30, 2023, save for the tax non-compliance incident mentioned above, (i) Guming Technology had duly filed its tax returns and fully paid the amount of tax due in compliance with relevant PRC laws and regulations, and (ii) Guming Technology had not been subject to any other tax related investigations or penalties. As advised by our PRC Legal Advisor, the tax bureau of Wenling, Taizhou is the competent authority for issuing the above certificate, because it is the tax administration authority of Guming Technology and was fully aware of the routine tax filings and relevant information of Guming Technology. The Investigation Authority is a branch of the tax bureau of Taizhou city, and the tax bureau of Taizhou city is the superior tax authority of the tax bureau of Wenling, Taizhou. In addition, pursuant to the enterprise special credit report of Guming Technology issued by the Zhejiang Credit Center, from October 1, 2023 to September 30, 2024, Guming Technology did not have any record of illegality or irregularity related to its taxes. As confirmed by our PRC Legal Advisor, Zhejiang Credit Center is the competent authority in providing such information considering that: (i) Zhejiang Province has been promoting the use of special credit reports to replace the written compliance certificates since December 2023; and (ii) as confirmed by Zhejiang Credit Center, it is responsible for collecting information and providing a unified inquiry channel for enterprises in Zhejiang, and the source of the information in special credit reports originated from the relevant local government authorities.

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In addition, we believe the tax non-compliance did not involve any fraud, dishonesty or willful intent to evade tax on the part of our Group, our directors or senior management, considering that, among others, (i) the Investigation Authority has conducted a thorough investigation of the incident and neither the Investigation Authority nor any other competent authority in the PRC has imposed any penalty on the directors or senior management or indicated that there was any element of fraud, dishonesty, willful intent to evade tax and/or negligence on the part of our Group, our directors or senior management; and (ii) the incident primarily resulted from the unsophisticated corporate governance structure and inadequacy in the internal control system of Guming Technology during the Historical Period. As advised by our PRC Legal Advisor, it is highly unlikely that the incident involved any fraud, dishonesty, willful intent to evade tax and/or gross negligence on the part of our Group, our directors or senior management, based on the foregoing and considering that (i) no allegation of fraud, dishonesty, willful intent to evade tax and/or negligence on the part of our Group, our directors and/or our senior management was made in the tax non-compliance incident by the Investigation Authority; and (ii) as of the Latest Practicable Date, none of our directors and/or our senior management has received any notice of investigation from the Investigation Authority or any other competent governmental authority in the PRC, or was subject to any penalty imposed by any of the aforementioned relevant authorities with respect to the tax non-compliance.

We have implemented a series of enhanced internal control measures to prevent the recurrence of similar non-compliance incidents and we have not experienced any incident similar to the tax non-compliance incident mentioned above during the Track Record Period. We have strengthened the composition of our finance department and Mr. Hailing Meng, who has extensive experience in finance, accounting and internal control, has assumed the role of our chief financial officer. In addition, we have put in place a sophisticated IT system to manage the receipt of orders and funds. We require all franchisees to place orders through our electronic ordering system which automatically generate invoices and transmit transaction information to our financial systems. Based on a review of our internal control policies for the most recent year and sampling work conducted by our internal control consultant, no material deficiencies have been identified in our current internal control policies for tax reporting, accounting control and bank account management. For details of our risk management and internal control policies, see “— Risk Management and Internal Control.”

Having considered the nature and reasons for the non-compliance incident above and the internal control measures adopted by us, our Directors are of the view that the non-compliance incident would not affect the suitability of our Directors to act as directors of a listed issuer. Based on the independent due diligence undertaken by the Joint Sponsors, in particular, having considered the PRC regulatory confirmations obtained and the views of the PRC Legal Advisor, nothing material has come to the attention of the Joint Sponsors that would reasonably cause them to disagree with the aforementioned view of our Directors.

Social Insurance and Housing Provident Funds

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, primarily because (i) consistent with the industry norm, our labor force is highly mobile, which has made it infeasible for us to make full contributions in time for the relevant employees that left us shortly after joining; and (ii) certain employees were not willing to bear their share of social insurance and housing provident funds strictly in proportion to their salary. In 2021, 2022, 2023 and the nine months ended September 30, 2024, the aggregate shortfall of social insurance and housing provident fund contributions amounted to RMB4.9 million, RMB6.1 million, RMB9.8 million and RMB9.3 million, respectively.

As advised by our PRC Legal Advisor, an employer that has not made social insurance contributions at a rate and based on an amount prescribed by the law, or at all, may be ordered to rectify the non-compliance and pay the required contributions within a stipulated deadline and be subject to a late fee of up to 0.05% of the outstanding amount for each day of delay. If the employer still fails to rectify the failure to make social insurance contributions within the stipulated deadline, it may be subject to a fine ranging from one to three times the amount overdue. Pursuant to relevant PRC laws and regulations, if there is a failure to pay the full amount of the 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 further 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. As advised by our PRC Legal Advisor, the potential maximum penalty with respect to fines that we may be exposed to due to shortfall of social insurance during the Track Record Period would be approximately RMB14.7 million, RMB18.3 million, RMB29.4 million and RMB27.9 million in 2021, 2022, 2023 and the nine months ended September 30, 2024, respectively.

As of the Latest Practicable Date, we had not received any notification from the relevant PRC authorities requiring us to pay any shortfall with respect to social insurance and housing provident funds or imposing any administrative penalties on us, nor were we aware of any material employee complaints or involved in any material labor disputes with our employees with respect to social insurance and housing provident fund.

We have taken the following internal control rectification measures to prevent future occurrences of such non-compliance. As of the Latest Practicable Date, we have enhanced our human resources management policies, requiring social insurance and housing provident fund contributions to be made in full in a timely manner upon request by any competent government authorities. We have also 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 are also keeping abreast of the latest developments in PRC laws and regulations in relation to social insurance and housing provident funds so that we could promptly adjust our

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social insurance and housing provident fund policies in accordance with the requirements of the competent authorities. We will consult our PRC legal counsel from time to time for advice on relevant PRC laws and regulations to keep us abreast of relevant regulatory developments. As of the Latest Practicable Date, we were still in the process of communicating with our employees with a view to seek their understanding and cooperation in complying with the applicable payment base, which may require additional contribution from our employees. Certain of our employees were not willing to bear the costs associated with social insurance and housing provident funds that are required to be borne by the employees, and certain of our employees prefer to participate in the local social insurance and housing fund schemes in their respective place of residency. We have begun to work with our employees to contribute social insurance and housing provident fund in a manner in accordance with relevant PRC laws and regulations. We undertake to make full contributions of social insurance and housing provident funds in accordance with relevant PRC laws and regulations as soon as practicable, and disclose the status in our annual report(s) in due course.

In addition, as of the date of this document, except for those of our PRC subsidiaries that did not have any employee as of September 30, 2024, we have obtained written confirmations from the local governmental authorities in charge of social insurance and housing provident funds or their authorized offices, or special credit reports from the credit institutions authorized by relevant local government authorities. These written confirmations and special credit reports covered the Track Record Period for substantially all of the subsidiaries, each stating that the subsidiary is not subject to any administrative penalty. As confirmed by our PRC Legal Advisor, the relevant confirmations were issued by the competent authorities. In view of the above, our PRC Legal Advisor is of the view that (i) the risk of us being required by relevant PRC authorities to pay the shortfall of social insurance and housing provident fund contributions is remote and (ii) the risk of us being penalized for failing to make social insurance and housing provident funds in full is remote.

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) as of the Latest Practicable Date, we had not received any notification from the relevant PRC authorities requiring us to pay any shortfall with respect to social insurance and housing provident funds or imposing any administrative penalties on us, (ii) we were not aware of any material employee complaints or involved in any material labor disputes with our employees with respect to social insurance and housing provident fund, (iii) as advised by our PRC Legal Advisor, considering the relevant regulatory assurances and the facts stated above, the risk of us being required by relevant PRC authorities to pay the shortfall of social insurance and housing provident fund contributions or being penalized for failing to make social insurance and housing provident funds in full is remote. As a result, we had not made any provision for the shortfall in our social insurance and housing provident fund contributions during the Track Record Period and up to the Latest Practicable Date. Furthermore, as advised by our PRC Legal Advisor, once we fulfill the rectification measures and undertakings as stated above, the likelihood that we would be subject to any material penalties due to being deemed as in violation of the applicable laws, regulations and policies in relation to social insurance and housing provident fund by the relevant authorities is remote.

Environmental Impact Assessment Approval

During the Track Record Period, we invested in a processing facility (“**Guangxi Processing Facility**”) on a leased property built on a parcel of agricultural-use land in Guangxi and commenced the construction and production without obtaining the approval of the relevant authority concerning the required environmental impact statement (環境影響報告表, “EIS”).

The non-compliance incident occurred primarily due to the lack of sufficient understanding of the requirements of relevant laws and regulations by the relevant employees. Specifically, the Guangxi Processing Facility is a leased property solely used for tea blending and roughing, and the relevant employees mistakenly concluded that such a processing facility would not be subject to the environmental impact assessment requirements of construction projects. We became aware of such non-compliance upon being advised by our PRC Legal Advisor we engaged for the purpose of our listing application that investment in the Guangxi Processing Facility and commencement of the construction and production without obtaining the approval of the EIS would violate the applicable laws and regulations with respect to environmental protection.

As advised by our PRC Legal Advisor, according to the PRC Environmental Impact Assessment Law (《中華人民共和國環境影響評價法》) and the Regulations on Environmental Protection Management of Construction Projects (《建設項目環境保護管理條例》), commencing the construction of the Guangxi Processing Facility and the production without preparing the required EIS and without obtaining the approval of the relevant authorities could subject us to a fine ranging from 1% to 5% of the overall investment amount, *i.e.* from RMB50,000 to RMB250,000, depending on the materiality and consequences of such violations, and we may be ordered to restore the construction site to its original state. If it causes significant environmental pollution or ecological damage, its production or usage shall be suspended, or the project shall be closed until approval by the relevant government authorities is obtained.

Upon the awareness of the non-compliance incident, we had actively consulted with Hengzhou Ecological Environment Bureau of Nanning, Guangxi (廣西南寧市橫州生態環境局) regarding the application for and the approval of the EIS for the Guangxi Processing Facility. However, as instructed by Hengzhou Ecological Environment Bureau, the EIS with respect to the Guangxi Processing Facility would not be accepted or approved because the leased property is located on an agricultural-use land. As confirmed by our PRC Legal Advisor, Hengzhou Ecological Environment Bureau of Nanning, Guangxi is the competent authority to provide this confirmation, considering that Hengzhou Ecological Environment Bureau is the authority responsible for reviewing and approving the environmental impact assessment documents of the construction projects in Hengzhou. During the Track Record Period and up to the Latest Practicable Date, we have not received any notification, administrative investigation, or penalties from the relevant PRC authorities due to failing to obtain the approval of the relevant authority with respect to the required EIS, and no significant environmental pollution or ecological damage occurred due to the Guangxi Processing Facility. In addition, we also had another tea leaves processing facility in operation, which could fulfill the production activities of the Guangxi Processing Facilities. Based on the above, our PRC Legal Advisor is of the view

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that the risk of us being subject to any material administrative penalties by the relevant governmental authorities due to the non-compliance incident relating to the EIS of the Guangxi Processing Facility is relatively low and such non-compliance will not have a material adverse impact on our overall business or results of operations. Therefore, our Directors believe that there will not be any material adverse effects on our overall business, financial conditions or results of operations.

We will closely monitor the production activities in Guangxi Processing Facility, to avoid the occurrence of any significant environmental pollution. In order to ensure strict compliance of PRC laws and regulation in the future and further strengthen our internal control system, we have also taken certain measures to ensure on-going compliance. For example, we have been establishing and will continuously perfect internal procedures which aims to ensure that our subsidiaries will obtain all necessary permits, licenses and regulatory approvals prior to commencing any construction work in the future. We will also consult our external PRC legal counsel with respect to reviewing the necessary permits, licenses and regulatory approvals for our projects in order to ensure compliance with applicable PRC laws and regulations, as well as to ensure the understanding of our employees regarding the latest developments in those applicable laws and regulations are accurate and comprehensive. In addition, for potential new processing facilities in the future, we have designated dedicated personnel to handle the application of environmental impact assessment documents and consult with relevant authorities from time to time, making sure that we are up to date with the latest policies and obtaining the approval of relevant authorities in a timely manner.

As advised by our PRC Legal Advisor, other than the non-compliance incident of the Guangxi Processing Facility as described above, the other processing facilities we operated complied with the applicable environmental laws and regulations in all material aspects, including the requirements relating to environmental impact assessment, during the Track Record Period and up to the Latest Practicable Date.

Fire Safety

As of the Latest Practicable Date, we were unable to complete the record-filing of fire safety acceptance check (竣工驗收消防備案) to the competent department of housing and urban-rural development with respect to ten construction projects in our leased properties, the aggregate gross floor area of which are approximately 51,000 square meters, accounting for about 24% of the aggregate gross floor area of all the leased properties of our Group. The ten construction projects are composed of:

- *Decorating Projects of Six Company-Operated Stores.* We failed to complete the record filing of the fire safety acceptance check for the six decorating projects, primarily because the prescribed uses of the leased properties for these stores are of residential use or the owner of the leased properties has not completed the required as-built acceptance check, causing an infeasibility in acceptance by the competent local departments of our record-filing of fire safety acceptance check with respect to the decorating projects.

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- *Cold Storage Projects of Four Leased Warehouses.* As of the Latest Practicable Date we are in the process of completing the record-filing of the fire safety acceptance check for three of the four cold storage projects. With respect to the cold storage projects in the fourth warehouse, we are still in the process of finding appropriate fire engineer company in the local area to conduct fire drawing audit.

As advised by our PRC Legal Advisor, according to the relevant laws and regulations, failure to complete the record-filing of the fire safety acceptance check might subject us to (i) the order for effecting rectification and a fine of no more than RMB5,000 for each project, and (ii) the cessation of our operation of the stores and the warehouses with cold storage if such project does not pass a spot check, and a fine of RMB30,000 to RMB300,000 if we fail to suspend the use of such project upon notification by the relevant government authorities in the worst scenario. Therefore, the maximum penalty is a fine of no more than RMB3,050,000. Our PRC Legal Advisor has made inquiries with the local governmental authorities in charge of the application for record-filing of the fire safety acceptance check. According to the local governmental authorities, if we fail to complete the record-filing of the fire safety acceptance check, we may be imposed penalties by competent governmental authorities pursuant to relevant laws and regulations.

Nevertheless, our PRC Legal Advisor also advised us that the risks that we would be subject to any material administrative penalties by the relevant governmental authorities due to non-compliance relating to fire safety with respect to the ten construction projects are remote, provided that, if requested by the relevant government authorities to rectify the non-compliance, we could fully comply with the orders, with measures including but not limited to, completing the record-filing of fire safety acceptance check to the extent feasible, taking any other fire safety rectification measures, or proactively terminate the use of the leased properties if none of the other measures works, in a timely manner.

Moreover, during the Track Record Period, revenues generated from our self-operated stores that failed to complete the record-filing of the fire safety acceptance check is negligible. In case any of these stores and warehouses were ordered to be closed down, we believe we can relocate to alternative properties within a reasonable period of time and at reasonable costs as (i) the substitutability of our self-operated stores and warehouses is high without special requisite conditions, and (ii) there are sufficient alternative leased properties available in the applicable regions. Therefore, we believe that even if the failure to complete the record-filing of the fire safety acceptance check subject us to the cessation of our operation of the stores and the warehouses with cold storage, such administrative penalties would not have a material and long-lasting adverse effect on our operation.

As of the Latest Practicable Date, with respect to the three warehouses which were in the process of completing the record-filing of the fire safety acceptance check, although the time of application review process of the relevant local governmental authorities may be unpredictable and the expected time of completion may be out of our control, we have been and will continue using all commercially reasonable efforts to communicate with the lessors to obtain necessary documents and cooperate with relevant local governmental authorities and

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complete such procedures as soon as possible. As advised by our PRC Legal Advisor, for those three warehouses, provided that we submit all the requisite documents to the relevant governmental authorities and pass the spot check (if any) in accordance with the relevant PRC laws, regulations, government policies and specific requirements of the relevant governmental authorities, there will not be any substantial legal impediment for us to complete the required record-filing of fire safety acceptance check. Once we have completed the required fire safety record-filing, the risk of us being subject to the administrative penalties by the relevant governmental authorities due to the historical non-compliance is remote.

With respect to the other seven construction projects which we failed to complete the record-filing of the fire safety acceptance check, we will continue to pay close attention to the requirements of relevant laws, regulations and local policies and follow the guidance from local governmental authorities.

In addition, 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 the fire safety, with a goal to mitigate our risk exposure to potential fire safety accidents and public safety concerns. To this end, we have taken a series of internal control measures, which include: (i) designating experienced personnel to identify risks and design safeguards that aid in preventing, controlling and mitigating the effects of fires when building new stores and warehouses with cold storage; (ii) providing trainings on fire safety to our employees, which cover key aspects of our daily operations, and organizing fire drills from time to time to increase our employees' fire safety awareness; (iii) installing the necessary fire safety equipment as required by applicable PRC laws and regulations, including fire extinguishers, smoke detectors and automatic water spray in our stores, warehouses and processing facilities, etc.; (iv) installing proper evacuation route indication signs and where applicable, proper emergency exits; and (v) consulting our external PRC legal counsel from time to time to make sure our employees are aware of the latest laws, regulations and local policies regarding fire safety and do our reasonable best efforts to complete the record-filing of fire safety acceptance check before the start of business in accordance with the relevant laws and regulations.

COMPETITION

China's freshly-made beverage stores market is highly competitive with approximately 660 thousand freshly-made beverage stores as of December 31, 2023. We had a market share of 4.8% in China's freshly-made beverage store market in terms of GMV in 2023. China's freshly-made tea store market was historically fragmented and has been continuously consolidating. The top five freshly-made tea store brands' market share, in terms of GMV, increased from 38.5% in 2020 to 46.8% in 2023.

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We target the mid-priced freshly-made tea store market which has a large consumer base across China. Our market share in China's mid-priced freshly-made tea store market was 17.7% in terms of GMV in 2023, making us the largest in the China's mid-priced freshly-made tea store market. We believe that our leading position in the mid-priced freshly-made tea store market is a testament to the competitive strength of our products.

The “*Good me*” brand competes with mid-priced freshly-made tea store brands across all city tiers. Specifically, the “*Good me*” brand enjoys greater presence in second-tier and below cities. As of December 31, 2023, 79% of “*Good me*” stores were located in second-tier and below cities, the largest share among the top five mid-priced freshly-made tea store brands by store count. In these cities, the “*Good me*” brand had approximately 22% market share in the mid-priced freshly-made tea store market in 2023 in terms of GMV. As of December 31, 2023, 38% of the “*Good me*” brand stores were located in towns and townships, while China's other top five mid-priced freshly-made tea store brands generally had below 25% of their stores located in towns and townships. Furthermore, as of the Latest Practicable Date, we were the only brand to adopt a regional densification strategy among the top five mid-priced freshly-made tea store brands in China.

Players in China's freshly-made tea store market compete on product quality and consistency, value for money, consumer experience, store network coverage, consumer acquisition and retention, supply chain capabilities and other factors. We compete against other freshly-made tea stores brands, some of which operate or have franchised stores in close proximity to our stores and compete directly with us.

In the nine months ended September 30, 2024, the growth of China's freshly-made tea store market slowed down compared with the same period of 2023. In addition, competition within the market is intensifying. Specifically, (i) the top market players are competing for appropriate locations, franchisees and consumers as they expand their store network; (ii) underperforming stores, especially those of smaller brands, cannot compete with top stores/brands and were forced to close; and (iii) several players launched low-priced products. As a result of the above, we experienced a slowdown in our GMV growth rate as well as decreases in a number of our per-store operating metrics including per-store GMV and per-store number of cups sold. In the medium and long term, with the expected growth of China's economy and consumer spending as well as projected increases in the overall size of the freshly-made tea store market, we continue to believe that we are well-positioned to capitalize on the industry's future growth.

For more information about our industry and the risks we face, please refer to the sections headed “Industry Overview” and “Risk Factors — Risks Relating to Our Business and Industry — We operate in a highly competitive and rapidly changing market in China. We face intense competition in China's freshly-made beverage market. Any failure to compete effectively might negatively impact our market share and profitability.”

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AWARDS AND RECOGNITION

During the Track Record Period, we have received recognition for the quality and popularity of our products and services. Some of the significant awards and recognition we have received are set forth below.

Award/Recognition	Award Year	Awarding Institution/Authority
2023 Annual “Golden Shield” Product Quality Award (2023年年度質量金盾案例)	2023	China Product Quality Journal (中國質量報刊社) and China Quality News (中國質量新聞網)
2023 Top 100 Food and Beverage Brand – the “Red Eagle Award” (2023年度餐飲品牌力百強–紅鷹獎)	2023	Hongcan.com (紅餐網)
2023 Top 100 High Quality Consumer Product Award (2023年高品質消費百強榜)	2023	Southern Metropolis Daily (南方都市報)
2022 Industry Leader – Tencent Smart Retail All-channel Digital Management Award (2022年度行業標桿-騰訊智慧零售全域數字經營榜)	2022	Tencent – Tencent Smart Retail (騰訊-騰訊智慧零售)
Kamen Annual Strategic Influential Brand Award (咖門年度戰略影響力品牌)	2022	Kamen (咖門)
Douyin Annual Influential Brand Award (抖音年度影響力品牌)	2022	Douyin (抖音)
China’s Top 100 Restaurant Franchise Brands (中國餐飲加盟榜)	2021	China Chain Store and Franchise Association (中國連鎖經營協會) and Meituan (美團)

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Our business activities are subject to extensive supervision and regulation by the PRC government. This section sets forth a summary of the major laws, rules and regulations that are applicable to our current business activities within the territory of the PRC.

REGULATIONS ON FOREIGN INVESTMENT IN THE PRC

The establishment, operation and management of companies in China are governed by the PRC Company Law (《中華人民共和國公司法》), as amended in 1999, 2004, 2005, 2013, 2018 and 2023 respectively, and the newly revised PRC Company Law will be implemented from 1 July 2024. According to the PRC Company Law, companies established in the PRC are either limited liability companies or joint stock limited liability companies. The PRC Company Law applies to both PRC domestic companies and foreign-invested companies. On December 30, 2019, MOFCOM and SAMR promulgated the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》) which came into effect on January 1, 2020, repealing the Provisional Administrative Measures on Establishment and Modifications (Filing) for Foreign Investment Enterprises (《外商投資企業設立及變更備案管理暫行辦法》). Where foreign investors carry out investment activities directly or indirectly within China, foreign investors or foreign-invested companies shall report investment information to commerce departments. On September 6, 2024, MOFCOM and NDRC promulgated the Special Administrative Measures (Negative List) for Foreign Investment Access (Edition 2024) (《外商投資准入特別管理措施(負面清單)(2024年版)》), or the Negative List (2024), which became effective on November 1, 2024. The catering services and general food production and sales were not included in the Negative List (2024). Fields that are not included in the Negative List (2024) shall be regulated according to the principle of equal treatment of domestic and foreign investments.

On March 15, 2019, the SCNPC approved the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), and on December 26, 2019, the State Council promulgated the Implementing Rules of the Foreign Investment Law (《中華人民共和國外商投資法實施條例》), or the Implementing Rules, to further clarify and elaborate the relevant provisions of the Foreign Investment Law. The Foreign Investment Law and the Implementing Rules both took effect on January 1, 2020 and replaced three previous major laws on foreign investments in China, namely the Sino-foreign Equity Joint Venture Law (《中華人民共和國中外合資經營企業法》), the Sino-foreign Cooperative Joint Venture Law (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-owned Enterprise Law (《中華人民共和國外資企業法》), together with their respective implementing rules. Pursuant to the Foreign Investment Law, “foreign investments” refer to investment activities conducted by foreign investors (including foreign natural persons, foreign enterprises or other foreign organizations) directly or indirectly in the PRC, which include any of the following circumstances: (i) foreign investors setting up foreign-invested enterprises in the PRC solely or jointly with other investors, (ii) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within the PRC, (iii) foreign investors investing in new projects in the PRC solely or jointly with other investors, and (iv) investment of other methods as specified in laws, administrative regulations, or as stipulated by the State Council. The Implementing Rules introduce a see-through principle and further provide that foreign-invested enterprises that invest in the PRC shall also be governed by the Foreign Investment Law and the Implementing Rules.

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REGULATIONS ON BUSINESS OPERATION OF FOOD SERVICE INDUSTRY IN THE PRC

Food Safety Law and Implementation Rules

In accordance with the Food Safety Law of the PRC (《中華人民共和國食品安全法》), or the Food Safety Law, effective on June 1, 2009 and most recently amended on April 29, 2021, the State Council implemented a licensing system for food production and trading activities. A person or entity that engages in food production, food selling or catering services shall obtain the license in accordance with the Food Safety Law.

The Implementation Rules of the Food Safety Law (《中華人民共和國食品安全法實施條例》), effective on July 20, 2009 and last amended on October 11, 2019, further specifies the detailed measures to be taken for food producers and business operators and the penalties that shall be imposed should these required measures not be implemented.

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 administration 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 itself. 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 the State Council, and shall formulate and issue national food safety standards together with the food and drug administration 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 and the State Council.

As penalties for violation, the Food Safety Law sets out various legal liabilities in the form of warnings, orders to rectify, confiscations of illegal gains, confiscations of utensils, equipment, raw materials and other articles used for illegal production and operation, fines, recalls and destructions of food in violation of laws and regulations, orders to suspend production and/or operation, revocations of production and/or operation license, and even criminal punishment.

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

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Food Operation Licensing

According to the Administrative Measures for Food Operation Licensing and Record filing (《食品經營許可和備案管理辦法》) promulgated by the SAMR on June 15, 2023 and effective on December 1, 2023, entities involved in food selling and catering services within the PRC shall obtain the food operation license which is valid for 5 years except for certain circumstances. Applications of food operation license shall be filed according to food operators' types of operation and classification of operation projects. Food operators shall display their paper original food operation licenses or their electronic certificate prominently at their sites of operation. If the licensing items which are indicated on a food operation license change, the food operator shall, within 10 business days after the changes take place, apply with the market regulatory authority which originally issued the license for alteration of the operation license. Those who engage in food operation activities but failed to obtain a required food operation license shall be punished by the local market regulatory authorities at or above the county level according to Article 122 of the Food Safety Law.

Product Quality

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) promulgated on February 22, 1993 and most recently amended on December 29, 2018 by the SCNPC, the seller shall be responsible for the repair, replacement or return of the product sold if (i) the product sold does not possess the properties for use that it should possess, and no prior and clear indication is given of such a situation; (ii) the product sold does not conform to the applied product standard as carried on the product or its packaging; or (iii) the product sold does not conform to the quality indicated by such means as a product description or physical sample. If a consumer incurs losses because of purchased product, the seller shall compensate for such losses.

On May 28, 2020, the Civil Code of the PRC (《中華人民共和國民法典》), or the Civil Code, was adopted by the SCNPC, which became effective on January 1, 2021, according to which, a manufacturer or a commercial seller is subject to liability for harm to persons or property caused by the product defects. The infringed may seek compensation from the manufacturer or the commercial seller. Where the infringed seeks compensation from the commercial seller, the commercial seller shall have the right to make a claim against the liable manufacturer after it has made compensation.

Food Recall

The Administrative Measures for Food Recall (《食品召回管理辦法》) was promulgated by China Food and Drug Administration on March 11, 2015 and was most recently amended on October 23, 2020. According to the Administrative Measures for Food Recall, a food producer or business operator shall assume primary responsibilities for food safety by establishing a sound management system, collecting and analyzing food safety information and performing legal duties of the cease of production and operation as well as recall and disposal of unsafe food. Where a food producer finds that its production of food does not comply with

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the food safety standards, it shall cease the production, recall the food on the market for sale, notify the relevant producers and operators, as well as consumers, and record the recalling and notification at once. Where a food operator finds that the food traded by it does not comply with the food safety standards, it shall immediately cease the trading, notify the relevant producers and operators, as well as consumers, and record the cessation of operation and notification. Where the food producers consider that the food shall be recalled, the food shall be recalled immediately. The food producers are required to take such measures as remedy, destruction and harmless treatment for the recalled food, and report the recalling and treatment of the recalled food to the quality supervision department at or above the county level. Where the food producers or operators fail to recall or cease trading of the food and thus fail to comply with the food safety standards in accordance with the provisions of the laws, the quality supervision, administration for industry and commerce, food and drug supervision and administration departments at and above the county level shall order them to recall or cease the sale. Where any food operator violates the Administrative Measures for Food Recall and does not suspend the operation or proactively recall unsafe food in a timely manner, the competent authorities shall issue warnings to it and impose fines between RMB10,000 and RMB30,000.

Sanitation of the public assembly venue

The Regulation on the Administration of Sanitation in Public Places (《公共場所衛生管理條例》), effective on April 1, 1987 and as amended on February 6, 2016 and April 23, 2019, December 6, 2024 and most recently effective on January 20, 2025 and the Implementation Rules of the Regulation on the Administration of Sanitation in Public Places (《公共場所衛生管理條例實施細則》), effective on May 1, 2011 and as amended on January 19, 2016 and December 26, 2017, were promulgated by the Ministry of Health (currently known as National Health Commission of the People's Republic of China), respectively. The regulations were adopted to create favorable and sanitary conditions for the public assembly venues, prevent disease transmission and safeguard people's health. Depending on the requirements of the local health and family planning administrations, a restaurant is required to obtain a public assembly venue hygiene license from the local health authority after it applies for a business license to operate its business. The Decision of the State Council on the Integration of Sanitary Permits and Food Business Licenses in Public Places for Restaurant Services (《國務院關於整合調整餐飲服務場所的公共場所衛生許可證和食品經營許可證的決定》), which was promulgated by the State Council on February 3, 2016, cancels the hygiene permits issued by the local health authorities for four kinds of public places, including restaurants, cafes, bars and teahouses, and integrates the contents of the food safety into the food operation licenses issued by the food and drug regulatory authorities.

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REGULATIONS ON FOOD IMPORT AND EXPORT INSPECTION AND QUARANTINE IN THE PRC

Food Import and Export

Under the Food Safety Law as well as Implementing Rules on the Food Safety Law, the imported food, food additives and food-related products shall be consistent with the national food safety standards of China. A food importer shall apply for inspection with the import and export inspection and quarantine authority for the imported food and food additives, make truthful reports on the relevant information of products, and attach qualified documents as provided by the laws and administrative regulations. The imported food, after arrival at the port, shall be stored in the place designated or approved by the import and export inspection and quarantine authority; where relocation is required, necessary safety protection measures shall be taken in accordance with the requirements of the import and export inspection and quarantine authority. Bulk imported food shall be subject to inspection at the port of discharge. The Administrative Department of Health under the State Council shall, in compliance with the provisions of Article 93 of the Food Safety Law, review the relevant national (regional) standards or international standards submitted by overseas exporters, overseas production enterprises or their entrusted importers, and then decide to tentatively apply and publish such standards as found in line with food safety requirements. Before the publication of such tentative applicable standards, no import shall be conducted regarding food without national food safety standards yet.

Pursuant to the Measures for the Supervision and Administration of Inspection and Quarantine of Inbound Fruits (《進境水果檢驗檢疫監督管理辦法》), promulgated by the State Administration of Quality Supervision Inspection and Quarantine (cancelled) on January 5, 2005 and effective from July 5, 2005, and most recently amended by the General Administration of Customs on November 23, 2018 and effective from the same day, before entering into a trading contract or agreement for inbound fruits, an application for quarantine approval for inbound fruits shall be filed with the General Administration of Customs in accordance with relevant regulations and the License for Import Animal and Plant Quarantine of the PRC (《中華人民共和國進境動植物檢疫許可證》) shall be obtained. Inbound fruits shall be consistent with the relevant inspection and quarantine requirements. For example, other fruits not specified in the plant quarantine license shall not be mixed in or entrained; the name, source, name or code of the packing factory of fruits shall be tagged on the packing box in Chinese or English; quarantine pests, soil, and plant debris of branches and leaves prohibited in China shall not be brought in; and the volume of toxic and harmful substances examined shall not exceed as stipulated by relevant safety and health standards in China.

Foreign Trade

According to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》), or the Foreign Trade Law, promulgated by the SCNPC on May 12, 1994 and amended on December 30, 2022, since December 30, 2022, no registration of foreign trade operators is required. The PRC government allows the free import and export of goods and technologies, unless otherwise provided by laws and administrative regulations. Before December 30, 2022, pursuant to the pre-amendment Foreign Trade Law, a foreign trade operator who is engaged in the import and export of goods or technologies shall process the filing and registration with the foreign trade authority under the State Council or its entrusted agencies, unless otherwise provided by the laws, administrative regulations and requirements of the foreign trade authority under the State Council. Where a foreign trade operator fails to do so, Customs shall not handle the formalities for declaration and clearance of the goods imported or exported by the operator.

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Customs Law

According to the Customs Law of the PRC (《中華人民共和國海關法》), adopted by the SCNPC on January 22, 1987, most recently amended on April 29, 2021 and effective on the same date, the Customs of the People's Republic of China is the entry and exit customs supervision and administration authority of PRC. According to the relevant laws and administrative regulations, the Customs supervises the transportation vehicles, goods, luggage, postal articles and other articles entering and leaving the country, collects customs duties and other taxes and fees, prevents and counters smuggling, compiles customs statistics and handles other customs operations.

According to the Regulations of PRC Customs on Administration of Recordation of Declaration Entities (《中華人民共和國海關報關單位備案管理規定》), adopted by the General Administration of Customs on November 19, 2021 and effective on January 1, 2022, customs declaration entities refer to the consignees and consignors of import and export goods and customs declaration enterprises recorded with the customs. If the consignees and consignors of import and export goods and customs declaration enterprises apply for recordation, they shall obtain the qualification of market entities; among them, if the consignees and consignors of import and export goods apply for recordation, they shall also obtain the recordation of the foreign trade operators. The recordation of the customs declaration entities is valid for a long period of time, while the temporary recordation is valid for one year, after the expiry reapplication of recordation can be made.

REGULATIONS ON COMMERCIAL FRANCHISING

Pursuant to the Regulations on the Administration of Commercial Franchising (《商業特許經營管理條例》), or the Franchising Regulations, which promulgated by the State Council on February 6, 2007, and became effective on May 1, 2007, commercial franchising refers to the business activities where a franchisor, being an enterprise possessing registered trademarks, corporate logos, patents, proprietary technology, or other business resources, licenses through contracts its business resources to the franchisees, being other business operators, and the franchisees carry out business operation under a uniform business model and pay franchising fees to the franchisor pursuant to the contracts. The Franchising Regulations requires that any enterprise engaging in trans-provincial franchise business shall register with the MOFCOM, and any enterprise engaging in franchise business within one province shall register with the provincial counterpart of the MOFCOM. The Franchising Regulations also set forth a number of requirements for the franchisors and to govern the franchise agreements. For example, the franchisors and franchisees are required to enter into franchising agreements containing certain required terms, and the franchise term thereunder shall be no less than three years unless otherwise agreed by the franchisee.

On December 12, 2011, the MOFCOM promulgated the Administrative Measures for the Filing of Commercial Franchisees (《商業特許經營備案管理辦法》), which became effective on February 1, 2012, was most recently amended on December 29, 2023, and sets forth in detail the procedures and documents required for such filing, including, among other things, within

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15 days after executing the first franchise agreement, the franchisor shall file with the MOFCOM or its local counterparts for record, and if there occurs any change to the franchisor's business registration, business resources, and the distribution of all franchisee outlets throughout China, the franchisor shall apply to the MOFCOM for alteration within 30 days after the occurrence of such change. Furthermore, within the first quarter of each year, the franchisor shall report the execution, revocation, termination, and renewal of the franchise agreements occurring in the previous year to the MOFCOM or its local counterparts, the failure of which may subject the franchisor to an order of rectification and a fine up to RMB50,000.

Pursuant to the Administrative Measures on the Information Disclosure of Commercial Franchising (《商業特許經營信息披露管理辦法》), promulgated by the MOFCOM on April 30, 2007, amended on February 23, 2012 and effective on April 1, 2012, the franchisor shall disclose to franchisees a list of information in writing at least 30 days prior to the execution of the franchising agreements, such as basic information of the franchisor and the franchise activities, basic information of business resources owned by the franchisor and basic information on franchise expenses.

As of the Latest Practicable Date, we have already obtained the Record-filing for Commercial Franchise, and have not been subject to any material administrative penalties, mandatory rectifications, or other sanctions by any competent regulatory authorities in relation to commercial franchising. Based on the above, our PRC Legal Advisor is of the view that we had complied with the applicable laws and regulations regarding commercial franchising in all material aspects.

REGULATIONS ON FIRE PREVENTION

Pursuant to the Fire Prevention Law of the People's Republic of China (《中華人民共和國消防法》), promulgated by the SCNPC on April 29, 1998 and recently amended on April 29, 2021, and the Interim Provisions on the Administration of Examination and Acceptance of Fire Prevention Design of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》), promulgated by the Ministry of Housing and Urban-Rural Development on April 1, 2020 effective on June 1, 2020 and most recently amended on August 21, 2023, fire acceptance should be completed for special construction projects which meet certain conditions. The construction project that fails to complete the required as-built acceptance check on fire prevention shall be ordered by the relevant governmental authorities to close down and shall be imposed a fine between RMB30,000 and RMB300,000. Special construction projects that have not passed the fire prevention inspection or the fire prevention inspection are prohibited from being put into use. Construction projects other than special construction projects shall go through the fire safety acceptance filing, and the competent housing and urban-rural development authorities shall conduct random inspections on the fire safety acceptance of other construction projects filed. If the construction projects fail to pass the random inspection on fire safety acceptance, such projects shall be suspended.

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On August 12, 2015, the Ministry of Public Security promulgated Eight Measures to Deepen Reform and Serve Economic and Social Development (《公安消防部門深化改革服務經濟社會發展八項措施》), or the Eight Measures. According to the Eight Measures, construction projects with an investment of less than RMB300,000 or a construction area of less than 300 square meters is not required to obtain the as-built acceptance check on fire prevention or fire safety filing, and competent authorities of housing and urban-rural development at the provincial level may formulate detailed rules of implementation pursuant to these measures.

REGULATIONS ON REAL ESTATE LEASING

According to the PRC Civil Code (《中華人民共和國民法典》) which became effective on January 1, 2021, an owner of immovable or movable property is entitled to possession, use, earnings, and disposal of such property in accordance with the law. Subject to the consent of the lessor, the lessee may sublease the leased premises to a third party. Where a lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. The lessor is entitled to terminate the lease if the lessee subleases the premises without the consent of the lessor. In addition, if the ownership of the leased premises changes during the lessee's possession in accordance with the terms of the lease contract, the validity of the lease contract shall not be affected.

On December 1, 2010, the Ministry of Housing and Urban-Rural Development promulgated the Administrative Measures on Leasing of Commodity Housing (《商品房屋租賃管理辦法》), which became effective on February 1, 2011. According to such measures, the lessor and the lessee are required to complete property leasing registration and filing formalities within 30 days from the execution of the property lease agreement with the development authorities or real estate authorities of the municipality or county where the leased property is located. If a company fails to do, it may be ordered to rectify within a stipulated period, and if such company fails to rectify, a fine ranging from RMB1,000 to RMB10,000 may be imposed on each lease agreement.

REGULATIONS ON ADVERTISING

The Advertising Law of the PRC (《中華人民共和國廣告法》), or the Advertising Law, was promulgated by the SCNPC on October 27, 1994, and was most recently amended on April 29, 2021, which applies to the commercial advertising activities conducted by business operators or service providers within the territory of PRC to directly or indirectly introduce their commodities or services through a certain medium and form.

According to the Advertising Law, advertisements shall not contain any false or misleading information, and shall not deceive or mislead customers. Each advertiser, advertising agent or advertisement publisher shall comply with laws and regulations, act in good faith, and conduct the fair competition when engaging in advertising activities. In an advertisement, the statements regarding the performance, function, place of origin, use, quality, ingredients, price, producer, valid period and guarantees of the product, or the content,

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provider, form, quality, price and guarantees of the service, shall be accurate, clear and explicit. Failure to comply with the Advertising Law may subject the violators to punishment, including but not limited to fine, confiscating advertising fees, suspension of the advertisement publishing business, revocation of business license, or revocation of advertisement censorship.

REGULATIONS ON ANTI-UNFAIR COMPETITION

Anti-Unfair Competition Law

The principal legal provisions governing market competition are set out in the Anti-unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》), or the Anti-Unfair Competition Law, which was promulgated by the SCNPC on September 2, 1993, and amended on November 4, 2017, and April 23, 2019, respectively. In accordance with the Anti-Unfair Competition Law, operators should abide by the principles of voluntariness, equality, fairness, honesty, and integrity, and abide by laws and recognized business ethics when trading in the market. When an operator disrupts the competition order and infringes the legitimate rights and interests of other operators or consumers in violation of the Anti-Unfair Competition Law, its behavior constitutes unfair competition. When the legitimate rights and interests of an operator are damaged by unfair competition, the operator may file a lawsuit with the people's court. If an operator violates the provisions of the Anti-Unfair Competition Law, engages in unfair competition, and causes damage to another operator, it shall be liable for damages. If the damage suffered by the injured operator is difficult to ascertain, it shall be determined in accordance with the profit obtained by the infringer through the infringement. The infringer shall also bear all reasonable expenses paid by the infringed operator to cease the infringement.

Price Law

According to the Price Law of the PRC (《中華人民共和國價格法》), or the Price Law, which was promulgated by the SCNPC on December 29, 1997 and effective on May 1, 1998, business operators are prohibited from engaging in unfair pricing activities, including manipulating market prices, dumping commodities at a price lower than cost, manipulation of prices, deception of consumers or other business operators by using false or misleading prices, and price discrimination. If a business operator violates the Price Law, he/she shall be subject to administrative penalties, such as warning, cessation of illegal activities, confiscation of illegal gains, being fined not more than five times the illegal gains thereof, and the business operator may be ordered to suspend business for rectification or the business license may be revoked in severe circumstances.

REGULATIONS ON CONSUMER PROTECTIONS

The Law of the PRC on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》) was promulgated on October 31, 1993 and amended on August 27, 2009 and October 25, 2013, to protect consumers' rights when they purchase or use goods and accept services. All business operators must comply with this law when they

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manufacture or sell goods and/or provide services to consumers. Under the amendments made on October 25, 2013, all business operators must pay high attention to protecting consumers' privacy and must strictly keep confidential any consumer information they obtain during their business operations.

REGULATIONS ON CYBER SECURITY AND INFORMATION SECURITY

Cyber Security

According to the National Security Law of the PRC (《中華人民共和國國家安全法》) promulgated by the SCNPC on July 1, 2015, which became effective on the same day, the state shall establish systems and mechanisms for national security review and supervision, conduct national security review on key technology and network information technology products and services related to state security, so as to prevent and neutralize state security risks in an effective way.

The PRC Cyber Security Law (《中華人民共和國網絡安全法》), or the Cyber Security Law, which was promulgated by the SCNPC on November 7, 2016 and became effective on June 1, 2017, requires a network operator, including internet information services providers among others, to adopt technical measures and other necessary measures in accordance with applicable laws and regulations as well as compulsory national and industrial standards to safeguard the safety and stability of network operations, effectively respond to network security incidents, prevent illegal and criminal activities, and maintain the integrity, confidentiality and availability of network data. The Cyber Security Law emphasizes that any individual or organization that uses networks shall not endanger network security or use networks to engage in unlawful activities such as those endangering national security, economic order and social order or infringing the reputation, privacy, intellectual property rights and other lawful rights and interests of others.

In addition, the CAC and the NDRC, the MIIT, the Ministry of Public Security, the Ministry of State Security, the Ministry of Finance, or the MOF, the MOFCOM, the People's Bank of China, or the PBOC, the SAMR, the National Radio and Television Administration, the CSRC and the National Administration of State Secrets Protection and State Cipher Code Administration jointly promulgated the Measures for Cyber Security Review (《網絡安全審查辦法》), or the Cyber Security Review, on December 28, 2021, which became effective on February 15, 2022. The Cyber Security Review specifies that the procurement of network products and services by critical information infrastructure operators and the activities of data process carried out by online platform operators, that raise or may raise "national security" concerns are subject to strict cyber security review by the Office of Cyber Security Review established by the CAC. In addition, an online platform operator that possess the personal data of at least one million users must apply for cyber security review by the Cyber Security Review Office if it plans on listing companies in foreign countries. The Cyber Security Review Office may voluntarily conduct a cyber security review if any network products and services, activities of data process or listing of companies overseas affects or may affect national

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security. Pursuant to the Cyber Security Review, any violation shall be punished in accordance with the Cyber Security Law, the sanctions under which include, among others, government enforcement actions and investigations, fines, penalties and suspension of our noncompliant operations.

Information Security

The Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), or the Personal Information Protection Law, was promulgated by the SCNPC on August 20, 2021 and became effective on November 1, 2021. Instead of relying solely on “notification and consent” as established in the Cyber Security Law, the Personal Information Protection Law reiterates the circumstances under which a personal information processor could process personal information and the requirements for such circumstances, such as when (i) the individual’s consent has been obtained; (ii) the processing is necessary for the conclusion or performance of a contract to which the individual is a party; (iii) the processing is necessary to fulfill statutory duties and statutory obligations; (iv) the processing is necessary to respond to public health emergencies or protect a natural person’s life, health and property safety under emergency circumstances; (v) the personal information that has been made public is processed within a reasonable scope in accordance with this law; (vi) personal information is processed within a reasonable scope to conduct news reporting, public opinion-based supervision and other activities in the public interest; or (vii) under any other circumstance as provided by any law or regulation. It also stipulates the obligations of a personal information processor. Any violation of the provisions and requirements under the Personal Information Protection Law may subject a personal information processor to rectifications, warnings, fines, suspension of the related business, revocation of licenses, being entered into the relevant credit record or even criminal liabilities.

In addition, on February 4, 2015, the CAC promulgated the Regulations on the Administration of Internet User Account Names (《互聯網用戶賬號名稱管理規定》), which became effective on March 1, 2015 and requires that internet information service providers shall implement security management responsibilities, improve user service agreements, prevent users from having illegal and bad information in the registration information, such as account name, avatar and profile, equip professionals appropriate to the service scale, review the registration information, such as account name, avatar and profile submitted by internet users, and refuse to register those containing illegal and bad information. Internet information service providers shall consciously accept social supervision, and timely deal with illegal and bad information in registration information such as account name, avatar and profile reported by the public. Service providers shall also, in accordance with the principle of “real name at the back and voluntary at the front” require users to register their account after passing the authentication of real identity information.

Moreover, on June 10, 2021, the SCNPC promulgated the Data Security Law of PRC (《中華人民共和國數據安全法》), or the Data Security Law, which became effective on September 1, 2021. The Data Security Law mainly sets forth specific provisions regarding establishing basic systems for data security management, including hierarchical data

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classification management system, risk assessment system, monitoring and early warning system, and emergency disposal system. In addition, it clarifies the data security protection obligations of organizations and individuals carrying out data activities and implementing data security protection responsibility.

Further, on September 24, 2024, the State Council issued the Regulation on the Administration of Cyber Data Security (《網絡數據安全管理條例》) (the “**Cyber Data Security Regulation**”), which came into effect from January 1, 2025. The Cyber Data Security Regulation stipulated certain requirements on network data processing activities, the security and protection of network data, and the reasonable and effective use of network data, and further shed light on the protection of personal information, security of important data, management of cross-border security of network data and obligations of network platform service providers. The Cyber Data Security Regulation required, among others, where network data processing activities carried out by a network data processor affect or may affect national security, national security review shall be conducted in accordance with relevant PRC regulations. However, as the Cyber Data Security Regulation provided no further explanation or interpretation for “affect or may affect national security”, if we were deemed having carried out any network data processing activities that “affect or may affect national security”, we may be subject to the national security review under article 13 of the Cyber Data Security Regulation, failing which may subject us to fines, penalties, suspension of relevant business and revocation of relevant business permits, and thus our business operations may be adversely affected.

Collection and Use of Online Personal Information

On January 23, 2019, the CAC, the MIIT, the Ministry of Public Security, and the SAMR jointly issued the Notice on Special Governance of Illegal Collection and Use of Personal Information via Apps (《關於開展App違法違規收集使用個人信息專項治理的公告》), which restates the requirement of legal collection and use of personal information, encourages app operators to conduct security certifications, and encourages search engines and app stores to clearly mark and recommend those certified apps.

On November 28, 2019, the CAC, MIIT, the Ministry of Public Security and SAMR jointly issued the Measures to Identify Illegal Collection and Usage of Personal Information by Apps (《App違法違規收集使用個人信息行為認定方法》), which came into effect on the same day and lists six types of illegal collection and usage of personal information, including “non-disclosure of collection and use rules,” “failure to expressly state the purpose, method and scope of collecting and using personal information,” “collection or use of personal information without the consent of users,” “collection of personal information unrelated to the services they provide in violation of the principle of necessity,” “provision of personal information without consent,” “failure to provide the function of deleting or correcting personal information in accordance with the law” and “failure to disclose the information such as ways of filing complaints and whistleblowing reports.”

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On July 22, 2020, the MIIT issued the Notice of Ministry of Industry and Information Technology on Carrying out Special Rectification Actions in Depth against the Infringement upon Users' Rights and Interests by Apps (《工業和信息化部關於開展縱深推進APP侵害用戶權益專項整治行動的通知》), which lists four types of illegal collection and usage of personal information, including “illegally processing personal information of users by the App and the SDK,” “setting up obstacles and frequently harassing users,” “cheating and misleading users” and “inadequate implementation of application distribution platforms' responsibilities.”

On March 12, 2021, the CAC, the MIIT, the Ministry of Public Security, and the SAMR jointly issued the Circular on Issuing the Rules on the Scope of Necessary Personal Information for Common Types of Mobile Internet Applications (《關於印發<常見類型移動互聯網應用程序必要個人信息範圍規定>的通知》), according to which, Apps include apps pre-installed or to be downloaded and installed on a smart mobile terminal, as well as mini programs developed to connect to an open platform of a mobile app via its API that can be used without being installed by users.

In December 2011, the MIIT issued Several Provisions on Regulating the Market Order of Internet Information Services (《規範互聯網信息服務市場秩序若干規定》), which provides that an internet information service provider may not collect any user's personal information or provide any such information to third parties without such user's consent. Pursuant to the Several Provisions on Regulating the Market Order of Internet Information Services, internet information service providers are required to, among others, (i) expressly inform the users of the method, content and purpose of the collection and processing of such users' personal information and may only collect such information necessary for the provision of its services; and (ii) properly maintain the users' personal information, and in case of any leak or possible leak of a user's personal information, online lending service providers must take immediate remedial measures and, in severe circumstances, make an immediate report to the telecommunications regulatory authority.

Pursuant to the Decision on Strengthening the Protection of Online Information (《關於加強網絡信息保護的決定》), issued by the SCNPC in December 2012, and the Order for the Protection of Telecommunication and Internet User Personal Information (《電信和互聯網用戶個人信息保護規定》) issued by the MIIT in July 2013, any collection and use of any user's personal information must be subject to the consent of the user, and abide by the applicable law, rationality and necessity of the business and fall within the specified purposes, methods and scopes in the applicable laws. Personal information processors shall take necessary measures to ensure the security of the personal information processed, and the rights of data subjects include the right to rectification and right to erasure.

Personal Information Protection in Criminal Law

Pursuant to the Ninth Amendment to the Criminal Law of the PRC (《中華人民共和國刑法修正案(九)》), issued by the SCNPC on August 29, 2015 and effective on November 1, 2015, any network service provider that fails to fulfill the obligations related to internet information security administration as required by applicable laws and refuses to rectify upon

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orders will be subject to criminal liability for causing (i) any dissemination of illegal information in large scale; (ii) any leakage of the users' information with serious consequences; (iii) any loss of evidence of criminal activities with serious circumstances; or (iv) any other serious circumstances. In addition, any individual or entity that (i) sells or provides personal information to others unlawfully, or (ii) steals or illegally obtains any personal information, will be subject to criminal liability in serious circumstances.

On May 8, 2017, the Supreme People's Court and the Supreme People's Procuratorate released the Interpretations of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens' Personal Information (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》), or the Interpretations, which became effective on June 1, 2017. The Interpretations clarify several concepts regarding the crime of "infringement of citizens' personal information" stipulated by Article 253A of the Criminal Law of the PRC (《中華人民共和國刑法》), including "citizens' personal information," "violation of relevant national provisions," "provision of citizens' personal information" and "illegally obtaining any citizens' personal information by other methods." In addition, the Interpretations specify the standards for determining "serious circumstances" and "particularly serious circumstances" of this crime. On October 21, 2019, the Supreme People's Court and the Supreme People's Procuratorate jointly issued the Interpretations on Certain Issues Regarding the Applicable of Law in the Handling of Criminal Case Involving Illegal Use of Information Networks and Assisting Committing Internet Crimes (《最高人民法院、最高人民檢察院關於辦理非法利用信息網絡、幫助信息網絡犯罪活動等刑事案件適用法律若干問題的解釋》), which became effective on November 1, 2019, and further clarifies the meaning of internet service operators and the serious circumstance of the relevant crimes. Failure to comply with the above laws and regulations regarding cyber security, information security, privacy and data protection may subject the internet service providers or data processors to administrative penalties including, without limitation, warnings, fines, suspension of business operation, the shutdown of websites or apps, revocation of licenses and even criminal liabilities.

REGULATIONS ON ENVIRONMENTAL PROTECTION

Environmental Protection Law

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), or the Environmental Protection Law, became effective on December 26, 1989, and was most recently amended on April 24, 2014. The Environmental Protection Law has been formulated for the purpose of protecting and improving both the living and the ecological environment, preventing and controlling pollution and other public hazards and safeguarding people's health. According to the Environmental Protection Law, in addition to other applicable laws and regulations of the PRC, the Ministry of Environmental Protection and its local counterparts are responsible for administering and supervising environmental protection matters. Pursuant to the Environmental Protection Law, construction projects that have environmental impact shall be subject to an environmental impact assessment. Installations for the prevention and control

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of pollution in construction projects must be designed, built and commissioned together with the principal construction plan of the project. Such installations shall not be dismantled or left idle without authorization from the competent government agencies. Consequences of violations of the Environmental Protection Law include warnings, fines, rectification within a time limit, forced shutdown, or criminal punishment.

Laws on Environment Impact Assessment

Pursuant to the Law of the People's Republic of China on Environment Impact Assessment (《中華人民共和國環境影響評價法》), issued on October 28, 2002 and most recently amended on December 29, 2018, the State Council implemented an environmental impact assessment, or EIA, to classify construction projects according to the impact of the construction projects on the environment. Constructing entities shall prepare an environmental impact report, or an EIR, or an environmental impact statement, or an EIS, or fill out the environmental impact registration form, or the EIRF, according to the following rules: (i) for projects with potentially serious environmental impacts, an EIR shall be prepared to provide a comprehensive assessment of their environmental impacts; (ii) for projects with potentially mild environmental impacts, an EIS shall be prepared to provide an analysis or specialized assessment of the environmental impacts; and (iii) for projects with very small environmental impacts, an EIS is not required but an EIRF shall be completed.

On November 30, 2020, the Ministry of Ecology and Environment of the PRC promulgated the Classified Administration Catalog of Environmental Impact Assessments for Construction Projects (2021 version) (《建設項目環境影響評價分類管理名錄(2021年版)》), or Classified Administration Catalog (2021 version), which became effective on January 1, 2021. According to Classified Administration Catalog (2021 version), projects that fall into certain catalogue shall be included in the management of EIA of construction projects.

REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

Trademark Law

Registered trademarks are protected under the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated on August 23, 1982 and most recently amended on April 23, 2019, and related rules and regulations. Trademarks are registered with the Trademark Office of China National Intellectual Property Administration. Where registration is sought for a trademark that is identical or similar to another trademark which has already been registered or given preliminary examination and approval for use in the same or similar category of commodities or services, the application for registration of this trademark may be rejected. Trademark registrations are effective for 10 years which may be renewed for consecutive 10-year periods upon request by the trademark owner, unless otherwise revoked.

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Patent Law

The Patent Law of the People's Republic of China (《中華人民共和國專利法》) promulgated by the SCNPC on March 12, 1984, most recently amended on October 17, 2020 and effective on June 1, 2021, and its implementation rules (《中華人民共和國專利法實施細則》), which were promulgated by the China Patent Office on January 19, 1985 and most recently amended by the State Council on December 11, 2023 and effective on January 20, 2024, provide for three types of patents: “invention,” “utility model” and “design.” “Invention” refers to any new technical solution in relation to a product, or a process or improvement thereof; “utility model” refers to any new technical solution relating to the shape, structure, or their combination, of a product, which is suitable for practical use; “design” refers to a new design that is aesthetic and suitable for industrial application for the overall or partial shape, pattern or its combination of products, as well as the combination of color, shape and pattern. The validity period of patent for an “invention” is 20 years, while the validity period of patent for a “utility model” is 10 years and that of a “design” is 15 years, from the date of application.

Copyright Law

Pursuant to the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》) promulgated by the SCNPC on September 7, 1990 and most recently amended on November 11, 2020 and effective on June 1, 2021, Chinese citizens, legal persons or unincorporated organizations shall, whether published or not, enjoy copyright in their works in accordance with the law. Unless otherwise provided in the Copyright Law of the People's Republic of China and other related system, laws and regulations, reproducing, distributing, performing, projecting, broadcasting or compiling a work or communicating the same to the public via an information network without permission from the owner of the copyright therein shall constitute infringements of copyrights. The infringer shall, according to the circumstances of the case, undertake to cease the infringement, eliminate impact, and offer an apology, pay damages and other civil liabilities. In exercising the rights, copyright owners and copyright-related rights holders shall not be in violation to the Constitution and laws nor prejudice to public interests. According to the Measures for the Registration of Computer Software Copyright issued by the Ministry of Machine Building and Electronics Industry (《計算機軟件著作權登記辦法》) (currently incorporated into the Ministry of Industry and Information Technology) on April 6, 1992 and most recently amended on June 18, 2004 and effective on July 1, 2004, and the Regulations on Protection of Computer Software (《計算機軟件保護條例》) promulgated by the State Council on June 4, 1991 and most recently amended on January 30, 2013 and effective on March 1, 2013, the State Copyright Administration shall be responsible for the administration of software copyright registration nationwide, and the China Copyright Protection Center is recognized as the software registration authority. Applicants of computer software copyright satisfying the requirements of the Measures for the Registration of Computer Software Copyright and the Regulations on Protection of Computer Software will be issued a registration certificate by the China Copyright Protection Center.

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Domain Names

Pursuant to the Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》), promulgated by the Ministry of Industry and Information Technology on August 24, 2017 and effective on November 1, 2017, the MIIT supervises and administers domain services nationwide. The principle of “first come, first serve” is followed for the domain name registration service. Applicants of domain name registration shall provide the domain name registration authority with true, accurate and complete information about the identity of the domain name holder for registration purpose, and sign a registration agreement with it. After completing the domain name registration, the applicant becomes the holder of the domain name registered by him/her/it.

REGULATIONS ON LABOR RIGHT AND INTERESTS

Labor Law and Labor Contracts Law

According to the Labor Law of the PRC (《中華人民共和國勞動法》) promulgated on July 5, 1994 and amended on August 27, 2009 and December 29, 2018, enterprises shall establish and improve their system of workplace safety and sanitation, strictly abide by state rules and standards on workplace safety, and conduct employee training on labor safety and sanitation in the PRC. Labor safety and sanitation facilities shall comply with statutory standards. Enterprises and institutions shall provide employees with a safe workplace and sanitation conditions which are in compliance with applicable laws and regulations of labor protection. The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) promulgated on June 29, 2007 and amended on December 28, 2012, and the Implementation Rules of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) promulgated on September 18, 2008, set out specific provisions in relation to the execution, terms and termination of a labor contract and the rights and obligations of the employees and employers, respectively. At the time of hiring, the employers shall truthfully inform the employees of the scope of work, working conditions, working place, occupational hazards, work safety, salary and other matters which the employees request to be informed about.

Work Safety

Under relevant construction safety laws and regulations, including the PRC Work Safety Law (《中華人民共和國安全生產法》), which was promulgated by the SCNPC on June 29, 2002, most recently amended on June 10, 2021, and effective on September 1, 2021, production and operating business entities must establish objectives and measures for work safety and improve the working environment and conditions for workers in a planned and systematic way. A work safety protection scheme must also be set up to implement the work safety job responsibility system. In addition, production and operating business entities must arrange work safety training and provide their employees with protective equipment that meets the national or industrial standards.

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Social Insurance

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was promulgated on October 28, 2010, became effective on July 1, 2011 and most recently amended on December 29, 2018, and the Interim Regulations on the Collection of Social Insurance Fees (《社會保險費徵繳暫行條例》) issued by the State Council on January 22, 1999 and most recently amended on March 24, 2019, employees shall participate in basic pension insurance, basic medical insurance and unemployment insurance. Basic pension, medical and unemployment insurance contributions shall be paid by both employers and employees. Employees shall also participate in work-related injury insurance and maternity insurance. Work-related injury insurance and maternity insurance contributions shall be paid by employers rather than employees. Pursuant to the Notice of the General Office of the State Council on Issuing the Plan for the Pilot Program of Combined Implementation of Maternity Insurance and Basic Medical Insurance for Employees (《國務院辦公廳關於印發<生育保險和職工基本醫療保險合併實施試點方案>的通知》) and the Opinions of the General Office of the State Council on Comprehensively Promoting the Implementation of the Combination of Maternity Insurance and Basic Medical Insurance for Employees (《國務院辦公廳關於全面推進生育保險和職工基本醫療保險合併實施的意見》) promulgated on January 19, 2017 and March 6, 2019, maternity insurance and basic medical insurance for employees shall be consolidated. According to the Social Insurance Law of PRC, employers must carry out social insurance registration at the local social insurance agency, provide social insurance and pay or withhold the relevant social insurance premiums for or on behalf of employees. For employers failing to conduct social insurance registration, the administrative department of social insurance shall order them to make corrections within a prescribed time limit; if they fail to do so within the time limit, employers shall have to pay a penalty over one time but no more than three times of the amount of the social insurance premium payable by them. Where an employer fails to pay social insurance premiums in full or on time, the social insurance premium collection agency shall order it to pay or make up the balance within a prescribed time limit, and shall impose a daily late fee at the rate of 0.05% of the outstanding amount from the due date; if still failing to pay within the time limit prescribed, a fine of one time to three times the amount in default will be imposed on them by the competent administrative department.

Housing Provident Fund

Pursuant to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) which was promulgated on April 3, 1999 and amended on March 24, 2002 and March 24, 2019, employers shall timely pay the housing provident fund in full and overdue or insufficient payment shall be prohibited. Employers shall process the housing provident fund payment and deposit registration in the housing provident fund administrative center. For enterprises which violate the above laws and regulations and fail to apply for housing provident fund deposit registration or open housing provident fund accounts for their employees, the housing provident fund administrative center shall order the relevant enterprises to make corrections within a designated period. Those enterprises failing to process registration provident fund accounts for their employees within designated period shall be subject to a fine ranging from RMB10,000 to RMB50,000. When enterprises violate those provisions and fail

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to pay the housing provident fund in full amount as due, the housing provident fund administrative center will order such enterprises to pay up the amount within a prescribed period; if those enterprises still fail to comply with the regulations upon the expiration of the above-mentioned time limit, further application will be made to the People's Court for mandatory enforcement.

REGULATIONS ON TAX IN THE PRC

Income Tax Law

According to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), promulgated by the National People's Congress on March 16, 2007, most recently amended on December 29, 2018 and effective on the same date, and the Enterprise Income Tax Implementation Regulations (《中華人民共和國企業所得稅法實施條例》), promulgated by the State Council on December 6, 2007, most recently amended on December 6, 2024 and effective on January 20, 2025, enterprises are divided into resident enterprises and non-resident enterprises. Resident enterprises are enterprises which are set up in China in accordance with the law, or which are set up in accordance with the law of a foreign country (region) whose actual administration institution is in China. Non-resident enterprises are enterprises which are set up in accordance with the law of a foreign country (region) and whose actual administrative institution is not in China, but which have institutions or establishments in China, or have no such institutions or establishments but have income generated from inside China. Resident enterprises are subject to a uniform 25% enterprise income tax rate on their worldwide income. The enterprise income tax rate is reduced to 20% for qualifying small low-profit enterprises. The high-tech enterprises that need full support from the PRC's government will enjoy a 15% preferential tax rate for Enterprise Income Tax.

Value-Added Tax

Pursuant to the Provisional Regulations on Value-Added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council on December 13, 1993, most recently amended on November 19, 2017 and effective on the same date, and the Detailed Rules for the Implementation of the Interim Regulations of the People's Republic of China on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the Ministry of Finance on December 25, 1993 most recently amended on October 28, 2011, and effective on November 1, 2011, all entities or individuals in the PRC engaged in the sale of goods, processing services, repair and replacement services, and the provision of services, sales of intangible assets, real estate and importation of goods are required to pay value-added tax, or the VAT. Unless otherwise provided, taxpayers engaged in provision of services and sales of intangible assets are subject to a tax rate of 6%. On December 25, 2024, the SCNPC promulgated the Value-Added Tax Law of the People's Republic of China (《中華人民共和國增值稅法》), which will become effective on January 1, 2026 and the above provisional regulations will be abolished. According to the Notice on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (Cai Shui No. 36) (《關於全面推開營業稅改徵增值稅試點的通知》(財稅第36號)), promulgated by

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the Ministry of Finance and the State Administration of Taxation on March 23, 2016, effective on May 1, 2016, and amended on July 11, 2017, December 25, 2017 and March 20, 2019, with the approval of the State Council, as of May 1, 2016, the pilot program of replacing business tax with VAT shall be implemented across the country, all business tax taxpayers in the construction industry, the real estate industry, the financial industry, and the living service industry shall be included in the scope of the pilot program, and the payment of business tax shall be replaced by the payment of VAT.

REGULATIONS ON M&A AND OVERSEAS LISTING IN THE PRC

Under the Rules on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), or the M&A Rules, which were jointly adopted by six PRC regulatory authorities, including the CSRC, on August 8, 2006, and became effective on September 8, 2006, and most recently amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when (i) such foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise via an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. According to the M&A Rules, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/her/him, acquires a domestic company which is related to or connected with it/her/him, approval from MOFCOM is required.

On July 6, 2021, the General Office of the CPC Central Committee, or the Central Committee, and the General Office of the State Council jointly published the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》). These opinions indicate that the PRC government will take measures to strengthen regulation over illegal securities activities and supervision on overseas securities offerings and listings of China-based companies.

On February 17, 2023, with the approval of the State Council, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》), or the Trial Administrative Measures, and relevant guidelines, which became effective on March 31, 2023.

According to the Trial Administrative Measures, PRC domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedure and submit relevant information to the CSRC; if a domestic company fails to complete the filing procedure or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties, such as an order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines. If the issuer meets both of the following conditions, the

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overseas offering and listing shall be determined as an indirect overseas offering and listing by a domestic company: (i) any of the total assets, net assets, revenues or profits of the domestic operating entities of the issuer in the most recent accounting year accounts for more than 50% of the corresponding figure in the issuer's audited consolidated financial statements for the same period; and (ii) its major operational activities are carried out in China or its main places of business are located in China, or the senior managers in charge of operation and management of the issuer are mostly Chinese citizens or are domiciled in China. Where a domestic company seeks to indirectly offer and list securities in an overseas market, the issuer shall designate a major domestic operating entity responsible for all filing procedures with the CSRC, and where an issuer makes an application for offering and listing in an overseas market, the issuer shall submit filings with the CSRC within three business days after such application is submitted. Failure to complete the filing under the Trial Administrative Measures may subject a PRC domestic company to rectification ordered by the CSRC, a warning and a fine of RMB1 million to RMB10 million.

Besides, PRC domestic companies seeking to overseas offering and listing shall strictly comply with the laws, administrative regulations and relevant provisions of the PRC government on foreign investment, state-owned assets, industry regulation, overseas investment, etc., shall not disrupt domestic market order, and shall not harm national interests, public interest and the legitimate rights and interests of domestic investors. PRC domestic companies that conducts overseas offering and listing shall (i) formulate their articles of association, improve their internal control system and standardize their corporate governance, financial affairs and accounting activities in accordance with the PRC Company Law, the PRC Accounting Law and other PRC laws, administrative regulations and applicable provisions; (ii) abide by the legal system of the PRC on confidentiality and take necessary measures to implement the confidentiality responsibility, not divulge any state secret or the work secrets of state authorities, and also comply with laws, administrative regulations and the relevant provisions of the PRC where involved in the overseas provision of personal information and important data. In addition, the Trial Administrative Measures also provide the circumstances where the overseas offering and listing is explicitly prohibited, including: (i) such securities offering and listing are explicitly prohibited by specific PRC laws and regulations; (ii) such securities offering and listing constitute a threat to or endanger national security; (iii) the PRC domestic company, or its controlling shareholder(s) and the actual controller, has committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the PRC domestic company is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or the actual controller.

On February 24, 2023, the CSRC and other three relevant government authorities jointly promulgated the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Issuance and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》), where a domestic enterprise provides

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or publicly discloses any document or material that involving state secrets and working secrets of state agencies to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, it shall report to the competent department with the examination and approval authority for approval in accordance with the law, and submit to the secrecy administration department of the same level for filing. The working papers formed within the territory of the PRC by the securities companies and securities service agencies that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be kept within the territory of the PRC, and cross-border transfer shall go through the examination and approval formalities in accordance with the relevant provisions of the State.

REGULATIONS ON FOREIGN EXCHANGE

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》), which was promulgated by the State Council on January 29, 1996 and was most recently amended on August 5, 2008. Pursuant to these regulations and other PRC rules and regulations on currency conversion, Renminbi is freely convertible for payments of current account items, such as trade-and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside China unless prior approval of the State Administration of Foreign Exchange, or the SAFE, or its local counterpart is obtained.

On February 13, 2015, SAFE promulgated the Notice on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》), according to which, entities and individuals may apply for such foreign exchange registrations from qualified banks. The qualified banks, under the supervision of SAFE, may directly review the applications and conduct the registration. On March 30, 2015, SAFE promulgated the Circular on Reforming the Management Approach regarding the Settlement of Foreign Capital of Foreign-invested Enterprise (《關於改革外商投資企業外匯資本金結匯管理方式的通知》), or the SAFE Circular 19, which was last amended on March 23, 2023. According to the SAFE Circular 19, the foreign exchange capital of foreign-invested enterprises shall be subject to the Discretionary Foreign Exchange Settlement, which means that the foreign exchange capital in the capital account of a foreign-invested enterprise for which the rights and interests of monetary contribution have been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operational needs of the foreign-invested enterprise, and if a foreign-invested enterprise needs to make further payment from such account, it still needs to provide supporting documents and proceed with the review process with the banks. Furthermore, the SAFE Circular 19 stipulates that the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. The capital of a foreign-invested enterprise and capital in Renminbi obtained by the foreign-invested enterprise from foreign exchange settlement shall not be used for the following purposes: (i) directly or indirectly used for payments beyond the business scope of the enterprises or

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payments as prohibited by relevant laws and regulations; (ii) directly or indirectly used for investment in securities unless otherwise provided by the relevant laws and regulations; (iii) directly or indirectly used for granting entrust loans in Renminbi (unless permitted by the scope of business), repaying inter-enterprise borrowings (including advances by the third-party) or repaying the bank loans in Renminbi that have been sub-lent to third parties; or (iv) directly or indirectly used for expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

The Circular of Further Simplifying and Improving Foreign Exchange Administration Policies on Foreign Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》), or the SAFE Circular 13, which became effective on June 1, 2015 and was amended on December 30, 2019, cancels the administrative approvals of foreign exchange registration of direct domestic investment and direct overseas investment and simplifies the procedure of foreign exchange-related registration. Pursuant to SAFE Circular 13, investors should register with banks for direct domestic investment and direct overseas investment.

The Circular on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《關於改革和規範資本項目結匯管理政策的通知》), or the SAFE Circular 16 was promulgated by SAFE on June 9, 2016 and amended on December 4, 2023. Pursuant to the SAFE Circular 16, enterprises registered in the PRC may also convert their foreign debts from foreign currency to Renminbi on a self-discretionary basis. The SAFE Circular 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC Laws, while such converted Renminbi shall not be provided as loans to its non-affiliated entities.

On January 26, 2017, SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification (《關於進一步推進外匯管理改革完善真實合規性審核的通知》), which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including: (i) banks should check board resolutions regarding profit distribution, the original version of tax filing records, and audited financial statements pursuant to the principle of genuine transactions; and (ii) domestic entities should hold income to account for previous years' losses before remitting the profits. Moreover, pursuant to this circular, domestic entities should make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts, and other proof when completing the registration procedures in connection with an outbound investment.

On October 23, 2019, the SAFE promulgated the Notice for Further Advancing the Facilitation of Cross-border Trade and Investment (《關於進一步促進跨境貿易投資便利化的通知》), amended on December 4, 2023, which, among other things, allows all foreign invested enterprises, or FIEs, to use Renminbi converted from foreign currency denominated capital for equity investments in China, as long as the equity investment is genuine, does not violate applicable laws, and complies with the negative list on foreign investment. According to the Circular of the State Administration for Foreign Exchange on Optimizing Foreign Exchange

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Administration to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》), promulgated by the SAFE and effective on April 10, 2020, the reform of facilitating the payments of incomes under the capital accounts shall be promoted nationwide. Under the prerequisite of ensuring true and compliant use of funds and compliance with the prevailing administrative provisions on use of income from capital projects, enterprises which satisfy the criteria are allowed to use income under the capital account, such as capital funds, foreign debt and overseas listing, for domestic payment, without the need to provide proof materials for veracity to the bank beforehand for each transaction.

REGULATIONS ON FOREIGN EXCHANGE REGISTRATION OF OVERSEAS INVESTMENT BY PRC RESIDENTS

On July 4, 2014, SAFE promulgated the Notice on Relevant Issues Relating to Domestic Residents' Investment and Financing and Round-Trip Investment through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or the Circular 37, to simplify the approval process, and for the promotion of the cross-border investment. Circular 37 supersedes the Notice on Relevant Issues on the Foreign Exchange Administration of Raising Funds through Overseas Special Purpose Vehicle and Investing Back in China by Domestic Residents (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) and revises and regulates the relevant matters involving foreign exchange registration for round-trip investment. Under Circular 37, (i) a resident in mainland China must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle, or an Overseas SPV, that is directly established or indirectly controlled by the PRC resident to conduct investment or financing; and (ii) following the initial registration, PRC resident must update his or her SAFE registration when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term, increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions).

Under the SAFE Circular 13, the aforementioned registration shall be directly reviewed and handled by qualified banks, and SAFE and its branches shall perform indirect regulation over the foreign exchange registration via qualified banks.

Failure to comply with the registration procedures outlined in Circular 37 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the payment of dividends and other distributions to its offshore parent or affiliate, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations. PRC residents who control the company from time to time are required to register with the SAFE in connection with their investments in the company. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under applicable laws for evasion of foreign exchange controls.

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REGULATIONS ON STOCK INCENTIVE PLANS

On February 15, 2012, SAFE promulgated the Notice on Foreign Exchange Administration of PRC Residents Participating in Share Incentive Plans of Offshore Listed Companies (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), or the Stock Option Rules. According to the Stock Option Rules, individuals participating in any stock incentive plan of any overseas publicly listed company who are Chinese citizens or foreign citizens who reside in mainland China for a continuous period of not less than one year, subject to a few exceptions, are required to register with SAFE or its local branches and complete certain other procedures through a domestic qualified agent, which could be a Chinese subsidiary of such overseas listed company, and complete certain other procedures. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase, and sale of corresponding stocks or interests, and fund transfers. In addition, the agent in mainland China is required to further amend the SAFE registration concerning the stock incentive plan if there is any material change to the stock incentive plan, the mainland Chinese agent or the overseas entrusted institution, or other material changes. The mainland Chinese agents must, on behalf of the mainland Chinese residents who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the mainland Chinese residents' exercise of the employee share options. The foreign exchange proceeds received by the mainland Chinese residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas-listed companies must be remitted into the bank accounts in mainland China opened by the mainland Chinese agents before distribution to such mainland Chinese residents. Under the Circular of the State Administration of Taxation on Issues Concerning Individual Income Tax concerning Equity Incentives (《國家稅務總局關於股權激勵有關個人所得稅問題的通知》) promulgated by the SAT and effective on August 24, 2009, listed companies and their domestic organizations shall, according to the individual income tax calculation methods for "wage and salary income" and stock option income, lawfully withhold and pay individual income tax on such income.

REGULATIONS ON DIVIDEND DISTRIBUTION

The principal regulations governing the distribution of dividends of foreign-invested enterprises include the PRC Company Law, the Foreign Investment Law and the Implementation Rules of the Foreign Investment Law. Under these laws and regulations, foreign-invested enterprises in China may pay dividends only out of their accumulated after-tax profits, if any, determined following PRC accounting standards and regulations. In addition, foreign-invested enterprises in China are required to allocate at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds until these reserves have reached 50% of the registered capital of the enterprises. A PRC company shall not distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year. Wholly foreign-owned companies may, at their discretion, allocate a portion of their after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserves are not distributable as cash dividends.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Pursuant to the Acting-in-Concert Arrangement, Mr. Wang, Mr. Qi, Mr. Ruan, Ms. Pan and their intermediate holding companies acknowledge and confirm that, at any meeting of our Group where each of them and/or the directors appointed by them is entitled to vote on corporate matters as shareholders or directors, each of them shall discuss and reach consensus on such corporate matters and act in concert, provided that, if no consensus can be reached after full discussions, they will act according to the decision of Mr. Wang. For details, see the section headed “History, Reorganization and Corporate Structure — Acting-in-Concert Arrangement” of this prospectus.

Immediately after the completion of the Global Offering and assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised

- (i) Mr. Wang, through Modern Leaves Limited which is owned by (i) Nascent Leaves Limited, which is in turn wholly-owned by a trust established by Mr. Wang as the settlor with his family members being the beneficiaries, as to 99.0%; and (ii) Ancient Leaves Limited, which is wholly owned by Mr. Wang, as to 1.0%, will be interested in and control 939,441,461 Shares;
- (ii) Mr. Qi, through Chivalrous Lancers Limited which is owned by (i) Chivalrous Knights Limited, which is in turn wholly-owned by a trust established by Mr. Qi as the settlor with his family members being the beneficiaries, as to 99.0%; and (ii) Chivalrous Cavalry Limited, which is wholly owned by Mr. Qi, as to 1.0%, will be interested in and control 429,999,961 Shares;
- (iii) Mr. Ruan, through Cousin Tea Limited which is owned by (i) Nephew Tea Limited, which is in turn wholly-owned by a trust established by Mr. Ruan as the settlor with his family members being the beneficiaries, as to 99.0%; and (ii) Uncle Tea Limited, which is wholly owned by Mr. Ruan, as to 1.0%, will be interested in and control 298,782,650 Shares;
- (iv) Ms. Pan, through Spring Equinox Drinks Limited which is owned by (i) Summer Solstice Drinks Limited, which is in turn wholly-owned by a trust established by Ms. Pan as the settlor with her family members being the beneficiaries, as to 99.0%; and (ii) Winter Solstice Drinks Limited, which is wholly owned by Ms. Pan, as to 1.0%, will be interested in and control 60,036,800 Shares; and

by virtue of the Acting-in-Concert Arrangement, Mr. Wang, Mr. Qi, Mr. Ruan, Ms. Pan, Modern Leaves Limited, Ancient Leaves Limited, Nascent Leaves Limited, Chivalrous Lancers Limited, Chivalrous Cavalry Limited, Chivalrous Knights Limited, Cousin Tea Limited, Uncle Tea Limited, Nephew Tea Limited, Spring Equinox Drinks Limited, Winter Solstice Drinks Limited and Summer Solstice Drinks Limited will together be interested in and control 1,728,260,872 Shares, representing approximately 74.09% of our issued Shares.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Therefore, Mr. Wang, Mr. Qi, Mr. Ruan, Ms. Pan, Modern Leaves Limited, Ancient Leaves Limited, Nascent Leaves Limited, Chivalrous Lancers Limited, Chivalrous Cavalry Limited, Chivalrous Knights Limited, Cousin Tea Limited, Uncle Tea Limited, Nephew Tea Limited, Spring Equinox Drinks Limited, Winter Solstice Drinks Limited and Summer Solstice Drinks Limited will constitute a group of Controlling Shareholders upon the Listing.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and its close associates after the Listing.

Management Independence

Our business is managed by our Board and senior management. Upon Listing, our Board will consist of nine Directors comprising five executive Directors, one non-executive Director and three independent non-executive Directors. Mr. Wang, Mr. Ruan and Mr. Qi, each an executive Director, are also our Controlling Shareholders. For more information, please see the section headed “Directors and Senior Management.”

Our Directors consider that our Board and senior management are capable of operating our business and managing all actual or potential conflicts of interest independently of our Controlling Shareholders and their close associates after Listing because:

- (a) each Director is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the interest of our Company and does not allow any conflict between his duties as a Director and his personal interests;
- (b) our daily management and operations are carried out by our executive Directors and the members of our senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group. Further, a majority of our senior management team are independent of our Controlling Shareholders;
- (c) we have three independent non-executive Directors, representing one-third of the Board. The independent non-executive Directors will represent an element of independence at the board level, and certain matters of our Company must always be referred to the independent non-executive Directors for review, to protect the interests of our Company and the Shareholders as a whole;
- (d) in the event that there is a material conflict of interest arising out of any transaction to be entered into between our Group and a Director or his or her respective associates, the interested Director shall abstain from voting and shall not be counted in the quorum in respect of such transactions; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. Please see “— Corporate Governance Measures” in this section for further information.

Based on the above, our Directors believe that our Board as a whole and together with our senior management team are able to perform the managerial role our Group independently.

Operational Independence

Our Directors believe that our Group is operationally independent from the Controlling Shareholders and their close associates. Our Company (through our subsidiaries) holds all relevant licenses. We own or are legally licensed to use all relevant intellectual properties and own facilities necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders. We also have independent access to our customers and independent departments, each with specific areas of responsibilities. We have adopted a set of internal control procedures to maintain effective and independent operation of our business.

In addition, we have established our internal organizational and management structure which includes shareholders’ meetings, our Board and other committees, and formulated the terms of reference of these bodies in accordance with the requirements of the applicable laws and regulations, the Listing Rules and the Articles of Association, so as to establish a regulated and effective corporate governance structure.

We entered into continuing connected transaction with certain associates of our Controlling Shareholders. The transactions include procurement of packaging materials and raw materials. See section headed “Connected Transactions” for more details on such continuing connected transactions. Considering that the amounts of the relevant transactions during the Track Record Period are not significant to our Group, our Directors believe that such transactions will not have any impact on the operational independence of our Group.

Financial Independence

Our financial system and financial operations are independent from our Controlling Shareholders and their close associates. Our Group makes financial decisions according to our own business needs and our Group’s financial operations are handled by our finance team, without sharing any financial management functions or resources with our Controlling Shareholders or their close associates.

There was no outstanding loans or guarantees or other financial assistance provided by, or granted to, our Controlling Shareholders or their associates as of the Latest Practicable Date.

Based on the above, our Directors believe that our business is financially independent of our Controlling Shareholders and their close associates.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Competition

Our Controlling Shareholders confirm that as of the Latest Practicable Date, they did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders' interests. We have adopted the following measures to ensure good corporate governance standards and to avoid potential conflicts of interest between our Group and our Controlling Shareholders:

- (a) where a Shareholders' meeting is held to consider proposed transactions in which our Controlling Shareholders or any of their associates is, under the Listing Rules, required to abstain, our Controlling Shareholder(s) shall abstain from voting and their votes shall not be counted in respect of such transactions;
- (b) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with our Controlling Shareholders or any of their associates, our Company will comply with the applicable Listing Rules;
- (c) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (d) our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the purpose of their annual review;
- (e) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its interim and annual reports or by way of announcements as required by the Listing Rules;
- (f) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expense;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (g) we have appointed Altus Capital Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and
- (h) we have established our audit committee, remuneration committee and nominating committee with written terms of reference in compliance with the Listing Rules and the Code of Corporate Governance and Corporate Governance Report in Appendix C1 to the Listing Rules.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Controlling Shareholders, and to protect our minority Shareholders' interests after the Listing.

CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, the following transactions that we enter into with our connected persons will constitute connected transactions upon the Listing.

OUR CONNECTED PERSONS

We have entered into certain transactions in the ordinary course of our business with the following connected persons, which will constitute continuing connected transactions following the Listing :

Name	Connected relationship
Zhejiang Mingxing Packaging Co., Ltd. (浙江茗星包装有限公司) (“ Zhejiang Mingxing Packaging ”)	Zhejiang Mingxing Packaging is wholly-owned by Mr. Zhao Jianhua, the uncle of Mr. Wang. Accordingly, Zhejiang Mingxing Packaging is deemed a connected person of our Company under the Listing Rules.
Zhejiang Yunqi Investment Co., Ltd. (浙江雲奇投資有限公司) (“ Zhejiang Yunqi ”) and its subsidiaries	Zhejiang Yunqi is owned by Mr. Wang, Mr. Qi, Mr. Ruan and Ms. Pan as to 44.8%, 29.0%, 23.2% and 3.0%, respectively. Accordingly, Zhejiang Yunqi is an associate of Mr. Wang, Mr. Qi and Mr. Ruan and constitutes a connected person of our Company under the Listing Rules.

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

We have entered into the following transactions that will constitute continuing connected transactions under Rule 14A.31 of the Listing Rules upon Listing:

Transaction	Applicable Listing Rule	Waiver sought	Proposed annual cap for the year ending December 31,		
			2025	2026	2027
<i>(RMB million)</i>					
Non-exempt continuing connected transaction					
1. Procurement of packaging materials by our Group from Zhejiang Mingxing Packaging	Rule 14A.35 Rule 14A.36 Rule 14A.105	Announcement, independent shareholders’ approval, circular	316.20	392.09	491.68

CONNECTED TRANSACTIONS

Transaction	Applicable Listing Rule	Waiver sought	Proposed annual cap for the year ending December 31,		
			2025	2026	2027
<i>(RMB million)</i>					
Partially-exempt continuing connected transaction					
2. Procurement of raw materials by our Group from Zhejiang Yunqi	Rule 14A.35 Rule 14A.76(2) Rule 14A.105	Announcement	32.92	43.54	54.60

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Procurement of packaging materials

On January 24, 2025, our Company (for itself and on behalf of other members of our Group) entered into a framework agreement (the “**Packaging Material Procurement Agreement**”) with Zhejiang Mingxing Packaging, pursuant to which we agreed to purchase packaging materials, including but not limited to insulated bags, plastic cups, paper cups and cup lids, from Zhejiang Mingxing Packaging after Listing.

The initial term of the Packaging Material Procurement Agreement will commence on the Listing Date and end on December 31, 2027 (both days inclusive). Separate underlying agreements will be entered into which will set out the precise scope of procurements, purchase price calculation, method of payment and other details of the procurement arrangement in the manner provided in the Packaging Material Procurement Agreement.

Reasons for the transaction

Zhejiang Mingxing Packaging has been a reliable supplier of packaging materials for our Group. Through the business cooperation, Zhejiang Mingxing Packaging has acquired a comprehensive understanding of our need for packaging materials and has been continuously providing packaging materials with high quality and tailored for our need. The Directors consider that entering into the Packaging Material Procurement Agreement with Zhejiang Mingxing Packaging will enable us to secure a stable supply of high-quality packaging materials at reasonable prices.

Pricing policy

The purchase price of the packaging materials as contemplated under the Packaging Material Procurement Agreement shall be determined on an arm’s length basis with reference to a variety of factors, including but not limited to the types, quality, specifications, quantities and manufacturing costs of packaging materials to be purchased and the prevailing market price of the relevant packaging materials that can be procured from independent third parties

CONNECTED TRANSACTIONS

by the Group. Our Group would obtain at least three other quotations from independent third party suppliers for similar packaging materials on a regular basis to determine if the prices and terms offered by Zhejiang Mingxing Packaging are fair and reasonable and comparable to those offered by independent third parties.

The Directors consider that the transactions under the Packaging Material Procurement Agreement will be conducted on normal commercial terms or better and in the interests of our Company and its Shareholders as a whole.

Historical amounts, annual caps and basis of annual caps

Back in 2019, the Group commenced procurement of packaging materials from Anhui Taili Packaging Co., Ltd. (安徽省台麗包裝有限公司) (“**Anhui Taili Packaging**”). Anhui Taili Packaging is a company established in the PRC in 2018 which was principally engaged in the production of packaging materials at the relevant time and was then controlled by Mr. Zhao Jianhua until it was sold to independent third parties in March 2023. Since May 2023, the Group commenced the procurement of packaging materials from Zhejiang Mingxing Packaging, which is a company established in the PRC in 2020 which is principally engaged in the production of packaging materials. In June 2023, as one of our five largest suppliers during the year ended December 31, 2022 experienced significant disruption in its production, our procurement of packaging materials from this supplier has significantly decreased since then, and, from June 2023, we significantly increased our procurement of packaging materials from Zhejiang Mingxing Packaging, which has been providing packaging material with high quality and tailored for our need to us at competitive prices. In addition to Anhui Taili Packaging and Zhejiang Mingxing Packaging, the Group also procured packaging materials from other suppliers during the Track Record Period.

For the years ended December 31, 2021 and 2022, the aggregate procurement amounts of packaging materials from Anhui Taili Packaging amounted to approximately RMB63.7 million and RMB44.0 million, respectively. For the year ended December 31, 2023, the aggregate procurement amounts of packaging materials from Anhui Taili Packaging and Zhejiang Mingxing Packaging amounted to approximately RMB161.6 million (such figure took into account the aggregate procurement amounts of packaging materials from Anhui Taili Packaging from January to March 2023 only, prior to it being sold to independent third parties). The increase in procurement amounts during the year ended December 31, 2023 as compared with that during each of the year ended December 31, 2021 and 2022 was primarily due to the above-mentioned reason where one of our five largest suppliers during the year ended December 31, 2022 experienced significant disruption in its production in June 2023 and we significantly increased our procurement of packaging materials from Zhejiang Mingxing Packaging since June 2023. In particular, the aggregate procurement amounts of packaging materials from Zhejiang Mingxing Packaging for the seven months from June to December 2023 amounted to approximately RMB154.9 million. For the nine months ended September 30, 2024, the aggregate procurement amounts of packaging materials from Zhejiang Mingxing Packaging amounted to approximately RMB193.9 million.

CONNECTED TRANSACTIONS

For the years ending December 31, 2025, 2026 and 2027, the relevant annual caps for the procurement of packaging materials are expected to be RMB316.20 million, RMB392.09 million and RMB491.68 million, respectively.

The annual caps were determined taking into account the following key factors:

- (a) the aforesaid historical transaction amounts during the Track Record Period in relation to the procurement of packaging materials from Zhejiang Mingxing Packaging, in particular the aggregate procurement amounts of packaging materials from Zhejiang Mingxing Packaging for the nine months from January to September 2024 of approximately RMB193.9 million (representing an annualised aggregate procurement amount of approximately RMB258.5 million);
- (b) the expected increase in our demand for packaging materials due to the potential growth of our sales volume as our total number of cups sold for the nine months ended September 30, 2024 has reached 989.5 million, representing a 16.7% year-over-year growth and we expect to continue to increase our store density in existing markets and expand our store network to new markets in China;
- (c) the expected increase in the types and specifications of packaging materials from Zhejiang Mingxing Packaging taking into account its high quality and the supply of packaging materials tailored for our need at competitive prices;
- (d) the expected increase in the proportion of our Group's overall procurement of packaging materials from Zhejiang Mingxing Packaging taking into account its high quality and the supply of packaging materials tailored for our need at competitive prices; and
- (e) the expected prices of packaging materials and the potential fluctuation in the prices.

Listing Rules implications

Since the highest of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules will be 5% or more, the procurement of packaging materials as contemplated under the Packaging Material Procurement Agreement will constitute continuing connected transactions of our Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14A.35 of the Listing Rules and the independent Shareholders' approval requirement under Rule 14A.36 of the Listing Rules.

CONNECTED TRANSACTIONS

PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Procurement of raw materials

On January 24, 2025, our Company (for itself and on behalf of other members of our Group) entered into a framework agreement (the “**Raw Materials Procurement Agreement**”) with Zhejiang Yunqi, pursuant to which we will procure raw materials such as Taiwan citrus lemons from the subsidiaries of Zhejiang Yunqi, including Yunnan Houan Agricultural Development Co., Ltd. (雲南後岸農業發展有限公司) and Yunnan Qining Agricultural Development Co., Ltd. (雲南奇寧農業發展有限公司), after Listing.

The initial term of the Raw Materials Procurement Agreement will commence on the Listing Date and end on December 31, 2027 (both days inclusive). Separate underlying agreements will be entered into which will set out the precise scope of procurements, purchase price calculation, method of payment and other details of the procurement arrangement in the manner provided in the Raw Materials Procurement Agreement.

Reasons for the transaction

The subsidiaries of Zhejiang Yunqi primarily engage in the business of supplying Taiwan citrus lemons. They have been a stable and reliable supplier of raw materials such as Taiwan citrus lemons for our Group since 2020. The stable business cooperation with the subsidiaries of Zhejiang Yunqi provides us with access to fresh and high-quality raw materials at reasonable prices.

Pricing policy

The purchase price of the raw materials as contemplated under the Raw Materials Procurement Agreement shall be determined on an arm’s length basis with reference to a variety of factors, including but not limited to the types, quality, quantities of raw materials to be purchased and the prevailing market prices of the relevant raw materials that can be procured from independent third parties by the Group. Our Group would obtain at least three other quotations from independent third-party suppliers for similar raw materials on a regular basis to determine if the prices and terms offered by the subsidiaries of Zhejiang Yunqi are fair and reasonable and comparable to those offered by independent third parties.

The Directors consider that the transactions under the Raw Materials Procurement Agreement will be conducted on normal commercial terms or better and in the interests of our Company and its Shareholders as a whole.

Historical amounts, annual caps and basis of annual caps

The Group procured raw materials such as Taiwan citrus lemons from the subsidiaries of Zhejiang Yunqi and other suppliers during the Track Record Period. For the years ended December 31, 2021, 2022 and 2023 and the nine months ended September 30, 2024, the

CONNECTED TRANSACTIONS

aggregate procurement amounts of raw materials from the subsidiaries of Zhejiang Yunqi amounted to approximately RMB5.0 million, RMB18.1 million, RMB14.8 million and RMB11.4 million, respectively. The increase in procurement amounts of raw materials from the subsidiaries of Zhejiang Yunqi from the year ended December 31, 2021 to the year ended December 31, 2022 was primarily driven by the increase in sales of our relevant products during the same period. The slight decrease in procurement amount from the subsidiaries of Zhejiang Yunqi during the year ended December 31, 2023 was attributable to certain adverse weather condition affecting the planting bases operated by one of the subsidiaries of Zhejiang Yunqi, leading to a decrease in the quantity of raw materials supplied, which caused the Company to procure the relevant raw materials from other suppliers during such period.

For the years ending December 31, 2025, 2026 and 2027, the relevant annual caps for the procurement of raw materials are expected to be RMB32.92 million, RMB43.54 million and RMB54.60 million, respectively.

The annual caps were determined taking into account the following key factors:

- (a) the aforesaid historical transaction amounts during the Track Record Period in relation to the procurement of raw materials from the subsidiaries of Zhejiang Yunqi, in particular the aggregate procurement from Zhejiang Yunqi of approximately RMB18.1 million during the year ended December 31, 2022;
- (b) the historical aggregate procurement during the year ended December 31, 2023 was impacted by certain one-off event, namely the adverse weather condition which affected the planting bases operated by one of the subsidiaries of Zhejiang Yunqi, leading to a decrease in the quantity of raw materials supplied during the same year as explained above;
- (c) the expected considerable amount of aggregate procurement from the subsidiaries of Zhejiang Yunqi for the year ended December 31, 2024 based on our aggregate procurement of approximately RMB11.4 million for the nine months ended September 30, 2024, as our overall procurement amounts of Taiwan citrus lemons usually increase significantly in the second half of a year due to the large-scale maturation of Taiwan citrus lemons starting from autumn for each year, leading to a substantial increase of the aggregate procurement amounts of Taiwan citrus lemons from the subsidiaries of Zhejiang Yunqi in winter;
- (d) the expected increase in sales of our relevant products due to its popularity, as our sales of Taiwan citrus lemons and products to the franchisees increased approximately 44% for the nine months ended September 30, 2024 as compared with the same period last year;

CONNECTED TRANSACTIONS

- (e) the expected continuous increase in the overall procurement of raw materials of our Group due to potential growth of our sales volume as we expect to continue to increase our store density in existing markets and expand our store network to new markets in China;
- (f) the expected increase in the proportion of our Group's overall procurement of raw materials from the subsidiaries of Zhejiang Yunqi taking into account its high quality and the supply of raw materials which were suitable for our need at competitive prices;
- (g) the expected prices of raw materials and the potential fluctuation in the prices; and
- (h) taking into account and on the basis of all the aforesaid factors, it is estimated that the aggregate procurement from the subsidiaries of Zhejiang Yunqi on an annual basis will increase significantly for the three years ending December 31, 2027 with a year-on-year increase of approximately 32% and 25%, for each of the years ending December 31, 2026 and 2027, respectively.

Listing Rules implications

Since the highest of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules will be 0.1% or more but less than 5%, pursuant to Rule 14A.76(2) of the Listing Rules, the procurement of raw materials as contemplated under the Raw Materials Procurement Agreement will be exempt from the circular (including the opinion and recommendation from an independent financial advisor) and the independent shareholders' approval requirements, but are subject to the announcement requirements under Rule 14A.35 of the Listing Rules and the annual reporting requirements under Rules 14A.49, 14A.71 and 14A.72 of the Listing Rules.

INTERNAL CONTROL PROCEDURES ADOPTED BY THE COMPANY IN RESPECT OF THE IMPLEMENTATION OF CONTINUING CONNECTED TRANSACTION FRAMEWORK AGREEMENTS

In order to ensure the terms under relevant framework agreements for the continuing connected transactions are fair and reasonable and are carried out on normal commercial terms or better, the Company has adopted the following internal control procedures:

- The Company has adopted and implemented a comprehensive management system on connected transactions for supervision, management and approval of the Company's connected transactions in accordance with relevant requirement of the Listing Rules;
- The independent non-executive Directors will review the non-fully exempt connected transactions annually to ensure that the agreements have been entered into on normal commercial terms or better, on terms that are fair and reasonable and

CONNECTED TRANSACTIONS

carried out in accordance with the terms of the framework agreements set out above. The auditor of the Company will also review annually the pricing policies and annual caps of such agreements; and

- The pricing of the connected transactions should be no less favorable to us compared with the prices provided by independent third parties. For prices of similar products and raw materials provided by independent third parties, we will conduct price enquiries and comparison on the market to ensure that pricings of relevant connected transactions are no less favorable than prices provided by independent third parties.

WAIVERS

In respect of the transactions as contemplated under the Packaging Material Procurement Agreement as described above, we have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement, circular and independent Shareholders' approval requirements under the Listing Rules pursuant to Rule 14A.105 of the Listing Rules.

In respect of the transactions as contemplated under the Raw Materials Procurement Agreement as described above, we have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement requirements under the Listing Rules pursuant to Rule 14A.105 of the Listing Rules.

DIRECTORS' CONFIRMATION

Our Directors (including independent non-executive Directors) are of the view that: (i) the continuing connected transactions set out above have been and will be entered into in our ordinary and usual course of business on normal commercial terms or better, on terms that are fair and reasonable, and in the interests of our Company and our Shareholders as a whole; and (ii) the proposed annual caps of the continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

JOINT SPONSORS' CONFIRMATION

Based on the documentation, information and data (including historical transaction amounts) provided by the Company and participation in the due diligence and discussion with the Company, the Joint Sponsors are of the view that: (i) the aforesaid continuing connected transactions for which a waiver has been sought have been and will be entered into in the Company's ordinary and usual course of business on normal commercial terms or better, that are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole; and (ii) the proposed annual caps of the continuing connected transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board consists of nine Directors, including five executive Directors, one non-executive Director, and three independent non-executive Directors. The following table sets forth certain information about the Directors.

Name	Age	Position	Date of Joining our Group	Date of Appointment as a Director	Major Responsibilities
Mr. Yun'an Wang (王雲安先生)	38	Founder, Chairman of the Board, Executive Director and Chief Executive Officer	June 12, 2018	August 31, 2021	Overseeing strategic and business direction and overall management of our Group
Mr. Xia Qi (戚俠先生).	38	Executive Director and President	June 12, 2018	May 18, 2022	Overseeing business development and franchisee management
Mr. Xiudi Ruan (阮修迪先生)	38	Executive Director	June 12, 2018	December 28, 2023	Product research and development
Ms. Yayu Jin (金雅玉女士)	35	Executive Director	June 12, 2018	December 28, 2023	Corporate culture development
Mr. Yunjiang Cai (蔡雲江先生)	40	Executive Director	June 12, 2018	December 28, 2023	Business development and franchisee management
Mr. Yaoxin Huang (黃堯鑫先生)	37	Non-executive Director	June 29, 2020	May 18, 2022	Providing advice and making recommendations to the Board
Mr. Yue Zhuo (卓越先生)	37	Independent Non-executive Director	Listing Date	Listing Date	Providing independent opinion and judgment to the Board
Ms. Xiaodong Zheng (鄭曉冬女士)	68	Independent Non-executive Director	Listing Date	Listing Date	Providing independent opinion and judgment to the Board
Mr. Jianbo Li (李建波先生)	54	Independent Non-executive Director	Listing Date	Listing Date	Providing independent opinion and judgment to the Board

Save as disclosed below, (i) none of our Directors had held any directorships in listed companies during the three years immediately prior to the Latest Practicable Date; (ii) none of our Directors and members of senior management are related to other Directors or members of senior management; and (iii) to the best knowledge, information and belief of our Company having made all reasonable enquiries, there is no other information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules or other material matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Yun'an Wang (王雲安先生), aged 38, is the founder, chairman of the Board, executive Director and chief executive officer of our Company.

Mr. Wang opened the first “*Good me*” store in 2010. Since then, he has been responsible for setting the strategies, directions and goals of the “*Good me*” brand for over a decade. Mr. Wang has acutely observed the changes and opportunities in the freshly-made beverage industry, and led us to maintain our industry-leading position as the industry continuously evolves. He has been serving as the chief executive officer of Guming Technology since its establishment in 2018. Mr. Wang received a bachelor’s degree in material science and engineering from Keyi College of Zhejiang Sci-Tech University (浙江理工大學科技與藝術學院) in June 2010.

Mr. Xia Qi (戚俠先生), aged 38, is an executive Director and the president of our Company, and oversees business development and franchisee management of our Group. Mr. Qi has worked with Mr. Wang since the early days of the “*Good me*” brand and was instrumental to its growth. Mr. Qi has made significant contributions to the initial establishment and ongoing operation of our franchisee committee, franchise training system, and various franchisee management measures of our Group. Mr. Qi was one of the initial shareholders of Guming Technology when it was established and has worked with Guming Technology since its establishment in June 2018. Prior to that, Mr. Qi worked at the Office of Safety Inspection of Fuhai township, Cixi city (慈溪市附海鎮安監所) from November 2011 to December 2013. Mr. Qi received a bachelor’s degree in electronics information science and technology from Keyi College of Zhejiang Sci-Tech University (浙江理工大學科技與藝術學院) in June 2010.

Mr. Xiudi Ruan (阮修迪先生), aged 38, is an executive Director of our Company, and focuses on our Group’s product research and development. Mr. Ruan has extensive experience and deep understanding of tea related research and procurement. Previously, Mr. Ruan was responsible for our Group’s store management, procurement and logistics. Mr. Ruan co-founded the “*Good me*” brand, and was instrumental to its growth. Mr. Ruan was one of the initial shareholders of Guming Technology when it was established and has been serving as a supervisor of Guming Technology since May 2020. Prior to that, Mr. Ruan worked as a sales agent of Taizhou Baoli Economics and Trade Co., Ltd. (台州寶利經貿有限公司) from September 2009 to February 2010. Mr. Ruan graduated from Hangzhou Vocational and Technical College (杭州職業技術學院) with a major in mold design and manufacturing in June 2009.

Ms. Yayu Jin (金雅玉女士), aged 35, is an executive Director of our Company, and focuses on our Group’s corporate culture development. Ms. Jin has worked with Mr. Wang in the early days of the “*Good me*” brand since 2016. She has served in multiple departments within our Group, mainly responsible for our Group’s overall administrative management, procurement of packaging materials, and enforcement of our Group’s anti-bribery policies, and was instrumental to the formation of our corporate culture. Prior to that, Ms. Jin worked at the

DIRECTORS AND SENIOR MANAGEMENT

Hangzhou office of Zhejiang Xixi Glass Co., Ltd. (浙江西溪玻璃有限公司駐杭州辦事處) as a human resources specialist from June 2013 to July 2016. From March 2012 to May 2013, she worked for Hangzhou Xingdong Chenggong Enterprise Management Co., Ltd. (杭州行動成功企業管理有限公司) as a teaching assistant of EMBA programs. Ms. Jin graduated from Zhejiang Changzheng Vocational and Technical College (浙江長征職業技術學院) with a major in office administration in June 2011.

Mr. Yunjiang Cai (蔡雲江先生) (with former name as Yunjiang Cai (蔡雲姜)), aged 40, is an executive Director of our Company, and focuses on our Group's business development and franchisee management, including franchisee development, store inspection and operational support. Mr. Cai has over a decade of experience in business development, has worked with Mr. Wang as early as in 2015 for the “*Good me*” brand, and was instrumental to its growth. Prior to that, Mr. Cai worked as a vice general manager of Xishuangbanna Jianfeng Media Co., Ltd. (西雙版納劍峰傳媒有限公司) from October 2013 to January 2015. Mr. Cai has been serving as the head of business development of Guming Technology since June 2018. Mr. Cai graduated from Huainan Normal University (淮南師範學院) with a major in digital commerce in July 2009.

Non-Executive Director

Mr. Yaixin Huang (黃垚鑫先生), aged 37, is a non-executive Director of our Company. Mr. Huang was appointed as our Director on May 18, 2022. Mr. Huang joined Ningbo Meishan Bonded Port Area Meixing Private Fund Management Co. Ltd. (寧波梅山保稅港區美興私募基金管理有限公司) in May 2018 and currently serves as a managing director. From July 2012 to May 2018, Mr. Huang worked at China International Capital Corporation (HKEX: 3908; SSE: 601995), with his last position as an executive director. Mr. Huang received a master's degree in finance from Renmin University of China in June 2012 and a bachelor's degree in financial engineering from Xiamen University in July 2009.

Independent Non-executive Directors

Mr. Yue Zhuo (卓越先生), aged 37, was appointed as an independent non-executive Director of our Company taking effect on the Listing Date. Mr. Zhuo has served as the director of DiDi Global Inc., or DiDi, since May 2024, and the chief financial officer of DiDi since April 2021. Mr. Zhuo joined DiDi in February 2017 as the deputy general manager of the ride hailing department and served as the vice president of finance and operation management of DiDi from December 2018 to April 2021. Prior to joining DiDi, Mr. Zhuo worked at Sculptor Capital Management Hong Kong Limited (formerly known as Och-Ziff Capital Management Hong Kong Limited) in Hong Kong from September 2014 to February 2017. Prior to that, Mr. Zhuo worked at Goldman Sachs (Asia) L.L.C. from February 2011 to August 2014 and Morgan Stanley Asia Limited from July 2009 to January 2011. While working in asset management firm and investment banks, Mr. Zhuo has gained the accounting and financial management expertise through (i) reviewing and analyzing financial statements, business plans and financial projections of potential investee companies to determine their investment merits and identify any financial issues; and (ii) overseeing and evaluating the financial performance of portfolio companies. Mr. Zhuo received a bachelor's degree in finance from Peking University in July 2009.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Xiaodong Zheng (鄭曉冬女士), aged 68, was appointed as an independent non-executive Director of our Company taking effect on the Listing Date. Ms. Zheng was appointed as the head of the Food Biological Science and Technology Research Center at Zhejiang University (浙江大學食品生物科學技術研究所) in January 2013. Prior to that, Ms. Zheng was appointed as the head of the Institute of Food Science at Zhejiang University (浙江大學食品科學研究所) in April 2006.

Ms. Zheng became a Qishi Distinguished Professor (求是特聘教授) of Zhejiang University in January 2011 and a professor of Zhejiang University in December 2000. Ms. Zheng became a Doctoral supervisor at Zhejiang University in January 2002, a recipient of special grants by the State Council of the PRC (國務院政府特殊津貼) in March 2011, and was recognized as an expert on the Agricultural Product Quality and Safety Expert Committee of the Agriculture Department of the PRC (農業部農產品質量安全專家組) in August 2011. Ms. Zheng received a master's degree in agronomy from Zhejiang Agricultural University (浙江農業大學) in July 1996 and a bachelor's degree in biology from Harbin Normal University (哈爾濱師範大學) in February 1982.

Mr. Jianbo Li (李建波先生), aged 54, was appointed as an independent non-executive Director of our Company taking effect on the Listing Date. From July 2022 to May 2024, Mr. Li served as a non-executive director of Plus Group Holdings Inc. (HKEX: 2486). Mr. Li has also been serving as the chief executive officer of Yonghui Fresh Food Development Co., Ltd. (永輝彩食鮮發展有限公司) since February 2020. Prior to that, in November 2016, Mr. Li founded Guangzhou Yoorstore Technology Co., Ltd. (廣州優思得科技有限公司) where he served as its director until January 2020. From March 2011 to April 2016, Mr. Li served as an executive vice president and subsequently the president of Yonghui Superstores Co., Ltd. (永輝超市股份有限公司) (SSE: 601933). From April 1999 to January 2011, he served as a director and partner at IBM (China) Co., Limited Guangzhou Branch (國際商業機器(中國)有限公司廣州分公司). From July 1995 to March 1999, he worked at the product supply department of Procter & Gamble (Guangzhou) Ltd. (廣州寶潔有限公司).

Mr. Li received a master's degree in management science from University of Science and Technology of China (中國科學技術大學) in June 1995 and a bachelor's degree in management science from the same university in July 1993.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The following table provides information about members of the senior management of our Company:

Name	Age	Position	Date of Joining the Group	Date of Appointment as Senior Management	Major Responsibilities
Mr. Yun'an Wang (王雲安先生)	38	Founder, Chairman of the Board, Executive Director and Chief Executive Officer	June 12, 2018	June 12, 2018	Overseeing strategic and business direction and overall management of our Group
Mr. Xia Qi (戚俠先生)	38	Executive Director and President	June 12, 2018	December 28, 2023	Overseeing business development and franchisee management of our Group
Mr. Jifeng Li (李繼鋒先生)	46	Chief Operating Officer	August 29, 2020	August 29, 2020	Overseeing business operations of our Group
Mr. Hailing Meng (孟海陵先生)	41	Chief Financial Officer	June 17, 2020	June 17, 2020	Overseeing capital operations and finance of our Group
Mr. Yu Qiang (強宇先生)	43	Chief Technology Officer	May 20, 2023	May 20, 2023	Overseeing technologies of our Group

Mr. Yun'an Wang (王雲安先生), aged 38, is the founder, chairman of the Board, executive Director and chief executive officer of our Company. For further details, please see the paragraphs headed “— Directors — Executive Directors” in this section.

Mr. Xia Qi (戚俠先生), aged 38, is an executive Director and the president of our Company. For further details, please see the paragraphs headed “— Directors — Executive Directors” in this section.

Mr. Jifeng Li (李繼鋒先生), aged 46, is the chief operating officer of our Company. Mr. Li has been serving as our chief operating officer since March 2022 and served as our chief technology officer from August 2020 to March 2022. Prior to joining our Group, Mr. Li served as the chief technology officer of Lvyue Group (旅悅集團) from January to August 2020 and the vice president of products at Blibee Trading Co., Ltd. (便利蜂商貿有限公司) from April 2017 to January 2020. Prior to that, Mr. Li worked at Beijing Qunar Software Technology Co., Ltd. (北京趣拿軟件科技有限公司), a subsidiary of Qunar Cayman Islands Limited, most recently as the chief executive officer of the hospitalities business unit from March 2012 to April 2017. Mr. Li received a master's degree in computer software and theories from the Institute of Computing Technology at the Chinese Academy of Sciences (中國科學院計算技術研究所) in August 2003, and both a bachelor's degree in computer science and a bachelor of art degree in Chinese language and literature from Tsinghua University in July 2000.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Hailing Meng (孟海陵先生), aged 41, is the chief financial officer of our Company. Prior to joining our Group in June 2020, Mr. Meng was the head of research at Zebra Global Capital between June 2016 and June 2020. Prior to joining Zebra Global Capital, Mr. Meng covered China's internet stocks as an equity research analyst for investment banks. He was an executive director at Goldman Sachs (Asia) L.L.C. from July 2015 to June 2016, a vice president at Morgan Stanley Asia Limited from June 2014 to July 2015, and a senior associate at Macquarie Capital Securities Limited from July 2012 to June 2014. Prior to that, Mr. Meng worked for iQiyi Inc. (NASDAQ: IQ) as a manager of strategic cooperation and investor relations from August 2011 to July 2012. Mr. Meng started his career as a consultant with Deloitte's Enterprise Risk Services (ERS) department in Hong Kong in September 2007. He received a master's degree in electrical and electronic engineering from the Hong Kong University of Science and Technology (HKUST) in November 2007 and a bachelor's degree in information engineering from Southeast University (東南大學) in June 2005.

Mr. Meng became a certified public accountant of the Chinese Institute of Certified Public Accountants (CICPA) in March 2015 and a chartered financial analyst (CFA) charterholder in May 2013. Mr. Meng also completed the CPA Qualification Programme of the Hong Kong Institute of Certified Public Accountants (HKICPA) and passed the professional examination for membership admission under the Professional Accountants Ordinance of Hong Kong in September 2009. He earned the highest score in the Asia geographical region on the June 2009 CISA (Certified Information Systems Auditor) examination by the Information Systems Audit and Control Association (ISACA).

Mr. Yu Qiang (強宇先生), aged 43, is the chief technology officer of our Company. Prior to joining our Group in May 2023, Mr. Qiang served as the vice general manager of Lepu Medical Technology (SZSE: 300003; SIX: LEPU) from December 2020 to May 2023. Prior to that, Mr. Qiang served as the chief technology officer of Luckin Coffee (Beijing) Co., Ltd. (瑞幸咖啡(北京)有限公司), first joining the company in October 2017. Prior to that, Mr. Qiang worked for over a decade at China Auto Renting Inc. (北京神州汽車租賃有限公司), most recently as its chief technology officer. Mr. Qiang received a bachelor's degree in applied chemistry from Beijing University of Technology (北京工業大學) in July 2003.

JOINT COMPANY SECRETARIES

Mr. Saibin Wang (王賽斌先生), aged 33, is one of our joint company secretaries. Mr. Wang has been serving as a senior finance manager of our Company since May 2022. Prior to joining us, Mr. Wang served as a finance BP (business partner) of Hangzhou Kuaidi Technology Co., Ltd. (杭州快迪科技有限公司) from July 2021 to May 2022, a finance manager of Hangzhou Duiba Internet Technology Co., Ltd. (杭州兑吧網絡科技有限公司) from April 2018 to July 2021 and a joint company secretary of its parent company, Duiba Group Ltd. (HKEX: 1753), from August 2018 to June 2021. Prior to that, Mr. Wang was a senior auditor of Ernst & Young from October 2014 to April 2018. Mr. Wang became a certified public accountant of the Chinese Institute of Certified Public Accountants (CICPA) in January 2021. Mr. Wang received a bachelor's degree in accounting from Zhejiang University of Finance and Economics (浙江財經大學) in June 2014.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Ying Man Sham (岑影文女士), is one of our joint company secretaries. Ms. Sham is a manager of the Company Secretarial Services Division of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. She has over 25 years of experience in the corporate secretarial field. Ms. Sham currently holds company secretary/joint company secretary positions in other companies listed on the Stock Exchange, including Hilong Holding Limited (HKEX: 1623), Honma Golf Limited (HKEX: 6858), WuXi Biologics (Cayman) Inc. (HKEX: 2269) and BrainAurora Medical Technology Limited (HKEX: 6681). Ms. Sham obtained a bachelor degree in business administration from Lingnan College (now known as Lingnan University). She is a Chartered Secretary, a Chartered Governance Professional and an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom, respectively.

LEGAL PROCEEDINGS INVOLVING ONE OF OUR DIRECTORS

Mr. Yue Zhuo, in his capacity as the chief financial officer of Didi, has been named as one of the defendants in (i) an ongoing securities class action lawsuit against Didi in the United States District Court for Southern District of New York (the “**Federal Court**”), captioned *In re Didi Global Inc. Securities Litigation*, No. 1:21-cv-05807-LAK (the “**Federal Action**”); and (ii) an ongoing securities class action lawsuit against Didi in the state court in New York (the “**State Court Action**”, together with the Federal Action, the “**Class Actions**”). The plaintiffs in the Class Actions brought similar allegations that the registration statement and prospectus prepared for Didi’s initial public offering (“**IPO**”) on June 30, 2021 contained material misstatements and omissions. In the Class Actions, plaintiffs seek monetary damages for alleged losses suffered as a result of these alleged misrepresentations or omissions.

By way of background for the Federal Action, starting in July 2021, Didi and certain of its officers and directors were named as defendants in several putative securities class actions filed in federal court in New York and California. These actions alleged, in sum and substance, that the registration statement and prospectus prepared for Didi’s IPO on June 30, 2021 contained material misstatements and omissions in violation of the Securities Act of 1933, the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. In September 2021, plaintiffs voluntarily dismissed all actions filed in federal court in California. On October 12, 2021, the Federal Court appointed lead plaintiffs and lead counsel and consolidated the remaining federal actions under the caption *In re Didi Global Inc. Securities Litigation*, No. 1:21-cv-05807-LAK. Lead plaintiffs in the consolidated action filed a consolidated amended complaint on January 7, 2022. Didi moved to dismiss the consolidated amended complaint on March 8, 2022. In response, lead plaintiffs further amended their complaint, filing a second amended complaint on May 5, 2022. On June 3, 2022, Didi moved to dismiss the second amended complaint. On March 14, 2024, the Federal Court denied Didi and other defendants’ motion to dismiss plaintiffs’ second amended complaint in the Federal Action. Discovery in the Federal Action is currently ongoing. Separately, for the State Court Action, in December 2021, Didi and certain of its officers and directors were named as defendants in a putative securities class action filed in state court in New York, which similarly alleges that the registration statement and prospectus prepared for the IPO contained material misstatements and omissions in violation of the Securities Act of 1933. As the Class Actions remain in process, we cannot predict the timing, outcome or consequences of the Class Actions.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhuo confirmed that he has consistently acted in good faith when discharging his duties and responsibilities as the chief financial officer of Didi. To his knowledge and at all times, he did not commit or omit to do any act that would constitute misconduct in management under applicable securities laws, acts or regulations that would impugn his integrity, character or competence as an independent non-executive Director of the Company. Mr. Zhuo believes that the allegations against him in the Class Actions are without merit and intends to defend such allegations against him vigorously.

Based on currently available public information and taking into account that (i) the Class Actions are still pending as of the Latest Practicable Date and the courts have not ruled on the merits of the plaintiffs' claims; (ii) the Class Actions were brought by private plaintiffs and private law firms, not by any public regulatory or enforcement authority; (iii) such kind of class action is not uncommon among companies listed in the United States and being named as a defendant in the capacity of an officer in a class action is not a judgment on that defendant's integrity or suitability, including, as applicable here, the defendant's character or his ability to discharge his duties as a director of a listed company in Hong Kong; (iv) as of the Latest Practicable Date, there has been no dispositive court ruling on any of plaintiffs' factual allegations in the complaint, Mr. Zhuo's alleged liability arising therefrom, or Mr. Zhuo's character, experience, integrity and ability to discharge his duties as a director, including fiduciary duties and duties to exercise skill, care and diligence pursuant to standards commensurate with those required of a director of a listed company in Hong Kong; and (v) based on the background check and litigation searches conducted by independent third parties, the Company is not aware of any other disputes, litigations or regulatory disciplinary actions or investigations against Mr. Zhuo which may impugn his integrity, character or competence as an independent non-executive Director of the Company, the Directors are of the view that the Class Actions would not affect the suitability of Mr. Zhuo as a Director of the Company under Rules 3.08 and 3.09 of the Listing Rules.

Given that (i) none of the Class Actions involve any companies within the Group; and (ii) Mr. Zhuo, as an independent non-executive Director, has not participated and will not participate in the day-to-day management of the Company, the Directors are of the view that the Class Actions would not have any material adverse impact on the business and/or operations of the Group despite the uncertainty of their outcomes.

Based on currently available public information and the independent due diligence conducted by the Joint Sponsors, the Joint Sponsors concur with the Directors' view on the suitability of Mr. Zhuo as a Director of the Company under Rules 3.08 and 3.09 of the Listing Rules as stated above.

DIRECTORS AND SENIOR MANAGEMENT

MANAGEMENT AND CORPORATE GOVERNANCE

Board Committees

Audit committee

We have established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of our Group and provide advice and recommendations to the Board. The audit committee comprises three members, namely, Mr. Yue Zhuo, Mr. Jianbo Li and Mr. Yaixin Huang, with Mr. Yue Zhuo as the chairperson of the audit committee. Mr. Yue Zhuo has appropriate related financial management expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration committee

We have established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the remuneration committee are to review and make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management. The remuneration committee comprises three members, namely Mr. Jianbo Li, Mr. Yun'an Wang and Mr. Yue Zhuo, with Mr. Jianbo Li as the chairperson of the remuneration committee.

Nomination committee

We have established a nomination committee with written terms of reference in compliance with Rule 3.27A and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board on the appointment of Directors and management of Board succession. The nomination committee comprises three members, namely Mr. Yun'an Wang, Ms. Xiaodong Zheng and Mr. Jianbo Li, with Mr. Yun'an Wang as the chairperson of the nomination committee.

Corporate Governance Code

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. In order to accomplish this, we expect to comply with the Corporate Governance Code set out in Appendix C1 to the Listing Rules save for the below.

Pursuant to code provision C.2.1 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman of the Board and the chief executive officer should be segregated and should not be performed by the same individual. We do not have a separate chairman of the Board and chief executive officer and Mr. Wang currently

DIRECTORS AND SENIOR MANAGEMENT

performs these two roles. The Board believes that vesting the roles of both chairman of the Board and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of our Company if and when it is appropriate taking into account the circumstances of the Group as a whole. For further information relating to our Company's corporate governance measures, please see the section headed "Relationship with our Controlling Shareholders — Corporate Governance Measures."

Board Diversity

Our Company has adopted a board diversity policy which sets out the approach to achieve diversity of the Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining our Company's competitive advantage and enhancing its ability to attract, retain, and motivate employees from the widest possible pool of available talent. We target to have at least one female Director in the Board in the future. Pursuant to the board diversity policy, in reviewing and assessing suitable candidates to serve as a Director of our Company, the nomination committee will consider a number of factors, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience. Pursuant to the board diversity policy, the nomination committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for formal adoption.

We recognize the particular importance of gender diversity. Our Board currently comprises nine Directors, including two female Directors. We have taken and will continue to take steps to promote and enhance gender diversity at all levels of our Company, including but without limitation at our Board and senior management levels. Our board diversity policy provides that our Board shall take opportunities when selecting and making recommendations on suitable candidates for Board appointments with the aim to maintain the proportion of female members after Listing. We will also ensure that there is gender diversity when recruiting staff at mid to senior level, as well as engage more resources in training more female staff with the aim of providing a pipeline of female senior management and potential successors to our Board going forward. It is our objective to maintain an appropriate balance of gender diversity with reference to the stakeholders' expectation and international and local recommended best practices.

Management Presence

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

DIRECTORS AND SENIOR MANAGEMENT

Our Group's management headquarters, senior management, business operations and assets are primarily based outside Hong Kong, in mainland China. The Directors consider that the appointment of executive Directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, our Group and therefore would not be in the best interests of our Company or the Shareholders as a whole. Accordingly, we have applied for and the Stock Exchange has granted, a waiver from compliance with Rule 8.12 of the Listing Rules. For further details, see "Waivers and Exemptions — Management presence in Hong Kong."

Confirmation from our Directors

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in December 2023 or December 2024, as the case may be, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

Each of our independent non-executive Directors has confirmed (i) his or her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) that he or she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as at the Latest Practicable Date, and (iii) that there are no other factors that may affect his or her independence at the time of his or her appointment.

REMUNERATION

Our Directors receive remuneration, including salaries and allowance, performance-related bonuses, pension scheme contributions and social welfare, equity-settled share-based payments, and other benefits in kind.

The aggregate amount of remuneration for our Directors in 2021, 2022 and 2023 was approximately RMB6.1 million, RMB7.3 million and RMB10.4 million, respectively. The aggregate amount of remuneration for our Directors in the nine months ended September 30, 2023 and 2024 was approximately RMB6.8 million and RMB3.9 million, respectively. None of our Directors waived any remuneration during the aforesaid periods.

The five highest paid individuals of our Group in 2021, 2022 and 2023 included one, one and one Director, respectively. The aggregate amount of remuneration for the five highest paid individuals, excluding the one Director, in 2021, 2022 and 2023 were approximately RMB8.8 million, RMB9.9 million and RMB31.0 million, respectively. The five highest paid individuals of our Group in the nine months ended September 30, 2023 and 2024 included one and one Director, respectively. The aggregate amount of remuneration for the five highest paid individuals, excluding the one Director, in the nine months ended September 30, 2023 and 2024 were approximately RMB10.1 million and RMB7.9 million, respectively.

Save as disclosed above, no other payments have been paid or are payable, in respect of 2021, 2022, 2023 and the nine months ended September 30, 2024 by our Company to our Directors.

DIRECTORS AND 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 or the five highest paid individuals for the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

COMPLIANCE ADVISOR

We have appointed Altus Capital Limited as our Compliance Adviser pursuant to Rule 3A.19 of the Listing Rules. The Compliance Adviser will provide us with guidance and advice as to compliance with the requirements under the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Adviser will advise our Company, among others, in the following circumstances:

- (a) before the publication of any regulatory announcement, circular, or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues, sales or transfers of treasury shares and share repurchases;
- (c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate or other information in this document; and
- (d) where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of the Compliance Adviser shall commence on the Listing Date and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

COMPETITION

Each of the Directors confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which materially competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

DIRECTORS' AND SENIOR MANAGEMENT'S INTERESTS

As of the Latest Practicable Date, none of our Directors or members of our senior management are related to other Directors or members of our senior management of our Company.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering and assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised, the following persons will have interests and/or short positions (as applicable) in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting rights of our Company:

Substantial shareholders of our Company

Name of substantial shareholders	Capacity/Nature of Interest	Number of Shares ⁽¹⁾	Approximate percentage of shareholding in our Company as at the Latest Practicable Date	Approximate percentage of shareholding in our Company after the Global Offering ⁽¹⁾
Mr. Wang ^(2 and 3) . . .	Beneficiary of a trust; Founder of a trust; interest held jointly with another person	1,728,260,872	79.50%	74.09%
Mr. Qi ^(2 and 4)	Beneficiary of a trust; Founder of a trust; interest held jointly with another person	1,728,260,872	79.50%	74.09%
Mr. Ruan ^(2 and 5)	Beneficiary of a trust; Founder of a trust; interest held jointly with another person	1,728,260,872	79.50%	74.09%
Ms. Pan ^(2 and 6)	Beneficiary of a trust; Founder of a trust; interest held jointly with another person	1,728,260,872	79.50%	74.09%
Mr. Yonghua Zhu ⁽⁷⁾ .	Interest in controlled corporations	173,913,040	8.00%	7.46%

Notes:

(1) The table assumes (i) the Global Offering becomes unconditional and the Offer Shares are issued pursuant to the Global Offering, and (ii) the Offer Size Adjustment Option and the Over-allotment Option are not exercised.

SUBSTANTIAL SHAREHOLDERS

- (2) Mr. Wang, Mr. Qi, Mr. Ruan and Ms. Pan and their respective intermediate holding companies entered into the Acting-in-Concert Arrangement, details of which are set out in the section headed “History, Reorganization and Corporate Structure — Acting-in-Concert Arrangement” of this prospectus.

- (3) Shares in which Mr. Wang is interested consist of (i) 939,441,461 Shares held by Modern Leaves Limited, in which Mr. Wang is deemed to be interested under the SFO; and (ii) an aggregate of 788,819,411 Shares in which Mr. Wang is deemed to be interested as a result of being a party acting in concert pursuant to the Acting-in-Concert Arrangement.

Modern Leaves Limited is owned by (i) Nascent Leaves Limited, which is in turn wholly-owned by a trust established by Mr. Wang as the settlor with his family members being the beneficiaries, as to 99.0%; and (ii) Ancient Leaves Limited, which is wholly owned by Mr. Wang, as to 1.0%. Under the SFO, each of Mr. Wang, Modern Leaves Limited, Nascent Leaves Limited and Ancient Leaves Limited is deemed to be interested in the aggregate of 1,728,260,872 Shares held by the parties to the Acting-in-Concert Arrangement.

- (4) Shares in which Mr. Qi is interested consist of (i) 429,999,961 Shares held by Chivalrous Lancers Limited, in which Mr. Qi is deemed to be interested under the SFO; and (ii) an aggregate of 1,298,260,911 Shares in which Mr. Qi is deemed to be interested as a result of being a party acting in concert pursuant to the Acting-in-Concert Arrangement.

Chivalrous Lancers Limited is owned by (i) Chivalrous Knights Limited, which is in turn wholly-owned by a trust established by Mr. Qi as the settlor with his family members being the beneficiaries, as to 99.0%; and (ii) Chivalrous Cavalry Limited, which is wholly owned by Mr. Qi, as to 1.0%. Under the SFO, each of Mr. Qi, Chivalrous Lancers Limited, Chivalrous Knights Limited and Chivalrous Cavalry Limited is deemed to be interested in the aggregate of 1,728,260,872 Shares held by the parties to the Acting-in-Concert Arrangement.

- (5) Shares in which Mr. Ruan is interested consist of (i) 298,782,650 Shares held by Cousin Tea Limited, in which Mr. Ruan is deemed to be interested under the SFO; and (ii) an aggregate of 1,429,478,222 Shares in which Mr. Ruan is deemed to be interested as a result of being a party acting in concert pursuant to the Acting-in-Concert Arrangement.

Cousin Tea Limited is owned by (i) Nephew Tea Limited, which is in turn wholly-owned by a trust established by Mr. Ruan as the settlor with his family members being the beneficiaries, as to 99.0%; and (ii) Uncle Tea Limited, which is wholly owned by Mr. Ruan, as to 1.0%. Under the SFO, each of Mr. Ruan, Cousin Tea Limited, Nephew Tea Limited and Uncle Tea Limited is deemed to be interested in the aggregate of 1,728,260,872 Shares held by the parties to the Acting-in-Concert Arrangement.

- (6) Shares in which Ms. Pan is interested consist of (i) 60,036,800 Shares held by Spring Equinox Drinks Limited, in which Ms. Pan is deemed to be interested under the SFO; and (ii) an aggregate of 1,668,224,072 Shares in which Ms. Pan is deemed to be interested as a result of being a party acting in concert pursuant to the Acting-in-Concert Arrangement.

Spring Equinox Drinks Limited is owned by (i) Summer Solstice Drinks Limited, which is in turn wholly-owned by a trust established by Ms. Pan as the settlor with her family members being the beneficiaries, as to 99.0%; and (ii) Winter Solstice Drinks Limited, which is wholly owned by Ms. Pan, as to 1.0%. Under the SFO, each of Ms. Pan, Spring Equinox Drinks Limited, Summer Solstice Drinks Limited and Winter Solstice Drinks Limited is deemed to be interested in the aggregate of 1,728,260,872 Shares held by the parties to the Acting-in-Concert Arrangement.

- (7) Each of Beijing Meiming Enterprise Management Consulting Partnership (Limited Partnership) (北京美茗企業管理諮詢合夥企業(有限合夥)) (“**Meiming**”), which directly holds 94,493,060 Shares, and Beijing Meiyuan Enterprise Management Consulting Partnership (Limited Partnership) (北京美岩企業管理諮詢合夥企業(有限合夥)) (“**Meiyuan**”), which directly holds 79,419,980 Shares, is a Pre-IPO Investor. Ningbo Meishan Bonded Port Area Meixing Private Fund Management Co., Ltd. (寧波梅山保稅港區美興私募基金管理有限公司) (“**Ningbo Meixing**”) is the general partner of Meiming, and Shenzhen Meizhu Enterprise Management Co., Ltd. (深圳市美珠企業管理有限責任公司) (“**Shenzhen Meizhu**”) is the general partner of Meiyuan. Shenzhen Meizhu is wholly-owned by Ningbo Meixing, which is in turn controlled by Mr. Yonghua Zhu (朱擁華). Under the SFO, each of Ningbo Meixing and Mr. Yonghua Zhu is deemed to be interested in the aggregate of 173,913,040 Shares held by Meiming and Meiyuan.

This interest excludes any Offer Shares that may be subscribed by Long-Z Fund I, L.P., a controlled corporation of Mr. Yonghua Zhu, under the Global Offering pursuant to the exercise of an anti-dilution right granted to Meiming and Meiyuan (or their affiliates) on December 26, 2023. For more information on this subscription, see the section headed “Cornerstone Investors”.

SUBSTANTIAL SHAREHOLDERS

For the persons who will be, directly or indirectly, interested in 10% of more of the issued voting shares of the other members of our Group immediately following the completion of the Global Offering, see the section headed “Appendix IV — Statutory and General Information” of this document.

Save as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised), have any interest and/or short positions in our Shares or underlying Shares which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of our Company or any other member of our Group.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of our authorized share capital and the amount in issue and to be issued as fully paid or credited as fully paid immediately prior to and following completion of the Global Offering, assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised:

Share capital as at the date of this document

Authorized share capital

<u>Number</u>	<u>Description of share</u>	<u>Aggregate nominal value</u>
4,713,043,460	Ordinary Share with a par value of US\$0.00001	US\$47,130.43
<u>286,956,540</u>	Preferred Share with a par value of US\$0.00001	<u>US\$2,869.57</u>
<u>5,000,000,000</u>	Shares in total	<u>US\$50,000.00</u>

Issued share capital

<u>Number</u>	<u>Description of share</u>	<u>Aggregate nominal value</u>
1,886,956,520	Ordinary Share with a par value of US\$0.00001	US\$18,869.57
<u>286,956,540</u>	Preferred Share with a par value of US\$0.00001	<u>US\$2,869.57</u>
<u>2,173,913,060</u>	Shares in total	<u>US\$21,739.13</u>

Share capital immediately following the completion of the Global Offering

Authorized share capital

<u>Number</u>	<u>Description of share</u>	<u>Aggregate nominal value</u>
<u>5,000,000,000</u>	Ordinary Share with a par value of US\$0.00001	<u>US\$50,000.00</u>
<u>5,000,000,000</u>	Shares in total	<u>US\$50,000.00</u>

SHARE CAPITAL

Issued share capital

<u>Number</u>	<u>Description of share</u>	<u>Aggregate nominal value</u>
2,173,913,060	Shares in issue	US\$21,739.13
158,612,000	Shares to be issued pursuant to the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised)	US\$1,586.12
<u>2,332,525,060</u>	Shares in total	<u>US\$23,325.25</u>

Ranking

The Offer Shares rank equally with all Shares currently in issue or to be issued as mentioned in this document and, in particular, will rank *pari passu* for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this document.

POTENTIAL CHANGES TO SHARE CAPITAL AFTER LISTING

Circumstances under which general meeting and class meeting are required

Our Company may by ordinary resolution (i) increase its share capital by the creation of new shares; (ii) consolidate and divide all or any of its share capital into shares of a larger than its existing shares; (iii) divide its shares into several classes; (iv) sub-divide its shares or any of them into shares of smaller amount; (v) cancel any shares, which at the date of the passing of the resolution, have not been taken or agreed to be taken by any person; (vi) make provision for the issue and allotment of shares which do not carry any voting rights; (vii) change the currency of denomination of its share capital; and (viii) reduce its share premium account. In addition, our Company may by special resolution reduce its share capital or any capital redemption reserve subject to any conditions prescribed by law.

See “Summary of the Constitution of Our Company and Company Law of the Cayman Islands — 2. Articles of Association — (a) Shares — (iii) Alteration of capital” in Appendix III for further details.

Subject to the Cayman Companies Act, all or any of the special rights attached to the shares or any class of shares (unless otherwise provided for by the terms of issue of the shares of that class) may be varied, modified or abrogated either with (in addition to a special resolution to amend the Memorandum or the Articles) the consent in writing of the holders of not less than three-fourths of the voting rights 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.

SHARE CAPITAL

See “Summary of the Constitution of Our Company and Company Law of the Cayman Islands — 2. Articles of Association — (a) Shares — (ii) Variation of rights of existing shares or classes of shares” in Appendix III for further details.

General mandate to issue Shares

Subject to the Global Offering becoming unconditional, our Directors were granted a general mandate to allot, issue and deal with any Shares or securities convertible into Shares (including any sale or transfer of treasury shares by our Company) of not more than the sum of:

- 20% of the total number of Shares in issue (excluding treasury shares of our Company) immediately following completion of the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Shares that may be issued pursuant to the exercise of options that may be granted under the Post-IPO Share Scheme); and
- the total number of Shares to be repurchased by our Company pursuant to the authority referred to in “— Potential Changes to Share Capital after Listing — General mandate to repurchase Shares” below.

This general mandate to issue Shares will remain in effect until the earliest of:

- the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;
- the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the memorandum and the articles of association of our Company; and
- the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority.

General mandate to repurchase Shares

Subject to the Global Offering becoming unconditional, our Directors were granted a general mandate to repurchase our own Shares up to 10% of the total number of Shares in issue (excluding treasury shares of our Company) immediately following completion of the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Shares that may be issued pursuant to the exercise of options under the Post-IPO Share Scheme).

This mandate only relates to repurchases on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, and in accordance with all applicable laws and the requirements under the Listing Rules as amended from time to time.

SHARE CAPITAL

This general mandate to repurchase Shares will remain in effect until the earliest of:

- the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;
- the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the memorandum and the articles of association of our Company; and
- the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority.

See “Statutory and General Information — Further Information About Our Group — 5. Explanatory Statement on Repurchase of Our Own Securities” in Appendix IV for further details of this general mandate to repurchase Shares.

SHARE INCENTIVE PLAN

We have adopted the Post-IPO Share Scheme. See “Statutory and General Information — Post-IPO Share Scheme” in Appendix IV for further details.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our consolidated financial information and the related notes thereto included in the Accountants' Report in Appendix I to this document. Our consolidated financial information has been prepared in accordance with IFRSs.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions, and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, our actual results could differ materially from those anticipated in these forward-looking statements due to various factors, including those set forth under "Risk Factors" and elsewhere in this document. For further details, see "Forward-Looking Statements."

For the purposes of this section, unless the context otherwise requires, references to 2021, 2022 and 2023 refer to our financial years ended December 31 of such years.

OVERVIEW

We are a leading and fast-growing freshly-made beverage company in China, dedicated to serving fresh, tasty and value-for-money beverages of consistently high quality. Our brand, "Good me (古茗)," is China's largest mid-priced freshly-made tea store brand and the second largest freshly-made tea store brand across all price ranges, in terms of both GMV in 2023 and store count as of December 31, 2023. In the nine months ended September 30, 2024, we generated a GMV of RMB16.6 billion, representing an increase of 20.4% from the same period in 2023. In 2023, we generated a GMV of RMB19.2 billion, representing an increase of 37.2% from 2022. Our store network encompassed 9,001 stores as of December 31, 2023, representing an increase of 35.0% from December 31, 2022, and expanded to 9,778 stores as of September 30, 2024.

We generate revenue mainly from the sales of goods and equipment and the provision of services to our franchisees. We have experienced substantial growth during the Track Record Period. Our revenue increased by 26.8% from RMB4,383.9 million in 2021 to RMB5,559.2 million in 2022, and further increased by 38.1% to RMB7,675.7 million in 2023. Our revenue increased by 15.6% from RMB5,570.9 million in the nine months ended September 30, 2023 to RMB6,441.3 million in the same period in 2024. Our profit for the year was RMB24.0 million, RMB372.0 million and RMB1,096.4 million in 2021, 2022 and 2023, respectively. Our profit for the period was RMB1,002.0 million and RMB1,119.8 million in the nine months ended September 30, 2023 and 2024, respectively. Our adjusted profit (non-IFRS measure) was RMB769.6 million, RMB788.1 million and RMB1,459.0 million in 2021, 2022 and 2023, respectively, and was RMB1,044.5 million and RMB1,148.7 million in the nine months ended September 30, 2023 and 2024, respectively. For more details, see " — Description of Major Components of Our Results of Operations — Non-IFRS Measures."

FINANCIAL INFORMATION

BASIS OF PREPARATION AND PRESENTATION

Pursuant to the Reorganization, our Company became the holding company of the companies that now comprise our Group in May 2022. See the section headed “History, Reorganization and Corporate Structure” in this document for more details. As the Reorganization only involved the addition of new holding companies above the existing group without changing the economic substance, our historical financial information during the Track Record Period is presented as a continuation of the existing group as if the Reorganization had been completed at the beginning of the Track Record Period.

The historical financial information of our Group has been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by International Accounting Standards Board. All IFRSs effective for the accounting period commencing from January 1, 2024, together with the relevant transitional provisions, were early adopted by our Group in the preparation of the historical financial information throughout the Track Record Period. The historical financial information has been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income, financial assets at fair value through profit or loss, and financial liabilities at fair value through profit or loss, which were measured at fair value.

The preparation of the historical financial information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to make judgements, estimates and assumptions when applying our Group’s accounting policies. Management’s judgements made in the application of IFRSs, which have had a significant effect on the historical financial information and major sources of estimation uncertainty, are discussed in note 3 to the Accountants’ Report in Appendix I to this document.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business and results of operations are influenced by various general factors that affect the overall consumption and market for freshly-made beverages. These factors include, among others, overall economic and industry trends, their impact on consumer behavior, per capita disposable income, changes in consumers’ taste, food safety and health awareness, procurement costs, and the competitive landscape. Unfavorable changes in these general conditions could materially and adversely affect our results of operations.

While our business is influenced by these general factors, we believe that the following specific factors have a more direct impact on our results of operations:

Ability to Maintain and Increase the Appeal of Our Product Offerings

Our results of operations have been, and will continue to be, influenced by consumer tastes and demands for freshly-made beverages. Maintaining consistently high quality in our freshly-made beverages is pivotal for consumer trust and loyalty, which, in turn, leads to increasing purchases and drives up sales.

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Furthermore, our ability to introduce and enhance product offerings can also impact our sales and brand reputation. We work diligently to uphold and boost the attractiveness of our product offerings in response to consumers' evolving preferences, which has led to a growing consumer base and increased repurchases, as well as higher GMV in our stores. Our abilities to quickly act on consumer feedback, identify and respond to market trends, and develop and launch new products consistently that appeal to consumers are critical to our continuous success.

Freshly-made beverages have found their way into the daily routines of Chinese consumers. The mid-priced tea store market stands as the largest and fastest-growing segment within China's freshly-made tea store market in 2022. By serving fresh, tasty, and value-for-money beverages of consistently high quality that cater to diverse consumer needs, we have established ourselves as the largest mid-priced freshly-made tea store brand and the second largest freshly-made tea store brand across all price ranges in China, in terms of both GMV in 2023 and store count as of December 31, 2023. We believe that our proactive approach to product development and the ability to quickly adapt to changes in consumer tastes and demands will solidify our position in China's rapidly expanding freshly-made tea store market.

Ability to Expand Our Store Network

We mainly operate our nationwide store network through our franchise model. Our franchised stores contributed to approximately 99.9% of our respective GMV for the years ended December 31, 2021, 2022 and 2023 and the nine months ended September 30, 2024.

We derived our revenue from (i) sales of goods and equipment primarily to our franchised stores, (ii) franchise management services, which include initial franchise fees, continuing support services fees, and fees for provision of training and other services, and (iii) sales from company-operated stores. The scale of our store network plays a significant role in our revenue growth and results of operation. As of December 31, 2021, 2022 and 2023 and September 30, 2024, our store network consisted of 5,694, 6,669, 9,001 and 9,778 stores, respectively.

We have adopted a unique regional densification strategy for our store expansion, under which we strategically select target provinces for expansion and prioritize resources to focus on building store networks with high geographical density with coverage across all city tiers in such provinces. We have been continually increasing store density and solidifying our supply chain infrastructure in the provinces where we have established presence. A dense store network also enables centralized franchisee management and significantly enhances our warehousing and logistics efficiency. By capitalizing on our accumulated operational experience and the natural spread of our brand reputation among consumers and franchisees, we have consistently replicated our regional densification strategy to neighboring provinces. We intend to continue to expand our geographic coverage and grow our nationwide store network to establish a stronger presence in the market.

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Ability to Enhance Performance of Our Franchised Stores

Our results of operations have been, and will continue to be, influenced by the performance of our stores. In particular, our per-store GMV increased during the Track Record Period. We believe our franchise model drives quality growth and our franchisees' success is crucial to our results of operations. To facilitate shared success with our franchisees, we empower our franchisees to promote franchisee profitability and foster close and enduring franchisee relationships. In achieving this goal, we extend comprehensive support to them across various aspects of their business operations. With our store management software, we are able to streamline the operations of our franchisees, thereby improving both our and their operating efficiency, which further leads to enhanced store performance and a track record of franchisee profitability. For example, we offer various technological modules to efficiently process transactions, digitalize orders, track sales and manage inventory in real-time. Our proven franchisee management capabilities are also broadly recognized by our franchisees and lay a solid basis for their continuous compliance with our standards to deliver high-quality products and services. As a result, we are able to achieve a consistent operational standard across our store network. This approach hence ensures consistently high-quality products and services, subsequently enhancing our brand recognition and encouraging consumer repurchases. The enhanced consumer satisfaction, in turn, leads to industry-leading repurchase rate and increased store performance, which further drives the growth of our revenue.

Ability to Efficiently Manage Our Costs

Our ability in efficiently procuring and delivering supplies to our stores significantly impacts the results of our operations. Our gross profit margin was 30.0%, 28.1% and 31.3% in 2021, 2022 and 2023, respectively, and was 31.0% and 30.5% in the nine months ended September 30, 2023 and 2024, respectively. In particular, our gross profit margin for sales of goods and equipment was 16.8%, 15.5% and 18.7% in 2021, 2022 and 2023, respectively, and was 18.8% and 18.0% in the nine months ended September 30, 2023 and 2024, respectively.

For certain fresh fruits such as lemons and mangoes, tea leaves, and other key ingredients for our beverages, we directly purchase from their producers rather than purchasing through intermediary distributors so that we have more control over their availability, quality and price. Our direct contact with producers also enables us to influence, to some extent, how producers cultivate their products, and implement adjustments that better address our needs based on our recipes. Additionally, this direct relationship, along with the bulk supplies we procure that help increase our negotiating power, enables us to secure more favorable terms with our suppliers.

We operate freight vehicles to make deliveries from our warehouses to our stores. Leveraging the economies of scale under our regional densification strategy, we are able to deliver fresh and quality ingredients to our stores at competitive costs. During the Track Record Period, the logistics cost for delivery from our warehouses to stores was less than 1% of our total GMV on average. By harnessing our supply chain management expertise, we streamline our supply and distribution chain to achieve sustained benefits in procurement cost and efficiency.

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Ability to Control Our Operating Expenses

Our ability to manage and control our operating expenses is critical to the success of our business. Our marketing strategy centers on building a brand image associated with fresh, tasty and value-for-money beverages of consistently high quality. By implementing our regional densification strategy, we have built a dense store network, which helps accumulate strong brand recognition and constantly attract new consumers through word-of-mouth referrals. At the same time, our dense store network, along with our supply chain infrastructure, can also effectively help optimize our warehousing expenses and facilitate centralized franchisee management, which, in turn, enables us to enhance our operating efficiency.

Our selling and distribution expenses amounted to RMB186.2 million, RMB268.1 million and RMB336.6 million in 2021, 2022 and 2023, respectively, and amounted to RMB239.3 million and RMB357.2 million in the nine months ended September 30, 2023 and 2024, respectively. Our administrative expenses amounted to RMB123.7 million, RMB187.6 million and RMB282.8 million in 2021, 2022 and 2023, respectively, and amounted to RMB180.7 million and RMB225.2 million in the nine months ended September 30, 2023 and 2024, respectively. As we continue to expand our store network, we expect our operating expenses to increase in absolute amounts. Meanwhile, we aim to leverage the benefits of the economies of scale under our regional densification strategy to continually optimize our operating expenses.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and results of operations. Our management continually evaluates such estimates, assumptions and judgments based on past experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

Set forth below are discussions of the accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Other material accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in detail in notes 2 and 3 of the Accountants' Report in Appendix I to this document.

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Material Accounting Policy Information

Revenue Recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which we will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between us and the customer at contract inception. When the contract contains a financing component which provides us with a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Sales of goods and equipment

We generate revenue from the sales of goods, including ingredients and other related products of freshly-made beverages, and equipment, which is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods and equipment.

Provision of franchise management services

We enter into franchise agreements with all franchisees. As the franchisor, we provide franchise management services under our franchise agreements with franchisees. Franchise is a right to sell products in a particular area using our brand name and trademarks.

Our franchise management services revenue mainly includes income from initial franchise fees, income from continuing support services fees and income from the provision of training and other services.

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For income from initial franchise fees, the franchisee pays a fixed upfront fee and revenue is recognized over the franchise period. Initial franchise fees are generally charged for pre-opening support services provided to the franchisees, including location analysis, certain advisory services like license application, marketing advisory services, and operational support. As those services are highly interrelated with the franchise right, they are not individually distinct from the ongoing licensing arrangement provided to the franchisees.

For income from continuing support services fees, the franchisee receives ongoing operational support services, which are highly interrelated with the franchise right, from us during the whole franchise period, and pays continuing support services fees, which is determined based on a pre-determined fixed amount per month multiplying the number of the applicable franchisee's stores and a pre-determined rate range as a percentage of the applicable franchisee's stores procurement amounts, and we recognize revenue when the franchisee's subsequent usage occurs.

For income from the provision of training and other services, including pre-opening training services and other training services, and store supervisory and maintenance services, revenue is recognized when the related services are rendered as the customer simultaneously receive and consume the benefits provided by us. The pre-opening training services provided to the franchisees are considered to be distinct as the training contents are largely unrelated to our brand name and trademarks.

Sales from company-operated stores

We generate revenue from stores directly operated by us, and revenue is recognized when the control of the products has transferred to the end customer.

Contract Assets

If we perform by transferring goods or services to a franchisee before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognized for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets in note 2.4 of the Accountants' Report in Appendix I to this document. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

Contract Liabilities

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a franchisee or corporate customer before we transfer the related goods or services. Contract liabilities are recognized as revenue when we transfer control of the related goods or services to the franchisee or corporate customer.

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Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. The redeemable ordinary shares, the warrants and the convertible redeemable preferred shares issued by us were designated upon initial recognition at fair value through profit or loss. They are initially recognized at fair value. Any directly attributable transaction costs are recognized as finance costs in profit or loss. The net fair value changes relating to market risk are recognized in profit or loss which do not include any interest charged on these financial liabilities.

Financial investments

Wealth management products are classified as financial assets at fair value through profit or loss (“**FVTPL Assets**”). FVTPL Assets are measured and recorded at fair value with net changes in fair value recognized in profit or loss.

Upon initial recognition, we elected to classify irrevocably an equity investment designated at fair value through other comprehensive income (“**OCI**”) when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and is not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets is never recycled to profit or loss. Dividends are recognized as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to us and the amount of the dividend can be measured reliably, except when we benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity investment designated at fair value through OCI is not subject to impairment assessment.

Purchases and sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognized on the trade date, that is, the date that we commit to purchase or sell the asset.

Fair value measurement

We measure certain of our financial assets, equity investment and financial liabilities at fair value at the end of each of the reporting periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by us. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming

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that market participants act in their economic best interest. We use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the Historical Financial Information on a recurring basis, we determine whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the reporting periods.

In respect of the valuation of level 3 fair value measurement financial assets and liabilities, with reference to the guidance under the “Guidance Note on Director’s Duties in the Context of Valuations in Corporate Transactions” issued by the SFC in May 2017 applicable to directors of companies listed on the Stock Exchange, our Directors adopted the following procedures: (i) selected qualified persons with adequate knowledge and conducted valuation on the financial assets and liabilities without readily determinable fair value; (ii) carefully considered available information in assessing the financial data and assumptions including but not limited to risk free interest rate, expected volatility and political, economic and industry conditions; (iii) engaged an independent valuer to appraise the fair value of certain financial assets and liabilities that are significant, provided necessary financial information to the valuer to assess our performed valuation procedures and discussed with the valuer on relevant assumptions; and (iv) reviewed the valuation reports prepared by the valuer. Based on the above procedures, our Directors are of the view that the valuation analysis is fair and reasonable and our consolidated financial statements are properly prepared.

Details of the fair valuation measurement of the financial assets and liabilities, particularly the fair value hierarchy, valuation techniques and key inputs, including significant unobservable inputs and the relationship of unobservable inputs to valuation, are disclosed in note 41 of Appendix I to this document. The Reporting Accountants have conducted their 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 to express an opinion on Historical

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Financial Information. This standard requires that the Reporting Accountants plan and perform their work to obtain reasonable assurance about whether the Historical Financial Information as a whole is free from any material misstatement. The Reporting Accountants' opinion on the Historical Financial Information for the Track Record Period as a whole is set out on pages I-1 to I-3 of Appendix I to this document.

Share-based payments

We operate share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of our operations. Our employees (including directors) receive remuneration in the form of share-based payments, whereby rendering services in exchange for equity instruments (“**equity-settled transactions**”).

The cost of equity-settled transactions with employees is measured by reference to the fair value at the dates at which they are granted. The fair values of equity instrument granted are determined by an external valuer using a binomial model, further details of which are given in note 34 to the Accountants' Report in Appendix I to this document.

Property, Plant and Equipment and Depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, we recognize such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

<u>Category</u>	<u>Principal annual rates</u>
Machinery	9.5%-31.7%
Office equipment	19.0%-47.5%
Motor vehicles	23.8%-47.5%
Leasehold improvements	Over the shorter of the lease terms and 33.3%

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Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the reporting period the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Leases

We assess at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

We apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. We recognize lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office premises, company-operated stores and plant	2-10 years
Leasehold land	50 years

If ownership of the leased asset transfers to us by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

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Lease liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by us and payments of penalties for termination of a lease, if the lease term reflects we exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, we use our incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

Short-term leases

We apply the short-term lease recognition exemption to its short-term leases of office premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognized as an expense on a straight-line basis over the lease term.

Significant Accounting Judgements and Estimates

The preparation of our historical financial information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

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The key assumptions concerning the future and other key sources of estimation uncertainty during the Track Record Period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Revenue recognition from the provision of franchise management services over time

Franchise rights, which represent primarily the right to access our brand name and trademarks, are granted to franchisees upon upfront initial payments for the first year and are renewable annually by the franchisees at no cost, the control of services is transferred over time. Based on the historical franchise information of the franchised shops, we determined that license fees from the franchise business are recognized as contract liabilities upon receipt of the upfront initial payments and are released to profit or loss as revenue over the estimated franchise period of three years for each reporting period.

Actual franchise periods may differ from the estimated franchise periods. We would periodically review the estimated franchise periods of the franchisees and consider if any adjustment to the current estimation is needed.

Fair values of redeemable ordinary shares, warrants and convertible redeemable preferred shares

The fair values of the redeemable ordinary shares, warrants and convertible redeemable preferred shares measured at fair value through profit or loss are determined using the valuation techniques, including the discounted cash flow method and the option-pricing method. Such valuation is based on key parameters about risk-free rate, discounts for lack of marketability (“DLOM”) and volatility, which are subject to uncertainty and might materially differ from the actual results. Further details are included in note 30 of the Accountants’ Report in Appendix I to this document.

Fair value of an unlisted equity investment

The unlisted equity investment has been valued based on a market-based valuation technique. The valuation requires the Group to determine the price-to-sales ratio (“P/S”) for similar instruments, adjusted by discount for lack of marketability. We classify the fair value of the unlisted equity investment as Level 3. Further details are included in notes 16 and 41 of the Accountants’ Report in Appendix I to this document.

Fair value measurement of share-based payments

We set up share incentive plans in 2019 and 2022, respectively, and granted options to our directors and our employees. The fair values of the options are determined by the binomial option-pricing model at the date of grant to employees. Significant estimates on assumptions, including the underlying equity value, risk-free rate, expected volatility, and dividend yield, are made by our board of directors. Further details are included in note 34 to the Accountants’ Report in Appendix I to this document.

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IMPACT OF COVID-19

The outbreak of COVID-19 and its resurgence in 2022 severely impacted China and the rest of the world. In an effort to contain the spread of COVID-19, China implemented precautionary measures that reduced economic activities, including temporary closure of workplaces and commercial centers and the imposition of travel and mobility restrictions. As a result, our store operations and financial condition were negatively affected during the Track Record Period. The supply of our goods and equipment was also adversely affected due to the associated disruptions in the upstream supply chain and logistics services. We reduced the prices of certain goods supplied to our franchisees to support their operations during COVID-19. This adjustment resulted in a slight dip in our overall gross profit margin from 30.0% in 2021 to 28.1% in 2022. We also slowed down our store expansion efforts in 2022. We opened 1,317 new stores in 2022, as compared to 1,808 new stores in 2021.

Nevertheless, our continuous efforts to improve our results of operation enabled us to achieve growth in 2022, and our revenue increased from RMB4,383.9 million in 2021 to RMB5,559.2 million in 2022. This growth can be attributed to the growth of our per-store GMV and our ongoing efforts to expand our store network. Our per-store GMV increased by 3.4% from RMB2.2 million in 2021 to RMB2.3 million in 2022, and we recorded same-store GMV growth of 2.8% from 2021 to 2022.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated statements of profit or loss and comprehensive income in absolute amount and as a percentage of our revenue for the periods indicated. This information should be read together with our consolidated financial statements. The results of operations in any period are not necessarily indicative of our future trends.

	For the Year Ended December 31,						For the Nine Months Ended September 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(Unaudited)</i>									
	<i>(RMB in thousands, except percentages)</i>									
Revenue	4,383,901	100.0	5,559,222	100.0	7,675,665	100.0	5,570,882	100.0	6,441,288	100.0
Cost of sales	(3,070,196)	(70.0)	(3,996,290)	(71.9)	(5,272,334)	(68.7)	(3,844,469)	(69.0)	(4,476,906)	(69.5)
Gross profit	1,313,705	30.0	1,562,932	28.1	2,403,331	31.3	1,726,413	31.0	1,964,382	30.5
Other income and gains	47,598	1.0	57,477	1.1	168,828	2.2	125,879	2.2	144,067	2.1
Selling and distribution expenses	(186,193)	(4.2)	(268,143)	(4.8)	(336,584)	(4.4)	(239,291)	(4.3)	(357,172)	(5.5)
Administrative expenses	(123,745)	(2.8)	(187,605)	(3.4)	(282,848)	(3.7)	(180,689)	(3.2)	(225,206)	(3.3)

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	For the Year Ended December 31,						For the Nine Months Ended September 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(Unaudited)</i>									
	<i>(RMB in thousands, except percentages)</i>									
Research and development expenses	(65,030)	(1.5)	(118,288)	(2.1)	(198,736)	(2.6)	(129,055)	(2.3)	(165,826)	(2.6)
Other expenses	(5,775)	(0.1)	(1,069)	(0.1)	(9,456)	(0.1)	(9,434)	(0.2)	(16,711)	(0.3)
Operating profit	980,560	22.4	1,045,304	18.8	1,744,535	22.7	1,293,823	23.2	1,343,534	20.9
Finance costs	(5,079)	(0.1)	(5,424)	(0.1)	(5,233)	(0.1)	(4,299)	(0.1)	(2,216)	(0.0)
Fair value changes of financial liabilities at fair value through profit or loss	(728,388)	(16.7)	(389,523)	(7.0)	(294,215)	(3.8)	(21,669)	(0.3)	(10,556)	(0.2)
Profit before tax	247,093	5.6	650,357	11.7	1,445,087	18.8	1,267,855	22.8	1,330,762	20.7
Income tax expense	(223,101)	(5.1)	(278,332)	(5.0)	(348,733)	(4.5)	(265,818)	(4.8)	(210,994)	(3.3)
Profit for the year/period	23,992	0.5	372,025	6.7	1,096,354	14.3	1,002,037	18.0	1,119,768	17.4
Total comprehensive income for the year/period	23,992	0.5	392,307	7.1	1,076,563	14.0	1,002,229	18.0	1,112,134	17.3
Total comprehensive income for the year/period attributable to:										
Owners of the parent	20,139	0.4	386,901	7.0	1,059,837	13.8	990,225	17.8	1,098,857	17.1
Non-controlling interests	3,853	0.1	5,406	0.1	16,726	0.2	12,004	0.2	13,277	0.2

Non-IFRS Measures

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

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The following table reconciles our adjusted profit (non-IFRS measure) for the periods presented in accordance with IFRSs, which is profit for the year/period.

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2021	2022	2023	2023	2024
	<i>(Unaudited)</i>				
	<i>(RMB in thousands)</i>				
Reconciliation of profit for the year/period to adjusted profit (non-IFRS measure):					
Profit for the year/period	<u>23,992</u>	<u>372,025</u>	<u>1,096,354</u>	<u>1,002,037</u>	<u>1,119,768</u>
Add:					
Fair value changes of financial liabilities at fair value through profit or loss	728,388	389,523	294,215	21,669	10,556
Share-based payment expenses	17,226	24,476	55,537	18,981	–
Listing expenses	–	2,080	12,884	1,815	18,393
Adjusted profit (non-IFRS measure)	<u>769,606</u>	<u>788,104</u>	<u>1,458,990</u>	<u>1,044,502</u>	<u>1,148,717</u>

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

- Fair value changes of financial liabilities at fair value through profit or loss mainly represent changes in the fair value of the redeemable ordinary shares, warrants and the convertible redeemable preferred shares issued by us and relate to changes in our valuation. We do not expect to record any further fair value changes of financial liabilities at fair value through profit or loss after Listing as preferred shares liabilities will be re-designated and reclassified from liabilities to equity as a result of the automatic conversion into ordinary shares upon the Listing.
- Share-based payment expenses represent the non-cash employee benefit expenses incurred in connection with our award to key employees. Such expenses in any specific period are not expected to result in future cash payments.
- Listing expenses relate to this Global Offering of the Company.

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The following table reconciles our adjusted EBITDA (non-IFRS measure) for the periods presented in accordance with IFRSs, which is profit for the year/period.

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2021	2022	2023	2023	2024
	<i>(Unaudited)</i>				
	<i>(RMB in thousands)</i>				
Reconciliation of profit					
for the year/period to					
adjusted EBITDA					
(non-IFRS measure):					
Profit for the					
year/period	23,992	372,025	1,096,354	1,002,037	1,119,768
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Add:					
Income tax expense	223,101	278,332	348,733	265,818	210,994
Finance costs	5,079	5,424	5,233	4,299	2,216
Depreciation and					
amortization	69,870	118,947	135,137	101,943	102,681
Less: Interest income	(2,181)	(5,375)	(53,735)	(35,583)	(47,550)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
EBITDA	319,861	769,353	1,531,722	1,338,514	1,388,109
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Add:					
Fair value changes of					
financial liabilities at					
fair value through					
profit or loss	728,388	389,523	294,215	21,669	10,556
Share-based payment					
expenses	17,226	24,476	55,537	18,981	–
Listing expenses	–	2,080	12,884	1,815	18,393
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Adjusted EBITDA					
(non-IFRS measure)	1,065,475	1,185,432	1,894,358	1,380,979	1,417,058
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

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

Revenue

During the Track Record Period, we derived our revenue from (i) sales of goods and equipment, (ii) franchise management services, which consist of initial franchise fees, continuing support services fees, and income from provision of training and other services, and (iii) sales from company-operated stores. Revenue from sales of goods and equipment accounted for 80.9%, 81.0% and 80.1% of our revenue in 2021, 2022 and 2023, respectively, and accounted for 80.4% and 80.0% of our revenue in the nine months ended September 30, 2023 and 2024, respectively.

During the Track Record Period, the vast majority of our revenue was contributed by our franchised stores. In 2021, 2022 and 2023, revenue from franchised stores accounted for 97.9%, 97.9% and 97.1% of our total revenue, respectively. In the nine months ended September 30, 2023 and 2024, revenue from franchised stores accounted for 97.4% and 97.2% of our total revenue, respectively.

The following table sets forth a breakdown of our revenue by nature of products/services, in absolute amounts and as a percentage of our total revenue, for the periods indicated.

For the Year Ended December 31,						For the Nine Months Ended September 30,			
2021		2022		2023		2023		2024	
RMB	%	RMB	%	RMB	%	RMB	%	RMB	%

(Unaudited)

(RMB in thousands, except percentages)

Revenue:

Sales of goods and										
equipment	3,546,918	80.9	4,505,145	81.0	6,144,711	80.1	4,477,504	80.4	5,153,346	80.0
- Sales of goods	3,348,943	76.4	4,282,733	77.0	5,778,264	75.3	4,175,719	75.0	4,872,023	75.6
- Sales of equipment	197,975	4.5	222,412	4.0	366,447	4.8	301,785	5.4	281,323	4.4
Franchise management										
services	831,645	19.0	1,044,290	18.8	1,518,646	19.8	1,083,910	19.5	1,277,085	19.8
- Initial franchise fees	73,414	1.7	87,911	1.6	109,509	1.4	80,794	1.5	87,421	1.4

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	For the Year Ended December 31,						For the Nine Months Ended September 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(Unaudited)</i>									
	<i>(RMB in thousands, except percentages)</i>									
- Continuing support										
services fees	699,488	16.0	898,883	16.2	1,311,905	17.1	929,906	16.7	1,141,904	17.7
- Provision of training and										
other services	58,743	1.3	57,496	1.0	97,232	1.3	73,210	1.3	47,760	0.7
Sales from company-										
operated stores	5,338	0.1	9,787	0.2	12,308	0.1	9,468	0.1	10,857	0.2
Total	4,383,901	100.0	5,559,222	100.0	7,675,665	100.0	5,570,882	100.0	6,441,288	100.0

Sales of Goods and Equipment. We generate revenue from sales of goods and equipment primarily to our franchisees. Our revenue from sales of goods is primarily generated from our sales of ingredients for our beverages such as fresh fruits, fresh juices, tea leaves, dairy products and packaging materials, among others.

Our revenue from sales of equipment primarily includes the sales of tea brewers, ice machines, freezers, refrigerators and other electronic equipment to our franchised stores. We primarily (i) sell the store equipment to newly opened stores, and (ii) replace or upgrade store equipment for existing stores. We recognize revenue from sales of goods and equipment at the point in time when control of the asset is transferred to the franchisees, generally upon the delivery of the goods and equipment.

Our revenue from sales of goods and equipment grew from RMB3,546.9 million in 2021 to RMB4,505.1 million in 2022, and to RMB6,144.7 million in 2023, as (i) the number of our franchised stores increased from 5,689 as of December 31, 2021 to 6,664 as of December 31, 2022, and further to 8,995 as of December 31, 2023, and (ii) our total GMV increased from RMB10.6 billion in 2021 to RMB14.0 billion in 2022, and increased to RMB19.2 billion in 2023. Our revenue from sales of goods and equipment grew from RMB4,477.5 million in the nine months ended September 30, 2023 to RMB5,153.3 million in the same period in 2024 as (i) the number of our franchised stores increased from 8,572 as of September 30, 2023 to 9,771 as of September 30, 2024, and (ii) our total GMV increased from RMB13.8 billion in the nine months ended September 30, 2023 to RMB16.6 billion in the same period in 2024.

Franchise Management Services. Our revenue generated from franchise management services to our franchisees mainly includes initial franchise fees, continuing support services fees and income from the provision of training and other services.

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For initial franchise fees, each franchisee pays a fixed upfront fee after it enters into a franchise agreement with us, and revenue is recognized over the franchise period, which is typically three years. Initial franchise fees are generally charged for pre-opening support services provided to the franchisees, including (i) location analysis and certain advisory services such as license application, (ii) marketing advisory services, and (iii) operational support.

For income from continuing support services fees, our franchisees receive our ongoing operational support services from us with respect to supply chain, store operation, technology support, and marketing and promotion, during the whole franchise period, which are highly interrelated with the franchise right. Our franchisees pay us continuing support services fees, which is determined based on (i) a pre-determined fixed amount per month multiplying the number of the applicable franchised stores, and (ii) a pre-determined rate range as a percentage of the applicable franchised stores' procurement amounts. We recognize revenue when the franchisee's subsequent usage occurs.

Our franchise management services revenue is also generated from the provision of training and other services, including pre-opening training services and other training services, and store supervisory and maintenance services, and revenue is recognized when the related services are rendered as our franchisees simultaneously receive and consume the benefits provided by us.

Our revenue generated from franchise management services increased from RMB831.6 million in 2021 to RMB1,044.3 million in 2022, and to RMB1,518.6 million in 2023, as a result of an increase in the number of our franchised stores from 5,689 as of December 31, 2021 to 6,664 as of December 31, 2022, and further to 8,995 as of December 31, 2023, as well as the increased average procurement amounts of our franchised stores. Our revenue generated from franchise management services increased from RMB1,083.9 million in the nine months ended September 30, 2023 to RMB1,277.1 million in the same period in 2024, as a result of an increase in the number of our franchised stores from 8,572 as of September 30, 2023 to 9,771 as of September 30, 2024.

Sales from Company-operated Stores. We also generate a small portion of our revenue from company-operated stores and revenue is recognized when the control of the products has been transferred to the consumers. As of December 31, 2021, 2022 and 2023 and September 30, 2024, our store network included five, five, six and seven company-operated stores, respectively.

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Cost of Sales

Our cost of sales primarily consists of (i) cost of sales of goods and equipment, (ii) cost of providing franchise management services, and (iii) cost of sales from our company-operated stores. In particular, cost of sales of goods and equipment mainly includes cost of inventories sold, cost of wages and salaries and the logistics cost for delivery from our warehouses to our stores. Cost of providing franchise management services, consisting of cost of initial franchise fees, cost of continuing support services fees and cost of provision of training and other services, mainly includes labor costs, travel expenses and training costs. For logistics costs that are related to the promise to transfer control of the good and incurred to fulfill a revenue obligation, they are recorded in cost of sales.

The following table sets forth a breakdown of our cost of sales by nature of products/services, in absolute amounts and as a percentage of our total revenue, for the periods indicated.

	For the Year Ended December 31,						For the Nine Months Ended September 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(Unaudited)</i>									
	<i>(RMB in thousands, except percentages)</i>									
Cost of sales:										
Cost of sales of goods and equipment	2,952,080	67.3	3,806,506	68.4	4,992,861	65.0	3,636,260	65.3	4,228,262	65.6
– Cost of goods	2,770,371	63.2	3,605,030	64.8	4,661,048	60.7	3,363,123	60.4	3,974,599	61.7
– Cost of equipment	181,709	4.1	201,476	3.6	331,813	4.3	273,137	4.9	253,663	3.9
Cost of providing franchise management services . . .	114,640	2.6	181,818	3.4	269,468	3.6	200,618	3.6	239,338	3.8
– Cost of initial franchise fees	30,527	0.7	38,603	0.7	56,639	0.8	43,129	0.8	39,835	0.6
– Cost of continuing support services fees	55,339	1.2	106,031	2.0	163,473	2.1	119,644	2.1	174,862	2.8
– Cost of provision of training and other services.	28,774	0.7	37,184	0.7	49,356	0.7	37,845	0.7	24,641	0.4
Cost of sales from company-operated stores . .	3,476	0.1	7,966	0.1	10,005	0.1	7,591	0.1	9,306	0.1
Total	<u>3,070,196</u>	<u>70.0</u>	<u>3,996,290</u>	<u>71.9</u>	<u>5,272,334</u>	<u>68.7</u>	<u>3,844,469</u>	<u>69.0</u>	<u>4,476,906</u>	<u>69.5</u>

Our cost of sales increased from RMB3,070.2 million in 2021 to RMB3,996.3 million in 2022, and to RMB5,272.3 million in 2023, and increased from RMB3,844.5 million in the nine months ended September 30, 2023 to RMB4,476.9 million in the same period in 2024, which is generally in line with our revenue growth in these periods.

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Gross Profit and Gross Profit Margin

We recorded gross profit of RMB1,313.7 million, RMB1,562.9 million and RMB2,403.3 million in 2021, 2022 and 2023, respectively, representing gross profit margin of 30.0%, 28.1% and 31.3% in these years, respectively. We recorded gross profit of RMB1,726.4 million and RMB1,964.4 million in the nine months ended September 30, 2023 and 2024, respectively, representing gross profit margin of 31.0% and 30.5% in these periods, respectively.

The following table breaks down our gross profit and gross profit margin by nature of products/services for the periods indicated.

	For the Year Ended December 31,						For the Nine Months Ended September 30,			
	2021		2022		2023		2023		2024	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(Unaudited)</i>									
	<i>(RMB in thousands, except percentages)</i>									
Sales of goods and equipment	594,838	16.8	698,639	15.5	1,151,850	18.7	841,244	18.8	925,084	18.0
– Sales of goods	578,572	17.3	677,703	15.8	1,117,216	19.3	812,596	19.5	897,424	18.4
– Sales of equipment	16,266	8.2	20,936	9.4	34,634	9.5	28,648	9.5	27,660	9.8
Franchise management services	717,005	86.2	862,472	82.6	1,249,178	82.3	883,292	81.5	1,037,747	81.3
– Initial franchise fees	42,887	58.4	49,308	56.1	52,870	48.3	37,665	46.6	47,586	54.4
– Continuing support services fees	644,149	92.1	792,852	88.2	1,148,432	87.5	810,262	87.1	967,042	84.7
– Provision of training and other services	29,969	51.0	20,312	35.3	47,876	49.2	35,365	48.3	23,119	48.4
Sales from company-operated stores	1,862	34.9	1,821	18.6	2,303	18.7	1,877	19.8	1,551	14.3
Total	<u>1,313,705</u>	30.0	<u>1,562,932</u>	28.1	<u>2,403,331</u>	31.3	<u>1,726,413</u>	31.0	<u>1,964,382</u>	30.5

Other Income and Gains

Our other income primarily consists of (i) government grants, which represent incentives received from the local governments as their support to the growth of local enterprises, and (ii) bank interest income.

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Our net other gains primarily consist of (i) foreign exchange gains, (ii) fair value changes of financial assets at fair value through profit or loss, and (iii) gains on disposal of items of property, plant and equipment.

The following table breaks down our other income and gains by absolute amounts and as a percentage of our total revenue for the periods indicated.

	For the Year Ended December 31,						For the Nine Months Ended September 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(Unaudited)									
	(RMB in thousands, except percentages)									
Other income:										
- Government grants ⁽¹⁾	23,475	0.5	18,576	0.4	90,009	1.2	77,506	1.4	72,900	1.1
- Bank interest income ⁽²⁾	2,181	0.0	5,375	0.1	53,735	0.7	35,583	0.6	47,550	0.7
- Imputed interest income for long-term trade receivables and non-current portion of contract assets	-	-	-	-	-	-	-	-	928	0.0
- Additional tax deduction ⁽³⁾	1,131	0.0	3,959	0.1	3,908	0.0	3,203	0.1	4,623	0.1
- Sale of scraps	448	0.0	1,398	0.0	1,100	0.0	772	0.0	1,417	0.0
- Others	4,074	0.1	9,115	0.2	13,852	0.2	7,094	0.1	8,915	0.1
Total other income	31,309	0.6	38,423	0.8	162,604	2.1	124,158	2.2	136,333	2.0
Gains:										
- Foreign exchange differences, net ⁽⁴⁾	-	-	7,935	0.1	4,315	0.1	-	-	-	-
- Fair value changes of financial assets at fair value through profit or loss	16,289	0.4	10,933	0.2	1,909	0.0	1,721	0.0	7,734	0.1
- Gains on disposal of items of property, plant and equipment	-	-	186	0.0	-	-	-	-	-	-
Total gains	16,289	0.4	19,054	0.3	6,224	0.1	1,721	0.0	7,734	0.1
Total other income and gains	47,598	1.0	57,477	1.1	168,828	2.2	125,879	2.2	144,067	2.1

Notes:

(1) The government grants related to income mainly represent incentives received from the local government in connection with certain financial support to local business enterprises for the purpose of encouraging business development. These grants are recognized in profit or loss upon receipt of these grants. There are no unfulfilled conditions or contingencies relating to these grants.

The significant increase in government grants in 2023 was primarily attributable to our revenue growth and contribution to the local economy.

(2) The significant increase in bank interest income in 2023 was primarily attributable to our increased cash and bank balances.

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- (3) The amounts represent the additional input value added tax deduction, pursuant to the announcement of the State Administration of Taxation, which became effective from April 1, 2019 onwards.
- (4) The amounts represent the exchange differences arising on translation of monetary items denominated in foreign currencies at the reporting dates.

Selling and Distribution Expenses

Our selling and distribution expenses consist of (i) employee costs for our sales and distribution staff, (ii) advertising and promoting fees, (iii) warehousing and transportation expenses, which mainly represent expenses for warehousing and transportation among our warehouses, (iv) depreciation and amortization expenses allocated to our assets for selling and distribution purposes, which are mainly related to the warehouses, and (v) other expenses, mainly including outsourced labor costs and training fees. In 2021, 2022 and 2023, our selling and distribution expenses accounted for 4.2%, 4.8% and 4.4% of our total revenue in these periods, respectively. In the nine months ended September 30, 2023 and 2024, our selling and distribution expenses accounted for 4.3% and 5.5% of our total revenue in these periods, respectively.

The following table breaks down our selling and distribution expenses by absolute amounts and as a percentage of our total revenue for the periods indicated.

	For the Year Ended December 31,						For the Nine Months Ended September 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(Unaudited)</i>									
	<i>(RMB in thousands, except percentages)</i>									
Selling and distribution expenses:										
Employee costs	70,712	1.6	91,112	1.6	94,479	1.2	62,162	1.1	68,727	1.1
Advertising and promoting fees ⁽¹⁾	40,907	0.9	36,622	0.7	62,522	0.8	42,715	0.8	115,932	1.8
Warehousing and transportation expenses	40,930	0.9	70,098	1.3	78,191	1.0	56,178	1.0	83,789	1.3
Depreciation and amortization expenses	27,372	0.6	48,592	0.9	53,174	0.7	39,906	0.7	44,422	0.7
Other expenses	6,272	0.2	21,719	0.3	48,218	0.7	38,330	0.7	44,302	0.6
Total	186,193	4.2	268,143	4.8	336,584	4.4	239,291	4.3	357,172	5.5

Note:

- (1) The significant increase in advertising and promoting fees in the nine months ended September 30, 2024 was primarily attributable to our increased efforts to increase our brand awareness, with the fees in the nine months ended September 30, 2024 primarily consisting of fees relating to IP collaborations where we pay owners of popular IPs for collaboration events, such as our collaboration event with “Love and Deepspace (戀與深空)” and new product launches.

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Administrative Expenses

Our administrative expenses consist of (i) employee costs for our administrative staff, (ii) depreciation and amortization expenses allocated to our assets for administrative purposes, (iii) office and travel expenses, (iv) service fees paid to independent third-party services providers, and (v) other expenses, primarily including rental expenses, sample usage expenses and listing expenses. In particular, during the Track Record Period, the services fees under administrative expenses were primarily paid for services mainly covering (i) consultancy services on finance, marketing and business development; (ii) meeting services, mainly for the organization of franchisee meeting to strengthen the communication with franchisees; (iii) information technology system services, mainly for system upgrades and daily operation technology support; and (iv) mould design services for the design of new cup mould. In 2021, 2022 and 2023, our administrative expenses accounted for 2.8%, 3.4% and 3.7% of our total revenue in these periods, respectively. In the nine months ended September 30, 2023 and 2024, our administrative expenses accounted for 3.2% and 3.3% of our total revenue in these periods, respectively.

The following table breaks down our administrative expenses by absolute amounts and as a percentage of our total revenue for the periods indicated.

	For the Year Ended December 31,						For the Nine Months Ended September 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(Unaudited)</i>									
	<i>(RMB in thousands, except percentages)</i>									
Administrative Expenses:										
Employee costs	65,118	1.5	97,320	1.8	141,844	1.8	89,566	1.6	89,416	1.4
Depreciation and amortization expenses . . .	18,158	0.4	29,937	0.5	35,335	0.5	25,985	0.5	28,428	0.4
Office and travel expenses . .	20,790	0.5	28,401	0.5	35,436	0.5	24,551	0.4	29,285	0.5
Services fees	13,029	0.3	11,462	0.2	33,710	0.4	19,278	0.3	28,618	0.4
Other expenses ⁽¹⁾	6,650	0.1	20,485	0.4	36,523	0.5	21,309	0.4	49,459	0.6
Total	<u>123,745</u>	<u>2.8</u>	<u>187,605</u>	<u>3.4</u>	<u>282,848</u>	<u>3.7</u>	<u>180,689</u>	<u>3.2</u>	<u>225,206</u>	<u>3.3</u>

Note:

- (1) Primarily include rental expenses, sample usage expenses, and listing expenses. In particular, the listing expenses amounted to nil, RMB2.1 million and RMB12.9 million in 2021, 2022 and 2023, respectively, and amounted to RMB1.8 million and RMB18.4 million in the nine months ended September 30, 2023 and 2024, respectively.

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Research and Development Expenses

Our research and development expenses primarily consist of (i) employee costs for our product research and development and information technology staff, (ii) information technology fees, mainly related to our servers, (iii) depreciation and amortization expenses allocated to our assets for research and development purposes, and (iv) other expenses, mainly including property management fees and training fees, office and relevant expenses. In 2021, 2022 and 2023, our research and development expenses accounted for 1.5%, 2.1% and 2.6% of our total revenue in these periods, respectively. In the nine months ended September 30, 2023 and 2024, our research and development expenses accounted for 2.3% and 2.6% of our total revenue in these periods, respectively.

Other Expenses

Our other expenses mainly consist of donations, foreign exchange losses, and late payment fees in relation to our historical tax non-compliance. Our other expenses amounted to RMB5.8 million, RMB1.1 million and RMB9.5 million for the years ended December 31, 2021, 2022 and 2023, respectively, and amounted to RMB9.4 million and RMB16.7 million in the nine months ended September 30, 2023 and 2024, respectively.

Finance Costs

Our finance costs primarily represent interest on lease liabilities and interest on other borrowings. Our finance costs amounted to RMB5.1 million, RMB5.4 million and RMB5.2 million for the years ended December 31, 2021, 2022 and 2023, respectively, and amounted to RMB4.3 million and RMB2.2 million in the nine months ended September 30, 2023 and 2024, respectively.

Fair Value Changes of Financial Liabilities at Fair Value through Profit or Loss

In 2020, we issued redeemable ordinary shares to certain investors, who have the right to mandate us to repurchase their equity interests at the price agreed under certain circumstances. In 2022, we replaced the redeemable ordinary shares with warrants and convertible redeemable Series A preferred shares, which will be converted to ordinary shares upon the Listing. The investments from these investors were classified as financial liabilities and designated at fair value through profit or loss. See note 30 to the Accountants' Report in Appendix I to this document for details.

We recorded losses from fair value changes of financial liabilities through profit or loss of RMB728.4 million, RMB389.5 million and RMB294.2 million in 2021, 2022 and 2023, respectively, and of RMB21.7 million and RMB10.6 million in the nine months ended September 30, 2023 and 2024, respectively, primarily attributable to changes in the valuation of our Company.

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Taxation

Cayman Islands

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains, or appreciation, and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for certain stamp duties, which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. In addition, the Cayman Islands does not impose withholding tax on dividend payments.

Hong Kong

The Company's subsidiaries domiciled in Hong Kong are subject to a two-tiered income tax rate for taxable income earned in Hong Kong, effective since April 1, 2018. The first two million Hong Kong dollars of profits earned by these subsidiaries are to be taxed at an income tax rate of 8.25%, while the remaining profits will continue to be taxed at the existing tax rate, 16.5%. To avoid abuse of the two-tiered tax regime, each group of connected entities can nominate only one entity to benefit from the two-tiered tax rate. Additionally, payments of dividends by the subsidiaries incorporated in Hong Kong to the Company are not subject to any Hong Kong withholding tax.

Mainland China

Generally, our subsidiaries in China are subject to enterprise income tax on their taxable income in China at a rate of 25%, except where a special preferential rate applies. The enterprise income tax is calculated based on the entity's global income as determined under PRC tax laws and accounting standards.

Certain of our subsidiaries that are registered in Jingning She Autonomous County, Zhejiang, are entitled to a preferential income tax policy for an exemption of the local portion of income tax for 10 years since the date of their registration. Certain of our subsidiaries in China were accredited as "High and New Technology Enterprises" and therefore entitled to a preferential income tax rate of 15% for the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024. In addition, one of our subsidiaries in China was qualified as a "Double Soft Enterprise" ("DSE") under the PRC Enterprise Income Tax Law during the years ended December 31, 2021, 2022 and 2023 and the nine months ended September 30, 2024, which entitled it to an income tax exemption for two years commencing from its first profitable year, and a 50% reduction in the applicable tax rates for the subsequent three years if it meets the criteria of DSE each year.

If our holding company in the Cayman Islands or any of our subsidiaries outside of China were deemed to be a "resident enterprise" under the PRC Enterprise Income Tax Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%. See "Risk Factors — Risks Relating to Doing Business in the Country Where We Operate — If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders."

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PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Nine Months Ended September 30, 2024 Compared to Nine Months Ended September 30, 2023

Revenue

Our revenue increased by 15.6% from RMB5,570.9 million in the nine months ended September 30, 2023 to RMB6,441.3 million in the same period in 2024, primarily attributable to the growth in sales of goods and equipment mainly as a result of the expansion of our store network and growing GMV. The number of stores in our store network increased by 14.0% from 8,578 stores as of September 30, 2023 to 9,778 stores as of September 30, 2024. The total GMV increased by 20.4% from RMB13.8 billion in the nine months ended September 30, 2023 to RMB16.6 billion in the same period in 2024.

Sales of goods and equipment. Our revenue from sales of goods and equipment increased by 15.1% from RMB4,477.5 million in the nine months ended September 30, 2023 to RMB5,153.3 million in the same period in 2024. In particular, our revenue from sales of goods increased by 16.7% from RMB4,175.7 million in the nine months ended September 30, 2023 to RMB4,872.0 million in the same period in 2024 as our store network expanded and the total GMV increased, which leads to higher demands of goods from us. Our revenue from sales of equipment decreased by 6.8% from RMB301.8 million in the nine months ended September 30, 2023 to RMB281.3 million in the same period in 2024, primarily due to fewer newly opened stores in the nine months ended September 30, 2024.

Franchise management service. Our franchise management services revenue increased by 17.8% from RMB1,083.9 million in the nine months ended September 30, 2023 to RMB 1,277.1 million in the same period in 2024. Our revenue from initial franchise fees increased by 8.2% from RMB80.8 million in the nine months ended September 30, 2023 to RMB87.4 million in the same period in 2024, as the number of our newly opened stores increased in 2023 and we recognized the initial franchise fees from these stores as revenue in 2024. Our revenue from continuing support services fees increased by 22.8% from RMB929.9 million in the nine months ended September 30, 2023 to RMB1,141.9 million in the same period in 2024, which is in line with our increased total GMV. Our revenue from provision of training and other services decreased by 34.7% from RMB73.2 million in the nine months ended September 30, 2023 to RMB47.8 million in the same period in 2024 primarily due to fewer newly opened stores in the nine months ended September 30, 2024.

Sales from company-operated stores. Our revenue from sales from company-operated stores increased by 14.7% from RMB9.5 million in the nine months ended September 30, 2023 to RMB10.9 million in the same period in 2024, primarily because we opened one more company-operated store.

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Cost of sales

Our cost of sales increased by 16.4% from RMB3,844.5 million in the nine months ended September 30, 2023 to RMB4,476.9 million in the same period in 2024, primarily due to (i) an increase of RMB592.0 million in cost of sales of goods and equipment, and (ii) an increase of RMB38.7 million in cost of providing franchise management services. The increase in our cost of sales is generally in line with our business expansion and revenue growth.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 13.8% from RMB1,726.4 million in the nine months ended September 30, 2023 to RMB1,964.4 million in the same period in 2024, and our gross profit margin was 31.0% and 30.5% in the nine months ended September 30, 2023 and 2024, respectively.

Our gross profit for sales of goods and equipment increased by 10.0% from RMB841.2 million in the nine months ended September 30, 2023 to RMB925.1 million in the same period in 2024. The gross profit margin for sales of goods and equipment decreased from 18.8% in the nine months ended September 30, 2023 to 18.0% for the same period in 2024, primarily because we maintained stable raw materials supplies, despite upstream price fluctuations in 2024. Our gross profit for franchise management services increased by 17.5% from RMB883.3 million in the nine months ended September 30, 2023 to RMB1,037.7 million in the same period in 2024. Our gross profit margin for franchise management services remained relatively stable at 81.3% in the nine months ended September 30, 2024, as compared to 81.5% for the same period in 2023.

Other income and gains

Our other income and gains increased by 14.5% from RMB125.9 million in the nine months ended September 30, 2023 to RMB144.1 million in the same period in 2024, primarily due to an increase of RMB12.0 million in bank interest income and an increase of RMB6.0 million in fair value changes of financial assets at fair value through profit or loss.

Selling and distribution expenses

Our selling and distribution expenses increased by 49.3% from RMB239.3 million in the nine months ended September 30, 2023 to RMB357.2 million in the same period in 2024, primarily due to an increase of RMB73.2 million in advertising and promoting fees, mainly as a result of our increasing marketing and promotional efforts, and an increase of RMB27.6 million in warehousing and transportation expenses, primarily attributable to our expanding warehouse network.

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Administrative expenses

Our administrative expenses increased by 24.6% from RMB180.7 million in the nine months ended September 30, 2023 to RMB225.2 million in the same period in 2024, primarily due to increased services fees relating to the franchisee conference and listing expenses.

Research and development expenses

Our research and development expenses increased by 28.4% from RMB129.1 million in the nine months ended September 30, 2023 to RMB165.8 million in the same period in 2024, primarily due to increased employee costs for our research and development staff.

Fair value changes of financial liabilities at fair value through profit or loss

We recorded fair value loss of financial liabilities at fair value through profit or loss of RMB21.7 million and RMB10.6 million in the nine months ended September 30, 2023 and 2024, respectively, primarily due to the increase in the fair value of our convertible redeemable preferred shares as a result of changes in the valuation of our Company. See note 30 to the Accountants' Report in Appendix I to this document for details.

Income tax expense

We recorded income tax expense of RMB265.8 million and RMB211.0 million in the nine months ended September 30, 2023 and 2024, respectively. The decrease in our income tax expense was primarily due to more of our entities enjoying preferential income tax policies.

Profit for the period

As a result of the foregoing, our profit for the period increased by 11.8% from RMB1,002.0 million in the nine months ended September 30, 2023 to RMB1,119.8 million in the same period in 2024.

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Revenue

Our revenue increased by 38.1% from RMB5,559.2 million in 2022 to RMB7,675.7 million in 2023, primarily attributable to the growth in sales of goods and equipment mainly as a result of the expansion of our store network and growing GMV. The number of stores in our store network increased by 35.0% from 6,669 stores as of December 31, 2022 to 9,001 stores as of December 31, 2023. The total GMV increased by 37.2% from RMB14.0 billion in 2022 to RMB19.2 billion in 2023.

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Sales of goods and equipment. Our revenue from sales of goods and equipment increased by 36.4% from RMB4,505.1 million in 2022 to RMB6,144.7 million in 2023. In particular, our revenue from sales of goods increased by 34.9% from RMB4,282.7 million in 2022 to RMB5,778.3 million in 2023 as our store network expanded and the total GMV increased, which leads to higher demands of goods from us. Our revenue from sales of equipment increased by 64.7% from RMB222.4 million in 2022 to RMB366.4 million in 2023, primarily due to the increased number of our newly opened stores and the equipment upgrade in our existing stores.

Franchise management service. Our franchise management services revenue increased by 45.4% from RMB1,044.3 million in 2022 to RMB1,518.6 million in 2023. Our revenue from initial franchise fees increased by 24.6% from RMB87.9 million in 2022 to RMB109.5 million in 2023 as the number of our newly opened stores increased. Our revenue from continuing support services fees increased by 45.9% from RMB898.9 million in 2022 to RMB1,311.9 million in 2023, which is in line with our increased total GMV. Our revenue from provision of training and other services increased by 69.0% from RMB57.5 million in 2022 to RMB97.2 million in 2023 as we opened more stores in 2023 as compared to 2022.

Sales from company-operated stores. Our revenue from sales from company-operated stores increased by 25.5% from RMB9.8 million in 2022 to RMB12.3 million in 2023, primarily because we had six company-operated stores as of December 31, 2023, as compared to five company-operated stores as of December 31, 2022.

Cost of sales

Our cost of sales increased by 31.9% from RMB3,996.3 million in 2022 to RMB5,272.3 million in 2023, primarily due to (i) an increase of RMB1,186.4 million in cost of sales of goods and equipment, and (ii) an increase of RMB87.7 million in cost of providing franchise management services. The increase in our cost of sales is generally in line with our business expansion and revenue growth.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 53.8% from RMB1,562.9 million in 2022 to RMB2,403.3 million in 2023, and our gross profit margin was 28.1% and 31.3% in 2022 and 2023, respectively.

Our gross profit for sales of goods and equipment increased by 64.9% from RMB698.6 million in 2022 to RMB1,151.9 million in 2023. Our gross profit margin for sales of goods and equipment was 15.5% and 18.7% in 2022 and 2023, respectively, primarily as a result of the economies of scale and the ease of COVID-19. Our gross profit for franchise management services increased by 44.8% from RMB862.5 million in 2022 to RMB1,249.2 million in 2023. Our gross profit margin for franchise management services slightly decreased from 82.6% in 2022 to 82.3% in 2023, as we allocated resources to expand our store network in new regions at an accelerating pace.

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Other income and gains

Our other income and gains increased by 193.6% from RMB57.5 million in 2022 to RMB168.8 million in 2023, primarily due to (i) an increase of RMB71.4 million in government grants because we received more government grants in 2023, and (ii) an increase of RMB48.4 million in bank interest income, partially offset by a decrease of RMB9.0 million in fair value changes of financial assets at fair value through profit or loss.

Selling and distribution expenses

Our selling and distribution expenses increased by 25.6% from RMB268.1 million in 2022 to RMB336.6 million in 2023, primarily due to (i) an increase of RMB26.5 million in other expenses, mainly as a result of our increased outsourced labor costs, and (ii) an increase of RMB25.9 million in advertising and promoting fees, mainly as a result of our increasing marketing and promotional efforts.

Administrative expenses

Our administrative expenses increased by 50.7% from RMB187.6 million in 2022 to RMB282.8 million in 2023, primarily due to increased employee costs for our administrative staff.

Research and development expenses

Our research and development expenses increased by 68.0% from RMB118.3 million in 2022 to RMB198.7 million in 2023, primarily due to increased employee costs for our research and development staff.

Fair value changes of financial liabilities at fair value through profit or loss

We recorded fair value loss of financial liabilities at fair value through profit or loss of RMB389.5 million and RMB294.2 million in 2022 and 2023, respectively, primarily due to the increase in the fair value of our convertible redeemable preferred shares as a result of changes in the valuation of our Company. See note 30 to the Accountants' Report in Appendix I to this document for details.

Income tax expense

We recorded income tax expense of RMB278.3 million in 2022 and RMB348.7 million in 2023. The increase in our income tax expense was primarily due to an increase in our profit before tax, partially offset by the preferential income tax policies we enjoyed.

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Profit for the year

As a result of the foregoing, our profit for the year increased by 194.7% from RMB372.0 million in 2022 to RMB1,096.4 million in 2023.

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Revenue

Our revenue increased by 26.8% from RMB4,383.9 million in 2021 to RMB5,559.2 million in 2022, primarily attributable to the growth in sales of goods and equipment mainly as a result of our growing store network and the increasing GMV. The number of stores in our store network increased by 17.1% from 5,694 stores as of December 31, 2021 to 6,669 stores as of December 31, 2022. The total GMV increased from RMB10.6 billion in 2021 to RMB14.0 billion in 2022.

Sales of goods and equipment. Our revenue from sales of goods and equipment increased by 27.0% from RMB3,546.9 million in 2021 to RMB4,505.1 million in 2022. In particular, our revenue from sales of goods increased by 27.9% from RMB3,348.9 million in 2021 to RMB4,282.7 million in 2022 primarily due to our growing store network and our increased total GMV, which leads to higher demands of goods and equipment from us. Our revenue from sales of equipment increased by 12.3% from RMB198.0 million in 2021 to RMB222.4 million in 2022, primarily because we expanded our store network.

Franchise management service. Our franchise management services revenue increased by 25.6% from RMB831.6 million in 2021 to RMB1,044.3 million in 2022. Our revenue from initial franchise fees, which is recognized over the franchise period, increased by 19.7% from RMB73.4 million in 2021 to RMB87.9 million in 2022 as the total number of our franchised stores that are in the franchise period increased. Our revenue from continuing support services fees increased by 28.5% from RMB699.5 million in 2021 to RMB898.9 million in 2022, which is in line with the growth of our store network and increased total GMV. Our revenue from provision of training and other services slightly decreased by 2.1% from RMB58.7 million in 2021 to RMB57.5 million in 2022, mainly attributable to the lower number of new store openings in 2022 as compared to that in 2021 due to the impact of COVID-19.

Sales from company-operated stores. Our revenue from sales from company-operated stores was RMB5.3 million and RMB9.8 million in 2021 and 2022, respectively.

Cost of sales

Our cost of sales increased by 30.2% from RMB3,070.2 million in 2021 to RMB3,996.3 million in 2022, primarily due to (i) an increase of RMB854.4 million in cost of sales of goods and equipment, and (ii) an increase of RMB67.2 million in cost of providing franchise management services. The increase in our cost of sales is generally in line with our business expansion and revenue growth.

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Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 19.0% from RMB1,313.7 million in 2021 to RMB1,562.9 million in 2022. Our gross profit margin slightly decreased from 30.0% in 2021 to 28.1% in 2022, primarily because we reduced the prices of certain goods supplied to our franchisees to support their operations during COVID-19.

Our gross profit for sales of goods and equipment increased by 17.5% from RMB594.8 million in 2021 to RMB698.6 million in 2022. Our gross profit margin for sales of goods and equipment was 16.8% and 15.5% in 2021 and 2022, respectively. Our gross profit for franchise management services increased by 20.3% from RMB717.0 million in 2021 to RMB862.5 million in 2022. Our gross profit margin for franchise management services was 86.2% and 82.6% in 2021 and 2022, respectively, as we invested more resources into franchisee development and store management.

Other income and gains

Our other income and gains increased by 20.8% from RMB47.6 million in 2021 to RMB57.5 million in 2022, primarily due to an increase of RMB7.9 million in foreign exchange gains, and an increase of RMB3.2 million in interest income due to increased cash and bank balances.

Selling and distribution expenses

Our selling and distribution expenses increased by 44.0% from RMB186.2 million in 2021 to RMB268.1 million in 2022, primarily due to (i) an increase of RMB21.2 million in depreciation and amortization expenses primarily related to the leased warehouses, (ii) an increase of RMB20.4 million in employee costs for our selling and distribution staff, and (iii) an increase of RMB29.2 million in warehousing and transportation expenses.

Administrative expenses

Our administrative expenses increased by 51.6% from RMB123.7 million in 2021 to RMB187.6 million in 2022, primarily due to increased employee costs for our administrative staff and increased depreciation and amortization expenses of our assets for administrative purposes.

Research and development expenses

Our research and development expenses increased by 81.9% from RMB65.0 million in 2021 to RMB118.3 million in 2022, primarily due to increased employee costs for our research and development staff and increased information technology fees as we procured more servers to enhance our technological capabilities.

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Fair value changes of financial liabilities at fair value through profit or loss

We recorded fair value loss of financial liabilities at fair value through profit or loss of RMB728.4 million and RMB389.5 million in 2021 and 2022, respectively, primarily due to the increase in the fair value of our convertible redeemable preferred shares as a result of changes in the valuation of our Company. See note 30 to the Accountants' Report in Appendix I to this document for details.

Income tax expense

We recorded income tax expense of RMB223.1 million in 2021 and RMB278.3 million in 2022. The increase in our income tax expense was primarily due to an increase in our profit before tax.

Profit for the year

As a result of the foregoing, our profit for the year increased significantly from RMB24.0 million in 2021 to RMB372.0 million in 2022.

DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated, which have been extracted from the Accountants' Report in Appendix I to this document:

	As of December 31,			As of
	2021	2022	2023	September 30, 2024
	<i>(RMB in thousands)</i>			
Total non-current assets	675,961	867,109	1,144,257	1,688,935
Total current assets	1,367,539	2,164,567	4,008,672	4,661,814
Total assets	2,043,500	3,031,676	5,152,929	6,350,749
Total non-current liabilities	169,091	182,628	175,220	297,335
Total current liabilities	3,080,220	3,665,642	4,362,203	4,325,774
Total liabilities	3,249,311	3,848,270	4,537,423	4,623,109
Net (liabilities)/assets	(1,205,811)	(816,594)	615,506	1,727,640
Share capital	112	112	127	127
Reserves	(1,216,305)	(832,494)	582,865	1,681,722
Equity attributable to owners of the parent	(1,216,193)	(832,382)	582,992	1,681,849
Non-controlling interests	10,382	15,788	32,514	45,791
(Deficiency in assets)/Total equity	(1,205,811)	(816,594)	615,506	1,727,640

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We recorded net liabilities of RMB1,205.8 million and RMB816.6 million as of December 31, 2021 and 2022, respectively, and recorded net assets of RMB615.5 million and RMB1,727.6 million as of December 31, 2023 and September 30, 2024, respectively. We recorded net liabilities of RMB1,247.0 million as of December 31, 2020, mainly from accumulated fair value losses of redeemable ordinary shares of RMB1,322.1 million, the deferred recognition of income from initial franchise fees of RMB109.1 million, and the financial impact of RMB37.7 million from the historical tax non-compliance. Our net liabilities decreased from RMB1,205.8 million as of December 31, 2021 to RMB816.6 million as of December 31, 2022, primarily attributable to our profit for the year of RMB372.0 million in 2022. As of December 31, 2023, we returned to a net assets position, primarily attributable to our profit for the year of RMB1,096.4 million in 2023. As of September 30, 2024, our net assets further increased primarily attributable to our profit for the period of RMB1,119.8 million in the nine months ended September 30, 2024.

The following table sets forth our current assets and current liabilities as of the dates indicated.

	As of December 31,			As of	As of
	2021	2022	2023	September 30,	January 15,
				2024	2025
					<i>(Unaudited)</i>
					<i>(RMB in thousands)</i>
Current assets:					
Inventories	706,789	705,560	881,141	818,455	1,018,469
Trade receivables	34,401	37,511	70,416	151,207	309,069
Contract assets	–	–	9,042	19,676	36,639
Prepayments, other receivables and other assets	232,862	236,945	298,809	327,401	363,495
Financial assets at fair value through profit or loss	241,679	37,346	197,285	1,606,210	1,035,254
Restricted cash	–	–	124,000	29,030	41,510
Cash and bank balances . .	151,808	1,147,205	2,427,979	1,709,835	1,943,118
Total current assets	<u>1,367,539</u>	<u>2,164,567</u>	<u>4,008,672</u>	<u>4,661,814</u>	<u>4,747,554</u>

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	As of December 31,			As of September 30,	As of January 15,
	2021	2022	2023	2024	2025
					<i>(Unaudited)</i>
					<i>(RMB in thousands)</i>
Current liabilities:					
Trade payables	149,591	389,543	601,272	612,127	584,865
Other payables and accruals	181,546	251,213	322,219	352,222	2,099,823
Tax payables	166,809	53,372	38,813	65,597	72,538
Contract liabilities	65,335	57,520	76,212	89,356	78,440
Interest-bearing other borrowings	–	–	124,000	–	–
Financial liabilities at fair value through profit or loss	2,472,275	2,861,798	3,156,013	3,166,569	3,045,487
Lease liabilities	44,664	52,196	43,674	39,903	36,048
Total current liabilities	<u>3,080,220</u>	<u>3,665,642</u>	<u>4,362,203</u>	<u>4,325,774</u>	<u>5,917,201</u>
Net current assets/(liabilities)	<u>(1,712,681)</u>	<u>(1,501,075)</u>	<u>(353,531)</u>	<u>336,040</u>	<u>(1,169,647)</u>

We recorded net current liabilities of RMB1,712.7 million, RMB1,501.1 million and RMB353.5 million as of December 31, 2021, 2022 and 2023, respectively, primarily due to the presentation of convertible redeemable preferred shares as current liabilities. Our convertible redeemable preferred shares will be reclassified from liabilities to equity as a result of the automatic conversion into ordinary shares upon the Listing, after which we do not expect to recognize any further loss or gain on changes in fair value of convertible redeemable preferred shares. We recorded net current assets of RMB336.0 million as of September 30, 2024, primarily due to our more sufficient cash and bank balances and financial assets at fair value through profit or loss, while fair value of financial liabilities remained stable for the nine months ended September 30, 2024. The increase in the total amounts of our cash and bank balances and financial assets at fair value through profit or loss is further attributable to the fact that we generated net cash flow from operating activities of RMB1,128.5 million in the nine months ended September 30, 2024.

Our net current liabilities decreased from RMB1,712.7 million as of December 31, 2021 to RMB1,501.1 million as of December 31, 2022. The decrease was mainly due to an increase in cash and bank balances of RMB995.4 million, primarily due to the expansion of our business, partially offset by (i) an increase in financial liabilities at fair value through profit or loss of RMB389.5 million, primarily due to the increase in the fair value of our convertible redeemable preferred shares as a result of changes in the valuation of our Company, and (ii) an increase in trade payables of RMB240.0 million, attributable to the expansion of our business and increased bargaining power to our suppliers.

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Our net current liabilities decreased from RMB1,501.1 million as of December 31, 2022 to RMB353.5 million as of December 31, 2023. The decrease was mainly due to an increase in cash and bank balances of RMB1,280.8 million, primarily due to the growth of our business, partially offset by (i) an increase in financial liabilities at fair value through profit or loss of RMB294.2 million, primarily due to the increase in the fair value of our convertible redeemable preferred shares as a result of changes in the valuation of our Company, and (ii) an increase in trade payables of RMB211.7 million, attributable to the expansion of our business and increased bargaining power to our suppliers.

We recorded net current liabilities of RMB353.5 million as of December 31, 2023, as compared to net current assets of RMB336.0 million as of September 30, 2024. The change was mainly due to (i) an increase in financial assets at fair value through profit or loss of RMB1,408.9 million, primarily due to the expansion of our business and the increase in our investment amounts in wealth management products, and (ii) an increase in trade receivables of RMB80.8 million, mainly attributable to our business expansion and the longer credit period that we provide to our franchisees for their purchases of equipment from us.

We recorded net current assets of RMB336.0 million as of September 30, 2024, as compared to net current liabilities of RMB1,169.6 million as of January 15, 2025. The change was primarily due to (i) an increase in other payables and accruals of RMB1,747.6 million, primarily as a result of the dividend payable of RMB1,740.0 million, and (ii) a decrease in financial assets at fair value through profit or loss of RMB571.0 million due to a decrease in our wealth management products, partially offset by an increase in cash and bank balances of RMB233.3 million from our business operations.

We seek to improve our net current asset position by improving our operating cash flow through our expanding store network. During the Track Record Period, our net cash generated from operating activities continued to grow from RMB267.5 million in 2021 to RMB1,011.2 million in 2022, and further to RMB1,573.3 million in 2023, which was primarily attributable to a growing number of stores within our network. We continued to generate cash flows from our business operations in the nine months ended September 30, 2024, recording RMB1,128.5 million of net cash generated from operating activities. We expect our operating cash flow to improve as a result of (i) the rapid growth of business scale, and (ii) our continuous efforts to improve and maintain the sales and profitability of our stores, which we believe would help improve our net current liabilities position. We expect to further improve our net current asset position upon Listing due to the reclassification of financial liabilities at fair value through profit or loss from liabilities to equity as a result of the automatic conversion of convertible redeemable preferred shares into ordinary shares upon Listing.

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Inventories

Our inventories primarily consist of (i) ingredients such as fresh fruits, fruit juices, tea leaves, and dairy products, and (ii) packaging materials.

The following table sets forth our inventories as of the dates indicated.

	As of December 31,			As of September 30,
	2021	2022	2023	2024
	<i>(RMB in thousands)</i>			
Inventories:				
Raw materials	151,281	86,465	106,792	108,146
Work in progress	18,768	24,635	37,187	127,284
Finished goods	<u>536,740</u>	<u>594,460</u>	<u>737,162</u>	<u>583,025</u>
Total	<u>706,789</u>	<u>705,560</u>	<u>881,141</u>	<u>818,455</u>

Our inventories remained stable at RMB706.8 million and RMB705.6 million as of December 31, 2021 and 2022, respectively, and increased to RMB881.1 million as of December 31, 2023, which is consistent with the expansion of our business. Our inventories decreased to RMB818.5 million as of September 30, 2024, primarily because we made more procurement in December 2023 for the upcoming holidays. We assess our inventory level and turnover rates on a monthly basis in order to respond to potential inventory risks in a timely manner. Leveraging our extensive warehousing and logistics capabilities, we are able to manage our inventory efficiently and ensure consistent quality of our products.

The following table sets forth the aging analysis of our inventories as of the dates indicated.

	As of December 31,			As of September 30,
	2021	2022	2023	2024
	<i>(RMB in thousands)</i>			
Inventories				
Within 90 days	628,236	628,776	792,338	753,176
91 to 365 days	<u>78,553</u>	<u>76,784</u>	<u>88,803</u>	<u>65,279</u>
	<u>706,789</u>	<u>705,560</u>	<u>881,141</u>	<u>818,455</u>

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All of our inventories aged within one year throughout the Track Record Period. The following table sets forth our inventory turnover days for the periods indicated.

	For the Year Ended December 31,			For the Nine Months Ended September 30,
	2021	2022	2023	2024
Inventory turnover days ⁽¹⁾	55	64	55	52

Note:

- (1) Inventory turnover days are based on the average balance of inventories divided by cost of sales for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the years ended December 31 is 365 days, and the number of days for the nine months ended September 30 is 274 days.

Our inventory turnover days increased from 55 days in 2021 to 64 days in 2022, and decreased to 55 days in 2023. Our inventory turnover days increased due to the impact of COVID-19 in 2022 and decreased due to the ease of COVID-19 that brought more stable logistics. Our inventory turnover days further decreased to 52 days in the nine months ended September 30, 2024.

As of January 15, 2025, RMB599.2 million, or 73.2%, of our inventories as of September 30, 2024 had been sold or utilized.

Trade Receivables

Our trade receivables primarily refer to outstanding amounts due from franchisees and corporate customers for their purchase of goods and equipment from us. For franchisees, payment for the goods and equipment is generally paid in advance by franchisees or paid before delivery of next supply order under the franchise agreements. Supply orders from franchisees are delivered every two days in general and we will not deliver supplies to franchisees that have not made payment in full for any prior supply order. For corporate customers, credit terms are granted pursuant to their individually-negotiated agreements with us. Therefore, the credit period we grant to our customers generally ranges from two days to one month. For corporate customers which have longstanding relationships with us and are believed to have low credit risks, we may extend their credit period, occasionally to up to three months.

Our trade receivables increased from RMB34.4 million as of December 31, 2021 to RMB37.5 million as of December 31, 2022, and further increased to RMB70.4 million as of December 31, 2023. The increases were mainly due to (i) increased sales of goods to our corporate customers as we typically grant a relatively longer credit period to our corporate customers than our franchisees, and (ii) increased sales of goods and provision of franchise management services as the number of our franchised stores grew. Our trade receivables

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increased from RMB70.4 million as of December 31, 2023 to RMB151.2 million as of September 30, 2024, mainly due to our increased sales of coffee machines to franchisees which have long credit periods. In the nine months ended September 30, 2024, we offered our coffee machines to more franchisees in order to help them diversify their product offerings and increase sales. Since each coffee machine is relatively expensive, we offered payment by installments and relatively long credit periods to alleviate the financial pressure on franchisees. Franchisees can elect to purchase coffee machines on a voluntary basis. We expect to continue offering flexible payment terms for coffee machines in the foreseeable future.

The following table sets forth the aging analysis of our trade receivables as of the dates indicated.

	As of December 31,			As of September 30,
	2021	2022	2023	2024
	<i>(RMB in thousands)</i>			
Trade receivables:				
Within 1 month	29,928	31,951	46,664	98,215
1 to 3 months	2,090	3,734	16,870	35,551
3 to 6 months	1,784	977	4,479	7,937
6 months to 1 year	599	849	2,403	9,504
Total	<u>34,401</u>	<u>37,511</u>	<u>70,416</u>	<u>151,207</u>

The following table sets forth our trade receivable turnover days for the periods indicated.

	For the Year Ended December 31,			For the Nine Months Ended September 30,
	2021	2022	2023	2024
Trade receivable turnover days ⁽¹⁾	2.5	2.4	2.6	4.7

Note:

- (1) Trade receivable turnover days are based on the average balance of trade receivables divided by total revenue for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the years ended December 31 is 365 days, and the number of days for the nine months ended September 30 is 274 days.

Our trade receivable turnover days remained stable at 2.5 days, 2.4 days and 2.6 days in 2021, 2022 and 2023, respectively. Our trade receivable turnover days increased to 4.7 days in the nine months ended September 30, 2024, mainly due to the longer credit period that we provide to our franchisees for their purchases of equipment from us.

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As of January 15, 2025, approximately RMB139.9 million, or 92.5%, of our trade receivables as of September 30, 2024 had been settled.

Contract Assets

The balance of our contract assets was RMB9.0 million and RMB24.2 million as of December 31, 2023 and September 30, 2024, respectively, which represent unbilled trade receivables that will be re-classified as trade receivables once billed. The increase in our contract assets was primarily because we offered franchisees newly-enrolled after March 2024 to pay their initial franchisee fees in three installments over a period of 24 months.

As of January 15, 2025, approximately RMB0.3 million, or 1.2%, of our contract assets as of September 30, 2024 had been re-classified to trade receivables upon billing.

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets primarily consist of (i) prepayments to suppliers, (ii) prepaid expenses, mainly representing advertising and promoting fees prepaid to online platforms, (iii) deposits, which are related to our leased properties, (iv) value-added tax recoverable, which is in line with our purchase amounts, and (v) others, which are mainly advances or disbursement to our employees for operational purpose, including petty cash advances for business travel and other small operational activities.

The following table sets forth our prepayments, other receivables and other assets as of the dates indicated.

	As of December 31,			As of September 30,
	2021	2022	2023	2024
	<i>(RMB in thousands)</i>			
Prepayments, other receivables and other assets:				
Prepayments to suppliers	166,441	141,120	148,339	138,400
Prepaid expenses	20,940	19,975	29,080	53,104
Deposits	16,791	18,698	18,875	22,989
Value-added tax recoverable. . .	23,221	45,064	88,337	84,779
Others	5,469	12,088	14,178	28,129
Total	232,862	236,945	298,809	327,401

Our prepayments, other receivables and other assets remained stable at RMB232.9 million and RMB236.9 million as of December 31, 2021 and 2022, respectively.

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Our prepayments, other receivables and other assets increased from RMB236.9 million as of December 31, 2022 to RMB298.8 million as of December 31, 2023. The increase was mainly due to an increase in value-added tax recoverable of RMB43.3 million, primarily due to an increase in our purchase amounts.

Our prepayments, other receivables and other assets increased from RMB298.8 million as of December 31, 2023 to RMB327.4 million as of September 30, 2024, mainly due to an increase in prepaid expenses of RMB24.0 million, primarily as a result of the increased advertising and travelling expenses.

As of January 15, 2025, approximately RMB209.8 million, or 64.1%, of our prepayments, other receivables and other assets as of September 30, 2024 had been settled.

Financial Assets at Fair Value through Profit or Loss

Our financial assets at fair value through profit or loss represent wealth management products, which we purchased, issued by banks in mainland China with a maturity period within one year. Our financial assets at fair value through profit or loss decreased from RMB241.7 million as of December 31, 2021 to RMB37.3 million as of December 31, 2022, and increased to RMB197.3 million as of December 31, 2023. Our financial assets at fair value through profit or loss then increased significantly to RMB1,606.2 million as of September 30, 2024. The changes in our financial assets at fair value through profit or loss were primarily because we adjusted our investment amounts in wealth management products due to changes in the interest rates of bank deposits and investment return rates of wealth management products.

During the Track Record Period, our wealth management products primarily include wealth management products with maturity period within one year that we purchased from various national and rural commercial banks in China without guaranteed returns. The risk exposure from our wealth management products is primarily that neither the principal nor the returns are protected or guaranteed by the relevant issuers. As of December 31, 2021, 2022 and 2023 and September 30, 2024, the majority of the wealth products we purchased are due on demand. During the Track Record Period, the wealth management products we purchased did not have material decline in market value.

To monitor and control the investment risks associated with our wealth management product portfolio, we have adopted a comprehensive set of internal procedures to manage our investment in wealth management products. With the authorization of the Board, our management is responsible for carrying out the investment plans with respect to wealth management products in accordance with our cash management policies and internal approval process. Supervised by Mr. Hailing Meng, the chief financial officer of the Group who has been supervising our investment activities and was highly involved in our historical investments, our finance department proposes, analyses and evaluates potential investment in wealth management products based on recommendations of our relationship and account managers at banks in China. Prior to making any material investments in wealth management products or

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modifying our existing investment portfolio, the proposal shall be approved by Mr. Meng and his designated senior member of our management. In assessing the wealth management products, we apply a number of standards, including (i) investment in high risk products are prohibited; (ii) the primary objectives of investment activities focus 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; (iii) the proposed investment must not interfere with our business operations or capital expenditures; and (iv) the wealth management products should be issued by a reputable bank. We primarily invest in wealth management products issued by national and rural commercial banks in China with low 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, the need for risk diversification of our investment portfolio, our own working capital conditions, and the expected profit or potential loss of the investment. Since the wealth management products that we purchased during the Track Record Period did not have any material decline in market value, we have not adopted a specific cumulative investment loss threshold that mandates reporting to the Board. Nonetheless, Mr. Hailing Meng, our chief financial officer who supervises our investment activities, frequently discusses our investment matters with members of the Board and senior management of the Company. Additionally, our Board adopted a variety of procedures in relation to the valuation of our financial assets. For details of those procedures, see “— Critical Accounting Policies and Estimates — Material Accounting Policy Information — Fair Value Measurement.” 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. Mr. Meng has nearly 15 years of experience in finance. For other relevant qualifications and experience of our chief financial officer, see “Directors and Senior Management.” In addition, we have a professional and efficient financial management team. The team members have professional certifications, such as CPA and CFA, as well as financial and cash management capabilities with prior working experience in the big four international accounting firms. They also have experiences in the identification, calculation, reduction of risk exposure, and evaluation of the effectiveness of risk management, to ensure stable returns on investments in wealth management products.

After Listing, our investments in wealth management products will be subject to compliance with Chapter 14 of the Listing Rules.

Cash and Bank Balances

Our cash and bank balances primarily consist of (i) cash on hand and cash at bank, and (ii) short-term bank deposits. We had cash and bank balances of RMB151.8 million, RMB1,147.2 million, RMB2,428.0 million and RMB1,709.8 million as of December 31, 2021, 2022 and 2023 and September 30, 2024, respectively. See “— Liquidity and Capital Resources — Cash Flow Analysis.”

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Property, Plant and Equipment

Our property, plant and equipment primarily consists of (i) machinery, mainly representing cold storage in our warehouses, and equipment and machines at our processing facilities, (ii) office equipment, (iii) motor vehicles, which are mainly for delivery of goods, (iv) leasehold improvements, and (v) construction in progress, which includes our office building, warehouse and processing facility.

The following table sets forth our property, plant and equipment as of the dates indicated.

	As of December 31,			As of September 30,
	2021	2022	2023	2024
	<i>(RMB in thousands)</i>			
Property, plant and equipment:				
Machinery	53,056	97,574	98,724	167,470
Office equipment	14,796	22,157	20,914	25,134
Motor vehicles	52,227	50,181	46,550	47,045
Leasehold improvements	17,814	47,511	27,443	20,165
Construction in progress	54,569	16,391	396,427	629,715
Total	<u>192,462</u>	<u>233,814</u>	<u>590,058</u>	<u>889,529</u>

The carrying amount of our property, plant and equipment increased from RMB192.5 million as of December 31, 2021 to RMB233.8 million as of December 31, 2022, primarily attributable to our business growth and the increased investment in warehouses and logistics infrastructure driven by the expansion of our nationwide store network. In particular, the carrying amount of our machinery increased from RMB53.1 million as of December 31, 2021 to RMB97.6 million as of December 31, 2022, which is mainly related to the upgrades of equipment at our processing facilities. The carrying amount of our office equipment increased from RMB14.8 million as of December 31, 2021 to RMB22.2 million as of December 31, 2022, primarily from the purchase of office computers, furniture and other supporting facilities due to the increase in the number of our employees. The carrying amount of our motor vehicles slightly decreased from RMB52.2 million as of December 31, 2021 to RMB50.2 million as of December 31, 2022, as a result of the depreciation of our motor vehicles. The carrying amount of our leasehold improvements increased from RMB17.8 million as of December 31, 2021 to RMB47.5 million as of December 31, 2022, mainly related to the increased fit-out costs for the new offices. The carrying amount of our construction in progress decreased from RMB54.6 million as of December 31, 2021 to RMB16.4 million as of December 31, 2022, as the fit-out new offices were reclassified in leasehold improvements when we started to put the new offices into operation in 2022.

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The carrying amount of our property, plant and equipment further increased from RMB233.8 million as of December 31, 2022 to RMB590.1 million as of December 31, 2023, primarily attributable to our business growth and the expansion of our nationwide store network, warehouses and logistics infrastructure. In particular, the carrying amount of our construction in progress increased from RMB16.4 million as of December 31, 2022 to RMB396.4 million as of December 31, 2023, primarily due to the construction of our new office building and a warehouse in Taizhou, Zhejiang, and our processing facility in Zhuji, Zhejiang. The carrying amount of our machinery slightly increased from RMB97.6 million as of December 31, 2022 to RMB98.7 million as of December 31, 2023, as a combined effect of the construction and operation of our processing facilities and the depreciation of our machinery. The carrying amount of our motor vehicles decreased from RMB50.2 million as of December 31, 2022 to RMB46.6 million as of December 31, 2023, as a combined effect of the depreciation of our motor vehicles and our purchases of more motor vehicles for transportation. The carrying amount of our leasehold improvements decreased from RMB47.5 million as of December 31, 2022 to RMB27.4 million as of December 31, 2023, primarily because the fit-out costs for the new offices were amortized over this year. The carrying amount of our office equipment decreased from RMB22.2 million as of December 31, 2022 to RMB20.9 million as of December 31, 2023, mainly as a result of the depreciation of our office equipment.

The carrying amount of our property, plant and equipment further increased from RMB590.1 million as of December 31, 2023 to RMB889.5 million as of September 30, 2024, primarily attributable to our business growth and the expansion of our nationwide store network, warehouses and logistics infrastructure. In particular, the carrying amount of our construction in progress increased from RMB396.4 million as of December 31, 2023 to RMB629.7 million as of September 30, 2024, primarily due to the construction of our new office building and a warehouse in Taizhou, Zhejiang, and our processing facility in Zhuji, Zhejiang. The carrying amount of our machinery slightly increased from RMB98.7 million as of December 31, 2023 to RMB167.5 million as of September 30, 2024, as a combined effect of the construction and operation of our processing facilities and the depreciation of our machinery. The carrying amount of our motor vehicles increased slightly from RMB46.6 million as of December 31, 2023 to RMB47.0 million as of September 30, 2024, primarily due to a combined effect of new purchases and depreciation of our motor vehicles. The carrying amount of our leasehold improvements decreased from RMB27.4 million as of December 31, 2023 to RMB20.2 million as of September 30, 2024, primarily because of the depreciation of our leasehold improvements. The carrying amount of our office equipment increased from RMB20.9 million as of December 31, 2023 to RMB25.1 million as of September 30, 2024, mainly as a result of the combined effect of new purchases and depreciation of our office equipment.

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Right-of-Use Assets

Our right-of-use assets primarily consist of (i) office premises, company-operated stores and processing facility, and (ii) leasehold land. The carrying amount of our right-of-use assets increased from RMB126.6 million as of December 31, 2021 to RMB215.8 million as of December 31, 2022, primarily due to our newly procured leasehold land. The carrying amount of our right-of-use assets decreased to RMB178.4 million as of December 31, 2023 and RMB169.3 million as of September 30, 2024, mainly as a result of the depreciation of our right-of-use assets.

Equity Investment Designated at Fair Value through Other Comprehensive Income

The equity investment designated at fair value through other comprehensive income represent our investment in the equity interests of Adopt A Cow Holding Group Co., Ltd. (“**Adopt A Cow**”), which also supplies us with milk and dairy products during our procurement process. Adopt A Cow is a company established in Hangzhou in 2016 and mainly develops, produces, and sells dairy products including fresh milk, yogurt, milk powder, cheese, among others. Our procurement amounts from Adopt A Cow were RMB3.9 million, RMB18.4 million, RMB39.2 million and RMB45.3 million for the years ended December 31, 2021, 2022 and 2023 and the nine months ended September 30, 2024, respectively. Our procurement amount from Adopt A Cow steadily increased during the Track Record Period as our business grew in scale and our need for dairy products increased, particularly due to the popularity of our light milk tea series. To the best of our knowledge, our equity interest in Adopt A Cow is approximately 2.5% in terms of percentage of its total share capital and the extent of control which we are entitled to exercise since December 2021. See note 16 to the Accountants’ Report in Appendix I to this document for details.

We recorded equity investment designated at fair value through other comprehensive income of RMB247.5 million, RMB277.1 million, RMB257.1 million and RMB248.1 million as of December 31, 2021, 2022 and 2023 and September 30, 2024, respectively. These changes were primarily due to fair value changes of the equity interests of the invested company.

Long-term Trade Receivables

Our long-term trade receivables arise from sales of coffee machines to some franchisees by instalments. According to the payment terms in the sales contracts of coffee machines with these franchisees, instalment repayments are allowed and part of the sales consideration will be collected after one year. The above settlement arrangements contain financing components which provide our franchisees with financial benefits for more than one year and our Group transferred substantially all the risks and rewards incidental to ownership of the underlying coffee machines to these franchisees on the commencement date. Accordingly, the arrangements are finance lease arrangements under IFRS 16. The present value of the instalment payments which are due for more than a year are included in our long-term trade receivables as the finance lease receivables.

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Trade Payables

Our trade payables primarily include outstanding amounts due to our suppliers for our purchases. Our trade payables increased from RMB149.6 million as of December 31, 2021 to RMB389.5 million as of December 31, 2022, and further increased to RMB601.3 million as of December 31, 2023. The increase was mainly due to an increase in our purchase amounts and extended settlement cycles as a result of our increased bargaining power with suppliers. Our trade payables remained relatively stable at RMB612.1 million as of September 30, 2024, as compared to RMB601.3 million as of December 31, 2023.

The following table sets forth the aging analysis of our trade payables as of the dates indicated.

	As of December 31,			As of
	2021	2022	2023	September 30, 2024
	<i>(RMB in thousands)</i>			
Trade payables:				
Within 3 months	148,733	387,123	594,838	604,702
3 to 6 months	102	2,236	4,088	2,733
6 months to 1 year	632	44	2,346	4,692
Over 1 year	124	140	–	–
Total	<u>149,591</u>	<u>389,543</u>	<u>601,272</u>	<u>612,127</u>

The following table sets forth our trade payable turnover days for the periods indicated.

	For the Year Ended December 31,			For the Nine
	2021	2022	2023	Months Ended September 30, 2024
Trade payable turnover days ⁽¹⁾ . . .	21	25	34	37

Note:

- (1) Trade payable turnover days for a period equals average balance of trade payables divided by cost of sales for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the years ended December 31 is 365 days, and the number of days for the nine months ended September 30 is 274 days.

Our trade payable turnover days increased from 21 days in 2021 to 25 days in 2022 and further increased to 34 days in 2023. The increases were primarily attributable to better settlement terms with our suppliers. Our trade payable turnover days increased slightly to 37 days in the nine months ended September 30, 2024.

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As of January 15, 2025, approximately RMB602.8 million, or 98.5%, of our trade payables as of September 30, 2024 had been settled.

Other Payables and Accruals

Our other payables and accruals primarily consist of (i) payroll and welfare payable, (ii) tax payable other than corporate income tax, mainly representing value-added tax payable, (iii) deposits received, which are mainly from franchisees, (iv) other payables for property, plant and equipment, (v) accrued expenses, which are mainly related to delivery fees and marketing fees, (vi) payables to related parties arising from the Reorganization, representing payables of capital reduction mainly relating to the arrangement of the Reorganization, and (vii) other payables, representing our miscellaneous payables.

The following table sets forth our other payables and accruals as of the dates indicated.

	As of December 31,			As of September 30,
	2021	2022	2023	2024
	<i>(RMB in thousands)</i>			
Other payables and accruals:				
Payroll and welfare payable . . .	61,773	75,705	114,409	98,001
Tax payable other than corporate income tax	49,164	14,465	15,051	17,837
Deposits received	20,445	24,195	36,482	46,319
Other payables for property, plant and equipment	12,730	11,173	87,068	118,082
Accrued expenses	32,741	27,806	59,337	69,586
Due to related parties arising from the Reorganization	–	94,348	–	–
Other payables	4,693	3,521	9,872	2,397
Total	181,546	251,213	322,219	352,222

Our other payables and accruals increased from RMB181.5 million as of December 31, 2021 to RMB251.2 million as of December 31, 2022. The increase was mainly due to (i) an increase in payables to related parties arising from the Reorganization of RMB94.3 million, and (ii) an increase in payroll and welfare payable of RMB13.9 million, primarily attributable to an increase in the number of our employees.

Our other payables and accruals increased from RMB251.2 million as of December 31, 2022 to RMB322.2 million as of December 31, 2023. The increase was mainly due to (i) an increase of RMB75.9 million in other payables for property, plant and equipment, primarily related to the construction of our processing facility, and (ii) an increase of RMB38.7 million

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in payroll and welfare payable, primarily attributable to an increase in the number of our employees and our accrued year-end bonus, partially offset by a decrease in payables to related parties arising from the Reorganization of RMB94.3 million.

Our other payables and accruals increased from RMB322.2 million as of December 31, 2023 to RMB352.2 million as of September 30, 2024. The increase was mainly due to an increase of RMB31.0 million in other payables for property, plant and equipment, primarily related to the construction of our processing facility.

As of January 15, 2025, approximately RMB206.1 million, or 58.5%, of our other payables and accruals as of September 30, 2024 had been settled.

Tax Payables

Our tax payables decreased from RMB166.8 million as of December 31, 2021 to RMB53.4 million as of December 31, 2022, as some of our tax payments were settled in 2022. Our tax payables further decreased to RMB38.8 million as of December 31, 2023, primarily attributable to the preferential income tax policies we enjoyed. Our tax payables increased to RMB65.6 million as of September 30, 2024, primarily attributable to increased profit before tax.

Contract Liabilities

Our contract liabilities mainly arise from the advance payments received from our franchisees for services yet to be provided. Our contract liabilities, including current and non-current portion, slightly decreased from RMB128.6 million as of December 31, 2021 to RMB117.3 million as of December 31, 2022, and further decreased to RMB102.7 million as of December 31, 2023, primarily as a result of less advance payments made by our franchisees at the end of respective periods. Our contract liabilities, including current and non-current portion, slightly increased to RMB123.2 million as of September 30, 2024, primarily due to more advance payments made by our franchisees at the end of the nine months ended September 30, 2024.

As of January 15, 2025, approximately RMB88.5 million, or 71.9%, of our contract liabilities as of September 30, 2024 had been subsequently recognized as revenue.

Lease Liabilities

As of December 31, 2021, 2022 and 2023 and September 30, 2024, our lease liabilities, including current and non-current portion, amounted to RMB127.5 million, RMB106.3 million, RMB70.2 million and RMB60.9 million, respectively. The decrease was due to an increase in our lease payments.

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Financial Liabilities at Fair Value through Profit or Loss

In 2020, we issued redeemable ordinary shares to certain investors and further replaced the redeemable ordinary shares with warrants and convertible redeemable Series A preferred shares in 2022, which will be converted to ordinary shares upon the Listing. The investments from these investors were classified as financial liabilities and designated at fair value through profit or loss. See note 30 to the Accountants' Report in Appendix I to this document for details.

Our financial liabilities at fair value through profit or loss increased from RMB2,472.3 million as of December 31, 2021 to RMB2,861.8 million as of December 31, 2022 and further increased to RMB3,156.0 million as of December 31, 2023 and RMB3,166.6 million as of September 30, 2024. The increases were primarily due to the increase in the fair value of our convertible redeemable preferred shares as a result of changes in the valuation of our Company.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we funded our cash requirements principally from cash flows from operating activities and capital contribution from shareholders. We had cash and cash equivalents of RMB151.8 million, RMB1,114.5 million, RMB2,358.0 million and RMB1,677.9 million as of December 31, 2021, 2022 and 2023 and September 30, 2024, respectively. Our cash and cash equivalents include cash on hand and cash at banks. 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,			For the Nine Months Ended September 30,	
	2021	2022	2023	2023	2024
				<i>(Unaudited)</i>	
				<i>(RMB in thousands)</i>	
Net cash flows from					
operating activities	267,470	1,011,162	1,573,306	1,206,286	1,128,514
Net cash flows used in					
investing activities	(237,595)	(57,341)	(470,954)	(318,607)	(1,844,425)
Net cash flows (used in)/					
from financing					
activities	<u>(42,860)</u>	<u>5,315</u>	<u>139,958</u>	<u>(145,507)</u>	<u>44,176</u>

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	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2021	2022	2023	2023	2024
	<i>(Unaudited)</i>				
	<i>(RMB in thousands)</i>				
Net (decrease)/increase in cash and cash equivalents	(12,985)	959,136	1,242,310	742,172	(671,735)
Effect of foreign exchange rate changes, net	(1,325)	3,524	1,183	564	(8,358)
Cash and cash equivalents at the beginning of the year/period	<u>166,118</u>	<u>151,808</u>	<u>1,114,468</u>	<u>1,114,468</u>	<u>2,357,961</u>
Cash and cash equivalents at end of the year/period	<u>151,808</u>	<u>1,114,468</u>	<u>2,357,961</u>	<u>1,857,204</u>	<u>1,677,868</u>

Net cash flows from operating activities

In the nine months ended September 30, 2024, net cash flows from operating activities were RMB1,128.5 million, primarily consisting of our profit before tax of RMB1,330.8 million, adjusted for certain non-cash and non-operating items, and income tax paid of RMB179.3 million. Adjustments for certain non-cash and non-operating items primarily include (i) depreciation of property, plant and equipment of RMB58.3 million, and (ii) depreciation of right-of-use assets of RMB44.1 million. The amount was further adjusted by changes in working capital, which primarily result from an increase in trade receivables of RMB80.8 million and an increase in contract assets of RMB14.9 million.

In 2023, net cash flows from operating activities were RMB1,573.3 million, primarily consisting of our profit before tax of RMB1,445.1 million, adjusted for certain non-cash and non-operating items, and income tax paid of RMB310.2 million. Adjustments for certain non-cash and non-operating items primarily include (i) fair value changes of financial liabilities at fair value through profit or loss of RMB294.2 million, (ii) depreciation of property, plant and equipment of RMB73.1 million, and (iii) depreciation of right-of-use assets of RMB61.7 million. The amount was further adjusted by changes in working capital, which primarily result from an increase in trade payables of RMB211.7 million, partially offset by an increase in inventories of RMB175.6 million and an increase in trade receivables of RMB32.9 million.

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In 2022, net cash flows from operating activities were RMB1,011.2 million, primarily consisting of our profit before tax of RMB650.4 million, adjusted for certain non-cash and non-operating items, and income tax paid of RMB354.7 million. Adjustments for certain non-cash and non-operating items primarily include (i) fair value changes of financial liabilities at fair value through profit or loss of RMB389.5 million, (ii) depreciation of property, plant and equipment of RMB62.6 million, and (iii) depreciation of right-of-use assets of RMB54.7 million. The amount was further adjusted by changes in working capital, which primarily result from an increase in trade payables of RMB240.0 million, partially offset by a decrease in other payables and accruals of RMB23.1 million.

In 2021, net cash flows from operating activities were RMB267.5 million, primarily consisting of our profit before tax of RMB247.1 million, adjusted for certain non-cash and non-operating items, and income tax paid of RMB159.6 million. Adjustments for such non-cash and non-operating items primarily include (i) fair value changes of financial liabilities at fair value through profit or loss of RMB728.4 million, (ii) depreciation of right-of-use assets of RMB40.5 million, and (iii) depreciation of property, plant and equipment of RMB27.3 million. The amount was further adjusted by changes in working capital, which primarily result from (i) an increase in contract liabilities of RMB14.4 million, and (ii) an increase in other payables and accruals of RMB24.8 million, partially offset by (i) an increase in inventories of RMB488.1 million, (ii) an increase in prepayments, other receivables and other assets of RMB104.8 million, and (iii) a decrease in trade payables of RMB60.7 million.

Net cash flows used in investing activities

In the nine months ended September 30, 2024, net cash flows used in investing activities were RMB1,844.4 million, primarily attributable to (i) purchases of items of property, plant and equipment of RMB332.6 million, (ii) purchase of financial assets at fair value through profit or loss of RMB4,139.2 million, and (iii) purchase of bank deposits with original maturity of more than three months when acquired of RMB290.8 million, partially offset by (i) proceeds from the disposal of financial assets at fair value through profit or loss of RMB2,738.0 million, (ii) proceeds from bank deposits with original maturity of more than three months when acquired of RMB100.0 million, and (iii) interest received of RMB45.0 million.

In 2023, net cash flows used in investing activities were RMB471.0 million, primarily attributable to (i) purchase of financial assets at fair value through profit or loss of RMB745.0 million, and (ii) purchases of items of property, plant and equipment of RMB398.8 million, partially offset by (i) proceeds from the disposal of financial assets at fair value through profit or loss of RMB587.0 million, and (ii) interest received of RMB52.3 million.

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In 2022, net cash flows used in investing activities were RMB57.3 million, primarily attributable to (i) purchase of financial assets at fair value through profit or loss of RMB2,258.2 million, (ii) prepayment for the right-of-use of parcels of leasehold land of RMB108.9 million, and (iii) purchases of items of property, plant and equipment of RMB90.1 million, partially offset by (i) proceeds from disposal of financial assets at fair value through profit or loss of RMB2,473.4 million, and (ii) proceeds from disposal of items of property, plant, and equipment of RMB5.7 million.

In 2021, net cash flows used in investing activities were RMB237.6 million, primarily attributable to (i) purchase of financial assets at fair value through profit or loss of RMB5,369.4 million, (ii) purchase of equity investment designated at fair value through other comprehensive income of RMB247.5 million, and (iii) purchases of items of property, plant and equipment of RMB163.5 million, partially offset by proceeds from disposal of financial assets at fair value through profit or loss of RMB5,581.9 million.

Net cash flows (used in)/from financing activities

In the nine months ended September 30, 2024, net cash flows generated from financing activities were RMB44.2 million, primarily attributable to decrease in restricted cash of RMB95.0 million, partially offset by principal portion of lease payments of RMB44.3 million.

In 2023, net cash flows generated from financing activities were RMB140.0 million, primarily attributable to (i) proceeds from exercise of share options of RMB300.0 million, and (ii) proceeds from interest-bearing other borrowings of RMB171.0 million, partially offset by (i) increase in restricted cash of RMB124.0 million, (ii) payment of capital reduction arising from the Reorganization of RMB94.3 million, (iii) principal portion of lease payments of RMB60.5 million and (iv) repayment of interest-bearing other borrowings of RMB47.0 million.

In 2022, net cash flows generated from financing activities were RMB5.3 million, primarily attributable to (i) proceeds from issuance of warrants and convertible redeemable preferred shares as a part of the Reorganization of RMB649.0 million, and (ii) capital contribution from the then shareholders of a subsidiary of RMB66.8 million, partially offset by (i) repayment of redeemable capital contribution arising from the Reorganization of RMB649.0 million, and (ii) principal portion of lease payments of RMB56.0 million.

In 2021, net cash flows used in financing activities were RMB42.9 million, attributable to (i) principal portion of lease payments of RMB37.8 million, and (ii) interest portion of lease payments of RMB5.1 million.

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INDEBTEDNESS

The following table sets forth the breakdown of our indebtedness as of the dates indicated.

	As of December 31,			As of September 30,	As of January 15,
	2021	2022	2023	2024	2025
					<i>(Unaudited)</i>
					<i>(RMB in thousands)</i>
Current					
Lease liabilities	44,664	52,196	43,674	39,903	36,048
Interest-bearing other borrowings	–	–	124,000	–	–
Financial liabilities at fair value through profit or loss	<u>2,472,275</u>	<u>2,861,798</u>	<u>3,156,013</u>	<u>3,166,569</u>	<u>3,045,487</u>
Subtotal	<u>2,516,939</u>	<u>2,913,994</u>	<u>3,323,687</u>	<u>3,206,472</u>	<u>3,081,535</u>
Non-current					
Lease liabilities	82,866	54,144	26,516	20,996	16,107
Interest-bearing bank borrowings	<u>–</u>	<u>–</u>	<u>–</u>	<u>121,204</u>	<u>163,394</u>
Subtotal	<u>82,866</u>	<u>54,144</u>	<u>26,516</u>	<u>142,200</u>	<u>179,501</u>
Total	<u><u>2,599,805</u></u>	<u><u>2,968,138</u></u>	<u><u>3,350,203</u></u>	<u><u>3,348,672</u></u>	<u><u>3,261,036</u></u>

Lease Liabilities

As of December 31, 2021, 2022 and 2023 and September 30, 2024, our lease liabilities, including current and non-current portion, amounted to RMB127.5 million, RMB106.3 million, RMB70.2 million and RMB60.9 million, respectively. For further information regarding our lease liabilities, see note 14 to the Accountants' Report in Appendix I to this document.

Interest-bearing Bank and Other Borrowings

As of December 31, 2021, 2022 and 2023 and September 30, 2024, our interest-bearing other borrowings, which are discount notes issued by the Industrial and Commercial Bank of China, amounted to nil, nil, RMB124.0 million and nil, respectively. Restricted cashes are pledged to secure the borrowings. To the best of our knowledge, the lender does not have other past or present relationships with us or our substantial shareholders, directors or senior management, or any of their respective associates. As advised by our PRC Legal Advisor, these borrowings fully complied with all applicable laws and regulations in the PRC.

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As of December 31, 2021, 2022 and 2023 and September 30, 2024, our interest-bearing bank borrowings amounted to nil, nil, nil and RMB121.2 million, respectively. As of September 30, 2024, our bank facilities amounted to RMB736.4 million, of which RMB128.0 million had been utilized with an effective interest rate of 3.01% per annum. All of these bank facilities are guaranteed by our subsidiaries and secured by the construction in progress with net carrying amounts of approximately RMB45.7 million, the leasehold land with net carrying amounts of approximately RMB49.7 million and restricted cash with amounts of approximately RMB20.0 million held by our subsidiaries. For further information regarding our interest-bearing bank and other borrowings, see notes 29 and 37 to the Accountants' Report in Appendix I to this document.

Financial Liabilities at Fair Value through Profit or Loss

As of December 31, 2021, 2022 and 2023 and September 30, 2024, our financial liabilities at fair value through profit or loss amounted to RMB2,472.3 million, RMB2,861.8 million, RMB3,156.0 million and RMB3,166.6 million, respectively. For further information regarding our financial liabilities at fair value through profit or loss, see note 30 to the Accountants' Report in Appendix I to this document.

Contingent Liabilities or Guarantees

During the Track Record Period and up to the Latest Practicable Date, we did not have any material contingent liabilities or guarantees.

No Other Outstanding Indebtedness

Except as disclosed above, as of January 15, 2025, 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.

As of January 15, 2025, we had RMB806.6 million unutilized banking facilities. For the maturity analysis of our financial liabilities, please refer to note 42(c) to the Accountants' Report in Appendix I to this document.

Our Directors confirm that there has not been any material change in our indebtedness since January 15, 2025 up to the date of this Prospectus. Our Directors also confirm that as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors also confirm that we did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

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CAPITAL EXPENDITURES

Our capital expenditures are primarily incurred for purchases of property, plant and equipment, purchases of other intangible assets, and purchases of right-of-use assets. Our capital expenditures were RMB164.6 million, RMB199.1 million and RMB398.8 million in 2021, 2022 and 2023, respectively, and were RMB257.9 million and RMB333.7 million in the nine months ended September 30, 2023 and 2024, respectively.

We have constructed a processing facility in Zhuji, Zhejiang. For the years ended December 31, 2021, 2022 and 2023 and the nine months ended September 30, 2024, we incurred capital expenditures related to the construction of the processing facility of nil, RMB54.0 million, RMB190.4 million and RMB196.9 million, respectively.

We have also constructed a warehouse and are constructing an office building in Taizhou, Zhejiang. For the years ended December 31, 2021, 2022 and 2023 and the nine months ended September 30, 2024, we incurred capital expenditures related to the warehouse's construction of nil, RMB45.9 million, RMB96.5 million and RMB71.3 million, respectively. For the years ended December 31, 2021, 2022 and 2023 and the nine months ended September 30, 2024, we incurred capital expenditures related to the office building's construction of nil, RMB25.1 million, RMB73.1 million and RMB51.0 million, respectively.

We intend to fund our future capital expenditures with our existing cash balance, cash generated primarily from operating activities. See the section headed "Future Plans and Use of Proceeds" for more details. We may reallocate the fund to be utilized on capital expenditures and long-term investments based on our ongoing business needs.

CONTRACTUAL OBLIGATIONS

Capital Commitments

Our capital commitments during the Track Record Period were related to the capital expenditures of property, plant and equipment contracted for but not provided in the historical financial information. Our capital commitments increased from RMB11.9 million as of December 31, 2021 to RMB266.0 million as of December 31, 2022, then decreased to RMB183.1 million as of December 31, 2023 and RMB25.1 million as of September 30, 2024, as a result of the ongoing construction and completion of our warehouses, processing facilities and office building to support our business expansion.

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KEY FINANCIAL RATIOS

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

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2021	2022	2023	2023	2024
				<i>(Unaudited)</i>	
Adjusted profit margin (non-IFRS measure) ⁽¹⁾ . .	17.6%	14.2%	19.0%	18.7%	17.8%
Adjusted EBITDA margin (non-IFRS measure) ⁽²⁾ . .	24.3%	21.3%	24.7%	24.8%	22.0%

Notes:

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

Our adjusted profit margin (non-IFRS measure) and adjusted EBITDA margin (non-IFRS measure) decreased in the nine months ended September 30, 2024 as compared to the same period in 2023, primarily because (i) our gross profit margin for sales of goods and equipment decreased as we maintained stable raw material supplies despite upstream price fluctuations in 2024; (ii) we incurred higher advertising and promoting fees in the nine months ended September 30, 2024; and (iii) we increased our employee headcount from 2,373 as of September 30, 2023 to 2,720 as of September 30, 2024.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as Shareholder's equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

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RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. For more details about our related party transactions, see note 39 to the Accountants' Report in Appendix I to this document.

Our Directors are of the view that our transactions with related parties during the Track Record Period were conducted on an arm's length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our results of operations or make our historical results not reflective of our future performance.

FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks, including market risks (such as foreign currency risk), credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. Our Board reviewed and agreed the following risk management policies. See note 42 to the Accountants' Report in Appendix I to this document for a detailed description of our financial risk management.

Foreign Currency Risk

Foreign currency risk arises from recognized assets and liabilities denominated in a currency other than the functional currency of our entities. We operate mainly in the PRC with most of the transactions settled in Renminbi. We seek to limit our exposure to foreign currency risk by minimizing our net foreign currency position. We consider that our business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of ours are denominated in the currencies other than the respective functional currencies of our entities, so that we do not hedge against any fluctuation in foreign currency.

Credit Risk

Credit risk mainly arises from cash and bank balances, trade receivables, long-term trade receivables, contract assets and financial assets included in prepayments, other receivables and other assets. The carrying amount of these financial assets represents our maximum exposure to credit risk in relation to the corresponding class of financial assets. See note 42(b) to the Accountants' Report in Appendix I to this document for further information relating to our credit risk.

Our cash and bank balances were deposited with high-credit-quality financial institutions without significant credit risk. There has been no recent history of default in relation to these financial institutions. The expected credit loss is not material.

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We maintain strict control over our outstanding trade receivables, long-term trade receivables, and contract assets and has a credit control department to minimize credit risk. We have policies in place to ensure that credit terms are made only to counterparties with an appropriate credit history and perform ongoing credit evaluations of our counterparties. We assess the credit quality of our counterparties by taking into account various factors including their financial position, past operational and financial performance and forward-looking factors. We also have other monitoring procedures to ensure that follow-up action is taken to recover overdue trade receivables, long-term trade receivables, and contract assets. In addition, we review regularly the recoverable amount of trade receivables, long-term trade receivables, and contract assets to ensure that adequate impairment losses are made. As of December 31, 2021, 2022 and 2023 and September 30, 2024, the expected credit loss rate for trade receivables, long-term trade receivables, and contract assets was assessed to be minimal.

We make periodic collective assessments for financial assets included in prepayments, other receivables and other assets, as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. We also continuously monitor their credit risk. There has been no recent history of default in relation to such financial assets. The expected loss allowance was assessed to be minimal.

For the analysis of the credit quality and the maximum exposure to credit risk based on our credit policy, see note 42(b) to the Accountants' Report in Appendix I to this document.

Liquidity Risk

We monitor and maintain a level of cash and bank balances deemed adequate by our management to finance the operations and mitigate the effects of fluctuations of cash flows. For the analysis of our financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date, see note 42(c) to the Accountants' Report in Appendix I to this document.

DIVIDENDS

In January 2025, the Company passed a Board resolution and Shareholders resolution, declaring a dividend of RMB1.74 billion based on the Company's share premium and retained profits from our subsidiaries as of September 30, 2024 to our existing Shareholders whose names appeared in the register of members of the Company on December 31, 2024 (the "**Dividend**"). As of September 30, 2024, the total amount of our cash and bank balances and financial assets at fair value through profit or loss was RMB3.3 billion. We will not apply any proceeds from the Listing for settlement of the Dividend. RMB0.4 billion of the Dividend has been paid in January 2025. We will settle the remaining RMB1.34 billion of the Dividend by March 2026 with the funds received from the dividend declared by our subsidiaries and/or other financial resources. We shall disclose details of the payment of the Dividend in the annual reports after the Listing.

FINANCIAL INFORMATION

The Company intends to declare and distribute by December 2025 a special dividend (the “**Special Dividend**”) in an amount of no less than RMB2 billion to our Shareholders (including our new Shareholders after the Listing) based on our Company’s retained profits from our subsidiaries as of December 31, 2024 and share premium included in capital reserve, upon Special Dividend declaration. The Company will make announcements in due course after the Listing in respect of the declaration and payment of the foregoing Special Dividend. The Controlling Shareholders have undertaken to vote in favor of the Shareholders’ resolution for the declaration and payment of such Special Dividend.

Save as disclosed above, we intend to adopt, before the Listing, a general dividend policy of declaring and distributing dividends on an annual basis in an amount which is no less than 50% of our net profit generated in any fiscal year after the Listing after deducting any significant capital expenditures or as otherwise authorized by the Board. For the avoidance of doubt, the foregoing general dividend policy only applies to net profit generated in any fiscal year after the Listing, i.e. for the year ending 31 December 2025 onwards. Other than the foregoing Dividend declared in January 2025 and the Special Dividend, no further dividend will be declared in 2025 in respect of our Company’s retained profits from the Company and/or our subsidiaries as of December 31, 2024 or under the general dividend policy. Therefore, the payment of the Dividend and the Special Dividend will not have any impact on the general dividend policy. The decision on whether to declare dividends and the exact amount of any such distributions in any year will be based upon our operations and earnings, cash flow, financial condition, general business conditions and strategies, capital requirements, future business prospects, statutory and contractual restrictions applying to the payment of dividends and other factors that the Board may consider relevant, and subject to adjustment and determination by the Board and compliance with the requirements under applicable laws and regulations. As advised by our legal advisor on Cayman Islands law, Ogier, under the laws of the Cayman Islands, dividends may be declared and paid out of our profits or share premium account, provided that immediately following the date on which the distribution or dividend is proposed to be paid, our Company shall be able to pay its debts as they fall due in the ordinary course of business.

We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends shall be paid only out of the accumulated after-tax profits, if any, determined following PRC accounting standards and regulations. In addition, enterprises in China are required to allocate at least 10% of their respective after-tax profits each year, if any, to fund certain reserve funds until these reserves have reached 50% of the registered capital of the enterprises. Dividend distribution to our shareholders is recognized in a period in which the dividends are approved by our Shareholders or Directors, where appropriate.

FINANCIAL INFORMATION

WORKING CAPITAL SUFFICIENCY

Taking into account the financial resources available to us, including our cash and cash equivalents on hand and the estimated net proceeds from the Global Offering, our Directors are of the view that we have sufficient working capital to meet our present needs and for the next twelve months from the date of this document. On the basis of the independent due diligence undertaken, the Joint Sponsors concur with the aforementioned views of our Directors. Our Directors confirm that we had no material defaults on trade and non-trade payables and borrowings, nor did we breach any covenants during the Track Record Period and up to the date of this document.

DISTRIBUTABLE RESERVES

As of September 30, 2024, the Company did not have distributable reserves available for distribution to its shareholders.

LISTING EXPENSE

Based on the mid-point Offer Price of HK\$9.31, the total estimated listing expenses in relation to the Global Offering is approximately RMB111.2 million, or approximately 8.2% of the gross proceeds, assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised. We estimate that the listing expenses will consist of approximately RMB67.0 million in underwriting fees and RMB44.2 million in non-underwriting fees. During the Track Record Period, the listing expenses charged to consolidated statement of profit or loss and comprehensive income were RMB33.4 million. We estimate that we will incur listing expenses of RMB77.8 million, of which RMB24.2 million will be charged to our consolidated statement of profit or loss and comprehensive income. The balance of approximately RMB53.6 million, which mainly includes underwriting commission, is expected to be accounted for as a deduction from equity upon the completion of the Global Offering.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of our Group attributable to the owners of our Company as of September 30, 2024 as if the Global Offering had taken place on that date.

FINANCIAL INFORMATION

This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group attributable to the owners of our Company as of September 30, 2024 or at any future dates following the Global Offering.

	Consolidated net tangible assets of our Group attributable to owners of our Company as of September 30, 2024	Estimated net proceeds from the Global Offering	Estimated impact to the consolidated net tangible assets of our Group attributable to owners of our Company upon conversion of convertible redeemable preferred shares	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company as of September 30, 2024	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per share as of September 30, 2024	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB</i>	<i>HK\$</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 3)</i>		<i>(Note 4)</i>	<i>(Note 5)</i>
Based on an Offer Price of HK\$8.68 per Share . . .	1,680,943	1,193,112	3,166,569	6,040,624	2.59	2.81
Based on an Offer Price of HK\$9.94 per Share . . .	1,680,943	1,369,690	3,166,569	6,217,202	2.67	2.90

Notes:

- (1) The consolidated net tangible assets of our Group attributable to owners of our Company as of September 30, 2024 is based on consolidated net assets of our Group attributable to owners of our Company as of September 30, 2024 of approximately RMB1,681,849,000, after netting off other intangible assets of our Group as at September 30, 2024 of approximately RMB906,000 as shown in the Accountants' Report set out in Appendix I to this document.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$8.68 and HK\$9.94 per Share, being the low and high end of the indicative Offer Price range, respectively, after deduction of underwriting fees and other listing related expenses payable by our Company (excluding listing expenses which have been recognized in profit or loss during the Track Record Period) and do not take into account any share which may be sold and offered upon exercise of the Offer Size Adjustment Option and the Over-allotment Option.
- (3) Upon the Listing and the completion of the Global Offering, all the preferred shares will be automatically converted into ordinary shares of our Company. The convertible redeemable preferred shares will then be transferred from liabilities to equity. Accordingly, for the purpose of the unaudited pro forma statement of adjusted consolidated net tangible assets, had the conversion of preferred shares into ordinary shares of our Company been completed as of September 30, 2024, the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company will be increased by RMB3,166,569,000, being the carrying amounts of the preferred shares as of September 30, 2024.
- (4) The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share is arrived at after adjustments referred to notes 2 and 3 above and on the basis that 2,332,525,060 shares are in issue, assuming that the conversion of preferred shares into ordinary shares of our Company, the issuance of shares under equity-settled share-based payment plan and the Global Offering had been completed on September 30, 2024, without taking into account of any shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and the Over-allotment Option.

FINANCIAL INFORMATION

- (5) For the purpose of this unaudited pro forma statement of adjusted consolidated net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at an exchange rate of HK\$1 to RMB0.9204. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or any other rates or at all.
- (6) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of our Group to reflect any trading results or other transactions for our Group entered into subsequent to September 30, 2024.
- (7) The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company as shown in Appendix II to this document have not been adjusted to illustrate the effect of the following:

In January 2025, our Company declared a dividend of RMB1.74 billion to the existing shareholders prior to the Listing based on our Company's share premium and retained profits from our subsidiaries as of September 30, 2024. Had the payment of the declared dividend been made on September 30, 2024, the unaudited pro forma adjusted consolidated net tangible assets of our Group would decrease from RMB6,040,624,000 to RMB4,300,624,000 based on Offer Price of HK\$8.68 per Share, or from RMB6,217,202,000 to RMB4,477,202,000 based on Offer Price of HK\$9.94 per Share. Had the Global Offering and the dividend declaration been taken into account, the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company as at September 30, 2024 per Share would be RMB1.84 (equivalent to HK\$2.00) based on an Offer Price of HK\$8.68 per Share and RMB1.92 (equivalent to HK\$2.09) based on an Offer Price of HK\$9.94 per Share, respectively, on the basis that a total of 2,332,525,060 shares were in issue assuming that the Global Offering had been completed on September 30, 2024. These amounts are converted from Renminbi to Hong Kong dollars or Hong Kong dollars to Renminbi at an exchange rate of HK\$1 to RMB0.9204. No representation is made that Renminbi/Hong Kong dollars amount have been, could have been or may be converted to Hong Kong dollars/Renminbi at that rate or at all. After the Listing, our Company intends to declare and distribute a special dividend in an amount of no less than RMB2 billion to our shareholders, which has not been taken into account in the calculation of the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company as of September 30, 2024.

PROFIT ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2024

On the basis set out in Appendix IIA to this prospectus, and in the absence of unforeseen circumstances, we estimate that our unaudited consolidated profit attributable to owners of our Company for the year ended December 31, 2024 is as follows:

Estimated consolidated profit attributable to owners of our Company	Not less than RMB1.4 billion
.....	

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since September 30, 2024, being the end date of our latest audited consolidated financial statements, and there has been no event since September 30, 2024 that would materially affect the information shown in the Accountants' Report set out in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

CORNERSTONE INVESTORS

OVERVIEW

We have entered into cornerstone investment agreements (the “**Cornerstone Investment Agreement(s)**”) with the cornerstone investors set out below (“**Cornerstone Investor(s)**”), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe, or cause their designated entities to subscribe, for such number of Offer Shares (rounded down to the nearest whole board lot of 400 Shares) that may be purchased at the Offer Price of an aggregate amount of up to approximately US\$71.0 million (or approximately HK\$553.1 million, based on the exchange rate set out in the section headed “Information about this document and the Global Offering — Exchange Rate Conversion”) and exclusive of brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee (each a “**Cornerstone Investment**” and collectively, the “**Cornerstone Placing**”).

We believe that the Cornerstone Placing demonstrates our Cornerstone Investors’ confidence in our Company and its business prospect, and that the Cornerstone Placing will help to raise the profile of our Company. Our Company became acquainted with each of the Cornerstone Investors in its ordinary course of business through the Group’s business network or through introduction by our Company’s business partners/the Overall Coordinators in the Global Offering.

The Cornerstone Placing will form part of the International Offering, and save as otherwise consented to by the Stock Exchange in accordance with Chapter 4.15 of the Guide for New Listing Applicants, the Cornerstone Investors and their respective close associates will not acquire any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be acquired by the Cornerstone Investors will rank *pari passu* in all respects with the fully paid Shares in issue following the Global Offering of the Company and will be counted towards the public float of our Company under Rule 8.08 of the Listing Rules.

Other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, the Cornerstone Investors do not have any preferential rights under each of their Cornerstone Investment Agreements, as compared with other public Shareholders. There are no side arrangements or agreements between our 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, other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, following the principles as set out in Chapter 4.15 of the Guide for New Listing Applicants.

As confirmed by each of the Cornerstone Investors, their subscription under the Cornerstone Placing would be financed by their own internal financial resources and they have sufficient funds to settle the respective investment under the Cornerstone Placing. Each of the Cornerstone Investors has confirmed that all necessary approvals have been obtained with respect to the Cornerstone Placing and that no specific approval from any stock exchange (if relevant) is required for the relevant Cornerstone Placing.

CORNERSTONE INVESTORS

The Cornerstone Investors have agreed to fully pay for the relevant Offer Shares that they have subscribed before dealings in the Company's Shares commence on the Stock Exchange. There will be no delayed delivery of the Offer Shares and no deferred settlement of payment of the investment amounts for each Cornerstone Investor under the Cornerstone Investment Agreements.

The Offer Shares to be subscribed by the Cornerstone Investors will not be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering pursuant to Practice Note 18 of the Listing Rules. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by us on or around Tuesday, February 11, 2025.

CORNERSTONE INVESTORS

Based on the information provided by the Cornerstone Investors in connection with the Cornerstone Placing, our Cornerstone Investors are as follows:

1. Huang River Investment Limited

Huang River Investment Limited is wholly owned by Tencent Holdings Limited (“**Tencent**”), a company listed on the Stock Exchange of Hong Kong (stock code: 00700 (HKD Counter) and 80700 (RMB Counter)). Tencent is principally engaged in the provision of communication, social, digital content, games, marketing, fintech and business services in the PRC.

2. GM Charm Yield (BVI) Limited

GM Charm Yield (BVI) Limited is a company incorporated in the British Virgin Islands, which is wholly owned by Genesis Capital III LP, whose general partner is Genesis Capital III Ltd. Genesis Capital III Ltd is wholly-owned by Yuan Capital III Ltd, which is wholly-owned by Mr. Zhijian Peng. The ultimate beneficial owner of Genesis Capital III LP holding 30% or more of its interest is a global institutional investor and not an individual shareholder. Other than the aforesaid limited partner holding 30% or more of its interest, no other limited partners holds more than 30% of the partnership interest of Genesis Capital III LP.

3. LVC

LVC is a private equity firm that mainly focuses on the following segments: consumer (media, entertainment and education), healthcare and advanced manufacturing. LVC is ultimately controlled by Lijun Lin and has investments in, without limitation, NetEase Cloud Music Inc. (SEHK: 9899), Bilibili Inc. (SEHK: 9626; Nasdaq: BILI), and Pop Mart International Group Limited (SEHK: 9992). LVC will subscribe for the Offer Shares through Golden Valley Global Limited and Golden Valley Value Select Master Fund, each an investment vehicle of LVC. Golden Valley Global Limited is a business company established by LVC in 2016 and none of the remaining shareholders of Golden Valley Global Limited holds 30% or more of the equity interest therein. Golden Valley Value Select Master Fund is a mutual fund established by LVC in 2022.

4. Long-Z Fund I, LP

Long-Z Fund I, LP, a limited partnership incorporated in the Cayman Islands, is an investment fund that mainly focuses on investing in growth-stage companies in the consumer and technology industries in the PRC, Hong Kong, Macau, Taiwan and companies with significant ties to these jurisdictions. Long-Z GP I Limited is the general partner of Long-Z Fund I, LP, which is ultimately controlled by Mr. Yonghua Zhu.

5. Duckling Fund, L.P.

Duckling Fund, L.P., an exempted limited partnership registered under the laws of Cayman Islands, whose general partner is Grandiflora Hook GP Limited and ultimately controlled by Mr. Eric Li. The only limited partner of Duckling Fund, L.P. is Lionet Fund, L.P., which is a fund focusing on logistics, healthcare, telecommunication, media, technology and consumer industries investment. The general partner of Lionet Fund, L.P. is Grandiflora Hook GP Limited. Lionet Fund, L.P. has more than 15 limited partners, none of which holds more than 30% of the interest in Lionet Fund, L.P.

Long-Z Fund I, LP is a close associate of Beijing Meiming Enterprise Management Consulting Partnership (Limited Partnership) and Beijing Meiyuan Enterprise Management Consulting Partnership (Limited Partnership) (together, “**Long-Z Shareholders**”), two existing Shareholders that collectively hold approximately 8.00% and 7.46% of our total issued Shares as at the Latest Practicable Date and immediately following the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised), respectively (excluding any Shares that may be subscribed by Long-Z Fund I, LP under the Global Offering). Long-Z Fund I, LP and the Long-Z Shareholders are ultimately controlled by Mr. Yonghua Zhu.

Pursuant to an anti-dilution right granted by our Company to the Pre-IPO Shareholders under the shareholders agreement of our Company on December 26, 2023, the Long-Z Shareholders or their affiliates (which includes Long-Z Fund I, LP) may subscribe for Offer Shares under the Global Offering at the Offer Price up to the pro-rata ratio, being the ratio of (i) the aggregate number of ordinary shares held by the Long-Z Shareholders to (ii) the total number of ordinary shares then outstanding immediately prior to the closing of the Global Offering, each calculated on an as-converted and fully-diluted basis (“**Long-Z Anti-dilution Option**”). For more information, see the section headed “History, Reorganization and Corporate Structure — Pre-IPO Investments — Special Rights of the Pre-IPO Investors”. Long-Z Fund I, LP intends to subscribe for Offer Shares at the Offer Price pursuant to the Long-Z Anti-dilution Option (“**Long-Z Anti-dilution Exercise**”).

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 10.04 of, and consent under Paragraph 5(2) of Appendix F1 to, the Listing Rules in relation to the Long-Z Anti-dilution Exercise. Please refer to the section headed “Waivers and Exemptions — Cornerstone Subscription by a Close Associate of an Existing Shareholder” for further details.

CORNERSTONE INVESTORS

Upon Listing, none of the Cornerstone Investors or their close associates will, by virtue of their cornerstone investments, have any Board representation in our Company; and none of the Cornerstone Investors and their close associates will hold 10% or more of the total issued Shares.

Other than as disclosed above with respect to Long-Z Fund I, LP, to the best knowledge of our Company, each of the Cornerstone Investors is: (i) an Independent Third Party and not a connected person of the Company; (ii) independent of other Cornerstone Investors; (iii) not accustomed to take instructions from us, our Directors, chief executive, Controlling Shareholders, substantial shareholders, existing Shareholders or any of our subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares; and (iv) not financed by us, our Directors, chief executive, Controlling Shareholders, substantial shareholders, existing Shareholders or any of our subsidiaries or their respective close associates.

CORNERSTONE PLACING

Based on the Offer Price of HK\$8.68 per Offer Share, being the low-end of the indicative Offer Price range, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 63,722,000, representing approximately 40.17% of the Offer Shares pursuant to the Global Offering and approximately 2.73% of our total issued share capital immediately upon completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised).

The table sets out the details of the Cornerstone Placing, based on a final Offer Price of HK\$8.68 per Share (being the low-end of the indicative Offer Price range) and assuming the Offer Size Adjustment Option is not exercised:

Cornerstone Investor	Subscription amount <i>(US\$ in millions)</i>	Number of Offer Shares to be acquired ⁽¹⁾	Assuming the Over-Allotment Option is not exercised		Assuming the Over-Allotment Option is fully exercised	
			<i>% of the Offer Shares</i>	<i>% of the issued share capital⁽²⁾</i>	<i>% of the Offer Shares</i>	<i>% of the issued share capital⁽²⁾</i>
Huang River Investment Limited	25.0	22,437,200	14.15%	0.96%	12.30%	0.95%
GM Charm Yield (BVI) Limited	15.0	13,462,400	8.49%	0.58%	7.38%	0.57%
LVC – Golden Valley Global Limited	15.0	13,462,400	8.49%	0.58%	7.38%	0.57%
– Golden Valley Value Select Master Fund	7.5	6,731,200	4.24%	0.29%	3.69%	0.29%
Long-Z Fund I, LP	8.0	7,180,000	4.53%	0.31%	3.94%	0.30%
Duckling Fund, L.P.	8.0	7,180,000	4.53%	0.31%	3.94%	0.30%
Total	71.0	63,722,000	40.17%	2.73%	34.93%	2.70%

CORNERSTONE INVESTORS

Based on the Offer Price of HK\$9.31 per Offer Share, being the mid-point of the indicative Offer Price range, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 59,409,200, representing approximately 37.46% of the Offer Shares pursuant to the Global Offering and approximately 2.55% of our total issued share capital immediately upon completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised).

The table sets out the details of the Cornerstone Placing, based on a final Offer Price of HK\$9.31 per Share (being the mid-point of the indicative Offer Price range) and assuming the Offer Size Adjustment Option is not exercised:

Cornerstone Investor	Subscription amount <i>(US\$ in millions)</i>	Number of Offer Shares to be acquired ⁽¹⁾	Assuming the Over-Allotment Option is not exercised		Assuming the Over-Allotment Option is fully exercised	
			<i>% of the Offer Shares</i>	<i>% of the issued share capital⁽²⁾</i>	<i>% of the Offer Shares</i>	<i>% of the issued share capital⁽²⁾</i>
Huang River						
Investment Limited	25.0	20,918,800	13.19%	0.90%	11.47%	0.89%
GM Charm Yield						
(BVI) Limited	15.0	12,551,200	7.91%	0.54%	6.88%	0.53%
LVC	15.0	12,551,200	7.91%	0.54%	6.88%	0.53%
– Golden Valley Global						
Limited	7.5	6,275,600	3.96%	0.27%	3.44%	0.27%
– Golden Valley Value						
Select Master Fund	7.5	6,275,600	3.96%	0.27%	3.44%	0.27%
Long-Z Fund I, LP	8.0	6,694,000	4.22%	0.29%	3.67%	0.28%
Duckling Fund, L.P.	8.0	6,694,000	4.22%	0.29%	3.67%	0.28%
Total	71.0	59,409,200	37.46%	2.55%	32.57%	2.52%

Based on the Offer Price of HK\$9.94 per Offer Share, being the high-end of the indicative Offer Price range, the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 55,643,200, representing approximately 35.08% of the Offer Shares pursuant to the Global Offering and approximately 2.39% of our total issued share capital immediately upon completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised).

CORNERSTONE INVESTORS

The table sets out the details of the Cornerstone Placing, based on a final Offer Price of HK\$9.94 per Share (being the high-end of the indicative Offer Price range) and assuming the Offer Size Adjustment Option is not exercised:

Cornerstone Investor	Subscription amount	Number of Offer Shares to be acquired ⁽¹⁾	Assuming the Over-Allotment Option is not exercised		Assuming the Over-Allotment Option is fully exercised	
	<i>(US\$ in millions)</i>		<i>% of the Offer Shares</i>	<i>% of the issued share capital⁽²⁾</i>	<i>% of the Offer Shares</i>	<i>% of the issued share capital⁽²⁾</i>
Huang River						
Investment Limited	25.0	19,593,200	12.35%	0.84%	10.74%	0.83%
GM Charm Yield						
(BVI) Limited	15.0	11,755,600	7.41%	0.50%	6.44%	0.50%
LVC	15.0	11,755,200	7.41%	0.50%	6.44%	0.50%
– Golden Valley Global						
Limited	7.5	5,877,600	3.71%	0.25%	3.22%	0.25%
– Golden Valley Value						
Select Master Fund	7.5	5,877,600	3.71%	0.25%	3.22%	0.25%
Long-Z Fund I, LP	8.0	6,269,600	3.95%	0.27%	3.44%	0.27%
Duckling Fund, L.P.	8.0	6,269,600	3.95%	0.27%	3.44%	0.27%
Total	71.0	55,643,200	35.08%	2.39%	30.51%	2.36%

Notes:

- (1) Subject to rounding down to the nearest whole board lot of 400 Offer Shares. Calculated based on the exchange rate set out in the section headed “Information about this document and the Global Offering — Exchange Rate Conversion”.
- (2) Immediately upon completion of the Global Offering.
- (3) Percentages in the above tables are approximations and subject to rounding.

CLOSING CONDITIONS

The obligation of the Cornerstone Investors to subscribe for the Offer Shares under their Cornerstone Investment Agreements is subject to, among other things, the following closing conditions:

- (a) the Underwriting Agreements for the Hong Kong Public Offering and the International Offering 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 Underwriting Agreements, and neither of the aforesaid Underwriting Agreements having been terminated;

CORNERSTONE INVESTORS

- (b) the Offer Price having been agreed according to Underwriting Agreements and Price Determination Agreement among the parties thereto in connection with the Global Offering;
- (c) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Shares (including the Shares to be subscribed for by the Cornerstone Investors in the International Offering 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;
- (d) no laws shall have been enacted or promulgated by any applicable governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or in the respective Cornerstone Investment Agreement and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (e) the respective representations, acknowledgements, warranties, undertakings and confirmations of the Cornerstone Investor under their Cornerstone Investment Agreement are (as of the date of the Cornerstone Investment Agreement) and will be (as of the Listing Date) accurate, true and complete in all respects and not misleading or deceptive and that there is no material breach of the Cornerstone Investment Agreement on the part of the relevant Cornerstone Investor.

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each 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, in any way, any of the Offer Shares or any interest in any company or entity holding such Offer Shares that it has purchased pursuant to the Cornerstone Investment Agreement, 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.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

For a detailed description of our future plans, see “Business — Our Growth Strategies.”

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$1,356 million based on an Offer Price of HK\$9.31 per Offer Share (being the mid-point of the indicative Offer Price range) and assuming no exercise of the Offer Size Adjustment Option and the Over-allotment Option, or HK\$1,813 million if the Offer Size Adjustment Option and the Over-allotment Option were exercised in full, after deducting underwriting fees and commissions and other estimated offering expenses paid and payable by us in relation to the Global Offering.

In the past few years, China’s freshly-made beverage sector has experienced rapid growth, a trend projected to persist. According to the CIC Report, the GMV of China’s freshly-made beverage market increased from RMB187.8 billion in 2018 to RMB517.5 billion in 2023, representing a CAGR of 22.5%. The market GMV is expected to reach RMB1,163.4 billion in 2028, with an anticipated CAGR of 16.7% from 2024 to 2028. The market for freshly-made beverages in China is burgeoning, exhibiting ample room for growth when compared to more mature markets. In light of this significant market opportunity, we believe our business model and competitive strengths make us well-positioned to capitalize on the fast-growing freshly-made beverage market in China, with our established brand awareness contributing to drive long-term growth. We had a market share of 4.8% in China’s freshly-made beverage store market in terms of GMV in 2023. We will strive to maintain or increase our market share in the future, as we continually and steadily expand our store network. In addition, we operate in the mid-priced freshly-made tea stores segment and focus on second-tier and below cities, which are expected to be the fastest-growing markets in the industry. We expect to grasp the growth opportunity. As of September 30, 2024, we had presence in 17 provinces in China where we will continue to increase our store density, which, along with another 17 provinces where we had yet to have presence, provide us with ample room for growth. In particular, in 2023, the provinces in mainland China where we had not established a critical mass collectively accounted for 48% of the overall freshly-made tea store market. We will both deepen our penetration in the existing provinces and expand our presence to other provinces in China as well as other countries in the future. In line with our strategies, we plan to use the net proceeds from the Global Offering for the purposes and in the amounts set forth below:

- **approximately 25% of the net proceeds, or approximately HK\$339 million, will be used to strengthen our information technology team and continue to digitalize our business management and store operations. For more details, see “Business — Our Growth Strategies — Enhance Our Technologies to Improve Operating Efficiency.” In particular,**
 - approximately 15% of the net proceeds, or approximately HK\$203 million, will be used to recruit additional talents with expertise in information technology, including software engineers, data engineers, website and mini program developers, among others, to strengthen various aspects of our

FUTURE PLANS AND USE OF PROCEEDS

information technology system and support the continual improvement of our store management software. We expect to develop proprietary softwares to substitute certain third-party softwares that we currently use, such as those related to financial recording, and tailor our softwares for our unique business needs. As our business grows in scale and diversifies in offering (e.g. increases our offering of coffee beverages), we may encounter issues that require more sophisticated software and expect to hire additional talents to identify these issues and upgrade our systems. Specifically, in the next four years, we expect to recruit approximately 248 additional technology specialists responsible for developing, testing and administering our various information technology systems and applications, approximately 84 additional IT talents dedicated to the research, development and maintenance of our store systems, and approximately 68 additional software development and data engineers. We expect to hire people with bachelor’s or more advanced degrees in relevant field such as computer science and automation, and relevant work experiences for at least five years;

The following table sets forth details of the timeframe for recruiting additional IT talents in the next four years and the number of staff to be recruited for each role, which are subject to changes based on our actual needs and market conditions at the relevant time.

	For the year ended December 31,				
	2025	2026	2027	2028	Total
Role	Number of staff to be recruited				
Technology specialists responsible for developing, testing and administering our various IT systems and applications	62	62	62	62	248
IT talents dedicated to the research, development and maintenance of our store system	21	21	21	21	84
Software development and data engineers	<u>17</u>	<u>17</u>	<u>17</u>	<u>17</u>	<u>68</u>
Total	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>400</u>

FUTURE PLANS AND USE OF PROCEEDS

- approximately 5% of the net proceeds, or approximately HK\$68 million, will be used to strengthen our technologies related to business management and intelligent decision-making. Through purchasing technology infrastructure services, such as cloud services, and investing in our own research and development, we will enhance our technologies to continue to digitalize and automate our business management system, enabling more efficient coordination within our internal teams and between us and our franchisees or other business partners. For example, we plan to maintain and upgrade our cloud server facilities, accounting management software, expense control system and other third-party software systems. In addition, we will continue to maintain and strengthen our business intelligence tools to further optimize our operations; and
- approximately 5% of the net proceeds, or approximately HK\$68 million, will be used to upgrade our store systems which integrate software and connected appliances and further automate our store operations. We plan to invest in upgrading our various connected appliances, including defrosting machine, tea brewers, juice dispensers and other electronic appliances. We will also continue to improve the software modules we provide to our stores, including order processing module and ingredient expiration management module, among others, to improve store operation efficiency. At the same time, we will enhance the IoT capabilities of our store systems to improve the communication efficiency between our franchised stores and us. We will also continue to optimize our stores' services, for example, by improving our mini programs to achieve easier order placement.
- **approximately 25% of the net proceeds, or approximately HK\$339 million, will be used to enhance our supply chain capabilities and improve our supply chain management efficiency. For more details, see “Business — Our Growth Strategies — Enhance Our Supply Chain Capabilities.” In particular,**
 - approximately 15% of the net proceeds, or approximately HK\$203 million, will be used to invest in warehouses and processing facilities. To support our store network expansion and ensure that we provide consistent, fresh and high-quality ingredients to our stores, we expect to extend our warehousing infrastructure by operating new warehouses, with cold storage capabilities, in provinces where we plan to have dense store networks in the next three to five years. Specifically, in the next four years, we plan to build approximately 27 new warehouses and purchase related warehousing facilities. We intend to invest in both our existing and new processing facilities. We recently completed the construction of a new processing facility in Zhuji, Zhejiang although certain fees are not yet fully settled. We will also upgrade and expand our existing facilities, including investing in their ripening and cold pressing

FUTURE PLANS AND USE OF PROCEEDS

equipment, among others. We also intend to invest in intelligent equipment and software for our warehouses, which will support automatic storage, packaging, inventory management and information tracking, to enhance our warehouse operating efficiency.

The following table sets forth details of the timeframe for our expected expansion of warehouses and processing facilities, and investments by the net proceeds in the next four years, which are subject to changes based on our actual needs and market conditions at the relevant time.

	For the year ended December 31,				Total	Approximate percentage of net proceeds
	2025	2026	2027	2028		
Number of new warehouses to be constructed	3	7	8	9	27	
Related facilities and equipment to be constructed/purchased						
Cold storage facilities	3	7	8	9	27	
Warehouse racking systems	3	7	8	9	27	
Forklifts and lift trucks	15	35	40	45	135	
Trays.	570	1,330	1,520	1,710	5,130	
Total investment in warehouses by the net proceeds (HK\$ in millions) . . .	15	35	40	45	136	10%
Construction of new processing facility in Zhuji, Zhejiang (HK\$ in millions) .	24	–	–	–	24	
Ongoing upgrade and expansion of existing facilities (HK\$ in millions).	4	4	4	4	16	
Total investment in processing facilities by the net proceeds (HK\$ in millions)	28	4	4	4	41	3%
Total investment in automatic warehouse management by the net proceeds (HK\$ in millions).	7	7	7	7	27	2%
Total investment by the net proceeds (HK\$ in millions).	50	46	51	56	203	15%

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- approximately 5% of the net proceeds, or approximately HK\$68 million, will be used to invest in our freight vehicles and vehicle management systems. In connection with the expanding warehousing infrastructure, we expect to strengthen our logistics infrastructure by increasing and upgrading our freight vehicles. In the next four years, we expect to purchase approximately 405 additional freight vehicles (approximately 15 additional vehicles per new warehouse). We also intend to strengthen our proprietary transportation management module which uses advanced algorithms to optimize delivery routes, thereby reducing our logistics cost and improving our logistics efficiency; and

The following table sets forth details of the timeframe for purchasing additional freight vehicles in the next four years and the number and types of freight vehicles to be procured, which are subject to changes based on our actual needs and market conditions at the relevant time.

	For the year ended December 31,				
	2025	2026	2027	2028	Total
Types of freight vehicles	Number of additional freight vehicles to be procured				
Large-sized freight vehicles	9	21	24	27	81
Small-to-medium-sized freight vehicles	<u>36</u>	<u>84</u>	<u>96</u>	<u>108</u>	<u>324</u>
Total	<u>45</u>	<u>105</u>	<u>120</u>	<u>135</u>	<u>405</u>

- approximately 5% of the net proceeds, or approximately HK\$68 million, will be used to recruit additional employees to manage or operate the expanded warehousing and logistics infrastructure, which will further strengthen our supply chain capabilities. Specifically, in the next four years, we expect to recruit approximately 216 additional warehouse management personnel (approximately 8 additional personnel per new warehouse) and approximately 324 logistics personnel (approximately 12 additional personnel per new warehouse). We expect to hire people with bachelor’s or more advanced degrees in relevant fields such as logistics and supply chain management, and relevant work experiences in logistics and the management of warehouses with cold-chain storage capabilities.

FUTURE PLANS AND USE OF PROCEEDS

- **approximately 20% of the net proceeds, or approximately HK\$271 million, will be used to strengthen our branding and consumer engagement efforts and implement diversified approaches to build our brand image and increase consumer awareness. For more details, see “Business — Our Growth Strategies — Strengthen Our Branding and Consumer Engagement Efforts.” In particular,**
 - approximately 6% of the net proceeds, or approximately HK\$81 million, will be used to build and upgrade our brand image. For example, we plan to upgrade the interior design of our stores. We will also hold various online and offline branding and promotional activities to increase our brand awareness and recognition;
 - approximately 6% of the net proceeds, or approximately HK\$81 million, will be used to launch diverse marketing campaigns. For example, we will leverage online marketing methods such as developing creative online promotional content and collaborating with key opinion leaders. We will use diverse online social media and content platforms to further enhance consumer interaction;
 - approximately 3% of the net proceeds, or approximately HK\$41 million, will be used to launch new collaborations with other brands. In the future, we will continue to actively pursue crossover collaborations with other well-known brands and partners to further boost our brand awareness and expand our customer base;
 - approximately 5% of the net proceeds, or approximately HK\$68 million, will be invested in our membership program. In the next four years, we plan to recruit approximately 96 additional employees for brand promotion and approximately 144 additional employees for marketing activities and media operations, who will be dedicated to consumer engagement to help foster our members’ community in order to expand our membership base and facilitate the acquisition and retention of members. We expect to hire people with bachelor’s or more advanced degrees and relevant work experiences such as branding and marketing. We also expect to offer more interactive member activities and adopt more tailored consumer engagement strategies in order to improve consumer experience and encourage repurchases.

FUTURE PLANS AND USE OF PROCEEDS

- **approximately 10% of the net proceeds, or approximately HK\$136 million, will be used to recruit additional employees for franchisee management as we continue to execute our regional densification strategy, strengthen our support for franchisees and further foster a close franchisee community. For more details, see “Business — Our Growth Strategies — Expand Our Store Network and Solidify Our Position in the Industry.” In particular,**
 - approximately 8% of the net proceeds, or approximately HK\$108 million, will be used to recruit additional employees for franchisee management as we expand our store network under the regional densification strategy, and work with an increasing number of franchisees. Specifically, in the next four years, we expect to recruit approximately 323 additional employees to engage in store inspection and operational support, approximately 107 additional employees to engage in franchisee trainings, and approximately 68 additional employees to engage in franchisee selection and store location selection. We expect to hire people with bachelor’s or more advanced degrees and relevant work experiences in the management of franchisees. We intend to strengthen our support for franchisees across all stages of their business endeavor, from the early steps such as site selection to the day-to-day management of well-established stores. We will also enhance our store inspection capabilities to maintain comprehensive store supervisions as our store network expands; and

The following table sets forth details of the timeframe for recruiting additional employees responsible for franchisee management in the next four years and the number of employees to be recruited for each role, which are subject to changes based on our actual needs and market conditions at the relevant time.

	For the year ended December 31,				
	2025	2026	2027	2028	Total
Role	Number of staff to be recruited				
Store inspection and					
operational support . . .	39	84	95	105	323
Franchisee trainings	13	28	31	35	107
Franchisee selection and					
store location selection .	<u>8</u>	<u>18</u>	<u>20</u>	<u>22</u>	<u>68</u>
Total	<u>60</u>	<u>130</u>	<u>146</u>	<u>162</u>	<u>498</u>

FUTURE PLANS AND USE OF PROCEEDS

- approximately 2% of the net proceeds, or approximately HK\$27 million, will be used to further strengthen our relationship with franchisees and foster a close franchisee community. We will continue to invest in and host franchisee events, such as annual nationwide franchisee meetings, to solidify our relationship with franchisees and attract new franchisees. We will also improve communications with our franchisees and regularly collect their feedbacks through various online and offline channels.
- **approximately 10% of the net proceeds, or approximately HK\$136 million, will be used to recruit experts in product development and enhance our product development capabilities. For more details, see “Business — Our Growth Strategies — Continue to Invest in Product Research and Development to Refine and Expand Our Product Offerings.” In particular,**
 - approximately 5% of the net proceeds, or approximately HK\$68 million, will be used to recruit additional talents including experts in food science and engineering, food processing and safety, food biology, among others, to join our product research and development team. Specifically, in the next four years, we expect to recruit approximately 80 additional employees (approximately 20 additional employees per year) to engage in consumer research and product development, and 80 additional employees (approximately 20 additional employees per year) to engage in research on food sciences. We expect to hire people with bachelor’s or more advanced degrees and relevant work experiences for consumer research and product development, and hire people with master’s or more advanced degrees in relevant fields for research on food sciences;
 - Approximately 1% of the net proceeds, or approximately HK\$14 million, will be used to invest in further collaborations with universities and research institutions, including Zhejiang University and Jiangnan University, to enhance our research capabilities. Our research will mainly focus on further refining the flavors of our existing products, launching innovative beverages that cater to evolving consumer preferences and improving our stores’ processing techniques; and
 - approximately 4% of the net proceeds, or approximately HK\$54 million, will be used to invest in equipment used in product development. We expect to purchase advanced equipment to support our research on ingredients and beverages. We plan to provide our product research and development team with a microbial testing laboratory and an atmospheric pressure laboratory, among others, to facilitate the research and development of connected appliances for our stores, thereby providing consistent and high-quality beverages to our consumers.
- **approximately 10% of the net proceeds, or approximately HK\$136 million, is expected to be used for working capital and other general corporate purposes.**

FUTURE PLANS AND USE OF PROCEEDS

We intend to use the net proceeds from the Global Offering according to the timeframe as set out below, which is subject to changes based on our actual needs and market conditions at the relevant time.

Purpose	For the period from January 1, 2025 to December 31, 2025	For the period from January 1, 2026 to December 31, 2026	For the period from January 1, 2027 to December 31, 2027	For the period from January 1, 2028 to December 31, 2028	Total	Approximate percentage of net proceeds
<i>(HK\$ in millions, except for percentages)</i>						
(i) To strengthen our information technology team and continue to digitalize our business management and store operations	54	75	95	115	339	25%
(ii) To enhance our supply chain capabilities and improve our supply chain management efficiency	61	75	92	110	339	25%
(iii) To strengthen our branding and consumer engagement efforts and implement diversified approaches to build our brand image and increase consumer awareness	62	66	70	74	271	20%
(iv) To recruit additional employees for franchisee management as we continue to execute our regional densification strategy, strengthen our support for franchisees and further foster a close franchisee community. . .	13	26	40	57	136	10%
(v) To recruit experts in product development and enhance our product development capabilities	24	31	37	44	136	10%
(vi) For working capital and other general corporate purposes . . .	<u>34</u>	<u>34</u>	<u>34</u>	<u>34</u>	<u>136</u>	<u>10%</u>
Total	<u>248</u>	<u>306</u>	<u>368</u>	<u>434</u>	<u>1,356</u>	<u>100%</u>

In the event that the Offer Price is fixed at the high or low end of the indicative Offer Price range and assuming no exercise of the Offer Size Adjustment Option and the Over-allotment Option, the net proceeds of the Global Offering will increase or decrease by approximately HK\$96 million. If we make an upward or downward offer price adjustment to set the final Offer Price to be above or below the mid-point of the Offer Price range, we will increase or decrease the allocation of the net proceeds to the above purposes on a pro rata basis.

FUTURE PLANS AND USE OF PROCEEDS

The additional net proceeds that we would receive if the Offer Size Adjustment Option and the Over-allotment Option were exercised in full would be (i) HK\$488 million (assuming an Offer Price of HK\$9.94 per Offer Share, being the Maximum Offer Price), (ii) HK\$457 million (assuming an Offer Price of HK\$9.31 per Offer Share, being the mid-point of the Offer Price range) and (iii) HK\$426 million (assuming an Offer Price of HK\$8.68 per Offer Share, being the Minimum Offer Price).

To the extent that the net proceeds from the Global Offering (including the net proceeds from the exercise of the Offer Size Adjustment Option and the Over-allotment Option) are either more or less than expected, we may adjust our allocation of the net proceeds for the above purposes on a pro rata basis and we may also use cash on hand to fulfill our expansion plan.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes, we will only deposit such funds into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the SFO and/or applicable laws and regulations in relevant jurisdictions).

UNDERWRITING

HONG KONG UNDERWRITERS

Goldman Sachs (Asia) L.L.C.
UBS AG Hong Kong Branch
China International Capital Corporation Hong Kong Securities Limited
The Hongkong and Shanghai Banking Corporation Limited
ABCI Securities Company Limited
BOCI Asia Limited
CMB International Capital 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 Overall Coordinators (for themselves and on behalf of the Underwriters) and the Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 15,861,200 Hong Kong Offer Shares and the International Offering of initially 142,750,800 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed “Structure of the Global Offering” in this prospectus, as well as to the Offer Size Adjustment Option and the Over-allotment Option in the case of the International Offering.

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on February 3, 2025. Pursuant to the Hong Kong Underwriting Agreement, the Company is offering the Hong Kong Offer Shares for subscription 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 pursuant to the Global Offering (including any additional Shares that may be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option) on the Main Board of the Stock Exchange and such approval not having been withdrawn and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, 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 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.

UNDERWRITING

The Hong Kong Underwriting Agreement is conditional on, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled, in their sole and absolute discretion, by giving notice to the Company and the Warranting Shareholders to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

- (a) there develops, occurs, exists or come into force:
 - (i) any event, or series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a national, regional or international emergency or war, calamity, crisis, epidemic, pandemic, outbreaks, adverse mutation or aggravation of diseases (including, without limitation, COVID-19, Severe Acute Respiratory Syndrome (SARS), swine or avian flu, H5N1, H1N1, H7N9, Ebola virus, Middle East respiratory syndrome and such related/mutated forms), comprehensive sanctions, strikes, labour disputes, lock-outs, fire, explosion, flooding, earthquake, tsunami, volcanic eruption, riots, rebellion, civil commotion, 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, BVI, Hong Kong, the PRC, the United States, the United Kingdom, or the European Union (or any member thereof), or any other jurisdiction relevant to the Group (each a “**Relevant Jurisdiction**” and collectively, the “**Relevant Jurisdictions**”); or
 - (ii) any change or 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, equity securities or exchange control 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; or
 - (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 the Stock Exchange, the New York Stock Exchange, the NASDAQ Stock Market, the London Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

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- (iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other authority), New York (imposed at the U.S. Federal or New York State level or by any other authority), London, the PRC, the European Union (or any member thereof) or any of the other 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; or
- (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 authority in or affecting any of the Relevant Jurisdictions; or
- (vi) the imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions relevant to the business operations of the Group; or
- (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 devaluation of the United States dollar, the Hong Kong dollar or RMB against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or RMB is linked to any foreign currency or currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions or affecting an investment in the Offer Shares; or
- (viii) other than with the prior written consent of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters), the issue or requirement to issue by the Company of a supplement or amendment to this prospectus, the preliminary offering circular, the offering circular 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 the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and supporting guidelines issued by the CSRC and the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (collectively, the “**CSRC Rules**”) or upon any requirement or request of the Stock Exchange, the SFC and/or the CSRC; or

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- (ix) 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; or
- (x) any litigation, dispute, legal action or claim or regulatory or administrative investigation or action being instigated or announced against any member of the Group or any Director; or
- (xi) any contravention by any member of the Group or any Director of any applicable Laws, the Listing Rules or the CSRC Rules; or
- (xii) any Director or member of senior management of the Company is vacating his or her office; or
- (xiii) any executive Director or member of senior management of the Company is being found guilty of an indictable offence or is prohibited by operation of Law or otherwise disqualified from taking part in the management or taking directorship of a company, or there is the commencement by any governmental, political or regulatory body or stock exchange of any formal investigation or other action against any Director or member of senior management of the Company in his or her capacity as such or any member of the Group or an announcement by any governmental, political or regulatory body or stock exchange that it intends to commence any such investigation or take any such action; or
- (xiv) any non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares), the filings to the CSRC or any aspect of the Global Offering with the Listing Rules, the CSRC Rules or any other applicable Laws; or,
- (xv) any change or announced prospective change or development, or a materialization of, any of the risks set out in the section headed “Risk Factors” in this prospectus;

which, individually or in the aggregate, in the sole opinion of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

- (1) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, earnings, results of operations, performance, position or condition, financial or otherwise, of the Group taken as a whole; or

UNDERWRITING

- (2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications for or the distribution of the Offer Shares under the Hong Kong Public Offering or the level of interest under the International Offering; or
 - (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 the Offering Related Documents (as defined below); 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 Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) that:
- (i) any statement contained in this prospectus, the formal notice of the Company, the filings to the CSRC and/or any notices, announcements, advertisements, communications or other documents (including any announcement, circular, document or other communication pursuant to the Hong Kong Underwriting Agreement) issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering, including any supplement or amendment thereto (the “**Offering Related Documents**”) was, when it was issued, or has become, untrue, incorrect, inaccurate, incomplete in any material respects or misleading or deceptive, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of such documents is not fair and honest and based on reasonable grounds or reasonable assumptions; or
 - (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 Offering Related Documents; or
 - (iii) there is a breach of, or any event or circumstance rendering untrue, incorrect, incomplete or misleading in any respect any of the warranties given by the Company or the Warranting Shareholders in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable; or
 - (iv) there is a material breach of any of the obligations imposed upon the Company or the Warranting Shareholders under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable; or

UNDERWRITING

- (v) there is an event, act or omission which gives or is likely to give rise to any liability of the Company or the Warranting Shareholders pursuant to the indemnities given by any of them under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable; or
- (vi) there is any Material Adverse Change (as defined in the Hong Kong Underwriting Agreement); or
- (vii) the approval of the Listing Committee of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including pursuant to any exercise of the Offer Size Adjustment Option and the Over-allotment Option) is refused or not granted, other than subject to customary conditions, on or before the date of the Listing, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or
- (viii) any person (other than any of the Joint Sponsors and the Overall Coordinators) whose consent is required for the issue of this prospectus and/or the filings to the CSRC has withdrawn its consent to the issue of this prospectus or the filings to the CSRC with the inclusion of its reports, letters and/or opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
- (ix) the Company withdraws the Offering Related Documents, the filings to the CSRC or the Global Offering;
- (x) there is a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Global Offering; or
- (xi) a material portion of the orders placed or confirmed in the bookbuilding process, including the investment commitments by any cornerstone investors after signing of agreements, have been withdrawn, terminated or cancelled, or rejected or prohibited by the Stock Exchange, the SFC or any other authority, which in the sole and absolute opinion of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) has a material adverse effect on the success of the Global Offering.

UNDERWRITING

Indemnity

The Company has agreed to indemnify each of the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach of the Hong Kong Underwriting Agreement by the Company and the Warranting Shareholders which are parties thereto.

LOCK-UP ARRANGEMENTS

(A) Undertakings by the Company to the Stock Exchange pursuant to the Listing Rules

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of the Company (whether or not of a class already listed) may be issued or sold or transferred out of treasury by the Company or form the subject of any agreement to such an issue, or sale or transfer out of treasury within six months from the Listing Date (whether or not such issue of Shares or securities, or sale or transfer of treasury shares will be completed within six months from the Listing Date), except (a) pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option), and (b) under any of the other circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertakings by the Controlling Shareholders to the Stock Exchange pursuant to the Listing Rules

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and the Company that, except pursuant to the Global Offering and Listing, it will not and will procure that the relevant registered holder(s) will not without the prior written consent of the Stock Exchange or unless otherwise in compliance with the applicable requirement of the Listing Rules:

- (1) in the period commencing on the date by reference to which disclosure of its holding of Shares is made in this prospectus and ending on the date which is six months from the Listing Date (the “**Six-Month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be the beneficial owner; or

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- (2) in the period of six months commencing from the expiry of the Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any such Shares referred to in (1) above if, immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a Controlling Shareholder of the Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and the Company that during the Six-Month Period and six months following the Six-Month Period:

- (1) if it pledges or charges any Shares beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, it will immediately inform the Company of such pledge or charge together with the number of Shares so pledged or charged; and
- (2) if it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, it will immediately inform the Company of such indications.

(C) Undertakings by the Company pursuant to the Hong Kong Underwriting Agreement

The Company hereby undertakes to each of the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that, except for (a) the issue, offer or sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Offer Size Adjustment Option and the Over-allotment Option) and (b) the issue of Shares by the Company pursuant to the Post-IPO Share Scheme, at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date (the “**First Six-Month Period**”), it will not, without the prior written consent of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (1) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of, or agree to transfer or dispose of or, either directly or indirectly, conditionally or unconditionally, or repurchase any legal or beneficial interest in any Shares or other securities of the Company or any interest in any of the foregoing (including, but not limited to, 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 deposit any Shares or other securities of the Company, as applicable, with a depositary in connection with the issue of depositary receipts; or

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- (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of any Shares 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
- (3) enter into any transaction with the same economic effect as any transaction specified in paragraphs (1) or (2) above; or
- (4) offer or agree or contract to, or announce or publicly disclose any intention to, effect any such transaction described in paragraphs (1), (2), or (3) above,

in each case, whether any of the transactions specified in paragraphs (1), (2), or (3) above is to be settled by delivery of the Shares or other securities of the Company, in cash or otherwise (whether or not the issue of such Shares or other securities of the Company will be completed within the First Six-Month Period).

(D) Undertakings by the Warranting Shareholders pursuant to the Hong Kong Underwriting Agreement

Each of the Warranting Shareholders shall procure that the Controlling Shareholders agree and undertake to each of the Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that, without the prior written consent of the Joint Sponsors and the Overall Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

- (1) except for any lending of Shares by Modern Leaves Limited pursuant to the Stock Borrowing Agreement, it will not and will procure that the relevant registered holders(s) will not, at any time during the First Six-Month Period:
 - (a) 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, 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 therein (including, but not limited to, 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) beneficially owned by him or it as of the Listing Date, or deposit any Shares or other securities of the Company with a depositary in connection with the issue of depositary receipts, or

UNDERWRITING

- (b) 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 Shares or other securities of the Company or any interest therein (including, but not limited to, 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) beneficially owned by him or it as of the Listing Date, or
- (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above, or
- (d) offer or agree or contract to, or announce or publicly disclose any intention to, effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of the Shares or other securities of the Company or in cash or otherwise and whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period, but except as permitted under Rule 10.07 of the Listing Rules;

- (2) it will not, during the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), enter into any of the transactions specified in (a), (b) or (c) above, or offer or agree or contract to, or announce or publicly disclose any intention to, effect any such transaction if, immediately following any such transaction, it will cease to be a “controlling shareholder” (as the term is defined in the Listing Rules) of the Company; and
- (3) until the expiry of the Second Six-Month Period, if it enters into any of the transactions specified in (a), (b) or (c) above or offers or agrees or contracts to, or announce or publicly disclose any intention to, effect 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.

The lock-up arrangements concerning the Controlling Shareholders referred to above shall not prevent any of the Controlling Shareholders from (a) using the Shares or other securities of the Company (or any interest therein) beneficially owned by them respectively 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; and (b) purchasing additional Shares or other securities of the Company or any interest therein or dispose of Shares or other securities of the Company (or any interest therein) which are purchased in the First Six-Month Period and the Second Six-Month Period, provided that any such purchases do not contravene the lock-up arrangements referred to above or compliance by the Company with the requirement of Rule 8.08 of the Listing Rules to maintain an open market in the Shares and a sufficient public float in the Shares. The Company agrees and undertakes to the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that, upon receiving information in writing from the Controlling Shareholders on the matters referred to in (a), it shall, as soon as practicable, notify the Stock Exchange and make an announcement in accordance with the Listing Rules.

UNDERWRITING

(E) Undertakings by Certain Existing Shareholders pursuant to Lock-up Deeds

Each of the Pre-IPO Investors, Thriving Leafbuds Limited, Nascent Sprouts Limited and Flourishing Leaves Limited has undertaken to each of the Company, the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Underwriters in connection with the Global Offering) that it will not, and will procure that its respective affiliates will not, without the prior written consent of the Company, the Joint Sponsors and the Overall Coordinators, dispose of any Shares subscribed and/or acquired prior to the Global Offering and beneficially owned by it as of the Listing Date (the “**Locked-up Securities**”) for a period of six months from the Listing Date (the “**Lock-up Period**”), save for certain special circumstances.

For the purpose of the above undertaking, “dispose of” means:

- (1) sell, offer to sell, contract or agree to sell, lend, grant or sell any option, warrant or other right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Locked-up Securities;
- (2) enter into any swap or other arrangement that transfers to another person, in whole or in part, any of the economic consequences of ownership of any Locked-up Securities;
- (3) enter into any transaction with the same economic effect as any transaction specified in sub-paragraphs (1) or (2) above; or
- (4) publicly disclose that it will or may enter into any transaction described in sub-paragraphs (1), (2) or (3) above,

whether any such transaction described in sub-paragraphs (1), (2) or (3) above is to be settled by delivery of such Shares or such other securities of the Company, in cash or otherwise (whether or not the settlement or delivery of such Shares or such other securities of the Company will be completed within the Lock-up Period).

JOINT SPONSORS’ AND HONG KONG UNDERWRITERS’ INTERESTS IN THE COMPANY

Save as disclosed in this prospectus, and save for their respective obligations under the Hong Kong Underwriting Agreement and, if applicable, the Stock Borrowing Agreement, as of the Latest Practicable Date, none of the Joint Sponsors or the Hong Kong Underwriters was interested, legally or beneficially, directly or indirectly, in any Shares or any securities of any member of the Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any Shares or any securities of any member of the Group. Further, see the section headed “Statutory and General Information — Other Information — 3. Joint Sponsors” in Appendix IV to this prospectus for the Joint Sponsors’ independence declaration pursuant to Rule 3A.07 of the Listing Rules.

UNDERWRITING

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 respective obligations under the Hong Kong Underwriting Agreement.

INTERNATIONAL OFFERING

International Underwriting Agreement

In connection with the International Offering, the Company and the Warranting Shareholders expect to enter into the International Underwriting Agreement with, amongst others, the International Underwriters on the Price Determination Date. Under the International Underwriting Agreement and subject to the Offer Size Adjustment Option and the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally but not jointly to procure purchasers for, or themselves to purchase, their respective applicable proportions of the 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. See the section headed “Structure of the Global Offering — The International Offering” in this prospectus.

Offer Size Adjustment Option

The Company is expected to grant to the Overall Coordinators the Offer Size Adjustment Option, exercisable by the Overall Coordinators at their absolute discretion (for themselves and on behalf of the International Underwriters) on or before the second business day prior to the Listing Date and will lapse immediately thereafter, to require the Company to allot and issue up to an aggregate of 23,791,600 additional Shares, representing approximately 15% of the initial number of Offer Shares offered under the Global Offering, at the same price per Share under the International Offering to cover any excess demand in the International Offering. The Offer Size Adjustment Option provides flexibility for the Overall Coordinators to increase the number of Offer Shares available for purchase under the International Offering to cover additional market demand. See “Structure of the Global Offering — Offer Size Adjustment Option” in this prospectus.

Over-allotment Option

The Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Overall Coordinators (on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, pursuant to which the Company may be required to issue up to an aggregate of 27,360,400 additional Shares (representing approximately 15% of the Offer Shares offered under the Global Offering assuming the Offer Size Adjustment Option is exercised in full) or up to an aggregate of 23,791,600 additional Shares (representing approximately 15% of the Offer Shares initially offered under the Global Offering assuming the Offer Size Adjustment Option is not exercised), at the Offer Price, to cover over-allocations in the International Offering, if any. See the section headed “Structure of the Global Offering — Over-allotment Option” in this prospectus.

UNDERWRITING

Commissions and Expenses

All Capital Market Intermediaries participating in the Global Offering will receive an aggregate underwriting commission of 3.0% of the aggregate Offer Price payable in respect of all of the Offer Shares (including any Offer Shares issued pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option) (the “**Gross Proceeds**”) (the “**Underwriting Commission**”). In addition, the Company may, in its sole discretion, pay to all Capital Market Intermediaries an incentive fee in an aggregate of up to 1.0% of the Gross Proceeds (the “**Discretionary Fee**”). Assuming the Discretionary Fees are paid in full, the ratio of the fixed amount of the Underwriting Commission payable to all Capital Market Intermediaries (the “**Fixed Fees**”) and Discretionary Fees payable to all Capital Market Intermediaries is approximately 58.75:41.25. For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay the underwriting commission for such Shares to the International Underwriters (but not the Hong Kong Underwriters).

The aggregate amount of sponsor fee payable by our Company to the Joint Sponsors is US\$700,000.

The aggregate underwriting commissions and fees together with the Stock Exchange listing fees, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to be approximately HK\$121 million (assuming an Offer Price of HK\$9.31 per Offer Share (which is the mid-point of the Offer Price range), the full payment of the Discretionary Fee and the Offer Size Adjustment Option and the Over-allotment Option are not exercised) and will be paid by the Company.

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 stabilizing process.

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 account 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 the Company and/or persons and entities with relationships with the Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Group’s loans and other debt.

UNDERWRITING

In relation to the 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) in the Global Offering, 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 as 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 stock 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” in this prospectus. 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.

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 (other than the Stabilizing Manager 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.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking, lending and other services to the Company and each of 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.

STRUCTURE OF THE GLOBAL OFFERING

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 the 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.

158,612,000 Offer Shares will initially be made available under the Global Offering comprising:

- (a) the Hong Kong Public Offering of initially 15,861,200 Shares (subject to reallocation) in Hong Kong as described in the paragraph headed “— The Hong Kong Public Offering” below; and
- (b) the International Offering of initially 142,750,800 Shares (subject to reallocation, the Offer Size Adjustment Option 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 requirements 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, as described in paragraph headed “— The International Offering” below.

Investors may either (i) apply for Hong Kong 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 6.8% of the total Shares in issue immediately following the completion of the Global Offering, assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised. If the Over-allotment Option is exercised in full, the Offer Shares (including Shares issued pursuant to the full exercise of the Over-allotment Option) will represent approximately 7.7% of the total Shares in issue (assuming the Offer Size Adjustment Option is not exercised at all) or approximately 8.8% of the total Shares in issue (assuming the Offer Size Adjustment Option is exercised in full) immediately following the completion of the Global Offering.

References in this prospectus to applications, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

The Company is initially offering 15,861,200 Shares for subscription by the public in Hong Kong at the Offer Price, representing 10.0% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 0.7% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are 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, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in the paragraph headed “— Conditions of the Global Offering” below.

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 Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot and with any odd lots being allocated to Pool A) into two pools: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee payable) and up to the total value in pool B.

STRUCTURE OF THE GLOBAL OFFERING

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the “price” for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 7,930,400 Hong Kong Offer Shares is liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. 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 Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if the International Offer Shares are fully subscribed or oversubscribed and certain prescribed total demand levels under the Hong Kong Public Offering are reached.

If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (a) 15 times or more but less than 50 times, (b) 50 times or more but less than 100 times and (c) 100 times or more of the total number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 47,583,600 Offer Shares (in the case of (a)), 63,444,800 Offer Shares (in the case of (b)) and 79,306,000 Offer Shares (in the case of (c)), representing approximately 30%, approximately 40% and approximately 50% of the total number of Offer Shares initially available under the Global Offering, respectively (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised).

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Overall Coordinators deem appropriate.

In addition, the Overall Coordinators may allocate Offer Shares from the International Offer Shares to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In accordance with Chapter 4.14 of the Guide for New Listing Applicants issued by the Stock Exchange, in the event that (i) the International Offer Shares are undersubscribed and the Hong Kong 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 Offer Shares are fully subscribed or oversubscribed as

STRUCTURE OF THE GLOBAL OFFERING

to less than 15 times of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, the maximum total number of Offer Shares that may be allocated to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 31,722,400 Shares) and the final Offer Price shall be fixed at the bottom end of the indicative price range (i.e. HK\$8.68 per Offer Share).

If the Hong Kong Public Offering is not fully subscribed, the Overall Coordinators may reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Overall Coordinators deem appropriate.

Applications

Each applicant under the Hong Kong Public Offering will 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 for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are 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 may be required to pay, on application (subject to application channels), the maximum Offer Price of HK\$9.94 per Offer Share in addition to the brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK\$4,016.10 for one board lot of 400 Shares. If the Offer Price, as finally determined in the manner described in the paragraph headed “— Pricing and Allocation” below, is less than the maximum Offer Price of HK\$9.94 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy, the AFRC 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 in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

THE INTERNATIONAL OFFERING

Number of Offer Shares initially offered

The International Offering will consist of an offering of initially 142,750,800 Shares, representing 90.0% of the total number of Offer Shares initially available under the Global Offering (subject to reallocation, the Offer Size Adjustment Option and the Over-allotment Option). The number of Offer Shares initially offered under the International Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 6.1% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised).

Allocation

The International Offering will include selective marketing of Offer Shares to QIBs in the United States as well as institutional and professional investors and other investors anticipated to have a sizable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that 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 paragraph headed “— Pricing and Allocation” below and based on a number of factors, including the level and timing of demand, the 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 to buy further Offer Shares and/or hold or sell its Offer Shares after the Listing. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Group and the Shareholders as a whole.

The Overall 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 Overall Coordinators 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 allocation of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the clawback arrangement described in the paragraph headed “— The Hong Kong Public Offering — Reallocation” above, the exercise of the Offer Size Adjustment Option and the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

OFFER SIZE ADJUSTMENT OPTION

In order to provide flexibility for the Overall Coordinators to increase the number of Offer Shares available for purchase under the International Offering to cover additional market demand, the Company is expected to grant to the Overall Coordinators the Offer Size Adjustment Option, exercisable by the Overall Coordinators at their absolute discretion (for themselves and on behalf of the International Underwriters) on or before the second business day prior to the Listing Date and will lapse immediately thereafter, to require the Company to allot and issue up to an aggregate of 23,791,600 additional Shares, representing approximately 15% of the initial number of Offer Shares offered under the Global Offering, at the same price per Share under the International Offering to cover any excess demand in the International Offering. The dilution effect of the Offer Size Adjustment Option (assuming the Over-allotment Option is not exercised) is set out below:

Number of Shares issued under the Global Offering before the exercise of the Offer Size Adjustment Option (“Original Subscribers”)	Approximate percentage of total issued share capital held by the Original Subscribers before the exercise of the Offer Size Adjustment Option	Number of Shares issued under the Global Offering after the exercise of the Offer Size Adjustment Option	Approximate percentage of total issued share capital held by the Original Subscribers after the exercise of the Offer Size Adjustment Option
158,612,000	6.80%	182,403,600	6.73%

The Offer Size Adjustment Option will not be associated with any price stabilization activities of the Shares in the secondary market after the listing of our Shares on the Stock Exchange and will not be subject to the Securities and Futures (Price Stabilizing) Rules of the SFO (Chapter 571W of the Laws of Hong Kong). The Offer Size Adjustment Option will be in addition to the Over-allotment Option.

If the Offer Size Adjustment Option is exercised in full, the additional net proceeds received from the placing of the additional Shares allotted and issued will be allocated in accordance with the allocations as disclosed in the section headed “Future Plans and Use of Proceeds” in this prospectus, on a pro rata basis.

The Company will disclose in the allotment results announcement whether and to what extent the Offer Size Adjustment Option has been exercised, and will confirm in the announcement that, where the Offer Size Adjustment Option had not been exercised by then, the Offer Size Adjustment Option has lapsed and cannot be exercised on any future date.

STRUCTURE OF THE GLOBAL OFFERING

OVER-ALLOTMENT OPTION

In connection with the Global Offering, the Company is expected to grant the Over-allotment Option to the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Overall Coordinators (on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require the Company to issue up to an aggregate of 27,360,400 additional Shares (representing approximately 15% of the Offer Shares offered under the Global Offering assuming the Offer Size Adjustment Option is exercised in full) or up to an aggregate of 23,791,600 additional Shares (representing approximately 15% of the Offer Shares initially offered under the Global Offering assuming the Offer Size Adjustment Option is not exercised), 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 Offer Shares to be issued pursuant thereto will represent approximately 1.1% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option is exercised in full) or 1.0% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option is not exercised). If the Over-allotment Option is exercised, an 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 retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. 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 Stabilizing Manager (or any person acting for it), on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager (or any person acting for it) to conduct any such stabilizing action. Such stabilizing action, if taken, (a) will be conducted at the absolute discretion of the Stabilizing Manager (or any person acting for it) and in what the Stabilizing Manager reasonably regards as the best interest of the Company, (b) may be discontinued at any time and (c) is required to be brought to an end within 30 days after the last day for lodging applications under the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (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 agreeing to purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under paragraphs (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 paragraphs (b), (c), (d) or (e) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- (a) as a result of effecting transactions to stabilize or maintain the market price of the Shares, the Stabilizing Manager (or any person acting for it) may, in connection with the stabilizing action, maintain a long position in the Shares;
- (b) there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager (or any person acting for it) will maintain such a long position;
- (c) liquidation of any such long position by the Stabilizing Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of the Shares;
- (d) no stabilizing action can be taken to support the price of the Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on Sunday, March 9, 2025, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- (e) the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- (f) stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

The Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

STRUCTURE OF THE GLOBAL OFFERING

Over-Allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may cover such over-allocations by, among other methods, exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilizing Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price or through the Stock Borrowing Agreement as detailed below or a combination of these means.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations, if any, in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may choose to borrow up to an aggregate of 27,360,400 Shares (representing approximately 15% of the Offer Shares offered under the Global Offering assuming the Offer Size Adjustment Option is exercised in full) or up to an aggregate of 23,791,600 Shares (representing approximately 15% of the Offer Shares initially offered under the Global Offering assuming the Offer Size Adjustment Option is not exercised) from Modern Leaves Limited, pursuant to the stock borrowing agreement, which is expected to be entered into between the Stabilizing Manager (or any person acting for it) and Modern Leaves Limited on or about the Price Determination Date (the “**Stock Borrowing Agreement**”).

If the Stock Borrowing Agreement with Modern Leaves Limited is entered into, the borrowing of Shares will only be effected by the Stabilizing Manager (or any person acting for it) for the settlement of over-allocations in the International Offering and such borrowing arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set out in Rule 10.07(3) of the Listing Rules, being that the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Offering, are complied with.

The same number of Shares so borrowed must be returned to Modern Leaves Limited or its nominees, as the case may be, on or before the third business day following the earlier of (a) the last day for exercising the Over-allotment Option and (b) the day on which the Over-allotment Option is exercised in full.

The Shares borrowing arrangement described above will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Modern Leaves Limited by the Stabilizing Manager (or any person acting for it) in relation to such Shares borrowing arrangement.

STRUCTURE OF THE GLOBAL OFFERING

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 Monday, February 10, 2025 and, in any event, no later than 12:00 noon on Monday, February 10, 2025, by agreement between the Overall Coordinators (for themselves and on behalf of the Underwriters) and the 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\$9.94 per Offer Share and is expected to be not less than HK\$8.68 per Offer Share, unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering may be required to pay, on application (subject to application channels), the maximum Offer Price of HK\$9.94 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%, amounting to a total of HK\$4,016.10 for one board lot of 400 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 lower end of the price range stated in this prospectus.

The International Underwriters will be soliciting from prospective investors 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 Overall Coordinators (for themselves and 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 the 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, the 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 the Company and the Stock Exchange at www.gumingnc.com and www.hkexnews.hk, respectively, an announcement to cancel the Global Offering. The Company will then relaunch the offer at the revised number of Offer Shares and/or the revised Offer Price with a supplemental or new prospectus as required under Rule 11.13 of the Listing Rules, and complete the requisite settlement processes on the FINI platform afresh. The Global Offering must first be canceled and subsequently relaunched on the FINI platform pursuant to the supplemental or new prospectus. In the absence of any such announcement or supplemental or new prospectus, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon between the Company and the Overall Coordinators (for themselves and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range stated in this Prospectus.

STRUCTURE OF THE GLOBAL OFFERING

Before submitting applications for the Hong Kong Offer Shares, applicants should therefore 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.

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 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 Offer Shares — B. Publication of Results” in 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, the Overall Coordinators (for themselves and on behalf of the Underwriters) and the Company agreeing on the Offer Price.

The Company and the Warranting Shareholders expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarized in the section headed “Underwriting” in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- (a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering on the Main Board of the Stock Exchange and such approval not subsequently having been withdrawn or revoked prior to the Listing Date;
- (b) the Offer Price having been agreed between the Overall Coordinators (for themselves on behalf of the Underwriters) and the Company;
- (c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

STRUCTURE OF THE GLOBAL OFFERING

- (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 respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between the Overall Coordinators (for themselves and on behalf of the Underwriters) on or before 12:00 noon on Monday, February 10, 2025 the Global Offering will not proceed and will lapse.

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 its terms.

If the above conditions are not fulfilled or waived prior to the dates and times 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 the Company on the websites of the Company and the Stock Exchange at www.gumingnc.com and www.hkexnews.hk, respectively, 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 Offer Shares — D. Despatch/Collection of Share Certificates and Refund of Application Monies” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid at 8:00 a.m. Wednesday, February 12, 2025, provided that the Global Offering has become unconditional in all respects at or before that time.

DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, February 12, 2025, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, February 12, 2025.

The Shares will be traded in board lots of 400 Shares each and the stock code of the Shares will be 01364.

HOW TO APPLY FOR HONG KONG OFFER SHARES

IMPORTANT NOTICE TO INVESTORS OF HONG KONG OFFER SHARES

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering and below are the procedures for application.

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.gumingnc.com.

The contents of this prospectus are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

A. APPLICATION FOR HONG KONG OFFER SHARES

1. Who Can Apply

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are 18 years of age or older;
- have a Hong Kong address (*for the HK eIPO White Form service only*);
- are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

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 Offer Shares if you or the person(s) for whose benefit you are applying for:

- are an existing Shareholder of the Company and/or any of our subsidiaries; or
- are a director or chief executive of the Company and/or any of our subsidiaries;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- are a close associate of any of the above persons; or
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

2. Application Channels

The Hong Kong Public Offering period will begin at 9:00 a.m. on Tuesday, February 4, 2025 and end at 12:00 noon on Friday, February 7, 2025 (Hong Kong time).

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
HK eIPO White Form service . . .	www.hkeipo.hk	Investors who would like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on Tuesday, February 4, 2025 to 11:30 a.m. on Friday, February 7, 2025, Hong Kong time. The latest time for completing full payment of application monies will be 12:00 noon on Friday, February 7, 2025, Hong Kong time.
HKSCC EIPO channel . . .	Your broker or custodian who is a HKSCC Participant will submit an EIPO application on your behalf through HKSCC's FINI system in accordance with your instruction	Investors who would not like to receive a physical Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account.	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

HOW TO APPLY FOR HONG KONG OFFER SHARES

The **HK eIPO White Form** service and the HKSCC EIPO channel are facilities subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day of the application period to apply for Hong Kong Offer Shares.

For those applying through the **HK eIPO White Form** service, once you complete payment in respect of any application instructions given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the electronic application instructions are given, you shall be deemed to have declared that only one set of electronic application instructions has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of electronic application instructions for the benefit of the person for whom you are an agent and that you are duly authorized to give those instructions as an agent.

For the avoidance of doubt, giving an application instruction under the **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **HK eIPO White Form** service, you are deemed to have authorized the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

By instructing your **broker** or **custodian** to apply for the Hong Kong Offer Shares on your behalf through the HKSCC EIPO channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Hong Kong Offer Shares on your behalf and to do on your behalf all the things stated in this prospectus and any supplement to it.

For those applying through the HKSCC EIPO channel, an actual application will be deemed to have been made for any application instructions given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Hong Kong Public Offering.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Hong Kong Offer Shares or for any breach of the terms and conditions of this prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES

3. Information Required to Apply

You must provide the following information with your application:

For Individual Applicants	For Corporate Applicants
<ul style="list-style-type: none">▪ Full name(s)⁽²⁾ as shown on your identity document▪ Identity document's issuing country or jurisdiction▪ Identity document type, with order of priority:<ul style="list-style-type: none">i. HKID card; orii. National identification document; oriii. Passport; and▪ Identity document number	<ul style="list-style-type: none">▪ Full name(s)⁽²⁾ as shown on your identity document▪ Identity document's issuing country or jurisdiction▪ Identity document type, with order of priority:<ul style="list-style-type: none">i. LEI registration document; orii. Certificate of incorporation; oriii. Business registration certificate; oriv. Other equivalent document; and▪ Identity document number

Notes:

- (1) If you are applying through the **HK eIPO White Form** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong address. You are also required to declare that the identity information provided by you follows the requirements as described in Note (2) below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID card. The number of joint applicants may not exceed four. If you are a firm, the applicant must be in the individual members' names.
- (2) The applicant's full name as shown on their identity document must be used. If an applicant's identity document contains both an English and Chinese name, both English and Chinese names must be used. Otherwise, either English or Chinese names will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID card, the HKID number must be used when making an application to subscribe for shares in a public offer. Similarly for corporate applicants, a LEI number must be used if an entity has a LEI certificate.
- (3) If the applicant is a trustee, the client identification data ("CID") of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the broker will be required, as above.
- (4) The maximum number of joint account holders on FINI is capped at 4 in accordance with market practice.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (5) If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document's issuing country or jurisdiction, the identity document type; and (ii), the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.
- (6) If you are applying as an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange or any other 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).

For those applying through the HKSCC EIPO channel, and making an application under a power of attorney, we and the Overall Coordinators, as our agent, have discretion to consider whether to accept it on any conditions we think fit, including evidence of the attorney's authority.

Failing to provide any required information may result in your application being rejected.

4. Permitted Number of Hong Kong Offer Shares for Application

Board lot size : 400 Hong Kong Offer Shares

Permitted number of Hong Kong Offer Shares for application and amount payable on application/successful allotment : Hong Kong Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below.

The maximum Offer Price is HK\$9.94 per Share.

If you are applying through the HKSCC EIPO channel, you are required to pre-fund your application based on the amount specified by your **broker** or **custodian**, as determined based on the applicable laws and regulations in Hong Kong.

HOW TO APPLY FOR HONG KONG OFFER SHARES

By instructing your **broker** or **custodian** to apply for the Hong Kong Offer Shares on your behalf through the HKSCC EIPO channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the final Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy by debiting the relevant nominee bank account at the designated bank for your broker or custodian.

If you are applying through the **HK eIPO White Form** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective maximum amount payable on application in full upon application for Hong Kong Offer Shares.

No. of Hong Kong Offer Shares applied for	Maximum Amount payable ⁽²⁾ on application/successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable ⁽²⁾ on application/successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable ⁽²⁾ on application/successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable ⁽²⁾ on application/successful allotment
	HK\$		HK\$		HK\$		HK\$
400	4,016.10	8,000	80,321.96	70,000	702,817.14	900,000	9,036,220.41
800	8,032.19	10,000	100,402.45	80,000	803,219.59	1,000,000	10,040,244.90
1,200	12,048.29	12,000	120,482.94	90,000	903,622.03	2,000,000	20,080,489.80
1,600	16,064.39	14,000	140,563.43	100,000	1,004,024.49	3,000,000	30,120,734.70
2,000	20,080.49	16,000	160,643.92	200,000	2,008,048.98	4,000,000	40,160,979.60
2,400	24,096.59	18,000	180,724.41	300,000	3,012,073.46	5,000,000	50,201,224.50
2,800	28,112.68	20,000	200,804.90	400,000	4,016,097.95	6,000,000	60,241,469.40
3,200	32,128.79	30,000	301,207.35	500,000	5,020,122.46	7,000,000	70,281,714.30
3,600	36,144.88	40,000	401,609.80	600,000	6,024,146.95	7,930,400 ⁽¹⁾	79,623,158.15
4,000	40,160.98	50,000	502,012.25	700,000	7,028,171.44		
6,000	60,241.47	60,000	602,414.69	800,000	8,032,195.92		

Notes:

- (1) Maximum number of Hong Kong Offer Shares you may apply for and this is approximately 50% of the Hong Kong Offer Shares initially offered.
- (2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the **HK eIPO White Form** Service Provider (for applications made through the application channel of the **HK eIPO White Form** Service Provider) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

HOW TO APPLY FOR HONG KONG OFFER SHARES

5. Multiple Applications Prohibited

You or your joint applicant(s) shall not make more than one application for your own benefit, except where you are a nominee and provide the information of the underlying investor in your application as required under the paragraph headed “— A. Application for Hong Kong Offer Shares — 3. Information Required to Apply” in this section. If you are suspected of submitting or cause to submit more than one application, all of your applications will be rejected.

Multiple applications made either through (i) the **HK eIPO White Form** service, (ii) HKSCC EIPO channel, or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **HK eIPO White Form** service or HKSCC EIPO channel, you or the person(s) for whose benefit you have made the application shall not apply further for any Offer Shares in the Global Offering.

The Hong Kong Share Registrar would record all applications into its system and identify suspected multiple applications with identical names and identification document numbers according to the Best Practice Note on Treatment of Multiple/Suspected Multiple Applications issued by the Federation of Share Registrars Limited.

Since applications are subject to personal information collection statements, identification document numbers displayed are redacted.

6. Terms and Conditions of An Application

By applying for Hong Kong Offer Shares through the **HK eIPO White Form** service or HKSCC EIPO channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

- (i) undertake to execute all relevant documents and instruct and authorise us and/or the Overall Coordinators, as our agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association, and (if you are applying through the HKSCC EIPO channel) to deposit the allotted Hong Kong Offer Shares directly into CCASS for the credit of your designated HKSCC Participant’s stock account on your behalf;
- (ii) confirm that you have read and understand the terms and conditions and application procedures set out in this prospectus and the designated website of the **HK eIPO White Form** service (or as the case may be, the agreement you entered into with your broker or custodian), and agree to be bound by them;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (iii) (if you are applying through the HKSCC EIPO channel) agree to the arrangements, undertakings and warranties under the participant agreement between your broker or custodian and HKSCC and observe the General Rules of HKSCC and the HKSCC Operational Procedures for giving application instructions to apply for Hong Kong Offer Shares;
- (iv) confirm that you are aware of the restrictions on offers and sales of shares set out in this prospectus and they do not apply to you, or the person(s) for whose benefit you have made the application;
- (v) confirm that you have read this prospectus and any supplement to it and have relied only on the information and representations contained therein in making your application (or as the case may be, causing your application to be made) and will not rely on any other information or representations;
- (vi) agree that the Relevant Persons¹, the Hong Kong Share Registrar and HKSCC will not be liable for any information and representations not in this prospectus and any supplement to it;
- (vii) 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;
- (viii) agree to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to us, the Relevant Persons, the Hong Kong Share Registrar, the receiving bank, HKSCC, HKSCC Nominees, the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes under the paragraph headed “— G. Personal Data — 3. Purposes and 4. Transfer of personal data” in this section;
- (ix) agree (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees’ application) has been accepted) that you will not rescind it because of an innocent misrepresentation;

¹ Relevant Persons would include the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (x) agree that subject to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the Hong Kong Share Registrar by way of publication of the results at the time and in the manner as specified in the paragraph headed “— B. Publication of Results” in this section;
- (xi) confirm that you are aware of the situations specified in the paragraph headed “— C. Circumstances In Which You Will Not Be Allocated Hong Kong Offer Shares” in this section;
- (xii) agree that your application or HKSCC Nominees’ application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- (xiii) represent, warrant and undertake that (a) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act and (b) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiv) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Memorandum and Articles of Association, the Cayman Companies Act and laws of any place outside Hong Kong that apply to your application and that neither we nor the Relevant Persons will breach any law inside and/or 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 contained in this prospectus;
- (xv) confirm that (a) your application or HKSCC Nominees’ application on your behalf is not financed directly or indirectly by the Company, any of the directors, chief executives, substantial shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from the Company, any of the directors, chief executives, substantial shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in your name or otherwise held by you;
- (xvi) warrant that the information you have provided is true and accurate;
- (xvii) confirm that you understand that we and the Overall Coordinators will rely on your declarations and representations in deciding whether or not to allocate any Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xviii) agree to accept Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;
- (xix) authorize (a) 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 Offer Shares allocated to you and such other registers as required under our Memorandum and Articles of Association; and (b) us and/or our agents to send any Share certificate(s) and/or any e-Auto 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 “— D. Despatch/Collection of Share Certificates and Refund of Application Monies” below to collect the Share certificate(s) and/or refund check(s) in person;
- (xx) 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;
- (xxi) (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 application channel of the **HK eIPO White Form** Service Provider or by any one as your agent or by any other person; and
- (xxii) (if you are making the application as an agent for the benefit of another person) warrant that (a) 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 the **HK eIPO White Form** Service Provider and (b) 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 HKSCC 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).

HOW TO APPLY FOR HONG KONG OFFER SHARES

B. PUBLICATION OF RESULTS

Results of Allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares through:

<u>Platform</u>	<u>Date/Time</u>
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Applying through **HK eIPO White Form** service or HKSCC EIPO channel:

Website . . . From the “Allotment Results” page at www.hkeipo.hk/IPOResult (or www.tricor.com.hk/ipo/result) with a “search by ID” function	24 hours, from 11:00 p.m. on Tuesday, February 11, 2025 to 12:00 midnight Monday, February 17, 2025 (Hong Kong time).
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The full list of (i) wholly or partially successful applicants using the **HK eIPO White Form** service and HKSCC EIPO channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed at www.hkeipo.hk/IPOResult or www.tricor.com.hk/ipo/result.

The Stock Exchange’s website at www.hkexnews.hk and our website at www.gumingnc.com which will provide links to the above mentioned websites of the Hong Kong Share Registrar.

No later than 11:00 p.m. on Tuesday, February 11, 2025 (Hong Kong time).

Telephone. +852 3691 8488 – the allocation results telephone enquiry line provided by the Hong Kong Share Registrar.	between 9:00 a.m. and 6:00 p.m., from Wednesday, February 12, 2025 to Monday, February 17, 2025 (Hong Kong time) on a business day.
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For those applying through HKSCC EIPO channel, you may also check with your broker or custodian from 6:00 p.m. on Monday, February 10, 2025 (Hong Kong time).

HOW TO APPLY FOR HONG KONG OFFER SHARES

HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m. on Monday, February 10, 2025 (Hong Kong time) on a 24-hour basis and should report any discrepancies on allotments to HKSCC as soon as practicable.

Allocation Announcement

We expect to announce the results of the final Offer Price, the level of indications of interest in the Global Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Hong Kong Offer Shares on the Stock Exchange's website at www.hkexnews.hk and our website at www.gumingnc.com by no later than 11:00 p.m. on Tuesday, February 11, 2025 (Hong Kong time).

C. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or the person(s) for whose benefit you are applying for:

1. If your application is revoked:

Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

2. If we or our agents exercise our discretion to reject your application:

We, the Overall Coordinators, the Hong Kong Share Registrar and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

3. If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if 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 of up to six weeks if the Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

HOW TO APPLY FOR HONG KONG OFFER SHARES

4. If:

- you make multiple applications or suspected multiple applications. You may refer to the paragraph headed “— A. Applications for Hong Kong Offer Shares — 5. Multiple Applications Prohibited” in this section on what constitutes multiple applications;
- your application instruction is incomplete;
- your payment (or confirmation of funds, as the case may be) is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated; or
- we or the Overall Coordinators believe that by accepting your application, it or we would violate applicable securities or other laws, rules or regulations.

5. If there is money settlement failure for allotted Shares:

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will be required to hold sufficient application funds on deposit with their designated bank before balloting. After balloting of the Hong Kong Offer Shares, the receiving bank will collect the portion of these funds required to settle each HKSCC Participant’s actual Hong Kong Offer Shares allotment from their designated bank.

There is a risk of money settlement failure. In the extreme event of money settlement failure by a HKSCC Participant (or its designated bank), who is acting on your behalf in settling payment for your allotted shares, HKSCC will contact the defaulting HKSCC Participant and its designated bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

However, if it is determined that such settlement obligation cannot be met, the affected Hong Kong Offer Shares will be reallocated to the Global Offering. Hong Kong Offer Shares applied for by you through the broker or custodian may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Hong Kong Offer Shares due to the money settlement failure by such HKSCC Participant. None of us, the Relevant Persons, the Hong Kong Share Registrar and HKSCC is or will be liable if Hong Kong Offer Shares are not allocated to you due to the money settlement failure.

HOW TO APPLY FOR HONG KONG OFFER SHARES

D. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the HKSCC EIPO channel where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

Share certificates will only become valid at 8:00 a.m. on Wednesday, February 12, 2025 (Hong Kong time), provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting” has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so entirely at their own risk.

The right is reserved to retain any Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

The following sets out the relevant procedures and time:

	<u>HK eIPO White Form service</u>	<u>HKSCC EIPO channel</u>
Despatch/collection of Share certificate²		
For application of 1,000,000 Hong Kong Offer Shares or more	Collection in person from the Hong Kong Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong	Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant’s stock account
	Time: from 9:00 a.m. to 1:00 p.m. on Wednesday, February 12, 2025 (Hong Kong time)	No action by you is required

² Except in the event of a tropical cyclone warning signal number 8 or above, a black rainstorm warning and/or an “extreme conditions” announcement issued after a super typhoon in force in Hong Kong in the morning on Tuesday, February 11, 2025 rendering it impossible for the relevant Share certificates to be despatched to HKSCC in a timely manner, the Company shall procure the Hong Kong Share Registrar to arrange for delivery of the supporting documents and Share certificates in accordance with the contingency arrangements as agreed between them. You may refer to “– E. Bad Weather Arrangements” in this section.

HOW TO APPLY FOR HONG KONG OFFER SHARES

HK eIPO White Form service

HKSCC EIPO channel

If you are an individual, you must not authorise any other person to collect for you. If you are a corporate applicant, your authorised representative must bear a letter of authorization from your corporation stamped with your corporation's chop

Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar

Note: If you do not collect your Share certificate(s) personally within the time above, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk

For application of less than 1,000,000 Hong Kong Offer Shares . Your Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk

Date: Tuesday, February 11, 2025, or any other date notified by us

Refund mechanism for surplus application monies paid by you

Date	Wednesday, February 12, 2025	Subject to the arrangement between you and your broker or custodian
Responsible party . . .	Hong Kong Share Registrar	Your broker or custodian
Application monies paid through single bank account	HK eIPO White Form e-Auto Refund payment instructions to your designated bank account	Your broker or custodian will arrange refund to your designated bank account subject to the arrangement between you and it
Application monies paid through multiple bank accounts	Refund check(s) will be despatched to the address as specified in your application instructions by ordinary post at your own risk	

HOW TO APPLY FOR HONG KONG OFFER SHARES

E. BAD WEATHER ARRANGEMENTS

The Opening and Closing of the Application Lists

The application lists will not open or close on Friday, February 7, 2025 if, there is:

- a tropical cyclone warning signal number 8 or above;
- a black rainstorm warning; and/or
- Extreme Conditions

(collectively, “**Bad Weather Signals**”),

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, February 7, 2025.

Instead they will open between 11:45 a.m. and 12:00 noon and/or close at 12:00 noon on the next business day which does not have **Bad Weather Signals** in force at any time between 9:00 a.m. and 12:00 noon.

Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the listing date. Should there be any changes to the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made and published on the Stock Exchange’s website at www.hkexnews.hk and our website at www.gumingnc.com of the revised timetable.

If a **Bad Weather Signal** is hoisted on Tuesday, February 11, 2025, the Hong Kong Share Registrar will make appropriate arrangements for the delivery of the Share certificates to the CCASS depository’s service counter so that they would be available for trading on Wednesday, February 12, 2025.

If a **Bad Weather Signal** is hoisted on Tuesday, February 11, 2025, for application of less than 1,000,000 Hong Kong Offer Shares, the despatch of physical Share certificate(s) will be made by ordinary post when the post office re-opens after the **Bad Weather Signal** is lowered or cancelled (e.g. in the afternoon of Tuesday, February 11, 2025 or on Wednesday, February 12, 2025).

If a **Bad Weather Signal** is hoisted on Wednesday, February 12, 2025, for application of 1,000,000 Hong Kong Offer Shares or more, physical Share certificate(s) will be available for collection in person at the Hong Kong Share Registrar’s office after the **Bad Weather Signal** is lowered or cancelled (e.g. in the afternoon of Wednesday, February 12, 2025 or on Thursday, February 13, 2025).

HOW TO APPLY FOR HONG KONG OFFER SHARES

Prospective investors should be aware that if they choose to receive physical Share certificates issued in their own name, there may be a delay in receiving the Share certificates.

F. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange 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 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 settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

You should seek the advice of your broker or other professional advisor for details of the settlement arrangement as such arrangements may affect your rights and interests.

G. PERSONAL DATA

The following Personal Information Collection Statement applies to any personal data collected and held by the Company, 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. This personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agree to all of the terms of the Personal Information Collection Statement below.

1. Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of the Company and the Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

HOW TO APPLY FOR HONG KONG OFFER SHARES

2. Reasons for the collection of your personal data

It is necessary for applicants and registered holders of Hong Kong Offer Shares to ensure that personal data supplied to the Company or its agents and the Hong Kong Share Registrar is accurate and up-to-date when applying for Hong Kong Offer Shares or transferring Hong Kong 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 or supplying inaccurate data may result in your application for Hong Kong Offer Shares being rejected, or in the delay or the inability of the Company or the Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Hong Kong Offer Shares which you have successfully applied for and/or the despatch of Share certificate(s) to which you are entitled.

It is important that applicants for and holders of Hong Kong Offer Shares inform the Company and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

3. Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund check and **HK eIPO White Form** e-Auto Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of Hong Kong 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 the Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the register of members of the Company;
- verifying identities of applicants for and holders of the Shares and identifying any duplicate applications for the Shares;
- facilitating Hong Kong Offer Shares balloting;
- establishing benefit entitlements of holders of the Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and its subsidiaries;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- compiling statistical information and profiles of the holder of the Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the Hong Kong Share Registrar to discharge their obligations to applicants and holders of the Shares and/or regulators and/or any other purposes to which applicants and holders of the Shares may from time to time agree.

4. Transfer of personal data

Personal data held by the Company and the Hong Kong Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares will be kept confidential but the Company and the 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:

- the Company's appointed agents such as financial advisers, receiving bank and overseas principal share registrar;
- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the Hong Kong Share Registrar, in each case for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Hong Kong Offer Shares request a deposit into CCASS);
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company 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, including for the purpose of the Stock Exchange's administration of the Listing Rules and the SFC's performance of its statutory functions; and
- any persons or institutions with which the holders of Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or brokers etc.

HOW TO APPLY FOR HONG KONG OFFER SHARES

5. Retention of personal data

The Company and the Hong Kong Share Registrar will keep the personal data of the applicants and holders of Hong Kong Offer Shares for as long as necessary to fulfil 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 (Chapter 486 of the Laws of Hong Kong).

6. Access to and correction of personal data

Applicants for and holders of Hong Kong Offer Shares have the right to ascertain whether the Company 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. The Company 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 the Company and the Hong Kong Share Registrar, at their registered address disclosed in the section headed “Corporate Information” in this prospectus or as notified from time to time, for the attention of the company secretary, or the Hong Kong Share Registrar for the attention of the privacy compliance officer.

The following is the text of a report on Guming Holdings Limited, prepared for the purpose of incorporation in this prospectus received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.



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Quarry Bay, Hong Kong

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF GUMING HOLDINGS LIMITED, GOLDMAN SACHS (ASIA) L.L.C. AND UBS SECURITIES HONG KONG LIMITED

Introduction

We report on the historical financial information of Guming Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-85, which comprises the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended 31 December 2021, 2022 and 2023 and the nine months ended 30 September 2024 (the “Relevant Periods”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2021, 2022 and 2023 and 30 September 2024, and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-4 to I-85 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 4 February 2025 (the “Prospectus”) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2021, 2022, 2023 and 30 September 2024, and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Review of interim comparative financial information

We have reviewed the interim financial information of the Group which comprises the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended 30 September 2023, and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance***Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Ernst & Young

Certified Public Accountants

Hong Kong

4 February 2025

I. HISTORICAL FINANCIAL INFORMATION**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Notes	Year ended 31 December			Nine months ended 30 September	
		2021	2022	2023	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
REVENUE	5	4,383,901	5,559,222	7,675,665	5,570,882	6,441,288
Cost of sales		(3,070,196)	(3,996,290)	(5,272,334)	(3,844,469)	(4,476,906)
Gross profit		1,313,705	1,562,932	2,403,331	1,726,413	1,964,382
Other income and gains	5	47,598	57,477	168,828	125,879	144,067
Selling and distribution expenses		(186,193)	(268,143)	(336,584)	(239,291)	(357,172)
Administrative expenses		(123,745)	(187,605)	(282,848)	(180,689)	(225,206)
Research and development expenses		(65,030)	(118,288)	(198,736)	(129,055)	(165,826)
Other expenses		(5,775)	(1,069)	(9,456)	(9,434)	(16,711)
OPERATING PROFIT		980,560	1,045,304	1,744,535	1,293,823	1,343,534
Finance costs	7	(5,079)	(5,424)	(5,233)	(4,299)	(2,216)
Fair value changes of financial liabilities at fair value through profit or loss	30	(728,388)	(389,523)	(294,215)	(21,669)	(10,556)
PROFIT BEFORE TAX	6	247,093	650,357	1,445,087	1,267,855	1,330,762
Income tax expense	10	(223,101)	(278,332)	(348,733)	(265,818)	(210,994)
PROFIT FOR THE YEAR/PERIOD		23,992	372,025	1,096,354	1,002,037	1,119,768
Attributable to:						
Owners of the parent		20,139	366,619	1,079,628	990,033	1,106,491
Non-controlling interests		3,853	5,406	16,726	12,004	13,277
		23,992	372,025	1,096,354	1,002,037	1,119,768
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic and diluted	12	N/A	N/A	N/A	N/A	N/A

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December			Nine months ended 30 September	
		2021	2022	2023	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
PROFIT FOR THE YEAR/PERIOD		23,992	372,025	1,096,354	1,002,037	1,119,768
OTHER COMPREHENSIVE INCOME						
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:						
Exchange differences:						
Exchange differences on translation of foreign operations		–	(4,411)	(3,132)	1,346	(97)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods .		–	(4,411)	(3,132)	1,346	(97)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:						
Equity investment designated at fair value through other comprehensive income:						
Change in fair value	16	–	29,573	(19,951)	(1,383)	(9,027)
Income tax effect	18	–	(4,880)	3,292	229	1,490
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods .		–	24,693	(16,659)	(1,154)	(7,537)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD, NET OF TAX		–	20,282	(19,791)	192	(7,634)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		23,992	392,307	1,076,563	1,002,229	1,112,134
Attributable to:						
Owners of the parent		20,139	386,901	1,059,837	990,225	1,098,857
Non-controlling interests . .		3,853	5,406	16,726	12,004	13,277
		23,992	392,307	1,076,563	1,002,229	1,112,134

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	31 December			30 September
		2021	2022	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	13	192,462	233,814	590,058	889,529
Right-of-use assets	14(a)	126,635	215,751	178,401	169,287
Other intangible assets	15	2,170	473	107	906
Equity investment designated at fair value through other comprehensive income	16	247,500	277,073	257,122	248,095
Other non-current assets	17	24,262	3,337	36,934	3,782
Deferred tax assets	18	42,932	46,661	40,245	34,966
Long-term trade receivables	19	–	–	–	65,126
Contract assets	22	–	–	–	4,497
Long-term bank deposits	25	40,000	90,000	41,390	272,747
Total non-current assets		675,961	867,109	1,144,257	1,688,935
CURRENT ASSETS					
Inventories	20	706,789	705,560	881,141	818,455
Trade receivables	21	34,401	37,511	70,416	151,207
Contract assets	22	–	–	9,042	19,676
Prepayments, other receivables and other assets	23	232,862	236,945	298,809	327,401
Financial assets at fair value through profit or loss	24	241,679	37,346	197,285	1,606,210
Restricted cash	25	–	–	124,000	29,030
Cash and bank balances	25	151,808	1,147,205	2,427,979	1,709,835
Total current assets		1,367,539	2,164,567	4,008,672	4,661,814
CURRENT LIABILITIES					
Trade payables	26	149,591	389,543	601,272	612,127
Other payables and accruals	27	181,546	251,213	322,219	352,222
Tax payables		166,809	53,372	38,813	65,597
Contract liabilities	28	65,335	57,520	76,212	89,356
Interest-bearing other borrowings	29	–	–	124,000	–
Financial liabilities at fair value through profit or loss	30	2,472,275	2,861,798	3,156,013	3,166,569
Lease liabilities	14(b)	44,664	52,196	43,674	39,903
Total current liabilities		3,080,220	3,665,642	4,362,203	4,325,774
NET CURRENT ASSETS/(LIABILITIES)					
		(1,712,681)	(1,501,075)	(353,531)	336,040
TOTAL ASSETS LESS CURRENT LIABILITIES					
		(1,036,720)	(633,966)	790,726	2,024,975

	Notes	31 December			30 September
		2021	2022	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT LIABILITIES					
Deferred tax liabilities	18	22,997	68,712	112,128	110,288
Contract liabilities	28	63,228	59,772	26,534	33,817
Interest-bearing bank borrowings	29	–	–	–	121,204
Deferred income	31	–	–	10,042	11,030
Lease liabilities	14(b)	82,866	54,144	26,516	20,996
Total non-current liabilities		169,091	182,628	175,220	297,335
NET ASSETS/(LIABILITIES)		(1,205,811)	(816,594)	615,506	1,727,640
EQUITY					
Equity attributable to owners of the parent					
Share capital	32	112	112	127	127
Reserves	33	(1,216,305)	(832,494)	582,865	1,681,722
		(1,216,193)	(832,382)	582,992	1,681,849
Non-controlling interests		10,382	15,788	32,514	45,791
TOTAL EQUITY/(DEFICIENCY IN ASSETS)		(1,205,811)	(816,594)	615,506	1,727,640

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent							
	Share capital	Capital reserve*	Statutory surplus reserve*	Exchange fluctuation reserve*	Accumulated losses*	Sub-total	Non-controlling interests	Total deficits
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
	(Note 32)	(Note 33)	(Note 33)					
As at 1 January 2021	-	105,582	6,075	-	(1,365,215)	(1,253,558)	6,529	(1,247,029)
Profit and total comprehensive income for the year	-	-	-	-	20,139	20,139	3,853	23,992
Issuance of ordinary shares	112	(112)	-	-	-	-	-	-
Equity-settled share option arrangements (Note 34)	-	17,226	-	-	-	17,226	-	17,226
Transfer from retained earnings	-	-	38,831	-	(38,831)	-	-	-
As at 31 December 2021	112	122,696	44,906	-	(1,383,907)	(1,216,193)	10,382	(1,205,811)

		Attributable to owners of the parent								
		Share capital	Capital reserve*	Statutory surplus reserve*	Fair value reserve of financial assets at fair value through other comprehensive income*	Exchange fluctuation reserve*	Accumulated losses*	Sub-total	Non-controlling interests	Total deficits
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2022	112	122,696	44,906	-	-	(1,383,907)	(1,216,193)	10,382	(1,205,811)	
Profit for the year	-	-	-	-	-	366,619	366,619	5,406	372,025	
Other comprehensive income/(loss) for the year:										
Change in fair value of equity investment at fair value through other comprehensive, net of tax	-	-	-	24,693	-	-	24,693	-	24,693	
Exchange differences on translation of foreign operations	-	-	-	-	(4,411)	-	(4,411)	-	(4,411)	
Total comprehensive income/(loss) for the year	-	-	-	24,693	(4,411)	366,619	386,901	5,406	392,307	
Capital contribution from the then shareholders of a subsidiary	-	66,782	-	-	-	-	66,782	-	66,782	
Capital reduction arising from the Reorganisation**	-	(94,348)	-	-	-	-	(94,348)	-	(94,348)	
Equity-settled share option arrangements (Note 34)	-	24,476	-	-	-	-	24,476	-	24,476	
Transfer from retained earnings	-	-	159,703	-	-	(159,703)	-	-	-	
As at 31 December 2022	112	119,606	204,609	24,693	(4,411)	(1,176,991)	(832,382)	15,788	(816,594)	

		Attributable to owners of the parent								
		Share capital	Capital reserve*	Statutory surplus reserve*	Fair value reserve of financial assets at fair value through other comprehensive income*	Exchange fluctuation reserve*	Accumulated losses*	Sub-total	Non-controlling interests	Total equity/ (deficits)
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023		112	119,606	204,609	24,693	(4,411)	(1,176,991)	(832,382)	15,788	(816,594)
Profit for the year		-	-	-	-	-	1,079,628	1,079,628	16,726	1,096,354
Other comprehensive loss for the year:										
Change in fair value of equity investment at fair value through other comprehensive, net of tax.		-	-	-	(16,659)	-	-	(16,659)	-	(16,659)
Exchange differences on translation of foreign operations		-	-	-	-	(3,132)	-	(3,132)	-	(3,132)
Total comprehensive income/(loss) for the year		-	-	-	(16,659)	(3,132)	1,079,628	1,059,837	16,726	1,076,563
Equity-settled share option arrangements (Note 34)		-	55,537	-	-	-	-	55,537	-	55,537
Ordinary shares issued under equity-settled share option arrangements (Note 32)		15	299,985	-	-	-	-	300,000	-	300,000
Transfer to retained earnings arising from deregistration of subsidiaries		-	-	(35,000)	-	-	35,000	-	-	-
Transfer from retained earnings		-	-	71,740	-	-	(71,740)	-	-	-
As at 31 December 2023		127	475,128	241,349	8,034	(7,543)	(134,103)	582,992	32,514	615,506

		Attributable to owners of the parent								
		Share capital	Capital reserve	Statutory surplus reserve	Fair value reserve of financial assets at fair value through other comprehensive income	Exchange fluctuation reserve	Accumulated losses	Sub-total	Non-controlling interests	(Total deficits)/ total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023	112	119,606	204,609	24,693	(4,411)	(1,176,991)	(832,382)	15,788	(816,594)	
Profit for the period	-	-	-	-	-	990,033	990,033	12,004	1,002,037	
Other comprehensive income/(loss) for the period:										
Change in fair value of equity investment at fair value through other comprehensive, net of tax	-	-	-	(1,154)	-	-	(1,154)	-	(1,154)	
Exchange differences on translation of foreign operations	-	-	-	-	1,346	-	1,346	-	1,346	
Total comprehensive income/(loss) for the period	-	-	-	(1,154)	1,346	990,033	990,225	12,004	1,002,229	
Equity-settled share option arrangements (Note 34)	-	18,981	-	-	-	-	18,981	-	18,981	
Transfer from retained earnings	-	-	52,410	-	-	(52,410)	-	-	-	
As at 30 September 2023	112	138,587	257,019	23,539	(3,065)	(239,368)	176,824	27,792	204,616	

Attributable to owners of the parent

	Share capital	Capital reserve*	Statutory surplus reserve*	Fair value reserve of financial assets at fair value through other comprehensive income*	Exchange fluctuation reserve*	Retained earnings/(accumulated losses)*	Sub-total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2024	127	475,128	241,349	8,034	(7,543)	(134,103)	582,992	32,514	615,506
Profit for the period	-	-	-	-	-	1,106,491	1,106,491	13,277	1,119,768
Other comprehensive loss for the period:									
Change in fair value of equity investment at fair value through other comprehensive, net of tax	-	-	-	(7,537)	-	-	(7,537)	-	(7,537)
Exchange differences on translation of foreign operations	-	-	-	-	(97)	-	(97)	-	(97)
Total comprehensive income/(loss) for the period	-	-	-	(7,537)	(97)	1,106,491	1,098,857	13,277	1,112,134
Transfer from retained earnings	-	-	31,699	-	-	(31,699)	-	-	-
As at 30 September 2024	127	475,128	273,048	497	(7,640)	940,689	1,681,849	45,791	1,727,640

* These reserve accounts comprise the negative reserves/deficits of RMB1,216,305,000 and RMB832,494,000, and the reserve of RMB582,865,000 and RMB1,681,722,000 in the consolidated statements of financial position as at 31 December 2021, 2022 and 2023 and 30 September 2024, respectively.

** Capital reduction arising from the Reorganisation was deemed distribution to shareholders pursuant to the Reorganisation as mentioned in note 2.1 to the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December			Nine months ended 30 September	
		2021	2022	2023	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		247,093	650,357	1,445,087	1,267,855	1,330,762
Adjustments for:						
Depreciation of property, plant and equipment	13	27,347	62,579	73,110	56,051	58,342
Depreciation of right-of-use assets	14(a)	40,464	54,671	61,661	45,617	44,093
Amortisation of other intangible assets	15	2,059	1,697	366	275	246
Losses/(gains) on disposal of items of property, plant and equipment	6	–	(186)	974	402	5,286
Fair value changes of financial assets at fair value through profit or loss	5	(16,289)	(10,933)	(1,909)	(1,721)	(7,734)
Fair value changes of financial liabilities at fair value through profit or loss	30	728,388	389,523	294,215	21,669	10,556
Equity-settled share-based payment expenses	6	17,226	24,476	55,537	18,981	–
Interest income	5	(2,181)	(5,375)	(53,735)	(35,583)	(47,550)
Imputed interest for long-term trade receivables and non-current portion of contract assets	5	–	–	–	–	(928)
Finance costs	7	5,079	5,424	5,233	4,299	2,216
Foreign exchange differences, net	6	1,325	(7,935)	(4,315)	782	8,261
		<u>1,050,511</u>	<u>1,164,298</u>	<u>1,876,224</u>	<u>1,378,627</u>	<u>1,403,550</u>
Increase in long-term trade receivables		–	–	–	–	(64,404)
Decrease/(increase) in inventories		(488,124)	1,229	(175,581)	32,840	62,686
Increase in trade receivables		(9,033)	(3,110)	(32,905)	(22,593)	(80,791)
Increase in contract assets		–	–	(9,042)	(25,985)	(14,925)
Increase in prepayments, other receivables and other assets		(104,803)	(2,149)	(61,864)	(65,612)	(28,592)
Increase/(decrease) in trade payables		(60,712)	239,952	211,729	41,542	10,855
Increase/(decrease) in other payables and accruals		24,835	(23,124)	89,459	72,111	(1,011)
Increase/(decrease) in contract liabilities		14,388	(11,271)	(14,546)	(7,856)	20,427
Cash generated from operations		<u>427,062</u>	<u>1,365,825</u>	<u>1,883,474</u>	<u>1,403,074</u>	<u>1,307,795</u>
Income tax paid		(159,592)	(354,663)	(310,168)	(196,788)	(179,281)
Net cash flows from operating activities		<u>267,470</u>	<u>1,011,162</u>	<u>1,573,306</u>	<u>1,206,286</u>	<u>1,128,514</u>

	<i>Notes</i>	Year ended 31 December			Nine months ended 30 September	
		2021	2022	2023	2023	2024
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
						<i>(Unaudited)</i>
CASH FLOWS FROM						
INVESTING						
ACTIVITIES						
Purchases of items of property, plant and equipment		(163,533)	(90,117)	(398,845)	(257,864)	(332,647)
Proceeds from disposal of items of property, plant and equipment		1,112	5,740	10,815	6,857	35,226
Purchases of intangible assets	15	(1,077)	–	–	–	(1,045)
Prepayment for the right-of-use of parcels of leasehold land	14(a)	–	(108,934)	–	–	–
Purchase of financial assets at fair value through profit or loss		(5,369,398)	(2,258,175)	(745,040)	(135,880)	(4,139,235)
Proceeds from disposal of financial assets at fair value through profit or loss		5,581,928	2,473,441	587,010	143,986	2,738,044
Purchase of equity investment designated at fair value through other comprehensive income		(247,500)	–	–	–	–
Purchase of bank deposits with original maturity of more than three months when acquired	25	(40,000)	(82,737)	(541,048)	(225,709)	(290,767)
Proceeds from bank deposits with original maturity of more than three months when acquired	25	–	–	553,785	119,446	100,000
Receipt of government grants for property, plant and equipment	31	–	–	10,042	–	988
Interest received		873	3,441	52,327	30,557	45,011
Net cash flows used in investing activities		<u>(237,595)</u>	<u>(57,341)</u>	<u>(470,954)</u>	<u>(318,607)</u>	<u>(1,844,425)</u>

	<i>Note</i>	Year ended 31 December			Nine months ended 30 September	
		2021	2022	2023	2023	2024
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
						<i>(Unaudited)</i>
CASH FLOWS						
FROM FINANCING						
ACTIVITIES						
Capital contribution from the then shareholders of a subsidiary		-	66,782	-	-	-
Repayment of redeemable capital contribution arising from the Reorganisation		-	(648,976)	(9,568)	(9,568)	-
Proceeds from issuance of warrants and convertible redeemable preferred shares of the Company . .		-	648,976	9,568	9,568	-
Payment of capital reduction arising from the Reorganisation		-	-	(94,348)	(94,348)	-
Proceeds from exercise of share options		-	-	300,000	-	-
Proceeds from interest- bearing bank and other borrowings		-	-	171,048	148,048	121,000
Repayment of interest- bearing other borrowings .		-	-	(47,048)	-	(124,000)
Decrease/(increase) in restricted cash		-	-	(124,000)	(148,048)	94,970
Interest paid		-	-	(1,272)	(1,170)	(1,308)
Principal portion of lease payments	35	(37,781)	(56,043)	(60,461)	(46,860)	(44,270)
Interest portion of lease payments	35	(5,079)	(5,424)	(3,961)	(3,129)	(2,216)
Net cash flows from/ (used in) financing activities		<u>(42,860)</u>	<u>5,315</u>	<u>139,958</u>	<u>(145,507)</u>	<u>44,176</u>

	<i>Note</i>	Year ended 31 December			Nine months ended 30 September	
		2021	2022	2023	2023	2024
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
						<i>(Unaudited)</i>
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>(12,985)</u>	<u>959,136</u>	<u>1,242,310</u>	<u>742,172</u>	<u>(671,735)</u>
Cash and cash equivalents at beginning of year/period		166,118	151,808	1,114,468	1,114,468	2,357,961
Effect of foreign exchange rate changes, net		<u>(1,325)</u>	<u>3,524</u>	<u>1,183</u>	<u>564</u>	<u>(8,358)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		<u>151,808</u>	<u>1,114,468</u>	<u>2,357,961</u>	<u>1,857,204</u>	<u>1,677,868</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances		151,808	1,147,205	2,427,979	2,046,204	1,709,835
Long-term bank deposits		<u>40,000</u>	<u>90,000</u>	<u>41,390</u>	<u>40,000</u>	<u>272,747</u>
Cash and bank balances and long-term bank deposits as stated in the consolidated statements of financial position	25	191,808	1,237,205	2,469,369	2,086,204	1,982,582
Less: non-pledged bank deposits with original maturity of more than three months when acquired	25	<u>(40,000)</u>	<u>(122,737)</u>	<u>(111,408)</u>	<u>(229,000)</u>	<u>(304,714)</u>
Cash and cash equivalents as stated in the consolidated statements of cash flows		<u>151,808</u>	<u>1,114,468</u>	<u>2,357,961</u>	<u>1,857,204</u>	<u>1,677,868</u>

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	31 December			30 September
		2021	2022	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Investments in subsidiaries	1	–	711,480	1,067,017	1,067,017
Total non-current assets		–	711,480	1,067,017	1,067,017
CURRENT ASSETS					
Other receivable	23	–	9,568	–	–
Cash and bank balances	25	–	–*	–*	198
Total current assets		–	9,568	–*	198
CURRENT LIABILITIES					
Amounts due to subsidiaries . . .	27	–	9,568	12,883	31,300
Financial liabilities at fair value through profit or loss	30	–	2,861,798	3,156,013	3,166,569
Total current liabilities		–	2,871,366	3,168,896	3,197,869
NET CURRENT					
LIABILITIES		–	(2,861,798)	(3,168,896)	(3,197,671)
NET LIABILITIES		–	(2,150,318)	(2,101,879)	(2,130,654)
EQUITY					
Share capital	32	112	112	127	127
Reserves	33	(112)	(2,150,430)	(2,102,006)	(2,130,781)
DEFICIENCY IN ASSETS . . .		–	(2,150,318)	(2,101,879)	(2,130,654)

* The amount is less than RMB1,000.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Guming Holdings Limited (the “Company”) is an exempted company incorporated in the Cayman Islands with limited liability on 31 August 2021. The registered office address of the Company is 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods and the nine months ended 30 September 2023, the Company’s subsidiaries were principally engaged in the operation of a franchised retail network and trading of ingredients and other related products of freshly-made beverages and equipment in the People’s Republic of China (the “PRC”).

The Company and its subsidiaries (collectively the “Group”) underwent the Reorganisation as set out in the paragraph headed “History, Reorganization and Corporate Structure” in the Prospectus. The Reorganisation was completed on 18 May 2022. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

Information about subsidiaries

As at the date of this report, the Company had direct or indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below.

Name	Notes	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Guming Holdings (BVI) Limited . . .	(1)	BVI 13 September 2021	US\$1	100%	–	Investment holding
Industry Consolidation (BVI) Limited	(1)	BVI 13 September 2021	US\$1	100%	–	Investment holding
Guming (Hong Kong) Limited (“古茗(香港)有限公司”)	(2)	Hong Kong 22 November 2021	HK\$1	–	100%	Investment holding
Monoceros Orion Limited (“獵麒麟有限公司”)	(2)	Hong Kong 03 December 2021	HK\$1	–	100%	Investment holding
Hong Kong Hercules Trading Limited (“香港天市貿易有限公司”)	(4)	Hong Kong 24 October 2023	HK\$1	–	100%	Investment holding
Guming Technology Group Co., Ltd. (“古茗科技集團有限公司”)	(3)	PRC/Mainland China 12 June 2018	RMB360,000,000	–	100%	Provision of franchise management service and research and development
Zhejiang Lichuan Food Technology Co., Ltd. (“浙江勵川食品科技有限公司”)	(5)	PRC/Mainland China 02 June 2020	RMB10,000,000	–	70%	Processing and sale of goods and equipment
Zhejiang Guming Houan Information Technology Co., Ltd. (“浙江古茗後岸信息技術有限公司”)	(6)	PRC/Mainland China 21 September 2020	RMB20,000,000	–	100%	Development of information technology
Zhejiang Mingxingpei Supply Chain Co., Ltd. (“浙江茗星配供應鏈有限公司”)	(4)	PRC/Mainland China 08 April 2022	RMB100,000,000	–	100%	Warehousing and logistics management
Tianjin Lieqilin Technology Co., Ltd (“天津獵麒麟科技有限公司”)	(4)	PRC/Mainland China 02 March 2022	RMB200,000,000	–	100%	Development of information technology
Tianjin Lieqilin Investment Co., Ltd. (“天津獵麒麟投資有限公司”)	(4)	PRC/Mainland China 16 February 2022	RMB200,000,000	–	100%	Investment holding

Name	Notes	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Zhejiang Qiding Import and Export Co., Ltd. ("浙江奇鼎進出口有限公司") . . .	(4)	PRC/Mainland China 27 March 2019	RMB10,000,000	-	100%	Sale of goods and equipment
Zhejiang Qiding Supply Chain Co., Ltd. ("浙江奇鼎供應鏈有限公司") . . .	(4)	PRC/Mainland China 27 August 2020	RMB20,000,000	-	100%	Provision of supply chain services and sale of goods and equipment
Hangzhou Guming Technology Co., Ltd. ("杭州古茗科技有限公司")	(4)	PRC/Mainland China 16 September 2021	RMB20,000,000	-	100%	Development of information technology
Zhejiang Guming Food Technology Service Co., Ltd. ("浙江古茗食品技術服務有限公司")	(4)	PRC/Mainland China 05 May 2019	RMB20,000,000	-	100%	Processing and sale of goods and equipment
Shanghai Mingjian Technology Co., Ltd. ("上海茗堅科技有限公司")	(4)	PRC/Mainland China 23 March 2022	RMB30,000	-	100%	Development of information technology
Zhejiang Guoru Food Technology Co., Ltd. ("浙江果如食品科技有限公司") . . .	(4)	PRC/Mainland China 19 May 2022	RMB10,000,000	-	70%	Processing and sale of goods and equipment
Hangzhou Guoru Food Technology Co., Ltd. ("杭州果如食品科技有限公司") . . .	(4)	PRC/Mainland China 17 July 2020	RMB10,000,000	-	65%	Processing and sale of goods and equipment
Hangzhou Guming Internet of Things Co., Ltd. ("杭州古茗物聯網有限公司") . . .	(4)	PRC/Mainland China 02 August 2022	RMB5,000,000	-	100%	Development of information technology
Yunnan Yanggaizhiwang Trading Co., Ltd. ("雲南羊該之王商貿有限責任公司")	(4)	PRC/Mainland China 27 October 2021	RMB10,000,000	-	100%	Sale of goods and equipment
Zhejiang Qiming Trading Co., Ltd. ("浙江奇茗貿易有限公司")	(4)	PRC/Mainland China 08 October 2022	RMB50,000,000	-	100%	Provision of supply chain services and sale of goods and equipment
Zhejiang Guming Supply Chain Management Co., Ltd. ("浙江古茗供應鏈管理有限公司") . . .	(4)	PRC/Mainland China 10 October 2022	RMB100,000,000	-	100%	Provision of supply chain services and sale of goods and equipment
Zhejiang Shuicang Food Technology Co., Ltd. ("浙江水倉食品科技有限公司") . . .	(4)	PRC/Mainland China 19 May 2022	RMB10,000,000	-	70%	Processing and sale of goods and equipment
Lishui Shuicang Trading Co., Ltd. ("麗水水倉貿易有限公司")	(4)	PRC/Mainland China 11 June 2020	RMB5,000,000	-	70%	Sale of goods and equipment
Guangxi Hengxian Sanhe Tea Co., Ltd. ("廣西橫縣三禾茶業有限公司") . . .	(4)	PRC/Mainland China 04 June 2019	RMB1,000,000	-	70%	Processing and sale of goods and equipment
Hainan Wujuzhiwang Trading Co., Ltd. ("海南無狙之王商貿有限公司") . . .	(4)	PRC/Mainland China 03 February 2023	RMB10,000,000	-	100%	Sale of goods and equipment
Taizhou Houtao Trading Co., Ltd. ("台州后桃商貿有限公司")	(4)	PRC/Mainland China 17 May 2023	RMB10,000,000	-	100%	Sale of goods and equipment
Guangdong Ningxiang Trading Co., Ltd. ("廣東檸香商貿有限公司")	(4)	PRC/Mainland China 25 May 2023	RMB10,000,000	-	100%	Sale of goods and equipment
Nanchang Mingxingpei Supply Chain Co., Ltd. ("南昌茗星配供應鏈有限公司") . . .	(4)	PRC/Mainland China 14 March 2023	RMB1,000,000	-	100%	Warehousing and logistics management

Name	Notes	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Meishan Mingxingpei Supply Chain Co., Ltd. ("眉山茗星配供應鏈管理有限公司")	(4)	PRC/Mainland China 30 March 2023	RMB1,000,000	-	100%	Warehousing and logistics management
Zhumadian Mingxingpei Supply Chain Co., Ltd. ("駐馬店茗星配供應鏈有限公司")	(4)	PRC/Mainland China 27 April 2023	RMB1,000,000	-	100%	Warehousing and logistics management
Fuzhou Mingxingpei Supply Chain Co., Ltd. ("福州茗星配供應鏈有限公司")	(4)	PRC/Mainland China 28 April 2023	RMB1,000,000	-	100%	Warehousing and logistics management
Zhangzhou Mingxingpei Supply Chain Co., Ltd. ("漳州茗星配供應鏈有限公司")	(4)	PRC/Mainland China 28 April 2023	RMB1,000,000	-	100%	Warehousing and logistics management
Huzhou Mingxingpei Supply Chain Co., Ltd. ("湖州茗星配供應鏈有限公司")	(4)	PRC/Mainland China 13 April 2023	RMB1,000,000	-	100%	Warehousing and logistics management
Wuhan Mingxingpei Supply Chain Co., Ltd. ("武漢茗星配供應鏈有限公司")	(4)	PRC/Mainland China 15 March 2023	RMB1,000,000	-	100%	Warehousing and logistics management
Zhejiang Meiming Trading Co., Ltd. ("浙江梅茗貿易有限公司")	(4)	PRC/Mainland China 08 May 2023	RMB30,000,000	-	100%	Provision of supply chain services and sale of goods and equipment
Zhejiang Jingming Import and Export Co., Ltd. ("浙江景茗進出口有限公司")	(4)	PRC/Mainland China 09 August 2023	RMB30,000,000	-	100%	Sale of goods and equipment
Zhejiang Mingjian Technology Co., Ltd. ("浙江茗鑑科技有限公司")	(4)	PRC/Mainland China 05 September 2023	RMB10,000,000	-	100%	Development of information technology
Sichuan Mangmangdawang Trading Co., Ltd. ("四川芒芒大王商貿有限公司")	(4)	PRC/Mainland China 07 September 2023	RMB10,000,000	-	100%	Sale of goods and equipment
Hefei Mingxingpei Supply Chain Co., Ltd. ("合肥茗星配供應鏈有限公司")	(4)	PRC/Mainland China 05 March 2024	RMB1,000,000	-	100%	Warehousing and logistics management
Guizhou Mingxingpei Supply Chain Co., Ltd. ("貴州茗星配供應鏈有限公司")	(4)	PRC/Mainland China 26 March 2024	RMB1,000,000	-	100%	Warehousing and logistics management
Zhaoqing Mingxingpei Supply Chain Co., Ltd. ("肇慶茗星配供應鏈有限公司")	(4)	PRC/Mainland China 10 April 2024	RMB1,000,000	-	100%	Warehousing and logistics management
Zhuji Mingxingpei Supply Chain Co., Ltd. ("諸暨茗星配供應鏈有限公司")	(4)	PRC/Mainland China 21 May 2024	RMB1,000,000	-	100%	Warehousing and logistics management
Hangzhou Huiyi Equipment Co., Ltd. ("杭州回易設備有限公司")	(4)	PRC/Mainland China 13 June 2024	RMB1,000,000	-	100%	Sale of equipment
Hangzhou Youjia Fruit Co., Ltd. ("杭州有佳果品有限公司")	(4)	PRC/Mainland China 10 July 2024	RMB1,000,000	-	100%	Sale of food and beverages

The English names of the companies registered in the PRC represent the best efforts made by the management of the Company to translate the Chinese names of these companies as they do not have official English names.

- (1) No audited financial statements have been prepared and issued for these entities as they are not subject to any statutory audit requirement under the relevant rules and regulations in their jurisdiction of incorporation.

As at 31 December 2021, 2022 and 2023 and 30 September 2024, the balances of the Company's investments in subsidiaries were as follows:

	31 December			30 September
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Industry Consolidation (BVI) Limited, at cost	-	-	-	-
Guming Holdings (BVI) Limited, at cost	-	658,544	658,544	658,544
Investments arising from equity-settled share-based payment* . .	-	52,936	408,473	408,473
	<u>-</u>	<u>711,480</u>	<u>1,067,017</u>	<u>1,067,017</u>

* The amount represents equity-settled share-based payment expenses and exercise prices received arising from the share options of the Company to employees of the subsidiaries (note 34) in exchange for their services provided to these subsidiaries, which were deemed to be investments made by the Company into these subsidiaries.

(2) The statutory financial statements for the period from their dates of incorporation to 31 December 2022 and the year ended 31 December 2023 prepared in accordance with the Hong Kong Small and Medium-sized Entity Financial Reporting Standard ("SME-FRS") issued by the Hong Kong Institute of Certified Public Accountants have been audited by ICS CPA Limited, a certified public accounting firm registered in Hong Kong.

(3) The statutory financial statements for the years ended 31 December 2021 and 2022 prepared in accordance with PRC generally accepted accounting principles and regulations have been audited by Hangzhou Tianqi Certified Public Accountants, a certified public accounting firm registered in the PRC.

The statutory financial statements for the year ended 31 December 2023 prepared in accordance with PRC generally accepted accounting principles and regulations have been audited by Zhejiang Zhonghui Certified Public Accountants, a certified public accounting firm registered in the PRC.

(4) No statutory audited financial statements of the entities have been prepared since their incorporation or establishment.

(5) The statutory financial statements for the year ended 31 December 2021 prepared in accordance with PRC generally accepted accounting principles and regulations have been audited by Hangzhou Jinxiao Certified Public Accountants, a certified public accounting firm registered in the PRC. No statutory audited financial statements of the entity have been prepared for the years ended 31 December 2022 and 2023.

(6) The statutory financial statements for the year ended 31 December 2021 prepared in accordance with PRC generally accepted accounting principles and regulations have been audited by Zhejiang Zhengxin Yonghao United Certified Public Accountants, a certified public accounting firm registered in the PRC.

The statutory financial statements for the years ended 31 December 2022 and 2023 prepared in accordance with PRC generally accepted accounting principles and regulations have been audited by Zhejiang Zhonghui Certified Public Accountants, a certified public accounting firm registered in the PRC.

2. ACCOUNTING POLICIES

2.1 Basis of Presentation

Pursuant to the Reorganisation, as more fully explained in the paragraph headed “Reorganization” in the section headed “History, Reorganization and Corporate Structure” in the Prospectus, the Company became the holding company of the companies now comprising the Group on 18 May 2022. As the Reorganisation only involved inserting new holding companies at the top of an existing group and has not resulted in any change of economic substance, the Historical Financial Information for the Relevant Periods has been presented as a continuation of the existing group as if the Reorganisation had been completed at the beginning of the Relevant Periods.

Accordingly, the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the Relevant Periods and the nine months ended 30 September 2023 are prepared as if the current group structure had been in existence throughout the Relevant Periods. The consolidated statements of financial position of the Group as at 31 December 2021, 2022 and 2023 and 30 September 2024, have been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure had been in existence at those dates. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

All intra-group transactions and balances have been eliminated on consolidation in full.

2.2 Basis of Preparation

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations issued by the International Accounting Standards Board (the “IASB”).

All IFRS Accounting Standards effective for the accounting period commencing from 1 January 2024, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention, except for equity investment designated at fair value through other comprehensive income, financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss, which have been measured at fair value.

2.3 Issued But Not Yet Effective IFRS ACCOUNTING Standards

The Group has not applied the following new and amended standards, that have been issued but are not yet effective, in the Historical Financial Information.

IFRS 18	<i>Presentation and Disclosure in Financial Statements</i> ³
IFRS 19	<i>Subsidiaries without Public Accountability: Disclosures</i> ³
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> ²
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
Amendments to IAS 21	<i>Lack of Exchangeability</i> ¹
Annual Improvements to IFRS Accounting Standards – Volume 11	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 ²

¹ Effective for annual periods beginning on or after 1 January 2025

² Effective for annual periods beginning on or after 1 January 2026

³ Effective for annual/reporting periods beginning on or after 1 January 2027

⁴ No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and amended standards upon initial application. IFRS 18 introduces new requirements on presentation within the statement of profit or loss, including specific totals and subtotals. It also requires disclosure of management-defined performance measures in a note and introduces new requirements for aggregation and disaggregation of financial information. The new requirements are expected to impact the Group's presentation of the statement of profit or loss and disclosures of the Group's financial performance. So far, the Group considers that the new and amended standards are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 Material Accounting Policies

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Fair value measurement

The Group measures certain of its financial assets, equity investment and financial liabilities at fair value at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the reporting periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Category	Principal annual rates
Machinery	9.5%-31.7%
Office equipment	19.0%-47.5%
Motor vehicles	23.8%-47.5%
Leasehold improvements	Over the shorter of the lease terms and 33.3%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year/period end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the reporting period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)***Software***

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 2 to 5 years, which is the license period of the software.

Research and development costs

All research costs are charged to the statements of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office premises, company-operated stores and plant	2-10 years
Leasehold land	50 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of office premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Financial investments

Wealth management products are classified as financial assets at fair value through profit or loss ("FVTPL Assets"). FVTPL Assets are measured and recorded at fair value with net changes in fair value recognised in profit or loss.

Upon initial recognition, the Group elected to classify irrevocably an equity investment designated at fair value through other comprehensive income ("OCI") when it meets the definition of equity under IAS 32 *Financial Instruments: Presentation* and is not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on the financial asset is never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity investment designated at fair value through OCI is not subject to impairment assessment.

Purchases and sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Trade and other receivables and long-term trade receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. The Group initially measures receivables, except for trade receivables and long-term trade receivables that do not contain a significant financing component, at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables and long-term trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

Receivables are stated at amortised cost, using the effective interest method less allowance for credit losses.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding and the Group has a business model to hold the asset in order to collect contractual cash flows.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables, long-term trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables, long-term trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities at amortised cost

Trade and other payables, and borrowings are initially recognised at fair value, net of directly attributable transactions costs. Subsequent to initial recognition, trade and other payables, and borrowings are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. The redeemable ordinary shares issued by Guming Technology Group Co., Ltd. and the warrants and convertible redeemable preferred shares issued by the Company were designated upon initial recognition at fair value through profit or loss. They are initially recognised at fair value. Any directly attributable transaction costs are recognised as finance costs in profit or loss. The component of fair value changes relating to the issuer's/Company's own credit risk is recognised in other comprehensive income. Amounts recorded in other comprehensive income related to credit risk are not subject to recycling in profit or loss, but are transferred to retained earnings when realised. The net fair value changes relating to market risk are recognised in profit or loss which do not include any interest charged on these financial liabilities.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statements of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in OCI or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) **Sale of goods and equipment**

The Group generates revenue from the sale of goods, including ingredients and other related products of freshly-made beverages, and equipment, which is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods and equipment.

(b) **Provision of franchise management services**

The Group enters into franchise agreements with all franchisees. As the franchisor, the Group provides franchise management services under its franchise agreements with franchisees. Franchise is a right to sell products in a particular area using the Group's brand name and trademarks.

The Group's franchise management services revenue mainly includes income from initial franchise fees, income from continuing support services fees and income from the provision of training and other services.

For income from initial franchise fees, the franchisee pays a fixed upfront fee and revenue is recognised over the franchise period. Initial franchise fees are generally charged for pre-opening support services provided to the franchisees, including location analysis and certain advisory services like license application, marketing advisory services and operational support. As those services are highly interrelated with the franchise right, they are not individually distinct from the ongoing licensing arrangement provided to the franchisees.

For income from continuing support services fees, the franchisee receives ongoing operational support services, which are highly interrelated with the franchise right, from the Group during the whole franchise period, and pays continuing support services fee, which is determined based on a pre-determined fixed amount per month multiplying the number of the applicable franchisee's stores and a pre-determined rate range as a percentage of the applicable franchisee's stores procurement amounts, and the Group recognises revenue when the franchisee's subsequent usage occurs.

For income from the provision of training and other services, including pre-opening training services and other training services, and store supervisory and maintenance services, revenue is recognised when the related services are rendered as the customer simultaneously receives and consumes the benefits provided by the Group. The pre-opening training services provided to the franchisees are considered to be distinct as the training contents are largely unrelated to the Group's brand name and trademarks.

(c) Sales from company-operated stores

The Group generates revenue from stores directly operated by the Group, revenue is recognised when the control of the products is transferred to the customer.

(d) Rights of return

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract assets

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Share-based payments

The Company operates a share option scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 34 to the Historical Financial Information.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Foreign currencies

These Historical Financial Information are presented in RMB, which is the Company's functional currency because the Group's principal operations are carried out in the PRC. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the Historical Financial Information:

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary difference can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 18 to the Historical Financial Information.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Variable consideration

The Group estimates variable consideration to be included in the transaction price for the sale of goods and equipment with rights of return and the initial franchise fee for certain customers.

The Group has developed a statistical model for forecasting sales returns. The model used the historical return data of each product to come up with expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group. The Group updates its assessment of expected returns quarterly. Estimates of expected return are sensitive to changes in circumstances and the Group's past experience regarding returns may not be representative of customers' actual returns in the future.

In addition, the Group estimates the variable consideration related to some initial franchise fee arrangements to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised would not occur when the uncertainty (i.e., closure of franchise shops within 12 months after the set up or closure of franchise shops before the full settlement of franchise management services fees) associated with the variable consideration is subsequently resolved.

Revenue recognition from the provision of franchise management services over time

During the years ended 31 December 2021, 2022 and 2023 and the nine months ended 30 September 2024, revenue from initial franchise fees recognised over time amounted to RMB73,414,000, RMB87,911,000, RMB109,509,000 and RMB87,626,000, respectively. As at 31 December 2021, 2022 and 2023 and 30 September 2024, the balances of contract liabilities amounted to RMB123,858,000, RMB109,261,000, RMB92,977,000 and RMB109,137,000, respectively.

Franchise rights, which represent primarily the right to access the Group's brand name and trademarks, are granted to franchisees upon upfront initial payments for the first year and are renewable annually by the franchisees at no cost, the control of services is transferred over time. Based on the historical franchise information of the franchised shops, the management of the Group determined that license fees from the franchise business are recognised as contract liabilities upon receipt of the upfront initial payments and are released to profit or loss as revenue over the estimated franchise period of three years for each reporting period.

Actual franchise periods may differ from the estimated franchise periods. The management of the Group would periodically review the estimated franchise periods of the franchisees and considers if any adjustment to the current estimation is needed.

Fair values of redeemable ordinary shares, warrants and convertible redeemable preferred shares

The fair values of the redeemable ordinary shares, warrants and convertible redeemable preferred shares measured at fair value through profit or loss are determined using the valuation techniques, including the discounted cash flow method and the option-pricing method. Such valuation is based on key parameters about risk-free interest rate, discounts for lack of marketability (“DLOM”) and volatility, which are subject to uncertainty and might materially differ from the actual results. The fair values of redeemable ordinary shares, warrants and convertible redeemable preferred shares at 31 December 2021, 2022 and 2023 and 30 September 2024 were RMB2,472,275,000, RMB2,861,798,000, RMB3,156,013,000 and RMB3,166,569,000, respectively. Further details are included in notes 30 and 41 to the Historical Financial Information.

Fair value of an unlisted equity investment

The unlisted equity investment has been valued based on a market-based valuation technique as detailed in note 41 to the Historical Financial Information. The valuation requires the Group to determine the price-to-sales ratio (“P/S”) for similar instruments, adjusted by discount for lack of marketability. The Group classifies the fair value of the unlisted equity investment as Level 3. The fair values of the unlisted equity investment at 31 December 2021, 2022 and 2023 and 30 September 2024 were RMB247,500,000, RMB277,073,000, RMB257,122,000 and RMB248,095,000, respectively. Further details are included in notes 16 and 41 to the Historical Financial Information.

Fair value measurement of share-based payments

The Group has set up the 2019 share incentive plan and the 2022 share incentive plan and granted options to the Group’s directors and employees. The fair values of the options are determined by the binomial option-pricing model at the date of grant to employees. Significant estimates on assumptions, including the underlying equity value, risk-free interest rate, expected volatility, and dividend yield, are made by the board of directors of the Company. Further details are included in note 34 to the Historical Financial Information.

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

4. OPERATING SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company. During the Relevant Periods and the nine months ended 30 September 2023, the Group is principally engaged in the operation of a franchised retail network and the trading of ingredients and other related products of freshly-made beverages and equipment. Management reviews the operating results of the Group’s business as one operating segment for the purpose of making decisions about resource allocation and performance assessment. Therefore, the chief operating decision maker of the Company regards that there is only one segment which is used to make strategic decisions.

Geographical information

No geographical information is presented as the Group’s revenue from the external customers is derived solely from its operations in Mainland China and no non-financial long term assets of the Group are located outside Mainland China.

Information about major customers

No revenue from sales to a single customer or a group of customers under common control accounted for 10% or more of the Group’s revenue for each of the Relevant Periods and the nine months ended 30 September 2023.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents income from the sale of goods and equipment, franchise management services and sales from company-operated stores during the Relevant Periods and the nine months ended 30 September 2023.

An analysis of revenue is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Revenue from contracts with customers					
Sale of goods and equipment	3,546,918	4,505,145	6,144,711	4,477,504	5,153,346
Franchise management services	831,645	1,044,290	1,518,646	1,083,910	1,277,085
Sales from company-operated stores	5,338	9,787	12,308	9,468	10,857
	<u>4,383,901</u>	<u>5,559,222</u>	<u>7,675,665</u>	<u>5,570,882</u>	<u>6,441,288</u>

Revenue from contracts with customers*(a) Disaggregated revenue information*

Types of services	Sale of goods and equipment	Franchise management services	Sales from company-operated stores	Total
	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2021				
Types of goods or services				
Sale of goods	3,348,943	–	–	3,348,943
Sale of equipment	197,975	–	–	197,975
Initial franchise fees	–	73,414	–	73,414
Continuing support services fees	–	699,488	–	699,488
Provision of training and other services	–	58,743	–	58,743
Sales from company-operated stores	–	–	5,338	5,338
	<u>3,546,918</u>	<u>831,645</u>	<u>5,338</u>	<u>4,383,901</u>
Geographical market				
Mainland China	<u>3,546,918</u>	<u>831,645</u>	<u>5,338</u>	<u>4,383,901</u>
Timing of revenue recognition				
Revenue recognised over time	–	831,645	–	831,645
Revenue recognised at a point in time	<u>3,546,918</u>	–	<u>5,338</u>	<u>3,552,256</u>
	<u>3,546,918</u>	<u>831,645</u>	<u>5,338</u>	<u>4,383,901</u>

Types of services	Sale of goods and equipment	Franchise management services	Sales from company-operated stores	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
For the year ended 31 December 2022				
Types of goods or services				
Sale of goods	4,282,733	–	–	4,282,733
Sale of equipment	222,412	–	–	222,412
Initial franchise fees	–	87,911	–	87,911
Continuing support services fees	–	898,883	–	898,883
Provision of training and other services	–	57,496	–	57,496
Sales from company-operated stores	–	–	9,787	9,787
	<u>4,505,145</u>	<u>1,044,290</u>	<u>9,787</u>	<u>5,559,222</u>
Geographical market				
Mainland China	<u>4,505,145</u>	<u>1,044,290</u>	<u>9,787</u>	<u>5,559,222</u>
Timing of revenue recognition				
Revenue recognised over time	–	1,044,290	–	1,044,290
Revenue recognised at a point in time	<u>4,505,145</u>	–	<u>9,787</u>	<u>4,514,932</u>
	<u>4,505,145</u>	<u>1,044,290</u>	<u>9,787</u>	<u>5,559,222</u>
Types of services	Sale of goods and equipment	Franchise management services	Sales from company-operated stores	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
For the year ended 31 December 2023				
Types of goods or services				
Sale of goods	5,778,264	–	–	5,778,264
Sale of equipment	366,447	–	–	366,447
Initial franchise fees	–	109,509	–	109,509
Continuing support services fees	–	1,311,905	–	1,311,905
Provision of training and other services	–	97,232	–	97,232
Sales from company-operated stores	–	–	12,308	12,308
	<u>6,144,711</u>	<u>1,518,646</u>	<u>12,308</u>	<u>7,675,665</u>
Geographical market				
Mainland China	<u>6,144,711</u>	<u>1,518,646</u>	<u>12,308</u>	<u>7,675,665</u>
Timing of revenue recognition				
Revenue recognised over time	–	1,518,646	–	1,518,646
Revenue recognised at a point in time	<u>6,144,711</u>	–	<u>12,308</u>	<u>6,157,019</u>
	<u>6,144,711</u>	<u>1,518,646</u>	<u>12,308</u>	<u>7,675,665</u>

Types of services	Sale of goods and equipment	Franchise management services	Sales from company-operated stores	Total
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
For the nine months ended				
30 September 2023				
Types of goods or services				
Sale of goods	4,175,719	–	–	4,175,719
Sale of equipment	301,785	–	–	301,785
Initial franchise fees	–	80,794	–	80,794
Continuing support services fees	–	929,906	–	929,906
Provision of training and other services	–	73,210	–	73,210
Sales from company-operated stores	–	–	9,468	9,468
	<u>4,477,504</u>	<u>1,083,910</u>	<u>9,468</u>	<u>5,570,882</u>
Geographical market				
Mainland China	<u>4,477,504</u>	<u>1,083,910</u>	<u>9,468</u>	<u>5,570,882</u>
Timing of revenue recognition				
Revenue recognised over time	–	1,083,910	–	1,083,910
Revenue recognised at a point in time	4,477,504	–	9,468	4,486,972
	<u>4,477,504</u>	<u>1,083,910</u>	<u>9,468</u>	<u>5,570,882</u>

Types of services	Sale of goods and equipment	Franchise management services	Sales from company-operated stores	Total
	RMB'000	RMB'000	RMB'000	RMB'000
For the nine months ended				
30 September 2024				
Types of goods or services				
Sale of goods	4,872,023	–	–	4,872,023
Sale of equipment	281,323	–	–	281,323
Initial franchise fees	–	87,421	–	87,421
Continuing support services fees	–	1,141,904	–	1,141,904
Provision of training and other services	–	47,760	–	47,760
Sales from company-operated stores	–	–	10,857	10,857
	<u>5,153,346</u>	<u>1,277,085</u>	<u>10,857</u>	<u>6,441,288</u>
Geographical market				
Mainland China	<u>5,153,346</u>	<u>1,277,085</u>	<u>10,857</u>	<u>6,441,288</u>
Timing of revenue recognition				
Revenue recognised over time	–	1,277,085	–	1,277,085
Revenue recognised at a point in time	5,153,346	–	10,857	5,164,203
	<u>5,153,346</u>	<u>1,277,085</u>	<u>10,857</u>	<u>6,441,288</u>

The following table shows the amounts of revenue recognised in the Relevant Periods and the nine months ended 30 September 2023 that were included in the contract liabilities at the beginning of each reporting period:

	Year ended 31 December			Nine months ended 30 September	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Revenue recognised that was included in contract liabilities at the beginning of the year/period:					
Sale of goods and equipment	5,030	4,705	8,031	8,031	9,704
Franchise management services	56,338	60,630	49,489	33,118	42,224
	<u>61,368</u>	<u>65,335</u>	<u>57,520</u>	<u>41,149</u>	<u>51,928</u>

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods and equipment

The performance obligation of the sale of goods and equipment is satisfied upon delivery of the goods and equipment and payment in advance is normally required, except for customers with credit terms, where payment is generally due within 2 days to 90 days from delivery or issuance of billings. Some contracts provide customers with a right of return which gives rise to variable consideration.

There is unsatisfied performance obligation for the sale of goods and equipment at the end of each of the Relevant Periods and the nine months ended 30 September 2023. As permitted under IFRS 15, the Group applies the practical expedient and does not disclose the transaction price allocated to the unsatisfied performance obligations for contracts of the sale of products, which are generally with an original expected length of one year or less.

Franchise management services

For franchise management services, the Group recognises revenue over time as services are rendered, and payment in advance is normally required. Some initial franchise fee arrangements contain variable consideration. There is unsatisfied performance obligation for franchise management services at the end of each of the Relevant Periods and the nine months ended 30 September 2023.

Sales from company-operated stores

The performance obligation of sales from company-operated stores is satisfied upon delivery of the products and payment is received upon delivery. There is no unsatisfied performance obligation for sales from company-operated stores at the end of each of the Relevant Periods and the nine months ended 30 September 2023.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) related to franchise management services at the end of each of the Relevant Periods and the nine months ended 30 September 2023, which do not include any variable consideration that are constrained, are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Amounts expected to be recognised as revenue:					
Within 1 year	60,630	49,489	66,443	9,781	75,320
1 year to 2 years	47,139	45,887	23,118	61,806	29,564
2 years to 3 years	16,089	13,885	3,416	26,796	4,253
	<u>123,858</u>	<u>109,261</u>	<u>92,977</u>	<u>98,383</u>	<u>109,137</u>

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to franchise management services, of which the performance obligations are to be satisfied within two to three years.

Other income and gains

	Year ended 31 December			Nine months ended 30 September	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Other income					
Government grants					
– related to income*	23,475	18,576	90,009	77,506	72,900
Bank interest income	2,181	5,375	53,735	35,583	47,550
Imputed interest income for long-term trade receivables and non-current portion of contract assets	–	–	–	–	928
Additional tax deduction**	1,131	3,959	3,908	3,203	4,623
Sale of scraps	448	1,398	1,100	772	1,417
Others	4,074	9,115	13,852	7,094	8,915
	<u>31,309</u>	<u>38,423</u>	<u>162,604</u>	<u>124,158</u>	<u>136,333</u>
Gains					
Foreign exchange differences, net	–	7,935	4,315	–	–
Fair value changes of financial assets at fair value through profit or loss	16,289	10,933	1,909	1,721	7,734
Gains on disposal of items of property, plant and equipment	–	186	–	–	–
	<u>16,289</u>	<u>19,054</u>	<u>6,224</u>	<u>1,721</u>	<u>7,734</u>
Total other income and gains	<u>47,598</u>	<u>57,477</u>	<u>168,828</u>	<u>125,879</u>	<u>144,067</u>

* The government grants related to income mainly represent incentives received from the local government in connection with certain financial support to local business enterprises for the purpose of encouraging business development. These grants are recognised in profit or loss upon receipt of these grants. There are no unfulfilled conditions or contingencies relating to these grants.

** The amounts represent the additional input value added tax deduction, pursuant to the announcement of the State Administration of Taxation, which became effective from 1 April 2019 onwards.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December			Nine months ended 30 September	
		2021	2022	2023	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(Unaudited)
Cost of services provided and inventories sold*		3,070,196	3,996,290	5,272,334	3,844,469	4,476,906
Depreciation of property, plant and equipment	13	27,347	62,579	73,110	56,051	58,342
Depreciation of right-of-use assets	14(a)	40,464	54,671	61,661	45,617	44,093
Amortisation of other intangible assets**	15	2,059	1,697	366	275	246
Lease payments not included in the measurement of lease liabilities	14(c)	7,743	18,303	16,299	11,494	19,043
Research and development expenses***		65,030	118,288	198,736	129,055	165,826
Employee benefit expense (including directors' and chief executive's remuneration as set out in note 8):						
Wages and salaries		266,120	399,121	505,268	356,895	429,887
Equity-settled share-based payment expenses	34	17,226	24,476	55,537	18,981	–
Pension scheme contributions and social welfare****		34,448	57,710	63,715	47,987	73,063
		<u>317,794</u>	<u>481,307</u>	<u>624,520</u>	<u>423,863</u>	<u>502,950</u>
Foreign exchange differences, net		1,325	(7,935)	(4,315)	782	8,261
Fair value changes of financial assets at fair value through profit or loss	5	(16,289)	(10,933)	(1,909)	(1,721)	(7,734)
Fair value changes of financial liabilities at fair value through profit or loss	30	728,388	389,523	294,215	21,669	10,556
Losses/(gains) on disposal of items of property, plant and equipment, net	5	–	(186)	974	402	5,286
Listing expenses		–	2,080	12,884	1,815	18,393

* Cost of services provided and inventories sold include expenses relating to depreciation of property, plant and equipment, depreciation of right-of-use assets and staff costs, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

** The amortisation of other intangible assets is included in administrative expenses in profit or loss.

*** Research and development expenses include expenses relating to depreciation of property, plant and equipment, depreciation of right-of-use assets and staff costs, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

**** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Interest on bank and other borrowings	–	–	1,272	1,170	1,512
Interest on lease liabilities	5,079	5,424	3,961	3,129	2,216
Less: Interest capitalised	–	–	–	–	(1,512)
	<u>5,079</u>	<u>5,424</u>	<u>5,233</u>	<u>4,299</u>	<u>2,216</u>

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

- (i) On 31 August 2021, Mr. Wang Yun'an was appointed as an executive director, chief executive officer and the chairman of the board of directors of the Company.
- (ii) On 18 May 2022, Mr. Qi Xia was appointed as an executive director of the Company and Mr. Huang Yaoxin was appointed as a non-executive director of the Company.
- (iii) On 28 December 2023, Mr. Ruan Xiudi, Mr. Cai Yunjiang and Ms. Jin Yayu were appointed as executive directors of the Company.

Certain of the directors received remuneration from the subsidiaries now comprising the Group prior to their appointment as the directors of the Company. Details of the remuneration received or receivable by the directors from the group entities are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Fees:					
Directors	–	–	–	–	–
Other emoluments:					
Salaries, allowances and benefits in kind	1,724	1,998	3,499	2,764	3,193
Performance related bonuses*	2,156	2,380	1,916	1,785	423
Pension scheme contributions and social welfare	99	179	264	190	251
Equity-settled share-based payments	<u>2,167</u>	<u>2,748</u>	<u>4,726</u>	<u>2,096</u>	<u>–</u>
	<u>6,146</u>	<u>7,305</u>	<u>10,405</u>	<u>6,835</u>	<u>3,867</u>
	<u>6,146</u>	<u>7,305</u>	<u>10,405</u>	<u>6,835</u>	<u>3,867</u>

* Certain executive directors of the Company are entitled to bonus payments which are determined as a percentage of the profit after tax of the Group.

(a) Independent non-executive directors

Subsequent to the end of the Relevant Periods, Mr. Zhuo Yue, Ms. Zheng Xiaodong and Mr. Li Jianbo were appointed as independent non-executive directors of the Company. There were no fees and other emoluments paid to the independent non-executive directors during the Relevant Periods and the nine months ended 30 September 2023.

(b) Executive directors, non-executive directors and the chief executive

Year ended 31 December 2021

	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions and social welfare	Equity-settled share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chief executive and executive director:					
Mr. Wang Yun'an ⁽ⁱ⁾	480	660	13	1,577	2,730
Executive directors:					
Mr. Qi Xia ⁽ⁱⁱ⁾	480	660	13	550	1,703
Mr. Ruan Xiudi ⁽ⁱⁱⁱ⁾	478	660	35	–	1,173
Mr. Cai Yunjiang ⁽ⁱⁱⁱ⁾	126	140	20	22	308
Ms. Jin Yayu ⁽ⁱⁱⁱ⁾	160	36	18	18	232
	1,244	1,496	86	590	3,416
Non-executive director:					
Mr. Huang Yaoxin ⁽ⁱⁱ⁾	–	–	–	–	–
	1,724	2,156	99	2,167	6,146

Year ended 31 December 2022

	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions and social welfare	Equity-settled share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chief executive and executive director:					
Mr. Wang Yun'an ⁽ⁱ⁾	505	660	15	1,673	2,853
Executive directors:					
Mr. Qi Xia ⁽ⁱⁱ⁾	480	660	16	677	1,833
Mr. Ruan Xiudi ⁽ⁱⁱⁱ⁾	484	660	62	–	1,206
Mr. Cai Yunjiang ⁽ⁱⁱⁱ⁾	359	300	52	241	952
Ms. Jin Yayu ⁽ⁱⁱⁱ⁾	170	100	34	157	461
	1,493	1,720	164	1,075	4,452
Non-executive director:					
Mr. Huang Yaoxin ⁽ⁱⁱ⁾	–	–	–	–	–
	1,998	2,380	179	2,748	7,305

Year ended 31 December 2023

	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions and social welfare	Equity-settled share-based payments	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Chief executive and executive director:					
Mr. Wang Yun'an ⁽ⁱ⁾	1,780	1,352	94	2,511	5,737
Executive directors:					
Mr. Qi Xia ⁽ⁱⁱ⁾	499	–	15	1,142	1,656
Mr. Ruan Xiudi ⁽ⁱⁱⁱ⁾	486	–	66	–	552
Mr. Cai Yunjiang ⁽ⁱⁱⁱ⁾	460	420	55	654	1,589
Ms. Jin Yayu ⁽ⁱⁱⁱ⁾	274	144	34	419	871
	<u>1,719</u>	<u>564</u>	<u>170</u>	<u>2,215</u>	<u>4,668</u>
Non-executive director:					
Mr. Huang Yaoxin ⁽ⁱⁱ⁾	–	–	–	–	–
	<u>3,499</u>	<u>1,916</u>	<u>264</u>	<u>4,726</u>	<u>10,405</u>

Nine months ended 30 September 2023

	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions and social welfare	Equity-settled share-based payments	Total
	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Unaudited)</i>
Chief executive and executive director:					
Mr. Wang Yun'an ⁽ⁱ⁾	1,585	495	64	1,114	3,258
Executive directors:					
Mr. Qi Xia ⁽ⁱⁱ⁾	379	495	11	506	1,391
Mr. Ruan Xiudi ⁽ⁱⁱⁱ⁾	365	495	49	–	909
Mr. Cai Yunjiang ⁽ⁱⁱⁱ⁾	270	225	41	290	826
Ms. Jin Yayu ⁽ⁱⁱⁱ⁾	165	75	25	186	451
	<u>1,179</u>	<u>1,290</u>	<u>126</u>	<u>982</u>	<u>3,577</u>
Non-executive director:					
Mr. Huang Yaoxin ⁽ⁱⁱ⁾	–	–	–	–	–
	<u>2,764</u>	<u>1,785</u>	<u>190</u>	<u>2,096</u>	<u>6,835</u>

Nine months ended 30 September 2024

	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions and social welfare	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Chief executive and executive director:				
Mr. Wang Yun'an ⁽ⁱ⁾	1,965	–	96	2,061
Executive directors:				
Mr. Qi Xia ⁽ⁱⁱ⁾	360	–	26	386
Mr. Ruan Xiudi ⁽ⁱⁱⁱ⁾	365	–	52	417
Mr. Cai Yunjiang ⁽ⁱⁱⁱ⁾	267	315	42	624
Ms. Jin Yayu ⁽ⁱⁱⁱ⁾	236	108	35	379
	<u>1,228</u>	<u>423</u>	<u>155</u>	<u>1,806</u>
Non-executive director:				
Mr. Huang Yaoxin ⁽ⁱⁱ⁾	–	–	–	–
	<u>3,193</u>	<u>423</u>	<u>251</u>	<u>3,867</u>

No remunerations were paid or payable by the Group to the directors and a chief executive as an inducement to join or upon joining the Group or a compensation for loss of office during the Relevant Periods and the nine months ended 30 September 2023.

There was no arrangement under which a director waived or agreed to waive any remunerations during the Relevant Periods and the nine months ended 30 September 2023.

9. FIVE HIGHEST PAID EMPLOYEES

The five individuals with the highest emoluments in the Group for the years ended 31 December 2021, 2022 and 2023 and the nine months ended 30 September 2023 and 2024 included one, one, one, one and one director disclosed above, respectively. Details of the directors' remuneration are set out in note 8 above. Details of the remuneration of the remaining four, four, four, four and four highest paid employees, respectively, who are neither a director nor chief executive of the Company for the years ended 31 December 2021, 2022 and 2023 and the nine months ended 30 September 2023 and 2024 are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2021	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, allowances and benefits in kind	2,929	2,872	5,590	3,428	6,595
Performance related bonuses*	684	984	1,108	816	943
Pension scheme contributions and social welfare	308	293	301	211	331
Equity-settled share-based payments	4,916	5,793	23,990	5,648	–
	<u>8,837</u>	<u>9,942</u>	<u>30,989</u>	<u>10,103</u>	<u>7,869</u>

* Certain highest paid employees of the Company are entitled to bonus payments which are determined as a percentage of the profit after tax of the Group.

The numbers of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2021	2022	2023	2023	2024
				<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
HK\$1,500,001 to HK\$2,000,000	–	–	–	–	1
HK\$2,000,001 to HK\$2,500,000	2	–	–	2	3
HK\$2,500,001 to HK\$3,000,000	1	3	–	–	–
HK\$3,000,001 to HK\$3,500,000	1	1	–	1	–
HK\$3,500,001 to HK\$4,000,000	–	–	2	1	–
HK\$4,500,001 to HK\$5,000,000	–	–	1	–	–
HK\$22,000,001 to HK\$22,500,000 . . .	–	–	1	–	–
	4	4	4	4	4
	=	=	=	=	=

10. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and BVI, the Company and the Group's subsidiaries incorporated in the BVI are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong were not liable for income tax as they did not have any assessable profits arising in Hong Kong during the Relevant Periods and the nine months ended 30 September 2023.

PRC corporate income tax has been provided at the rate of 25% on the taxable profits of the Group's PRC subsidiaries for the Relevant Periods and the nine months ended 30 September 2023.

According to the notices (Zhe Zheng Ban [2015] No. 66, Jing Wei Fa [2017] No. 13 and Jing Zheng Ban Investment Memorandum [2020] No. 22) on the economic development of Jingning She Autonomous County issued by the General Office of the People's Government of Zhejiang Province, the People's Government of Jingning She Autonomous County, and the General Office of the People's Government of Jingning She Autonomous County, respectively, investment enterprises registered in the Jingning She Autonomous County are entitled to a preferential income tax policy for 10 years since the date of registration. Accordingly, certain of the Group's PRC subsidiaries registered in the Jingning She Autonomous County are entitled to a preferential income tax exemption for the Relevant Periods and the nine months ended 30 September 2023.

Certain of the Group's PRC subsidiaries are accredited as "High and New Technology Enterprises" and were therefore entitled to a preferential income tax rate of 15% during the Relevant Periods and the nine months ended 30 September 2023. Such qualifications are subject to review by the relevant tax authority in the PRC for every three years.

One of the Group's PRC subsidiaries is qualified as a "Double Soft Enterprise" ("DSE") under the Corporate Income Tax Law during the Relevant Periods and the nine months ended 30 September 2023. According to the relevant tax regulations, the qualified subsidiary was exempted from corporate income tax ("CIT") for two years, followed by a 50% reduction in the applicable tax rates for the next three years if the criteria of DSE are met each year, commencing from 2021, the first year of profitable operation.

Certain of the Group's PRC subsidiaries are qualified as small and micro enterprises and were entitled to preferential corporate income tax rates of 2.5% to 10% during the years ended 31 December 2021 and 2022 and 5% during the year ended 31 December 2023 and the nine months ended 30 September 2023 and 2024, respectively.

The income tax expense of the Group for the Relevant Periods and the nine months ended 30 September 2023 are analysed as follows:

	Year ended 31 December			Nine months ended 30 September	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Current – PRC					
Charge for the year/period	209,156	241,226	295,609	211,718	206,065
Deferred (Note 18)	13,945	37,106	53,124	54,100	4,929
	<u>223,101</u>	<u>278,332</u>	<u>348,733</u>	<u>265,818</u>	<u>210,994</u>

A reconciliation of tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled and/or operate to the income tax expense at the effective income tax rate for each of the Relevant Periods and the nine months ended 30 September 2023 are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Profit before tax	247,093	650,357	1,445,087	1,267,855	1,330,762
Tax at the PRC corporate income tax rate of 25%	61,773	162,589	361,272	316,964	332,691
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	22,000	41,000	47,000	35,000	–
Effect of tax concessions	(39,014)	(10,125)	(114,133)	(72,440)	(107,386)
Expenses not deductible for tax	1,213	510	871	638	692
Research and development super deduction	(8,948)	(20,557)	(33,206)	(23,272)	(21,579)
Tax losses and temporary differences not recognised	<u>186,077</u>	<u>104,915</u>	<u>86,929</u>	<u>8,928</u>	<u>6,576</u>
Tax charge at the Group's effective rate	<u>223,101</u>	<u>278,332</u>	<u>348,733</u>	<u>265,818</u>	<u>210,994</u>

11. DIVIDENDS

No dividends have been paid or declared by the Company since its date of incorporation.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the basis of presentation of the results of the Group for the Relevant Periods and the nine months ended 30 September 2023 as disclosed in note 2.1 to the Historical Financial Information.

13. PROPERTY, PLANT AND EQUIPMENT

	Machinery	Office equipment	Motor vehicles	Leasehold improvements	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2021						
At 1 January 2021:						
Cost	22,568	6,747	25,414	18,607	4,966	78,302
Accumulated depreciation . . .	(3,168)	(1,450)	(4,949)	(3,648)	–	(13,215)
Net carrying amount	<u>19,400</u>	<u>5,297</u>	<u>20,465</u>	<u>14,959</u>	<u>4,966</u>	<u>65,087</u>
At 1 January 2021, net of accumulated depreciation						
19,400	19,400	5,297	20,465	14,959	4,966	65,087
Additions	6,630	8,889	43,054	7,645	89,616	155,834
Depreciation provided during the year	(6,692)	(3,176)	(10,774)	(6,705)	–	(27,347)
Transfers	34,291	3,807	–	1,915	(40,013)	–
Disposals	(573)	(21)	(518)	–	–	(1,112)
At 31 December 2021, net of accumulated depreciation . . .	<u>53,056</u>	<u>14,796</u>	<u>52,227</u>	<u>17,814</u>	<u>54,569</u>	<u>192,462</u>
At 31 December 2021:						
Cost	62,141	19,383	67,363	28,167	54,569	231,623
Accumulated depreciation . . .	(9,085)	(4,587)	(15,136)	(10,353)	–	(39,161)
Net carrying amount	<u>53,056</u>	<u>14,796</u>	<u>52,227</u>	<u>17,814</u>	<u>54,569</u>	<u>192,462</u>
	Machinery	Office equipment	Motor vehicles	Leasehold improvements	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2022						
At 1 January 2022:						
Cost	62,141	19,383	67,363	28,167	54,569	231,623
Accumulated depreciation . . .	(9,085)	(4,587)	(15,136)	(10,353)	–	(39,161)
Net carrying amount	<u>53,056</u>	<u>14,796</u>	<u>52,227</u>	<u>17,814</u>	<u>54,569</u>	<u>192,462</u>
At 1 January 2022, net of accumulated depreciation . . .						
53,056	53,056	14,796	52,227	17,814	54,569	192,462
Additions	12,747	14,792	15,680	4,919	61,347	109,485
Depreciation provided during the year	(16,433)	(8,252)	(17,306)	(20,588)	–	(62,579)
Transfers	52,931	1,228	–	45,366	(99,525)	–
Disposals	(4,727)	(407)	(420)	–	–	(5,554)
At 31 December 2022, net of accumulated depreciation . . .	<u>97,574</u>	<u>22,157</u>	<u>50,181</u>	<u>47,511</u>	<u>16,391</u>	<u>233,814</u>
At 31 December 2022:						
Cost	122,765	35,304	81,240	78,452	16,391	334,152
Accumulated depreciation . . .	(25,191)	(13,147)	(31,059)	(30,941)	–	(100,338)
Net carrying amount	<u>97,574</u>	<u>22,157</u>	<u>50,181</u>	<u>47,511</u>	<u>16,391</u>	<u>233,814</u>

	Machinery	Office equipment	Motor vehicles	Leasehold improvements	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2023						
At 1 January 2023:						
Cost	122,765	35,304	81,240	78,452	16,391	334,152
Accumulated depreciation	<u>(25,191)</u>	<u>(13,147)</u>	<u>(31,059)</u>	<u>(30,941)</u>	–	<u>(100,338)</u>
Net carrying amount	<u>97,574</u>	<u>22,157</u>	<u>50,181</u>	<u>47,511</u>	<u>16,391</u>	<u>233,814</u>
At 1 January 2023, net of						
accumulated depreciation	97,574	22,157	50,181	47,511	16,391	233,814
Additions	21,441	13,605	19,070	3,211	383,816	441,143
Depreciation provided during						
the year	(19,332)	(11,360)	(20,051)	(22,367)	–	(73,110)
Transfers	3,472	–	–	308	(3,780)	–
Disposals	<u>(4,431)</u>	<u>(3,488)</u>	<u>(2,650)</u>	<u>(1,220)</u>	–	<u>(11,789)</u>
At 31 December 2023, net of						
accumulated depreciation	<u>98,724</u>	<u>20,914</u>	<u>46,550</u>	<u>27,443</u>	<u>396,427</u>	<u>590,058</u>
At 31 December 2023:						
Cost	143,470	43,583	83,723	76,286	396,427	743,489
Accumulated depreciation	<u>(44,746)</u>	<u>(22,669)</u>	<u>(37,173)</u>	<u>(48,843)</u>	–	<u>(153,431)</u>
Net carrying amount	<u>98,724</u>	<u>20,914</u>	<u>46,550</u>	<u>27,443</u>	<u>396,427</u>	<u>590,058</u>
30 September 2024						
At 1 January 2024:						
Cost	143,470	43,583	83,723	76,286	396,427	743,489
Accumulated depreciation	<u>(44,746)</u>	<u>(22,669)</u>	<u>(37,173)</u>	<u>(48,843)</u>	–	<u>(153,431)</u>
Net carrying amount	<u>98,724</u>	<u>20,914</u>	<u>46,550</u>	<u>27,443</u>	<u>396,427</u>	<u>590,058</u>
At 1 January 2024, net of						
accumulated depreciation	98,724	20,914	46,550	27,443	396,427	590,058
Additions	40,187	15,045	17,210	2,362	323,521	398,325
Depreciation provided during						
the period	(20,435)	(9,149)	(16,348)	(12,410)	–	(58,342)
Transfers	87,369	–	–	2,864	(90,233)	–
Disposals	<u>(38,375)</u>	<u>(1,676)</u>	<u>(367)</u>	<u>(94)</u>	–	<u>(40,512)</u>
At 30 September 2024, net of						
accumulated depreciation	<u>167,470</u>	<u>25,134</u>	<u>47,045</u>	<u>20,165</u>	<u>629,715</u>	<u>889,529</u>
At 30 September 2024:						
Cost	232,651	56,952	100,566	81,418	629,715	1,101,302
Accumulated depreciation	<u>(65,181)</u>	<u>(31,818)</u>	<u>(53,521)</u>	<u>(61,253)</u>	–	<u>(211,773)</u>
Net carrying amount	<u>167,470</u>	<u>25,134</u>	<u>47,045</u>	<u>20,165</u>	<u>629,715</u>	<u>889,529</u>

As at 30 September 2024, the construction in progress held by a subsidiary of the Company with net carrying amounts of approximately RMB45,674,000 was pledged to secure bank facilities granted to the Group as disclosed in note 29 to the Historical Financial Information.

14. LEASES

The Group as a lessee

The Group has lease contracts for items of office premises, company-operated stores and plant used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of office premises and plant generally have lease terms between 2 and 10 years. Generally, the Group is restricted from assigning and subleasing the leased office premises and plant outside the Group.

(a) *Right-of-use assets*

The carrying amounts of right-of-use assets and the movements during the Relevant Periods are as follows:

	Office premises, company-operated stores and plant	Leasehold land	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2021	55,606	–	55,606
Additions	111,493	–	111,493
Depreciation charge	(40,464)	–	(40,464)
As at 31 December 2021 and 1 January 2022	<u>126,635</u>	<u>–</u>	<u>126,635</u>
Additions	34,853	108,934	143,787
Depreciation charge	(53,659)	(1,012)	(54,671)
As at 31 December 2022 and 1 January 2023	<u>107,829</u>	<u>107,922</u>	<u>215,751</u>
Additions	24,311	–	24,311
Depreciation charge	(59,285)	(2,376)	(61,661)
As at 31 December 2023 and 1 January 2024	<u>72,855</u>	<u>105,546</u>	<u>178,401</u>
Additions	34,979	–	34,979
Depreciation charge	(42,610)	(1,483)	(44,093)
As at 30 September 2024	<u>65,224</u>	<u>104,063</u>	<u>169,287</u>

As at 30 September 2024, the leasehold land held by subsidiaries of the Company with net carrying amounts of approximately RMB49,743,000 was pledged to secure bank facilities granted to the Group as disclosed in note 29 to the Historical Financial Information.

(b) *Lease liabilities*

The carrying amount of lease liabilities and the movements during the Relevant Periods are as follows:

	31 December			30 September
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at beginning of year/period	53,818	127,530	106,340	70,190
New leases	111,493	34,853	24,311	34,979
Accretion of interest recognised during the year/period	5,079	5,424	3,961	2,216
Payments	(42,860)	(61,467)	(64,422)	(46,486)
Carrying amount at end of year/period	<u>127,530</u>	<u>106,340</u>	<u>70,190</u>	<u>60,899</u>
Analysed into:				
Current portion	44,664	52,196	43,674	39,903
Non-current portion	<u>82,866</u>	<u>54,144</u>	<u>26,516</u>	<u>20,996</u>

The maturity analysis of lease liabilities is disclosed in note 42(c) to the Historical Financial Information.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2021	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i>
Interest on lease liabilities	5,079	5,424	3,961	3,129	2,216
Depreciation charge of right-of-use assets	40,464	54,671	61,661	45,617	44,093
Expense relating to short-term leases	7,743	18,303	16,299	11,494	19,043
Total amount recognised in profit or loss	<u>53,286</u>	<u>78,398</u>	<u>81,921</u>	<u>60,240</u>	<u>65,352</u>

(d) The total cash outflows for leases are disclosed in note 35(c) to the Historical Financial Information.

15. OTHER INTANGIBLE ASSETS

	<u>Software</u> <i>RMB'000</i>
31 December 2021	
At 1 January 2021:	
Cost	3,568
Accumulated amortisation.	<u>(416)</u>
Net carrying amount	<u>3,152</u>
At 1 January 2021, net of accumulated amortisation	3,152
Additions	1,077
Amortisation provided during the year	<u>(2,059)</u>
At 31 December 2021, net of accumulated amortisation.	<u>2,170</u>
At 31 December 2021:	
Cost	4,645
Accumulated amortisation.	<u>(2,475)</u>
Net carrying amount	<u>2,170</u>
31 December 2022	
At 1 January 2022:	
Cost	4,645
Accumulated amortisation.	<u>(2,475)</u>
Net carrying amount	<u>2,170</u>
At 1 January 2022, net of accumulated amortisation	2,170
Amortisation provided during the year	<u>(1,697)</u>
At 31 December 2022, net of accumulated amortisation.	<u>473</u>
At 31 December 2022:	
Cost	4,645
Accumulated amortisation.	<u>(4,172)</u>
Net carrying amount	<u>473</u>

	<u>Software</u>
	<i>RMB'000</i>
31 December 2023	
At 1 January 2023:	
Cost	4,645
Accumulated amortisation.	<u>(4,172)</u>
Net carrying amount	<u>473</u>
At 1 January 2023, net of accumulated amortisation	473
Amortisation provided during the year	<u>(366)</u>
At 31 December 2023, net of accumulated amortisation	<u>107</u>
At 31 December 2023:	
Cost	4,573
Accumulated amortisation	<u>(4,466)</u>
Net carrying amount	<u>107</u>
30 September 2024	
At 1 January 2024:	
Cost	4,573
Accumulated amortisation.	<u>(4,466)</u>
Net carrying amount	<u>107</u>
At 1 January 2024, net of accumulated amortisation	107
Additions	1,045
Amortisation provided during the period.	<u>(246)</u>
At 30 September 2024, net of accumulated amortisation	<u>906</u>
At 30 September 2024:	
Cost	5,618
Accumulated amortisation.	<u>(4,712)</u>
Net carrying amount	<u>906</u>

16. EQUITY INVESTMENT DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>31 December</u>			<u>30 September</u>
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Unlisted equity investment, at fair value:				
Adopt A Cow Holding Group Co., Ltd.	<u>247,500</u>	<u>277,073</u>	<u>257,122</u>	<u>248,095</u>

The above equity investment was irrevocably designated at fair value through OCI as the Group considers the investment to be strategic in nature.

The movement of this equity investment during the Relevant Periods are as follows:

	<u>31 December</u>			<u>30 September</u>
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year/period	–	247,500	277,073	257,122
Additions	247,500	–	–	–
Fair value gain/(loss) recognised in OCI	–	<u>29,573</u>	<u>(19,951)</u>	<u>(9,027)</u>
At end of year/period.	<u>247,500</u>	<u>277,073</u>	<u>257,122</u>	<u>248,095</u>

17. OTHER NON-CURRENT ASSETS

	31 December			30 September
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayment for property, plant and equipment	24,262	3,337	36,934	3,782

18. DEFERRED TAX

The movements in deferred tax assets during the Relevant Periods are as follows:

	Contract liabilities	Losses available for offsetting against future taxable profits	Unrealised profits arising from intra-group transactions	Lease liabilities	Deferred income	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	27,286	4,060	2,943	9,950	–	44,239
Deferred tax credited/(charged) to profit or loss during the year	3,679	(3,621)	7,522	16,165	–	23,745
Gross deferred tax assets at 31 December 2021	30,965	439	10,465	26,115	–	67,984
At 1 January 2022	30,965	439	10,465	26,115	–	67,984
Deferred tax credited/(charged) to profit or loss during the year	(3,650)	4,506	3,421	(2,626)	–	1,651
Gross deferred tax assets at 31 December 2022	27,315	4,945	13,886	23,489	–	69,635
At 1 January 2023	27,315	4,945	13,886	23,489	–	69,635
Deferred tax credited/(charged) to profit or loss during the year	(13,368)	(1,926)	7,711	(15,294)	2,511	(20,366)
Gross deferred tax assets at 31 December 2023	13,947	3,019	21,597	8,195	2,511	49,269
At 1 January 2024	13,947	3,019	21,597	8,195	2,511	49,269
Deferred tax credited/(charged) to profit or loss during the period	2,424	2,493	(7,498)	(2,836)	247	(5,170)
Gross deferred tax assets at 30 September 2024	16,371	5,512	14,099	5,359	2,758	44,099

As at 31 December 2021, 2022 and 2023 and 30 September 2024, deferred tax assets have been recognised in respect of all tax losses arising in Mainland China, respectively, which will expire in one to five years for offsetting against future taxable profits.

As at 31 December 2021, 2022 and 2023 and 30 September 2024, certain subsidiaries of the Group had deductible temporary differences of RMB744,307,000, RMB1,164,028,000, RMB1,507,521,000 and RMB1,527,777,000, respectively. Deferred tax assets have not been recognised in respect of these deductible temporary differences as it is not considered probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The movements in deferred tax liabilities during the Relevant Periods are as follows:

	Unrealised gains from financial assets at fair value through profit or loss	Unrealised gains from equity investment designated at fair value through OCI	Right-of-use assets	Withholding taxes	Contract assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021.	–	–	10,359	–	–	10,359
Deferred tax charged to profit or loss during the year.	<u>111</u>	<u>–</u>	<u>15,579</u>	<u>22,000</u>	<u>–</u>	<u>37,690</u>
Gross deferred tax liabilities at 31 December 2021	<u>111</u>	<u>–</u>	<u>25,938</u>	<u>22,000</u>	<u>–</u>	<u>48,049</u>
At 1 January 2022	111	–	25,938	22,000	–	48,049
Deferred tax charged/(credited) to profit or loss during the year.	(106)	–	(2,137)	41,000	–	38,757
Deferred tax charged to OCI during the year	<u>–</u>	<u>4,880</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>4,880</u>
Gross deferred tax liabilities at 31 December 2022	<u>5</u>	<u>4,880</u>	<u>23,801</u>	<u>63,000</u>	<u>–</u>	<u>91,686</u>
At 1 January 2023	5	4,880	23,801	63,000	–	91,686
Deferred tax charged/(credited) to profit or loss during the year	81	–	(15,679)	47,000	1,356	32,758
Deferred tax credited to OCI during the year	<u>–</u>	<u>(3,292)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(3,292)</u>
Gross deferred tax liabilities at 31 December 2023	<u>86</u>	<u>1,588</u>	<u>8,122</u>	<u>110,000</u>	<u>1,356</u>	<u>121,152</u>
At 1 January 2024.	86	1,588	8,122	110,000	1,356	121,152
Deferred tax charged/(credited) to profit or loss during the period	(92)	–	(2,420)	–	2,271	(241)
Deferred tax credited to OCI during the period	<u>–</u>	<u>(1,490)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(1,490)</u>
Gross deferred tax liabilities at 30 September 2024	<u>(6)</u>	<u>98</u>	<u>5,702</u>	<u>110,000</u>	<u>3,627</u>	<u>119,421</u>

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

Deferred tax liabilities have been recognised for the withholding tax that would be payable on the earnings of certain subsidiaries incorporated in PRC for the years ended 31 December 2021, 2022 and 2023 and 30 September 2024 that are expected to be distributed in the foreseeable future. As to the other subsidiaries incorporated in PRC, the Group has no plan to distribute the respective retained earnings as at 31 December 2021, 2022 and 2023 and 30 September 2024.

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statements of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	31 December			30 September
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net deferred tax assets recognised in the consolidated statements of financial position	42,932	46,661	40,245	34,966
Net deferred tax liabilities recognised in the consolidated statements of financial position	<u>22,997</u>	<u>68,712</u>	<u>112,128</u>	<u>110,288</u>

19. LONG-TERM TRADE RECEIVABLES

	31 December			30 September
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Long-term trade receivables	–	–	–	138,852
Less: due within one year	–	–	–	<u>(73,726)</u>
	–	–	–	<u>65,126</u>
	=	=	=	=

According to the payment terms in the sales contracts of equipment with certain customers, certain part of the sales consideration of equipment will be collected after one year. The above arrangements are finance lease arrangements in accordance with IFRS 16 and the Group's long-term receivables are lease receivables.

An ageing analysis of the long-term trade receivables as at the end of each of the Relevant Periods, based on the dates of delivery of equipment are as follows:

	31 December			30 September
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	–	–	–	41,391
1 to 3 months	–	–	–	20,972
3 to 6 months	–	–	–	<u>2,763</u>
	–	–	–	<u>65,126</u>
	=	=	=	=

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Management has assessed that the expected credit loss rate for trade receivables is minimal as at 30 September 2024. In the opinion of the directors of the Company, the Group's long-term trade receivables relate to a large number of diversified customers with no recent history of default and the balances are considered fully recoverable considering the historical records and forward-looking information.

20. INVENTORIES

	31 December			30 September
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	151,281	86,465	106,792	108,146
Work in progress	18,768	24,635	37,187	127,284
Finished goods	536,740	594,460	737,162	583,025
	<u>706,789</u>	<u>705,560</u>	<u>881,141</u>	<u>818,455</u>

21. TRADE RECEIVABLES

	31 December			30 September
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	<u>34,401</u>	<u>37,511</u>	<u>70,416</u>	<u>151,207</u>

The Group's trade receivables arise from the sale of products. The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period generally ranges from 2 days to one month, extending up to three months for major direct sales customers. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The balances of trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods, based on the dates of delivery of goods and equipment/rendering of franchising services are as follows:

	31 December			30 September
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 month	29,928	31,951	46,664	98,215
1 to 3 months	2,090	3,734	16,870	35,551
3 to 6 months	1,784	977	4,479	7,937
6 months to 1 year	599	849	2,403	9,504
	<u>34,401</u>	<u>37,511</u>	<u>70,416</u>	<u>151,207</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Management has assessed that the expected credit loss rate for trade receivables is minimal as at 31 December 2021, 2022 and 2023 and 30 September 2024. In the opinion of the directors of the Company, the Group's trade receivables relate to a large number of diversified customers with no recent history of default and the balances are considered fully recoverable considering the historical records and forward-looking information.

22. CONTRACT ASSETS

	1 January		31 December		30 September
	2021	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets arising from:					
Franchise management services	–	–	–	9,042	24,173
	=	=	=	=	=
Analysed into:					
Current portion	–	–	–	9,042	19,676
Non-current portion	–	–	–	–	4,497
	=	=	=	=	=

Contract assets are initially recognised for revenue earned from the provision of franchise management services as the receipt of some franchise management services fees are allowed to defer for three to twenty-four months. The related balance of contract assets is reclassified to trade receivables at the end of the deferred period. The increase in contract assets as at 31 December 2023 and 30 September 2024 was the result of the increase in the ongoing income from the provision of franchise management services for those contracts with deferred terms at the end of that year/period.

The expected timing of recovery or settlement for contract assets is as follows:

	31 December			30 September
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year.	–	–	9,042	19,676
1 year to 2 years	–	–	–	4,497
	–	–	9,042	24,173
	=	=	=	=

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. Management has assessed that the expected credit loss rate for contract assets is minimal as at 31 December 2023 and 30 September 2024. In the opinion of the directors of the Company, the Group's contract assets relate to a large number of diversified customers with no recent history of default and the balances are considered fully recoverable considering the historical records and forward-looking information.

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	31 December			30 September
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments to suppliers.	166,441	141,120	148,339	138,400
Prepaid expenses	20,940	19,975	29,080	53,104
Deposits	16,791	18,698	18,875	22,989
Value-added tax recoverable.	23,221	45,064	88,337	84,779
Others	5,469	12,088	14,178	28,129
	<u>232,862</u>	<u>236,945</u>	<u>298,809</u>	<u>327,401</u>

Financial assets included in the above balances are unsecured, non-interest-bearing and repayable on demand. These balances relate to receivables for which there was no recent history of default and past due amounts.

As at the end of each of the Relevant Periods, the loss allowance was assessed to be minimal.

The Company

	31 December			30 September	
	2021	2022	2023	2024	
	RMB'000	RMB'000	RMB'000	RMB'000	
Due from a shareholder for issuance of convertible redeemable preferred shares of the Company	–	9,568	–	–	–

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December			30 September	
	2021	2022	2023	2024	
	RMB'000	RMB'000	RMB'000	RMB'000	
Wealth management products	241,679	37,346	197,285	1,606,210	

The above unlisted investments were wealth management products issued by banks in Mainland China with a maturity period within one year or due on demand. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

25. CASH AND BANK BALANCES, RESTRICTED CASH AND LONG-TERM BANK DEPOSITS**The Group**

	31 December			30 September	
	2021	2022	2023	2024	
	RMB'000	RMB'000	RMB'000	RMB'000	
Cash on hand and cash at banks	151,808	1,114,468	2,357,961	1,677,868	
Short-term bank deposits	–	32,737	70,018	31,967	
Cash and bank balances	151,808	1,147,205	2,427,979	1,709,835	
Restricted cash	–	–	124,000	29,030	
Long-term bank deposits	40,000	90,000	41,390	272,747	
Denominated in:					
<i>Cash and bank balances</i>					
RMB	118,108	1,058,842	2,332,836	1,611,748	
HKD	–	–	–	5	
USD	33,700	88,363	74,715	97,516	
Thai Baht (“THB”)	–	–	–	565	
Swiss Franc (“CHF”)	–	–	20,428	1	
	151,808	1,147,205	2,427,979	1,709,835	
<i>Restricted cash</i>					
RMB	–	–	124,000	29,030	
<i>Long-term bank deposits</i>					
RMB	40,000	90,000	41,390	272,747	

The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash and bank balances earn interest at floating rates based on daily bank deposit rates. The bank deposits are made for varying periods between six months and three years depending on the cash management of the Group, and earn interest at fixed rates between 0.2% and 5.8% per annum. The bank balances and deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values.

As at 31 December 2023, restricted cash of RMB124,000,000 was pledged for the Group's interest-bearing other borrowings and as at 30 September 2024, restricted cash of RMB20,000,000 was pledged for the Group's bank facilities as disclosed in note 29 to the Historical Financial Information.

The Company

	31 December			30 September
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	–	–*	–*	198
Denominated in:				
RMB	–	–*	–	–*
USD	–	–*	–*	198
	–	–*	–*	198
	–	–	–	–

* The amount is less than RMB1,000.

26. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date are as follows:

	31 December			30 September
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	148,733	387,123	594,838	604,702
3 to 6 months	102	2,236	4,088	2,733
6 months to 1 year	632	44	2,346	4,692
Over 1 year	124	140	–	–
	<u>149,591</u>	<u>389,543</u>	<u>601,272</u>	<u>612,127</u>

As at 31 December 2021, 2022 and 2023 and 30 September 2024, included in the Group's trade payables are amounts due to the related parties of RMB412,000, RMB112,000, RMB152,000 and RMB1,286,000, respectively (note 39(b)).

Trade payables are non-interest bearing and normally settled on terms of within 30 days.

As at 31 December 2021, 2022 and 2023 and 30 September 2024, the carrying amounts of trade payables approximated to their fair values.

27. OTHER PAYABLES AND ACCRUALS

The Group

	31 December			30 September
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Payroll and welfare payable	61,773	75,705	114,409	98,001
Tax payable other than corporate income tax	49,164	14,465	15,051	17,837
Deposits received	20,445	24,195	36,482	46,319
Other payables for property, plant and equipment	12,730	11,173	87,068	118,082
Accrued expenses	32,741	27,806	59,337	69,586
Due to related parties arising from the Reorganisation (<i>Note 39(b)</i>)	–	94,348	–	–
Other payables	4,693	3,521	9,872	2,397
	<u>181,546</u>	<u>251,213</u>	<u>322,219</u>	<u>352,222</u>

Other payables are unsecured, non-interest-bearing and repayable on demand. The fair values of other payables at the end of each of the Relevant Periods approximated to their corresponding carrying amounts.

The Company

	31 December			30 September
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Due to subsidiaries	–	9,568	12,883	31,300

28. CONTRACT LIABILITIES

	1 January	31 December			30 September
	2021	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Advances received from customers:					
Sale of goods and equipment	5,030	4,705	8,031	9,769	14,036
Franchise management services	109,145	123,858	109,261	92,977	109,137
	<u>114,175</u>	<u>128,563</u>	<u>117,292</u>	<u>102,746</u>	<u>123,173</u>
Analysed into:					
Current portion	61,368	65,335	57,520	76,212	89,356
Non-current portion	52,807	63,228	59,772	26,534	33,817

Contract liabilities of the Group mainly arise from the advance payments received from customers for products yet to be delivered and services yet to be provided. The increase in contract liabilities as at 31 December 2021 and 30 September 2024, and the decrease in contract liabilities as at 31 December 2022 and 2023 were mainly due to the increase or decrease of short-term advances received from customers in relation to the sale of goods and equipment and the provision of franchise management services at the end of that year/period.

The expected timing of recognition of revenue is as follows:

	31 December			30 September
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	65,335	57,520	76,212	89,356
1 year to 2 years	47,139	45,887	23,118	29,564
2 years to 3 years	16,089	13,885	3,416	4,253
	<u>128,563</u>	<u>117,292</u>	<u>102,746</u>	<u>123,173</u>

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	31 December 2023			30 September 2024		
		Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current							
Other borrowings –							
secured	(i)	1.30	2024	<u>124,000</u>	N/A	N/A	<u>–</u>
Non-current							
Bank borrowings –							
secured	(ii)	N/A	N/A	<u>–</u>	3.01	2026~2029	<u>121,204</u>

Notes:

- (i) As at 31 December 2023, all of the Group's other borrowings are denominated in RMB, interest-bearing at fixed rates and repayable within one year and are secured by restricted cash of RMB124,000,000 as disclosed in note 25 to the Historical Financial Information.
- (ii) As at 30 September 2024, the Group's bank facilities amounted to RMB736,370,000, of which RMB128,004,000 had been utilised. All of these bank facilities are guaranteed by subsidiaries of the Company and secured by the construction in progress with net carrying amounts of approximately RMB45,674,000, the leasehold land with net carrying amounts of approximately RMB49,743,000 and restricted cash with amounts of approximately RMB20,000,000 held by subsidiaries of the Company as disclosed in notes 13, 14 and 25 to the Historical Financial Information, respectively. As at 30 September 2024, all of the Group's bank borrowings are denominated in RMB and interest-bearing at floating rates.

30. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December			30 September
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Redeemable ordinary shares	2,472,275	–	–	–
Convertible redeemable preferred shares . .	–	2,818,901	3,156,013	3,166,569
Warrants	–	42,897	–	–
	<u>2,472,275</u>	<u>2,861,798</u>	<u>3,156,013</u>	<u>3,166,569</u>

Redeemable ordinary shares*The Group*

In 2020, Guming Technology Group Co., Ltd. (formerly known as Zhejiang Guming Technology Co., Ltd.) (“Guming Technology”), a subsidiary of the Company, and the investors (the “Investors”) entered into a series of share subscription agreements whereby the Investors agreed to make a total investment of RMB674,128,000 for 13.2% of the total equity interests in Guming Technology. All the considerations were received by Guming Technology in 2020.

Pursuant to the Investors’ agreements (“the Agreements”), in the following circumstances, the Investors shall have the right to require Guming Technology to repurchase all of the equity interests held by them at the price agreed in the Agreements:

- (1) Guming Technology fails to complete a Qualified IPO (defined in “*Convertible redeemable preferred shares*” section below) on or before the seventh (7th) anniversary of the closing (i.e., 30 September 2027);
- (2) any material breach of the financing transaction documents (including the financing documents signed by Guming Technology and other related parties and the transaction documents) by any group company and/or founding shareholders which results in a loss of more than RMB30,000,000 in the aggregate by any investor due to the failure in taking timely remedial measures;
- (3) any existing or future holder requests Guming Technology and/or any existing shareholders (if applicable) to redeem the ordinary shares held by it; or
- (4) the occurrence of criminal punishment to any group company or founding shareholders arising from any criminal offences committed by any group company or founding shareholders in relation to taxation liability, corruption, bribery, embezzlement of property, misappropriation of property or accounting fraud.

The redemption price for each ordinary share of Guming Technology shall be an amount equal to 100% of the applicable share issue price, minus all distributed dividends and compensation thereon, and plus interest accrued at the rate of eight percentage (8%) of the share issue price per annum starting from the applicable issue date (the “Series A Preference Amount”).

The redeemable ordinary shares issued by Guming Technology are designated as financial liabilities at fair value through profit or loss and were subsequently measured at fair value.

On 18 May 2022, the Investors signed the offshore share subscription agreements, pursuant to which the redeemable ordinary shares held by the Investors were replaced by the convertible redeemable series A preferred shares issued by the Company (“Preferred Shares”).

The movements of redeemable ordinary shares included in financial liabilities at fair value through profit or loss as at 31 December 2021 and 2022 are set out below:

	31 December	
	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year	1,743,887	2,472,275
Fair value change	728,388	267,396
Transfer to warrants	–	(2,532,626)
Transfer to convertible redeemable preferred shares	–	(207,045)
At end of year	<u>2,472,275</u>	<u>–</u>

Convertible redeemable preferred shares*The Group and the Company*

Since the date of incorporation, the Company has completed financing by issuing a series of Preferred Shares as follows:

	<u>Date of issuance</u>	<u>Purchase price</u> <i>(RMB/share)</i>	<u>Number of shares</u>	<u>Total consideration</u> <i>RMB'000</i>
Series A-1 Preferred Shares with par value of US\$0.00001 each	2022/05/18	2.3	21,739,140	50,613
Series A-2 Preferred Shares with par value of US\$0.00001 each	2023/09/15	2.2	4,347,820	9,568
Series A-3 Preferred Shares with par value of US\$0.00001 each	2022/08/23	2.3	173,913,040	404,907
Series A-4 Preferred Shares with par value of US\$0.00001 each	2022/08/23	<u>2.4</u>	<u>86,956,540</u>	<u>209,040</u>
Series A Preferred Shares with par value of US\$0.00001 each		<u>2.35</u>	<u>286,956,540</u>	<u>674,128</u>

The key terms of the Preferred Shares are summarised as follows:

(a) Conversion feature

Each Preferred Share shall be convertible, at the option of the holders of the Preferred Shares (“Holders”) thereof, at any time after the date of issuance, and without the payment of any additional consideration by the Holders thereof, into such number of fully paid ordinary shares of the Company as is determined by dividing the applicable deemed original issue price for such series of Preferred Shares by the conversion price for such series of Preferred Shares in effect (“Conversion Price”) at the time of conversion. The Conversion Price shall be subject to adjustment from time to time, including but not limited to share splits and combinations, share dividends and distributions, reorganisation, consolidations or reclassifications, and adjustment upon issuance of new securities for a consideration per share less than the conversion price.

All outstanding Preferred Shares shall automatically be converted into ordinary shares of the Company at the applicable ratio upon the closing of an initial public offering (“IPO”) implying a pre-offering market capitalisation of the Company that is no less than RMB10,000,000,000 (the “Qualified IPO”), or with respect to each series of Preferred Shares, the date and time, or the occurrence of an event, specified in a written request for such conversion delivered to the Company by the Holders of at least a majority of the series of Preferred Shares then outstanding, voting together as a single class on an as-converted to ordinary shares basis.

(b) Redemption feature

Notwithstanding anything to the contrary herein, if (i) the Company fails to complete a Qualified IPO by 30 September 2027; (ii) any material breach of the transaction documents by any group company and/or the founder parties which results in a loss of more than RMB30,000,000 in the aggregate by any investor due to the failure incurring such material breach within fifteen (15) business days upon the request by any Investors; (iii) any existing or future holder of the equity securities of the Company requests the Company to redeem the equity securities held by it; or (iv) there is the occurrence of criminal punishment to any chief founder party arising from any criminal offences committed by any group company and/or any chief founder party in relation to taxation liability, corruption, bribery, embezzlement of property, misappropriation of property or accounting fraud, the investors may initiate to request the Company to redeem all or part of the outstanding Preferred Shares (the “Redemption”).

Pursuant to the shareholders’ agreement entered into between the Company and its investors on 26 December 2023, the redemption rights ceased to be exercisable immediately before the first filing of the listing application by the Company with the Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”), and shall resume to be exercisable in accordance with below terms upon the earliest of (i) the withdrawal or abandonment of such listing application by the Company; (ii) the rejection of such listing application by the Hong Kong Stock Exchange; (iii) the lapse of such listing application and such listing application is not renewed by the Company within six months; or (iv) the expiry of eighteen months from the day of the first filing of the listing application by the Company with the Hong Kong Stock Exchange if no Qualified IPO has been consummated by then (or such later date as the Parties herein unanimously agree in writing).

(c) Liquidation preferences

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company or any of the following events: (i) the liquidation, dissolution or winding-up of the Company or (ii) any trade sale (“Deemed Liquidation Event”) that shall be distributed to holders of Preferred Shares in the sequence below:

If, upon any such liquidation, distribution, winding up or Deemed Liquidation Event of the Company, the assets of the Company shall be insufficient to pay the Holders in full on all Series A Preferred Shares, then such assets shall be distributed among the Holders, in proportion to the full amounts to which they would otherwise be respectively entitled thereon.

After distribution or payment in full of the Series A Preference Amount, the remaining assets of the Company available for distribution to members shall be distributed to all holders of issued and outstanding ordinary shares and the Holders of Preferred Shares pro rata on an as-converted basis.

(d) Voting rights

Each Preferred Share shall carry a number of votes equal to the number of ordinary shares of the Company then issuable upon its conversion into ordinary shares at the record date for determination of the shareholders entitled to vote on such matters, or, if no such record date is established, at the date such vote is taken or any written consent of shareholders is solicited. The Holders shall be entitled to vote on all matters on which the holders of ordinary shares shall be entitled to vote.

(e) Presentation and classification

The Group designated the entire instruments including the host debt and conversion derivative of Preferred Shares as financial liabilities measured as fair value through profit or loss. Changes in fair value of Preferred Shares were recorded in “fair value changes of financial liabilities at fair value through profit or loss”. Management considered that fair value changes in the Preferred Shares attributable to changes of own credit risk are not significant.

The movements of the convertible redeemable preferred shares included in financial liabilities at fair value through profit or loss as at 31 December 2021, 2022 and 2023 and 30 September 2024 are set out below:

	31 December			30 September
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	–	–	2,818,901	3,156,013
Transfer from redeemable ordinary shares of Guming Technology	–	207,045	–	–
Issuance of preferred shares upon exercising warrants	–	2,491,674	43,303	–
Fair value change	–	120,182	293,809	10,556
At end of year/period	–	<u>2,818,901</u>	<u>3,156,013</u>	<u>3,166,569</u>

Warrants***The Group and the Company***

On 18 May 2022, the Company issued warrants to the Investors for the subscription of 4,347,820 Series A-2 Preferred Shares, 173,913,040 Series A-3 Preferred Shares and 86,956,540 Series A-4 Preferred Shares (together, the “Warrants”), respectively. In accordance with the Warrants, the Company and the other parties thereto will execute the shareholders’ agreements, pursuant to which, from the date thereof until termination or expiration of the Warrants or of the exercise of the warrants, the holders of the Warrants are entitled to the rights specified in the shareholders’ agreements. The above issued warrants were converted into Preferred Shares upon exercise. The Group designated the above issued warrants as financial liabilities measured as fair value through profit or loss.

The movements of the warrants included in financial liabilities at fair value through profit or loss as at 31 December 2021, 2022 and 2023 are set out below:

	31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year	–	–	42,897
Transfer from redeemable ordinary shares of Guming Technology	–	2,532,626	–
Issuance of preferred shares upon exercising warrants	–	(2,491,674)	(43,303)
Fair value change	–	1,945	406
At end of year	–	42,897	–

The Group applied the discount cash flow method to determine the equity value of the Company/the then holding company of the group entities and adopted the option-pricing method to determine the fair values of the financial liabilities at fair value through profit or loss as at 31 December 2021, 2022 and 2023 and 30 September 2024. Key valuation assumptions used to determine the fair values of redeemable ordinary shares, convertible redeemable preferred shares and warrants are set out below:

	31 December			30 September
	2021	2022	2023	2024
Discount rate	15.0%	15.0%	15.0%	13.0%
Risk-free interest rate	2.7%	4.1%	4.0%	3.6%
Discounts for lack of marketability (“DLOM”)	21.0%	19.4%	11.1%	7.8%
Volatility	41.1%	42.2%	41.2%	40.0%

The Group estimated the risk-free interest rate based on the yield of the RMB China Government Bond and USD America Government Bond with maturity close to the expected exit timing as of the valuation date. The DLOM was estimated based on the option-pricing method. Under the option-pricing method, the cost of redemption option, which can hedge the price change before the privately held share can be sold, was considered as a basis to determine the lack of marketability discount. Volatility was estimated based on the annualised standard deviation of daily stock price return of comparable companies for a period from the valuation date and with a similar time span to expiration.

31. DEFERRED INCOME

	31 December			30 September
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Government grants	–	–	10,042	11,030

Movements in government grants of the Group during the Relevant Periods are as follows:

	31 December			30 September
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year/period	–	–	–	10,042
Government grants received	–	–	10,042	988
At end of year/period	–	–	10,042	11,030

The Group received government grants for capital expenditure incurred for property, plant and equipment. The amounts are deferred and amortised over the estimated useful lives of the respective assets.

32. SHARE CAPITAL**The Group and the Company**

The Company was incorporated on 31 August 2021 with authorised share capital of US\$50,000 divided into 5,000,000,000 ordinary shares with a par value of US\$0.00001 each. On the same day, 1,669,565,220 ordinary shares were issued and allotted by the Company to various BVI holding platforms held by the founder shareholders at par value with a consideration of US\$16,696 in total.

Upon the completion of the Reorganisation on 18 May 2022, the authorised share capital of the Company was re-designated as US\$50,000 divided into 4,713,043,460 ordinary shares with a par value of US\$0.00001 each and 286,956,540 Series A preferred shares, including 21,739,140 Series A-1 Preferred Shares, 4,347,820 Series A-2 Preferred Shares, 173,913,040 Series A-3 Preferred Shares, and 86,956,540 Series A-4 Preferred Shares, with a par value of US\$0.00001 each, as mentioned above in note 30 to the Historical Financial Information.

On 27 December 2023, the Company allotted and issued a total of 217,391,300 ordinary shares with a par value of US\$0.00001 each to the directors and employees, who exercised the share options at exercise price of RMB1.38 per share, under the 2022 Plan, as disclosed in note 34 to the Historical Financial Information. The resulting excess over the fair value for the shares issued amounting to RMB299,985,000 were recognised as capital reserve.

	31 December			30 September
	2021	2022	2023	2024
Authorised:				
Number of ordinary shares of US\$0.00001 each	5,000,000,000	4,713,043,460	4,713,043,460	4,713,043,460
Issued and fully paid:				
Number of ordinary shares of US\$0.00001 each	1,669,565,220	1,669,565,220	1,886,956,520	1,886,956,520
Par value of ordinary shares (RMB'000) . .	112	112	127	127

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital	Share capital
	<i>Ordinary shares</i>	<i>USD</i>	<i>RMB'000</i>
As at 1 January 2021	—	—	—
Issuance of ordinary shares	1,669,565,220	16,696	112
As at 31 December 2021, 1 January 2022 and 31 December 2022	1,669,565,220	16,696	112
Ordinary shares issued under equity-settled share option arrangements	217,391,300	2,174	15
As at 31 December 2023 and 1 January 2024 and 30 September 2024	1,886,956,520	18,870	127

33. RESERVES**The Group**

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2021, 2022 and 2023 and the nine months ended 30 September 2023 and 2024 are presented in the consolidated statements of changes in equity.

(i) Capital reserve

The capital reserve of the Group represents the paid-up capital of the companies comprising the Group prior to the incorporation of the Company. Additionally, it also represents the additional contribution made by the shareholders of the Company and reserves arising from equity-settled share-based payment transactions.

(ii) Statutory surplus reserve

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the Group is required to allocate 10% of its net profit after tax, as determined under the Chinese Accounting Standards, to the statutory surplus funds until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of these subsidiaries, the statutory surplus funds may be used either to offset losses, or to be converted to increase the share capital of the subsidiaries provided that the balance after such conversion is not less than 25% of the registered capital of them. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

The Company

A summary of the Company's reserves/(negative reserves) is as follows:

	<u>Capital reserve</u>	<u>Accumulated losses</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 31 August 2021 (date of incorporation) and 31 December 2021	(112)	–	(112)
Loss for the year*	–	(2,203,254)	(2,203,254)
Equity-settled share option arrangements	52,936	–	52,936
As at 31 December 2022	52,824	(2,203,254)	(2,150,430)
Loss for the year*	–	(307,098)	(307,098)
Ordinary shares issued under equity-settled share option arrangements	299,985	–	299,985
Equity-settled share option arrangements	55,537	–	55,537
As at 31 December 2023	408,346	(2,510,352)	(2,102,006)
Loss for the period	–	(28,775)	(28,775)
As at 30 September 2024	408,346	(2,539,127)	(2,130,781)

* The amounts mainly represent the fair value changes of financial liabilities at fair value through profit or loss at the Company's level for the years ended 31 December 2022 and 2023 pursuant to the Reorganisation as mentioned in note 2.1 to the Historical Financial Information.

34. EQUITY-SETTLED SHARE-BASED TRANSACTIONS**2019 Share Incentive Plan**

On 10 June 2019 (the "Adoption Date"), the board of directors of Guming Technology approved the 2019 Share Incentive Plan (the "2019 Plan") for the purpose of attracting and retaining the best available personnel for positions of substantial responsibility, providing additional incentives to eligible participants who contribute to the success of Guming Technology's business. Eligible participants of the 2019 Plan may include directors and employees of Guming Technology or its subsidiaries. The 2019 Plan shall remain in force for 10 years from the Adoption Date, unless otherwise cancelled or amended.

The maximum aggregate number of shares that may be issued under the 2019 Plan shall not exceed 12,000,000 ordinary shares of Guming Technology. Majority of outstanding share options granted to directors and employees will become vested over a period of three years. Certain share options granted to directors and employees of the Group will become vested in three tranches, in which 1/2, 1/4 and 1/4 of share options shall be vested in the twenty-four months, thirty-six months and forty-eight months.

The following share options were outstanding under the 2019 Plan during the year ended 31 December 2021:

	Weighted average exercise price	Number of options
	<i>RMB</i>	
At 31 December 2020 and 1 January 2021	25	10,203,700
Granted during the year	25	300,000
At 31 December 2021	25	10,503,700

The fair value of the shares included in the 2019 Plan granted before 1 January 2021 was determined at RMB27,951,000, and the Group recognized equity-settled share-based payment expenses of RMB9,822,000, RMB4,911,000 and nil in profit or loss for the above mentioned shares granted to directors and employees of the Group for the years ended 31 December 2021, 2022 and 2023, respectively.

The fair value of the shares included in the 2019 Plan granted during the year ended 31 December 2021 was determined at RMB26,280,000, and the Group recognized equity-settled share-based payment expenses of RMB7,404,000, RMB5,201,000 and nil in profit or loss for the above mentioned shares granted to directors and employees of the Group for the years ended 31 December 2021, 2022 and 2023, respectively.

The options granted under the 2019 Plan was replaced by the 2022 Share Incentive Plan (the “2022 Plan”) granted on 24 June 2022 (the “New Adoption Date”) on a one for twenty basis with no incremental fair value exists. The 10,503,700 share options granted by Guming Technology under the 2019 Plan were replaced by 210,074,000 share options granted by the Company under the 2022 Plan on 1 July 2022.

2022 Share Incentive Plan

On the New Adoption Date, the board of directors of the Company approved the 2022 Plan for the purpose of attracting and retaining the best available personnel for positions of substantial responsibility, providing additional incentives to eligible participants who contribute to the success of the Company’s business. Eligible participants of the 2022 Plan may include directors and employees of the Company or its subsidiaries. The 2022 Plan shall remain in force for 10 years from the New Adoption Date, unless otherwise cancelled or amended.

The maximum aggregate number of shares may be issued under the 2022 Plan shall not exceed 217,391,300 ordinary shares of the Company. The outstanding share options granted to directors and employees will become vested in four equal tranches of 25% over a period of four years.

On 30 November 2023, the Group waived the vesting conditions of all the outstanding share options under the 2022 Plan. Accordingly, these share options were vested immediately, which was treated as an acceleration of vesting.

The following share options were outstanding under the 2022 Plan during the years ended 31 December 2022 and 2023:

	Weighted average exercise price	Number of options
	<i>RMB</i>	
At 1 July 2022	1.38	210,074,000
Granted during the period	1.38	4,549,183
At 31 December 2022 and 1 January 2023	1.38	214,623,183
Granted during the year	1.38	2,768,117
Exercised during the year	1.38	(217,391,300)
At 31 December 2023	–	–

The fair value of the shares granted under the 2022 Plan during the years ended 31 December 2022 and 2023 was determined at RMB32,192,000 and RMB22,050,000, respectively, and the Group recognized equity-settled share-based payment expenses of RMB14,364,000 and RMB55,537,000 in profit or loss for the above mentioned shares granted to directors and employees of the Group for the years ended 31 December 2022 and 2023, respectively.

The fair value of equity-settled share options granted was estimated as at the date of grant to directors and employees using a binomial option-pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the key assumptions that the model used for both the 2019 Plan and the 2022 Plan:

	31 December		
	2021	2022	2023
Dividend yield (%)	0.00%	0.00%	0.00%
Expected volatility (%)	41.25%	41.98%	41.90%
Historical volatility (%)	41.25%	41.98%	41.90%
Risk-free interest rate (%)	3.09%	3.03%	3.98%
Expected life of options (year)	10	10	10
Weighted average share price (RMB per share)	6.16	8.33	9.18

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

35. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the Relevant Periods, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB111,493,000 and RMB111,493,000, RMB34,853,000 and RMB34,853,000, RMB24,311,000 and RMB24,311,000, and RMB34,979,000 and RMB34,979,000, respectively, in respect of lease arrangements for office premises and plant.

(b) Changes in liabilities arising from financing activities

	Lease liabilities	Financial liabilities at fair value through profit or loss	Interest-bearing bank and other borrowings
	RMB'000	RMB'000	RMB'000
At 1 January 2021	53,818	1,743,887	–
Changes from financing cash flows	(42,860)	–	–
New leases	111,493	–	–
Interest expense	5,079	–	–
Fair value changes	–	728,388	–
At 31 December 2021 and 1 January 2022	127,530	2,472,275	–
Changes from financing cash flows	(61,467)	–	–
New leases	34,853	–	–
Interest expense	5,424	–	–
Fair value changes	–	389,523	–
At 31 December 2022 and 1 January 2023	106,340	2,861,798	–
Changes from financing cash flows	(64,422)	–	122,728
New leases	24,311	–	–
Interest expense	3,961	–	1,272
Fair value changes	–	294,215	–
At 31 December 2023 and 1 January 2024	70,190	3,156,013	124,000

	Lease liabilities	Financial liabilities at fair value through profit or loss	Interest-bearing bank and other borrowings
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 31 December 2023 and 1 January 2024	70,190	3,156,013	124,000
Changes from financing cash flows	(46,486)	–	(4,308)
New leases	34,979	–	–
Interest expense	2,216	–	1,512
Fair value changes	–	10,556	–
At 30 September 2024	<u>60,899</u>	<u>3,166,569</u>	<u>121,204</u>

	Lease liabilities	Financial liabilities at fair value through profit or loss	Interest-bearing bank and other borrowings
	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Unaudited)</i>
At 31 December 2022 and 1 January 2023	106,340	2,861,798	–
Changes from financing cash flows	(49,989)	–	146,878
New leases	12,858	–	–
Interest expense	3,129	–	1,170
Fair value changes	–	21,669	–
At 30 September 2023	<u>72,338</u>	<u>2,883,467</u>	<u>148,048</u>

(c) **Total cash outflow for leases**

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2021	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i>
Within operating activities	7,743	18,303	16,299	11,494	19,043
Within investing activities	–	108,934	–	–	–
Within financing activities	42,860	61,467	64,422	49,989	46,486
Total	<u>50,603</u>	<u>188,704</u>	<u>80,721</u>	<u>61,483</u>	<u>65,529</u>

36. CONTINGENT LIABILITIES

As of the end of each of the Relevant Periods, the Group did not have any material contingent liabilities.

37. PLEDGE OF ASSETS

Details of the Group's interest-bearing bank and other borrowings, which are secured by the assets of the Group, are included in notes 13, 14 and 25 to the Historical Financial Information.

38. COMMITMENTS

The Group had the following contractual commitments at the end of each of the Relevant Periods:

	31 December			30 September
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:				
Property, plant and equipment	11,913	265,953	183,065	25,080

39. RELATED PARTY TRANSACTIONS**(a) Transactions with related parties:**

The Group had the following material transactions carried out with related parties during the Relevant Periods the nine months ended 30 September 2023:

	Year ended 31 December			Nine months ended 30 September	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
<i>Purchase of goods:</i>					
Companies controlled by Mr. Wang Yun'an and Mr. Qi Xia	4,950	18,133	14,783	12,402	11,411

The purchases from the related parties were conducted in the ordinary course of business and based on commercial terms mutually agreed by the counterparties.

(b) Outstanding balances with related parties

	31 December			30 September
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
<i>Trade related:</i>				
Trade payables				
Companies controlled by Mr. Wang Yun'an and Mr. Qi Xia	412	112	152	1,286
<i>Non-trade related:</i>				
Other payables and accruals				
Companies controlled by Mr. Wang Yun'an, Ms. Pan Pingping, Mr. Qi Xia and Mr. Ruan Xiudi	-	94,348	-	-

As at 31 December 2021, 2022 and 2023 and 30 September 2024, the Group's outstanding balances with related parties were all unsecured, interest-free and repayable on demand.

(c) Compensation of key management personnel of the Group

	Year ended 31 December			Nine months ended 30 September	
	2021	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i>
Salaries, allowances and benefits in kind	2,846	3,086	6,606	4,326	8,118
Performance related bonuses . . .	2,300	2,524	3,961	2,193	934
Pension scheme contributions and social welfare	253	348	558	395	518
Equity-settled share-based payments	<u>5,233</u>	<u>5,153</u>	<u>23,546</u>	<u>5,249</u>	<u>—</u>
Total compensation paid to key management personnel	<u>10,632</u>	<u>11,111</u>	<u>34,671</u>	<u>12,163</u>	<u>9,570</u>

Further details of directors' and the chief executive's emoluments are included in note 8 to the Historical Financial Information.

40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

31 December 2021	Financial assets at fair value through profit or loss	Financial asset at fair value through OCI	Financial assets at amortised cost	Total
	Mandatorily	Equity investment		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Equity investment designated at fair value through OCI	—	247,500	—	247,500
Financial assets at fair value through profit or loss	241,679	—	—	241,679
Trade receivables	—	—	34,401	34,401
Financial assets included in prepayments, other receivables and other assets	—	—	22,260	22,260
Long-term bank deposits	—	—	40,000	40,000
Cash and bank balances	—	—	<u>151,808</u>	<u>151,808</u>
Total	<u>241,679</u>	<u>247,500</u>	<u>248,469</u>	<u>737,648</u>

APPENDIX I

ACCOUNTANTS' REPORT

31 December 2022	Financial assets at fair value through profit or loss	Financial asset at fair value through OCI	Financial assets at amortised cost	Total
	Mandatorily	Equity investment		
	RMB'000	RMB'000	RMB'000	RMB'000
Equity investment designated at fair value through OCI	–	277,073	–	277,073
Financial assets at fair value through profit or loss	37,346	–	–	37,346
Trade receivables	–	–	37,511	37,511
Financial assets included in prepayments, other receivables and other assets	–	–	30,786	30,786
Long-term bank deposits	–	–	90,000	90,000
Cash and bank balances	–	–	1,147,205	1,147,205
Total	37,346	277,073	1,305,502	1,619,921

31 December 2023	Financial assets at fair value through profit or loss	Financial asset at fair value through OCI	Financial assets at amortised cost	Total
	Mandatorily	Equity investment		
	RMB'000	RMB'000	RMB'000	RMB'000
Equity investment designated at fair value through OCI	–	257,122	–	257,122
Financial assets at fair value through profit or loss	197,285	–	–	197,285
Trade receivables	–	–	70,416	70,416
Financial assets included in prepayments, other receivables and other assets	–	–	33,053	33,053
Restricted cash	–	–	124,000	124,000
Long-term bank deposits	–	–	41,390	41,390
Cash and bank balances	–	–	2,427,979	2,427,979
Total	197,285	257,122	2,696,838	3,151,245

30 September 2024	Financial assets at fair value through profit or loss	Financial asset at fair value through OCI	Financial assets at amortised cost	Total
	Mandatorily	Equity investment		
	RMB'000	RMB'000	RMB'000	RMB'000
Equity investment designated at fair value through OCI	–	248,095	–	248,095
Financial assets at fair value through profit or loss	1,606,210	–	–	1,606,210
Trade receivables	–	–	151,207	151,207
Long-term trade receivables	–	–	65,126	65,126
Financial assets included in prepayments, other receivables and other assets	–	–	51,118	51,118
Restricted cash	–	–	29,030	29,030
Long-term bank deposits	–	–	272,747	272,747
Cash and bank balances	–	–	1,709,835	1,709,835
Total	1,606,210	248,095	2,279,063	4,133,368

Financial liabilities

31 December 2021	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial liabilities at fair value through profit or loss	2,472,275	–	2,472,275
Trade payables	–	149,591	149,591
Financial liabilities included in other payables and accruals	–	70,609	70,609
Lease liabilities	–	127,530	127,530
Total	<u>2,472,275</u>	<u>347,730</u>	<u>2,820,005</u>

31 December 2022	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial liabilities at fair value through profit or loss	2,861,798	–	2,861,798
Trade payables	–	389,543	389,543
Financial liabilities included in other payables and accruals	–	161,043	161,043
Lease liabilities	–	106,340	106,340
Total	<u>2,861,798</u>	<u>656,926</u>	<u>3,518,724</u>

31 December 2023	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial liabilities at fair value through profit or loss	3,156,013	–	3,156,013
Trade payables	–	601,272	601,272
Financial liabilities included in other payables and accruals	–	192,759	192,759
Interest-bearing other borrowings	–	124,000	124,000
Lease liabilities	–	70,190	70,190
Total	<u>3,156,013</u>	<u>988,221</u>	<u>4,144,234</u>

30 September 2024	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial liabilities at fair value through profit or loss	3,166,569	–	3,166,569
Trade payables	–	612,127	612,127
Financial liabilities included in other payables and accruals	–	236,384	236,384
Interest-bearing bank borrowings	–	121,204	121,204
Lease liabilities	–	60,899	60,899
Total	<u>3,166,569</u>	<u>1,030,614</u>	<u>4,197,183</u>

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, restricted cash, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals and interest-bearing other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of financial liabilities at fair value through profit or loss are determined using the option-pricing method using significant unobservable market inputs. Details of the method were disclosed in note 30 to the Historical Financial Information.

The fair values of long-term bank deposits, long-term trade receivables and long-term interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The carrying amounts of long-term bank deposits, long-term trade receivables and long-term interest-bearing bank borrowings approximate to their fair values.

The fair values of wealth management products included in financial assets at fair value through profit or loss have been estimated using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The fair values of unlisted equity investment designated at fair value through other comprehensive income, have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. Management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2021, 2022 and 2023 and 30 September 2024:

	<u>Valuation technique</u>	<u>Significant unobservable input</u>		<u>Sensitivity of fair value to the input</u>
Equity investment designated at fair value through OCI	Recent transaction price	Recent transaction price	31 December 2021: N/A	N/A
	Valuation multiples	Average P/S multiple of peers	31 December 2022: 4.64	5% increase/decrease in the multiple would result in increase/decrease in fair value by RMB13,854,000/RMB13,854,000

	<u>Valuation technique</u>	<u>Significant unobservable input</u>		<u>Sensitivity of fair value to the input</u>
Equity investment designated at fair value through OCI (continued)	Valuation multiples	Average P/S multiple of peers	31 December 2023: 3.30	5% increase/decrease in the multiple would result in increase/decrease in fair value by RMB12,856,000/RMB12,856,000
			30 September 2024: 2.97	5% increase/decrease in the multiple would result in increase/decrease in fair value by RMB12,405,000/RMB12,405,000
		DLOM	31 December 2022: 24.0%	5% increase/decrease in the multiple would result in decrease/increase in fair value by RMB4,375,000/RMB4,375,000
			31 December 2023: 19.0%	5% increase/decrease in the multiple would result in decrease/increase in fair value by RMB3,016,000/RMB3,016,000
			30 September 2024: 24.0%	5% increase/decrease in the multiple would result in decrease/increase in fair value by RMB3,917,000/RMB3,917,000
Financial liabilities at fair value through profit or loss	Option-pricing method	Risk-free interest rates	31 December 2021: 2.7%	5% increase/decrease in the multiple would result in decrease/increase in fair value by RMB2,351,000/RMB2,375,000

	Valuation technique	Significant unobservable input		Sensitivity of fair value to the input
Financial liabilities at fair value through profit or loss (continued)	Option-pricing method	Risk-free interest rates	31 December 2022: 4.1%	5% increase/decrease in the multiple would result in decrease/increase in fair value by RMB2,186,000/RMB2,392,000
			31 December 2023: 4.0%	5% increase/decrease in the multiple would result in decrease/increase in fair value by RMB164,000/RMB185,000
			30 September 2024: 3.6%	5% increase/decrease in the multiple would result in decrease/increase in fair value by RMB211,000/RMB371,000
		Volatility	31 December 2021: 41.1%	5% increase/decrease in the multiple would result in increase/decrease in fair value by RMB6,420,000/RMB3,962,000
			31 December 2022: 42.2%	5% increase/decrease in the multiple would result in increase/decrease in fair value by RMB2,453,000/RMB2,262,000
			31 December 2023: 41.2%	5% increase/decrease in the multiple would result in increase/decrease in fair value by RMB1,176,000/RMB1,039,000

	Valuation technique	Significant unobservable input		Sensitivity of fair value to the input
Financial liabilities at fair value through profit or loss (continued)	Option-pricing method	Volatility	30 September 2024: 40.0%	5% increase/decrease in the multiple would result in increase/decrease in fair value by RMB197,000/RMB167,000
			DLOM	31 December 2021: 21.0%
			31 December 2022: 19.4%	5% increase/decrease in the multiple would result in decrease/increase in fair value by RMB31,352,000/RMB31,352,000
			31 December 2023: 11.1%	5% increase/decrease in the multiple would result in decrease/increase in fair value by RMB12,837,000/RMB12,837,000
		30 September 2024: 7.8%	5% increase/decrease in the multiple would result in decrease/increase in fair value by RMB13,226,000/RMB13,226,000	

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	
<u>As at 31 December 2021</u>				
Equity investment designated at fair value through OCI	–	–	247,500	247,500
Financial assets at fair value through profit or loss	–	241,679	–	241,679
Total	–	241,679	247,500	489,179
<u>As at 31 December 2022</u>				
Equity investment designated at fair value through OCI	–	–	277,073	277,073
Financial assets at fair value through profit or loss	–	37,346	–	37,346
Total	–	37,346	277,073	314,419
<u>As at 31 December 2023</u>				
Equity investment designated at fair value through OCI	–	–	257,122	257,122
Financial assets at fair value through profit or loss	–	197,285	–	197,285
Total	–	197,285	257,122	454,407
<u>As at 30 September 2024</u>				
Equity investment designated at fair value through OCI	–	–	248,095	248,095
Financial assets at fair value through profit or loss	–	1,606,210	–	1,606,210
Total	–	1,606,210	248,095	1,854,305

Liabilities measured at fair value

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	
<u>As at 31 December 2021</u>				
Financial liabilities at fair value through profit or loss	–	–	2,472,275	2,472,275
<u>As at 31 December 2022</u>				
Financial liabilities at fair value through profit or loss	–	–	2,861,798	2,861,798

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	
<u>As at 31 December 2023</u>				
Financial liabilities at fair value through profit or loss	–	–	3,156,013	3,156,013
	=	=	<u> </u>	<u> </u>
<u>As at 30 September 2024</u>				
Financial liabilities at fair value through profit or loss	–	–	3,166,569	3,166,569
	=	=	<u> </u>	<u> </u>

During the Relevant Periods, there were no transfers into or out of Level 3 for both financial assets and financial liabilities.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise lease liabilities and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The following table demonstrates the sensitivity as at 31 December 2021, 2022 and 2023 and 30 September 2024 to a reasonably possible change in the United States Dollars ("USD") exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the retranslated value of monetary assets and liabilities) and the Group's equity.

	Increase/(decrease) in USD/RMB rate	Increase/(decrease) in profit before tax	Increase/(decrease) in equity
	%	RMB'000	RMB'000
31 December 2021			
If RMB weakens against USD	5	1,685	1,345
If RMB strengthens against USD	(5)	(1,685)	(1,345)
31 December 2022			
If RMB weakens against USD	5	4,418	3,431
If RMB strengthens against USD	(5)	(4,418)	(3,431)
31 December 2023			
If RMB weakens against USD	5	3,736	2,989
If RMB strengthens against USD	(5)	(3,736)	(2,989)
30 September 2024			
If RMB weakens against USD	5	4,876	4,110
If RMB strengthens against USD	(5)	(4,876)	(4,110)

(b) Credit risk

The carrying amounts of cash and bank balances, trade receivables, long-term trade receivables, contract assets and financial assets included in prepayments, other receivables and other assets included in the consolidated statements of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets as at 31 December 2021, 2022 and 2023 and 30 September 2024. The Group classifies financial instruments on the basis of shared credit risk characteristics, such as instrument types and credit risk ratings for the purpose of determining significant increases in credit risk and calculation of impairment.

Cash and bank balances and long-term bank deposits

As at 31 December 2021, 2022 and 2023 and 30 September 2024, all cash and bank balances and long-term bank deposits were deposited in high-credit-quality financial institutions without significant credit risk. These financial assets were not yet past due and their credit exposure is classified as stage 1.

Trade receivables, long-term trade receivables and contract assets

To manage the risk arising from trade receivables, long-term trade receivables and contract assets, the Group has policies in place to ensure that credit terms are made only to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the Group's counterparties. The credit period granted to the customers is generally ranged from 2 days to three months and the credit quality of these customers is assessed, taking into account their financial position, past experience and other factors. The Group also has other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables and contract assets. In addition, the Group reviews regularly the recoverable amount of trade receivables, long-term trade receivables and contract assets to ensure that adequate impairment losses are made. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers.

The Group applies the simplified approach to provide for ECLs prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables, long-term trade receivables and contract assets. The expected credit losses also incorporate forward-looking information based on key economic variables such as inflation rate. As at 31 December 2021, 2022 and 2023 and 30 September 2024, the expected credit loss rate for trade receivables, long-term trade receivables and contract assets was assessed to be minimal.

Other receivables and assets

Management makes periodic collective assessments for financial assets included in prepayments, other receivables and other assets as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The Group has classified financial assets included in prepayments, other receivables and other assets in stage 1 because there was no recent history of default. Management continuously monitors their credit risk. As at 31 December 2021, 2022 and 2023 and 30 September 2024, the loss allowance was assessed to be minimal.

Maximum exposure and year/period-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year/period-end staging classification as at 31 December 2021, 2022 and 2023 and 30 September 2024. The amounts presented are gross carrying amounts for financial assets.

APPENDIX I

ACCOUNTANTS' REPORT

31 December 2021	12-month ECLs		Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	
Trade receivables	–	–	–	34,401	34,401
Financial assets included in prepayments, other receivables and other assets					
– Normal*	22,260	–	–	–	22,260
Long-term bank deposits					
– Not yet past due	40,000	–	–	–	40,000
Cash and bank balances					
– Not yet past due	151,808	–	–	–	151,808
Total	<u>214,068</u>	<u>–</u>	<u>–</u>	<u>34,401</u>	<u>248,469</u>

31 December 2022	12-month ECLs		Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	
Trade receivables	–	–	–	37,511	37,511
Financial assets included in prepayments, other receivables and other assets					
– Normal*	30,786	–	–	–	30,786
Long-term bank deposits					
– Not yet past due	90,000	–	–	–	90,000
Cash and bank balances					
– Not yet past due	1,147,205	–	–	–	1,147,205
Total	<u>1,267,991</u>	<u>–</u>	<u>–</u>	<u>37,511</u>	<u>1,305,502</u>

31 December 2023	12-month ECLs		Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	
Trade receivables	–	–	–	70,416	70,416
Contract assets	–	–	–	9,042	9,042
Financial assets included in prepayments, other receivables and other assets					
– Normal*	33,053	–	–	–	33,053
Restricted cash					
– Not yet past due	124,000	–	–	–	124,000
Long-term bank deposits					
– Not yet past due	41,390	–	–	–	41,390
Cash and bank balances					
– Not yet past due	2,427,979	–	–	–	2,427,979
Total	<u>2,626,422</u>	<u>–</u>	<u>–</u>	<u>79,458</u>	<u>2,705,880</u>

30 September 2024	12-month ECLs		Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	
Trade receivables	–	–	–	151,207	151,207
Long-term trade receivables	–	–	–	65,126	65,126
Contract assets	–	–	–	24,173	24,173
Financial assets included in prepayments, other receivables and other assets					
– Normal*	51,118	–	–	–	51,118
Restricted cash					
– Not yet past due	29,030	–	–	–	29,030
Long-term bank deposits					
– Not yet past due	272,747	–	–	–	272,747
Cash and bank balances					
– Not yet past due	1,709,835	–	–	–	1,709,835
Total	<u>2,062,730</u>	<u>–</u>	<u>–</u>	<u>240,506</u>	<u>2,303,236</u>

* The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance for continuity of funding to finance its working capital needs as well as capital expenditure.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on contractual undiscounted payments, are as follows:

31 December 2021	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	149,591	–	–	–	149,591
Financial liabilities included in other payables and accruals	70,609	–	–	–	70,609
Lease liabilities	49,502	43,797	41,621	1,979	136,899
Financial liabilities at fair value through profit or loss	734,707	–	–	–	734,707
Total	<u>1,004,409</u>	<u>43,797</u>	<u>41,621</u>	<u>1,979</u>	<u>1,091,806</u>

31 December 2022	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	389,543	–	–	–	389,543
Financial liabilities included in other payables and accruals . . .	161,043	–	–	–	161,043
Lease liabilities	55,833	37,329	17,785	1,094	112,041
Financial liabilities at fair value through profit or loss	788,637	–	–	–	788,637
Total	<u>1,395,056</u>	<u>37,329</u>	<u>17,785</u>	<u>1,094</u>	<u>1,451,264</u>
31 December 2023	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	601,272	–	–	–	601,272
Financial liabilities included in other payables and accruals . . .	192,759	–	–	–	192,759
Interest-bearing other borrowings	124,000	–	–	–	124,000
Lease liabilities	45,843	22,629	5,171	141	73,784
Financial liabilities at fair value through profit or loss	842,568	–	–	–	842,568
Total	<u>1,806,442</u>	<u>22,629</u>	<u>5,171</u>	<u>141</u>	<u>1,834,383</u>
30 September 2024	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	612,127	–	–	–	612,127
Financial liabilities included in other payables and accruals . . .	236,384	–	–	–	236,384
Interest-bearing bank borrowings . . .	204	11,850	109,150	–	121,204
Lease liabilities	41,971	16,498	5,044	–	63,513
Financial liabilities at fair value through profit or loss	882,461	–	–	–	882,461
Total	<u>1,773,147</u>	<u>28,348</u>	<u>114,194</u>	<u>–</u>	<u>1,915,689</u>

(d) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirement. No change was made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes lease liabilities but excludes financial liabilities designated at fair value through profit or loss). Adjusted capital comprises all components of equity and financial liabilities designated at fair value through profit or loss. The adjusted net debt-to-capital ratios as at 31 December 2021, 2022 and 2023 and 30 September 2024 were as follows:

	31 December			30 September
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total liabilities	3,249,311	3,848,270	4,537,423	4,623,109
Less: Financial liabilities at fair value through profit or loss	(2,472,275)	(2,861,798)	(3,156,013)	(3,166,569)
Adjusted net debt	<u>777,036</u>	<u>986,472</u>	<u>1,381,410</u>	<u>1,456,540</u>
Equity attributable to owners of the parent.	(1,216,193)	(832,382)	582,992	1,681,849
Add: Financial liabilities at fair value through profit or loss	<u>2,472,275</u>	<u>2,861,798</u>	<u>3,156,013</u>	<u>3,166,569</u>
Adjusted capital	<u>1,256,082</u>	<u>2,029,416</u>	<u>3,739,005</u>	<u>4,848,418</u>
Adjusted net debt-to-capital ratio	<u>61.9%</u>	<u>48.6%</u>	<u>36.9%</u>	<u>30.0%</u>

43. EVENTS AFTER THE RELEVANT PERIODS

On 6 January 2025, the Company passed a board resolution and shareholders resolution to declare a dividend of RMB1.74 billion to existing shareholders, of which RMB0.4 billion had been settled by cash in January 2025.

44. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the subsidiaries in respect of any period subsequent to 30 September 2024.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's Reporting Accountants, as set out in Appendix I to this prospectus, and is included herein for information purpose only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to owners of the Company as of 30 September 2024 as if the Global Offering had taken place on 30 September 2024.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company had the Global Offering been completed as of 30 September 2024 or any future dates.

	Consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2024	Estimated net proceeds from the Global Offering	Estimated impact to the consolidated net tangible assets of the Group attributable to owners of the Company upon conversion of convertible redeemable preferred shares	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2024	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per share as at 30 September 2024	
	<i>RMB'000</i> <i>(note 1)</i>	<i>RMB'000</i> <i>(note 2)</i>	<i>RMB'000</i> <i>(note 3)</i>	<i>RMB'000</i>	<i>RMB</i> <i>(note 4)</i>	<i>HK\$</i> <i>(note 5)</i>
Based on an Offer Price of HK\$8.68 per Share . . .	1,680,943	1,193,112	3,166,569	6,040,624	2.59	2.81
Based on an Offer Price of HK\$9.94 per Share . . .	1,680,943	1,369,690	3,166,569	6,217,202	2.67	2.90

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

1. The consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2024 are based on consolidated net assets of the Group attributable to owners of the Company as at 30 September 2024 of approximately RMB1,681,849,000, after netting off other intangible assets of the Group as at 30 September 2024 of approximately RMB906,000 as shown in the Accountants' Report set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$8.68 and HK\$9.94 per Share, being the low and high end of the indicative Offer Price range, respectively, after deduction of underwriting fees and other listing related expenses payable by the Company (excluding listing expenses which have been recognised in profit or loss during the Track Record Period) and do not take into account any share which may be sold and offered upon exercise of the Offer Size Adjustment Option and the Over-allotment Option.
3. Upon the Listing and the completion of the Global Offering, all the preferred shares will be automatically converted into ordinary shares of the Company. The convertible redeemable preferred shares will then be transferred from liabilities to equity. Accordingly, for the purpose of the unaudited pro forma statement of adjusted consolidated net tangible assets, had the conversion of preferred shares into ordinary shares of the Company been completed as of 30 September 2024, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company will be increased by RMB3,166,569,000, being the carrying amounts of the preferred shares as of 30 September 2024.
4. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share are arrived at after adjustments referred to notes 2 and 3 above and on the basis that 2,332,525,060 shares are in issue, assuming that the conversion of preferred shares into ordinary shares of the Company, the issuance of shares under equity-settled share-based payment plan and the Global Offering had been completed on 30 September 2024, without taking into account of any shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and the Over-allotment Option.
5. For the purpose of this unaudited pro forma statement of adjusted consolidated net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at an exchange rate of HK\$1 to RMB0.9204. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or any other rates or at all.
6. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group to reflect any trading results or other transactions for the Group entered into subsequent to 30 September 2024.
7. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as shown on page II-1 have not been adjusted to illustrate the effect of the following:

In January 2025, the Company declared a dividend of RMB1.74 billion to the existing shareholders prior to the Listing based on the Company's share premium and retained profits from subsidiaries of the Company as of 30 September 2024. Had the payment of the declared dividend been made on 30 September 2024, the unaudited pro forma adjusted consolidated net tangible assets of the Group would decrease from RMB6,040,624,000 to RMB4,300,624,000 based on Offer Price of HK\$8.68 per Share, or from RMB6,217,202,000 to RMB4,477,202,000 based on Offer Price of HK\$9.94 per Share. Had the Global Offering and the dividend declaration been taken into account, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2024 per Share would be RMB1.84 (equivalent to HK\$2.00) based on an Offer Price of HK\$8.68 per Share and RMB1.92 (equivalent to HK\$2.09) based on an Offer Price of HK\$9.94 per Share, respectively, on the basis that a total of 2,332,525,060 shares were in issue assuming that the Global Offering had been completed on 30 September 2024. These amounts are converted from Renminbi to Hong Kong dollars or Hong Kong dollars to Renminbi at an exchange rate of HK\$1 to RMB0.9204. No representation is made that Renminbi/Hong Kong dollars amount have been, could have been or may be converted to Hong Kong dollars/Renminbi at that rate or at all. After the Listing, the Company intends to declare and distribute a special dividend in an amount of no less than RMB2 billion to its shareholders, which has not been taken into account in the calculation of the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2024.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

The following is the text of a report, prepared for inclusion in this document, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



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To the Directors of Guming Holdings Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Guming Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 30 September 2024, and related notes as set out on pages II-1 to II-2 of the prospectus dated 4 February 2025 issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in pages II-1 to II-2 to the prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group’s financial position as at 30 September 2024 as if the transaction had taken place at 30 September 2024. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the period ended 30 September 2024, on which an accountants’ report has been published.

Directors’ responsibility 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 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (the “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 behavior.

Our firm applies Hong Kong Standard on Quality Management 1 *Quality Management for Firms that Perform Audits and Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management including policies or 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 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 purposes 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 the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if 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 the transaction 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 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' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the 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.

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 purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Ernst & Young

Certified Public Accountants

Hong Kong

4 February 2025

The estimated consolidated profit attributable to owners of our Company for the year ended December 31, 2024 is set out in “Financial Information–Profit estimate for the year ended December 31, 2024” in this prospectus.

A. BASES

Our Directors have prepared the estimate of the consolidated profit attributable to owners of our Company for the year ended December 31, 2024 (the “**Profit Estimate**”) on the basis of (i) the audited consolidated results of our Group for the nine months ended September 30, 2024; and (ii) the unaudited consolidated results of our Group for the three months ended December 31, 2024 based on the management accounts of our Group.

The Profit Estimate has been prepared on the basis of the accounting policies consistent in all material respects with those currently adopted by our Group as summarised in the Accountants’ Report as set out in Appendix I to this prospectus.

B. PROFIT ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2024

On the basis set out in Appendix IIA to this prospectus, and in the absence of unforeseen circumstances, we estimate that our unaudited consolidated profit attributable to owners of our Company for the year ended December 31, 2024 is as follows:

Estimated consolidated profit attributable
to owners of our Company Not less than RMB1.4 billion

C. LETTER FROM THE REPORTING ACCOUNTANTS

The following is the text of a letter, prepared for the inclusion in this prospectus, received from our Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, in connection with the estimate of the consolidated profit attributable to owners of our Company for the year ended 31 December 2024.



Ernst & Young
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Quarry Bay, Hong Kong

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The Board of Directors
Guming Holdings Limited

Goldman Sachs (Asia) L.L.C.
UBS Securities Hong Kong Limited

4 February 2025

Dear Sirs,

Guming Holdings Limited (“the Company”)

Profit estimate for year ended 31 December 2024

We refer to the estimate of the consolidated profit attributable to equity holders of the Company for the year ended 31 December 2024 (“the Profit Estimate”) set forth in the section headed “Summary” in the prospectus of the Company dated 4 February 2025 (“the Prospectus”).

Directors’ responsibilities

The Profit Estimate has been prepared by the directors of the Company based on the audited consolidated results of the Company and its subsidiaries (collectively referred to as “the Group”) for the nine months ended 30 September 2024 and the unaudited consolidated results based on the management accounts of the Group for the three months ended 31 December 2024.

The Company’s directors are solely responsible for the Profit Estimate.

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 Hong Kong Institute of Certified Public Accountants (“HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, 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 on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 *Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness* and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company’s directors have properly compiled the Profit Estimate in accordance with the bases adopted by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors as set out in Appendix IIA of the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants’ report dated 4 February 2025, the text of which is set out in Appendix I of the Prospectus.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

D. LETTER FROM THE JOINT SPONSORS



The Board of Directors
Guming Holdings Limited 古茗控股有限公司

February 4, 2025

Dear Sirs,

We refer to the profit estimate of the consolidated profit attributable to owners of Guming Holdings Limited (the “**Company**”) for the year ended December 31, 2024 (the “**Profit Estimate**”) set forth in the section headed “Financial Information — Profit estimate for the year ended December 31, 2024” in the prospectus of the Company dated February 4, 2025 (the “**Prospectus**”).

The Profit Estimate, for which you as the Directors of the Company are solely responsible for, has been prepared by the Directors of the Company based on the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the nine months ended September 30, 2024 and the unaudited consolidated results based on the management accounts of the Group for the three months ended December 31, 2024.

We have discussed with you the bases made by the Directors of the Company as set forth in Appendix IIA to the Prospectus, upon which the Profit Estimate has been made. We have also considered, and relied upon, the letter dated February 4, 2025 addressed to you and us from Ernst & Young, the reporting accountants of the Company (the “**Reporting Accountants**”), regarding the accounting policies and calculations upon which the Profit Estimate has been made.

On the basis of the information comprising the Profit Estimate and on the basis of the accounting policies and calculations adopted by you and reviewed by the Reporting Accountants, we are of the opinion that the Profit Estimate, for which you as the Directors of the Company are solely responsible for, has been made after due and careful enquiry.

Yours faithfully,

For and on behalf of
Goldman Sachs (Asia) L.L.C.
Jacky Yui Hei Leung
Managing Director

For and on behalf of
UBS Securities Hong Kong Limited
Fiona Ho
Executive Director

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of the Cayman Islands company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 31 August 2021 under the Cayman Companies Act. Our Company's constitutional documents consist of its Memorandum of Association and its Articles of Association.

1. MEMORANDUM OF ASSOCIATION

The Memorandum states, inter alia, that the liability of members of our Company is limited to the amount from time to time unpaid on such member's shares and that the objects for which our Company is established are unrestricted (including acting as an investment company), and that our Company shall have and be capable of exercising any and all of the powers exercisable by a natural person or body corporate in any part of the world whether as principal, agent, contractor or otherwise and in view of the fact that our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on January 27, 2025 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of our Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Cayman Companies Act, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the voting rights of the 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. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (including at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third of the issued shares of that class. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

Our Company may by ordinary resolution of its members:

- (aa) increase its share capital as provided in the Articles;
- (bb) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (cc) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as our Company in general meeting or as the Board may determine;
- (dd) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum;
- (ee) cancel any shares, which at the date of passing of the resolution, have not been taken and diminish the amount of its share capital by the amount of the shares so cancelled;
- (ff) make provision for the issue and allotment of shares which do not carry any voting rights;
- (gg) change the currency of denomination of its share capital; and
- (hh) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

Our Company may by special resolution reduce its share capital or any capital redemption reserve or other undistributable reserve in any way and subject to any conditions prescribed by law.

(iv) Transfer of shares

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 which 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.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration, and be registered, in the case of any shares on a branch register, at the relevant registration office, and, in the case of any shares on the principal register, at the transfer office.

The Board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Board is paid to our Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share, is lodged at the relevant registration office, the registered office or the transfer office accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do), and the shares are free of any lien in favour of our Company.

The registration of transfers may be suspended and the register may be closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange to that effect be suspended at such times and for such periods (not exceeding in the whole 30 days in any year) as the Board may determine. The period of 30 days may be extended for a further period or periods not exceeding 30 days in respect of any year if approved by members by ordinary resolution.

Fully paid shares are free from any restriction on transfer (except when permitted by the Stock Exchange) and free of all liens.

(v) Power of our Company to purchase its own shares

Our Company is empowered by the Cayman Companies Act and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of our Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

The Board may accept the surrender for no consideration of any fully paid shares.

(vi) Power of any subsidiary of our Company to own shares in our Company

There are no provisions in the Articles relating to the ownership of shares in our Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at a fixed time. A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares, but shall, nevertheless, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the forfeited shares, together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment (including the payment of such interest) at such rate not exceeding 20% per annum as the Board may determine.

(b) Directors**(i) *Appointment, retirement and removal***

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification. Further, a Director is not required to retire upon reaching any particular age.

The Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director subject to the maximum number determined from time to time by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy or as an addition to the existing Board shall hold office only until the first annual general meeting of our Company after his appointment and shall then be eligible for re-election.

The members may by ordinary resolution remove any Director (including a managing Director or other executive Director) before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and may by ordinary resolution appoint another person in his stead. Any Director so appointed shall be subject to the “retirement and rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if:

- (aa) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally; or
- (bb) he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated; or

- (cc) if he absents himself from the meetings of the Board during a continuous period of six months, without special leave of absence from the Board, and his alternate Director (if any) shall not during such period have attended in his stead, and the Board pass a resolution that he has by reason of such absence vacated his office; or
- (dd) he becomes prohibited by law from acting as a Director or he ceases to be a Director by operation of law or is removed pursuant to the Articles; or
- (ee) he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or
- (ff) he resigns; or
- (gg) he is removed from office by an ordinary resolution pursuant to the Articles; or
- (hh) he is removed from office by notice in writing served on him signed by not less than three-fourths in number (or if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

The Board may appoint any one or more of them to the office of managing director, joint managing director, deputy managing director or other executive director and/or such other office in the management of the business of the Company as it may decide for such period and upon such terms as it thinks fit. The Board may delegate any of its powers, authorities and discretions to committees consisting of such Director(s) and other persons as it thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Act, the Memorandum and Articles and without prejudice to any special rights or restrictions attaching to any shares or any class of shares, (a) 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 Directors may determine; or (b) shares may be issued on the terms that may be, or at the option of our Company or the holder are, liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of our Company on such terms as the Board may determine.

Subject to the provisions of the Cayman Companies Act and the Articles and, where applicable, the Listing Rules and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company are at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither our Company nor the Board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares or other securities of our Company, to make, or make available, any such allotment, offer, option or shares or other securities of our Company to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, and shall be deemed not to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of our Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Cayman Companies Act to be exercised or done by our Company in general meeting.

(iv) Borrowing powers

The Board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of our Company and, subject to the Cayman Companies Act, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or our Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is voted) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the ordinary remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in or about the performance of their duties as Directors.

Any Director who, at the request of our Company, goes or resides abroad for any purpose of our Company or who performs services which in the opinion of the Board go beyond the ordinary duties of such Director may be paid such extra remuneration as the Board may determine and such extra remuneration may be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director or a Director appointed to be a managing director, joint managing director, deputy managing director or any other executive officer may receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The Board may establish, either on its own or jointly with other companies (being subsidiary companies of our Company or companies with which it is associated in business) and maintain any funds or plans for providing pensions, allowances or emoluments for employees and ex-employees of our Company and their dependants.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by our Company in general meeting.

(vii) Loans and provision of security for loans to Directors

Except as would, if the Company were a company incorporated in Hong Kong, be permitted by the Companies Ordinance and the Cayman Companies Act, our Company shall not directly or indirectly make a loan to a Director or a director of any holding company of our Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of our Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interests in contracts with our Company or any of its subsidiaries

A Director may hold any other office or place of profit with our Company (except that of the auditor of our Company) in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any other company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other

company. The Directors may exercise the voting power conferred by the shares in any other company held or owned by our Company in such manner in all respects as they think fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with our Company either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall declare the nature of his interest in any such contract or transaction at or prior to the consideration and vote on such contract or transaction, either specifically or by way of a general notice stating that, by reason of the facts specified in such notice, he is to be regarded as interested in any such contract or transaction.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his close associates has/have a material interest, and if he shall do so his vote shall not be counted (nor shall he be counted in the quorum for that resolution), but this prohibition does not apply to any of the following matters namely:

- (aa) the giving of any security or indemnity either: (x) to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of our Company or any of its subsidiaries; or (y) to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (bb) any proposal concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (cc) any proposal or arrangement concerning the benefit of employees of our Company or its subsidiaries including the adoption, modification or operation of (x) any employees' share scheme, or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (y) a pension fund or retirement, death or disability benefits scheme which relates both to Directors, his

close associates and employees of our Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates; and

- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company.

(c) Proceedings of the Board

The Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(d) Alterations to constitutional documents and our Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, a special resolution shall be required to alter the provisions of the Memorandum, to approve any amendment of the Articles or to change the name of our Company.

(e) Meetings of members

(i) *Special and ordinary resolutions*

A special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Cayman Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share of which he is the holder which is fully paid or credited as fully paid but so that no amount paid up or credited as paid up on a share in advance of calls or instalments shall be treated for the purposes of the Articles as paid on the share. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. On a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall (save as provided otherwise in the Articles) have one vote.

Where a clearing house (or its nominee(s)) is a member of our Company, it may (subject to the Articles) authorise such person or persons as it thinks fit to act as its representative or representatives, at any meeting (including but not limited to any general meeting, creditors meeting or at any meeting of any class of members) of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the clearing house (or its nominee(s)) as if such person were an individual member including the right to speak and vote, and where a show of hands is allowed, the right to vote individually on a show of hands.

Members must have the right to: (i) speak at general meetings of our Company; and (ii) vote at a general meeting except where a member is required, by the Listing Rules, to abstain from voting to approve the matter under consideration.

Where our Company has any knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

In each financial year during the Relevant Period (as defined in the Articles), our Company shall hold an annual general meeting within six months after the end of each financial year in addition to any other meeting in that year and shall specify the meeting as such in the notice calling it.

Extraordinary general meetings shall be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of our Company having the right of voting at general meetings, on a one vote per share basis in the share capital of our Company and the foregoing members shall be able to add resolutions to the meeting agenda. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by our Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting shall be called by a notice in writing of not less than 21 days. All other general meetings shall be called by notice in writing of at least 14 days. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time and place and the agenda of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of our Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from our Company, and also to, among others, the auditors for the time being of our Company.

Any notice or document to be given to or by any person pursuant to the Articles may be served on or delivered to any member of our Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to the Cayman Companies Act and the Listing Rules, a notice or document may also be served or delivered by our Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting shall be deemed special. All business shall be deemed special that is transacted at an annual general meeting with the exception of the following, each of which shall be deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheets and the reports of the Directors and the auditors and other documents required to be annexed to the balance sheets;
- (cc) the election of Directors whether by rotation or otherwise in place of those retiring;

- (dd) the appointment of auditors and other officers;
- (ee) the fixing of, or the determining of the method of fixing of the remuneration of the Directors and of the auditors;
- (ff) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares representing not more than 20% (or such other percentage as may from time to time be specified in the Listing Rules) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to paragraph (gg); and
- (gg) the granting of any mandate or authority to the Board to repurchase securities of our Company.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless the requisite quorum is present at the time when the meeting proceeds to business.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (including an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third of the issued shares of that class.

(vi) *Proxies*

Any member of our Company entitled to attend and vote at a meeting of our Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, every member being a corporation shall be entitled to appoint a representative to attend and vote at any general meeting of our Company and, where a corporation is so represented, it shall be treated as being present at any meeting in person. A corporation may execute a form of proxy under the hand of a duly authorised officer and such a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. On a poll or a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The Board shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of our Company and of all other matters required by the Cayman Companies Act or necessary to give a true and fair view of the state of our Company's affairs and to show and explain its transactions.

The accounting records shall be kept at the head office or at such other place or places as the Board thinks fit and shall always be open to inspection by the Directors. No member (other than a Director) or other person shall have any right to inspect any account or book or document of our Company except as conferred by the Cayman Companies Act or ordered by a court of competent jurisdiction or authorised by the Board or our Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority of the Cayman Islands pursuant to the Tax Information Authority Act of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before our Company at its annual general meeting, together with a copy of the Directors' report and a copy of the auditors' report, shall not less than 21 days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles; however, subject to compliance with the Cayman Companies Act and all applicable rules, including the Listing Rules, our Company may send to such persons summarised financial statements derived from our Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarised financial statements, a complete printed copy of our Company's annual financial statement and the Directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall by ordinary resolution appoint an auditor to audit the accounts of our Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by ordinary resolution remove the auditor at any time before the expiration of his term of office and shall, by ordinary resolution, at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed and approved by our Company by an ordinary resolution passed at a general meeting or in such manner as the members may by ordinary resolution determine.

The auditor shall audit the financial statements of our Company in each year in accordance with generally accepted auditing standards and prepare an auditors' report thereon to be annexed thereto. Such report shall be submitted to the members and laid before our Company in the annual general meeting.

(g) Dividends and other methods of distribution

Our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

The Articles provide dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Cayman Companies Act.

Unless and to the extent that the rights attaching to, or the terms of issue of, any share may otherwise provide: (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and (ii) all dividends shall be (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

Whenever the Board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our Company, the Board may further resolve either (i) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (ii) that members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Our Company may upon the recommendation of the Board by ordinary resolution resolve in respect of any one particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other moneys payable in cash to the holder of shares may be paid by cheque or warrant sent through post. Every such cheque or warrant shall be made payable to the order of the holder of the person to whom it is sent, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends and other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or our Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends, bonuses or other distributions or the proceeds of the realisation of any of the foregoing unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends or bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

(h) Inspection of corporate records

Pursuant to the Articles, our Company's register and branch register of members shall be open to inspection during business hours by any members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the Board, at the registered office or such other place at which the register is kept in accordance with the Cayman Companies Act or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the Board, at the office where the branch register of members is kept, except the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of our Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix III.

(j) Procedures on liquidation

Subject to the Cayman Companies Act, our Company may at any time and from time to time be wound up voluntarily by a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if our Company is wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the surplus assets remaining after payment to all creditors shall be distributed *pari passu* and divided among the members in proportion to the amount paid up on the shares held by them respectively; and

- (ii) if our Company is wound up and the assets available for distribution amongst the members shall be insufficient to repay the whole of the paid-up capital, they shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If our Company is wound up (whether the liquidation be voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Cayman Companies Act, divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no members shall be compelled to accept any shares or other assets upon which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that they are not prohibited by and are in compliance with the Cayman Companies Act, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the nominal value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the nominal value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

Our Company is incorporated in the Cayman Islands subject to the Cayman Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of the Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar. For the avoidance of doubt, special resolution used in the below summary shall have the meaning as set out in the Cayman Companies Act.

(a) Company operations

As an exempted company, our Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Cayman Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Cayman Companies Act provides that the share premium account may be applied by a company subject to the provisions, if any, of its memorandum and articles of association in (i) paying distributions or dividends to members; (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (iii) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Act); (iv) writing-off the preliminary expenses of the company; and (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Cayman Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “**Court**”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Cayman Companies Act expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company

may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company are to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not to be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Cayman Companies Act.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Cayman Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of a company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Court ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (i) an act which is ultra vires the company or illegal; (ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and (iii) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order: (i) an order regulating the conduct of the company's affairs in the future; (ii) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do; (iii) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct; or (iv) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Cayman Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority of the Cayman Islands pursuant to the Tax Information Authority Act of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

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 executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Cayman Companies Act prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Cayman Companies Act to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's articles of association.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by section 40 of the Cayman Companies Act. A branch register must be kept in the same manner in which a principal register is by the Cayman Companies Act required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Cayman Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority of the Cayman Islands pursuant to the Tax Information Authority Act of the Cayman Islands.

(o) Register of directors and officers

A company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers.

(p) Winding up

A company may be wound up (i) compulsorily by order of the Court; (ii) voluntarily; or (iii) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(q) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (i) 75% in value of shareholders or class of shareholders, or (ii) a majority in number representing 75% in value of creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

The Cayman Companies Act also contains statutory provisions which provide that a company may present a petition to the Court for the appointment of a restructuring officer on the grounds that the company (i) is or is likely to become unable to pay its debts within the meaning of section 93 of the Cayman Companies Act; and (ii) intends to present a compromise or arrangement to its creditors (or classes thereof) either, pursuant to the Cayman Companies Act, the law of a foreign country or by way of a consensual restructuring. The petition may be presented by a company acting by its directors, without a resolution of its shareholders or an express power in its articles of association. On hearing such a petition, the Court may, among other things, make an order appointing a restructuring officer or make any other order as the Court thinks fit.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g., for purporting to provide indemnification against the consequences of committing a crime).

(t) Economic substance requirements

Pursuant to the International Tax Cooperation (Economic Substance) Act (As Revised) of the Cayman Islands (the “**ES Act**”) that came into force on 1 January 2019, a “relevant entity” is required to satisfy the economic substance test set out in the ES Act. A “relevant entity” includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Act.

4. GENERAL

Ogier, our Company’s legal counsel as to Cayman Islands law, have sent to our Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Cayman Companies Act, is available on display as referred to in the section headed “Documents delivered to the Registrar of Companies and on display — Documents Available on Display” in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation**

Our Company was incorporated under the laws of the Cayman Islands as an exempted company with limited liability on August 31, 2021.

Our registered office address is at 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands. Our Company's corporate structure and Memorandum and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles of Association is set out in Appendix III to this document.

We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on January 8, 2024 with the Registrar of Companies in Hong Kong. Our principal place of business in Hong Kong is at Room 1910, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong. Ms. Ying Man Sham has been appointed as the authorized representative of our Company for the acceptance of service of process and any notices required to be served on the Company in Hong Kong. The address for service of process is the same as our principal place of business in Hong Kong as set out above.

As at the date of this document, our Company's head office is located at 5/F, Tower A, Science and Technology Innovation Center, 618 Boxue Road, Xiaoshan District, Hangzhou, Zhejiang Province, China.

2. Changes in Share Capital of Our Company

Our Company was incorporated with an authorized share capital of US\$50,000 divided into 5,000,000,000 shares with a par value of US\$0.00001 each.

The following sets out the changes in our Company's issued capital within the two years immediately preceding the date of this document:

- (a) On September 15, 2023, our Company issued 4,347,820 Series A-2 Preferred Shares to New Budding Capital Inc.
- (b) On December 27, 2023, our Company issued an aggregate of 217,391,300 ordinary shares to Modern Leaves Limited, Chivalrous Lancers Limited, Thriving Leafbuds Limited and Nascent Sprouts Limited.
- (c) On December 24, 2024, Thriving Leafbuds Limited and Nascent Sprouts Limited surrendered 10,855,073 ordinary Shares and 1,376,812 ordinary Shares to our Company, respectively, and on the same day, our Company issued 12,231,885 ordinary Shares to Flourishing Leaves Limited.

Save as disclosed above and in the section headed "History, Reorganization and Corporate Structure" in this document, there has been no alteration in the share capital of our Company within the two years immediately preceding the date of this document.

3. Changes in the Share Capital of Members of Our Group

On January 13, 2023, the registered capital of Guming Technology was decreased from RMB454,347,826 to RMB360,000,000.

Save as disclosed above, there has been no alteration in the share capital of any members of our Group within the two years immediately preceding the date of this document.

4. Resolutions Passed by Our Shareholders in Relation to the Global Offering

On January 27, 2025, the following resolutions, among other things, were duly passed by our Shareholders by way of written resolutions:

- (a) conditional on (i) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as stated in this document and such listing and permission not subsequently having been revoked prior to the commencement of dealing in the Shares on the Stock Exchange; (ii) the Offer Price having been determined; and (iii) the obligations of the Underwriters under each of the Underwriting Agreements becoming unconditional (including if relevant, as a result of the waiver of any condition(s) thereunder) and such obligations not having been terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
 - (i) all of the Preferred Shares of par value US\$0.00001 each, whether issued or unissued, be converted as Shares of US\$0.00001 each on a one-for-one basis and each issued Preferred Share be converted into one Share with effect from the Listing Date by way of repurchasing the relevant Preferred Shares by the Company out of the proceeds made from the issue of the equivalent number of new Shares;
 - (ii) the Global Offering, the Listing, the Offer Size Adjustment Option and the Over-allotment Option were approved, and our Directors were authorized to negotiate and agree the Offer Price and to allot and issue the Offer Shares (including pursuant to the Offer Size Adjustment Option and the Over-allotment Option);
 - (iii) a general mandate (the “**Sale Mandate**”) was granted to our Directors to allot, issue, and deal with any Shares or securities convertible into Shares (including the resale or transfer of treasury shares by our Company) and to make or grant offers, agreements, or options which would or might require Shares to be allotted, issued, or dealt with, provided that the number of Shares so allotted, issued, or dealt with or agreed to be allotted, issued, or dealt with by our Directors, shall not exceed 20% of the total number of Shares in issue immediately following completion of the Global Offering;

- (iv) a general mandate (the “**Repurchase Mandate**”) was granted to our Directors to repurchase our own Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares will represent up to 10% of the total number of Shares in issue immediately following completion of the Global Offering; and
 - (v) the Sale Mandate was extended by the addition to the total number of Shares which may be allotted and issued or agreed to be allotted and issued (including the resale or transfer of treasury shares) by our Directors pursuant to such general mandate of an aggregate number of the Shares to be purchased by our Company pursuant to the Repurchase Mandate, provided that such extended number shall not exceed 10% of the total number of the Shares in issue immediately following completion of the Global Offering; and
- (b) the Memorandum and Articles of Association were approved and adopted conditional upon Listing on the Listing Date.

Each of the general mandates referred to above will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;
- (b) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the memorandum and articles of association of our Company; and
- (c) the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority.

5. Explanatory Statement on Repurchase of Our Own Securities

The following summarizes restrictions imposed by the Listing Rules on share repurchases by a company listed on the Stock Exchange and provides further information about the repurchase of our own securities.

(a) Shareholders' approval

A listed company whose primary listing is on the Stock Exchange may only purchase its shares on the Stock Exchange, either directly or indirectly, if: (i) the shares proposed to be purchased are fully-paid up, and (ii) its shareholders have given a specific approval or general mandate by way of an ordinary resolution of shareholders.

(b) Size of mandate

The exercise in full of the Repurchase Mandate, on the basis of 2,332,525,060 Shares in issue immediately following completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised and no Shares are issued under the Post-IPO Share Scheme), could accordingly result in up to approximately 233,252,506 Shares being repurchased by our Company.

The total number of shares which a listed company may repurchase on the Stock Exchange may not exceed 10% of the number of issued shares (excluding any treasury shares) as of the date of the shareholders' approval.

(c) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and the Shareholders.

(d) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the applicable Laws of the Cayman Islands.

Our Company shall not repurchase its own Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any repurchases by our Company may be made out of profits or out of an issue of new shares made for the purpose of the repurchase or, if authorized by its Memorandum and Articles of Association and subject to the Cayman Companies Act, out of capital, and, in the case of any premium payable on the purchase out of profits or from sums standing to the credit of our share premium account or, if authorized by its Memorandum and Articles of Association and subject to the Cayman Companies Act, out of capital.

(e) Suspension of repurchase

A listed company shall not repurchase its shares on the Stock Exchange at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of 30 days immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the company's results for any year, half-year, quarterly, or

any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the company to announce its results for any year or half-year under the Listing Rules, or quarterly, or any other interim period (whether or not required under the Listing Rules), until the date of the results announcement, the company may not repurchase its shares on the Stock Exchange unless there are exceptional circumstances.

(f) Trading restrictions

As noted above, the number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the number of shares in issue (excluding treasury shares) as at the date of the shareholders' approval. Our Company may not issue Shares, sell or transfer treasury shares, or announce a proposed issue of Shares, or a sale or transfer of any treasury shares for a period of 30 days immediately following a repurchase of Shares without the prior approval of the Stock Exchange. Such restriction does not apply to (i) a new issue of Shares, or a sale or transfer of treasury shares under capitalization issue; (ii) a grant of share awards or options under a share scheme that complies with Chapter 17 of the Listing Rules or a new issue of Shares or a transfer of treasury shares upon vesting or exercise of shares awards or options under the share scheme that complies with Chapter 17 of the Listing Rules; and (iii) a new issue of Shares or a transfer of treasury shares pursuant to the exercise of warrants, share options or similar instruments requiring our Company to issue Shares or transfer treasury shares, which were outstanding prior to the purchase of its own Shares.

A listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

A listed company may not repurchase its shares if that repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

(g) Status of repurchased shares

Our Company may cancel any repurchased Shares (upon which the certificates for such shares must be cancelled and destroyed) and/or hold them as treasury shares subject to, among others, market conditions and its capital management needs at the relevant time of the repurchases, which may change due to evolving circumstances. Shareholders and potential investors should pay attention to any announcement to be published by us in the future, including but without limitation, any next day disclosure return (which shall identify, amongst others, the number of repurchased Shares that are to be held as treasury shares or cancelled upon settlement of such repurchases).

The listing status of all Shares which are held as treasury shares will be retained. Our Company will ensure that treasury shares are appropriately identified and segregated. For any treasury shares deposited with CCASS pending resale on the Stock Exchange, our Company will ensure that it would not exercise any shareholders' rights or receive any entitlements which would otherwise be suspended under the relevant laws if those shares were registered in our Company's own name as treasury shares by, including but not limited to, obtaining an approval by the board of our Company that (i) our Company should procure its broker not to give any instructions to HKSCC to vote at general meetings for the treasury shares deposited with CCASS; and (ii) in the case of dividends or distributions, our Company should withdraw the treasury shares from CCASS, and either re-register them in its own name as treasury shares or cancel them, in each case before the record date for the dividends or distributions.

The listing status of all Shares which are purchased by our Company (whether on the Stock Exchange or otherwise) but not held as treasury shares shall be automatically cancelled upon repurchase. Our Company shall ensure that the documents of title of these repurchased Shares are cancelled and destroyed as soon as reasonably practicable following settlement of any such repurchase.

(h) Close associates and core connected persons

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates have a present intention, in the event the Repurchase Mandate is approved, to sell any Shares to our Company.

No core connected person of our Company has notified our Company that they have a present intention to sell Shares to our Company, or have undertaken to do so, if the Repurchase Mandate is approved.

A listed company shall not knowingly purchase its shares on the Stock Exchange from a core connected person (namely a director, chief executive or substantial shareholder of the company or any of its subsidiaries, or a close associate of any of them), and a core connected person shall not knowingly sell their interest in shares of the company to it.

(i) Takeover implications

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

(j) General

If the Repurchase Mandate were to be carried out in full at any time, there may be a material adverse impact on our working capital or gearing position (as compared with the position disclosed in our most recent published audited accounts). However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would have a material adverse effect on our working capital or gearing position.

Our Directors will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands. Our Directors confirm that to the best of their knowledge and belief, neither this explanatory statement for the Repurchase Mandate nor the proposed share repurchase has any unusual features.

We have not made any repurchases of our Shares in the previous six months.

FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following are contracts (not being contracts entered into in the ordinary course of business) entered into by any member of our Group within the two years immediately preceding the date of this document that are or may be material:

- (a) the Hong Kong Underwriting Agreement.
- (b) a cornerstone investment agreement dated January 27, 2025 entered into among the Company, Huang River Investment Limited, Goldman Sachs (Asia) L.L.C., UBS Securities Hong Kong Limited, UBS AG Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited, and The Hongkong and Shanghai Banking Corporation Limited, pursuant to which Huang River Investment Limited agreed to subscribe for Offer Shares at the Offer Price of an amount equal to the Hong Kong dollar equivalent of US\$25.0 million, in accordance with the terms of the cornerstone investment agreement.
- (c) a cornerstone investment agreement dated January 27, 2025 entered into among the Company, GM Charm Yield (BVI) Limited, Goldman Sachs (Asia) L.L.C., UBS Securities Hong Kong Limited, UBS AG Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited, and The Hongkong and Shanghai Banking Corporation Limited, pursuant to which GM Charm Yield (BVI) Limited agreed to subscribe for Offer Shares at the Offer Price of an amount equal to the Hong Kong dollar equivalent of US\$15.0 million, in accordance with the terms of the cornerstone investment agreement.

- (d) a cornerstone investment agreement dated January 27, 2025 entered into among the Company, Golden Valley Global Limited, Goldman Sachs (Asia) L.L.C., UBS Securities Hong Kong Limited, UBS AG Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited, and The Hongkong and Shanghai Banking Corporation Limited, pursuant to which Golden Valley Global Limited agreed to subscribe for Offer Shares at the Offer Price of an amount equal to the Hong Kong dollar equivalent of US\$7.5 million, in accordance with the terms of the cornerstone investment agreement.
- (e) a cornerstone investment agreement dated January 27, 2025 entered into among the Company, Golden Valley Value Select Master Fund, Goldman Sachs (Asia) L.L.C., UBS Securities Hong Kong Limited, UBS AG Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited, and The Hongkong and Shanghai Banking Corporation Limited, pursuant to which Golden Valley Value Select Master Fund agreed to subscribe for Offer Shares at the Offer Price of an amount equal to the Hong Kong dollar equivalent of US\$7.5 million, in accordance with the terms of the cornerstone investment agreement.
- (f) a cornerstone investment agreement dated January 27, 2025 entered into among the Company, Long-Z Fund I, LP, Goldman Sachs (Asia) L.L.C., UBS Securities Hong Kong Limited, UBS AG Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited, and The Hongkong and Shanghai Banking Corporation Limited, pursuant to which Long-Z Fund I, LP agreed to subscribe for Offer Shares at the Offer Price of an amount equal to the Hong Kong dollar equivalent of US\$8.0 million, in accordance with the terms of the cornerstone investment agreement.
- (g) a cornerstone investment agreement dated January 27, 2025 entered into among the Company, Duckling Fund, L.P., Goldman Sachs (Asia) L.L.C., UBS Securities Hong Kong Limited, UBS AG Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited, and The Hongkong and Shanghai Banking Corporation Limited, pursuant to which Duckling Fund, L.P. agreed to subscribe for Offer Shares at the Offer Price of an amount equal to the Hong Kong dollar equivalent of US\$8.0 million, in accordance with the terms of the cornerstone investment agreement.








2. Intellectual Property Rights

Save as disclosed below, as of the Latest Practicable Date, there were no other trademarks, service marks, patents, intellectual property rights, or industrial property rights which are or may be material in relation to our business.

(a) Trademarks

Trademarks registered in the PRC

As of the Latest Practicable Date, we had registered the following trademarks in China which we consider to be or may be material to our business:

No.	Trademark	Registered Owner	Class
1. . .		Guming Technology	21
2. . .		Zhejiang Guming Food Technology Service Co., Ltd.	18
3. . .		Guming Technology	43
4. . .		Guming Technology	43
5. . .		Guming Technology	43
6. . .		Guming Technology	43
7. . .		Guming Technology	43

Trademarks registered in Hong Kong

As of the Latest Practicable Date, we had registered the following trademark in Hong Kong which we consider to be or may be material to our business:

No.	Trademark	Applicant	Class
1. . .	Good me	Our Company	16,29,30,32,43

(b) Patents*Patents granted in the PRC*

As of the Latest Practicable Date, we had been granted the following patents in the PRC which we consider to be or may be material to our business:

No.	Patent	Registered owner
1. . . .	A juice extraction system and its extraction method	Guming Technology
2. . . .	A level two immersion extractor for stirring-free oolong tea	Guming Technology
3. . . .	An ultrasonic plant extraction and separation equipment for tea	Zhejiang Lichuan Food Technology Co., Ltd.
4. . . .	A tea residue removal device	Zhejiang Lichuan Food Technology Co., Ltd.
5. . . .	An automatic drainage device for containers	Zhejiang Guming Houan Information Technology Co., Ltd.
6. . . .	Steam engine anti-backdraft nozzle	Zhejiang Guming Houan Information Technology Co., Ltd.
7. . . .	A refrigeration operating table	Guming Technology
8. . . .	A mixing and discharging device	Guming Technology
9. . . .	A fruit and vegetable grater	Guming Technology
10. . .	A tea extraction can	Zhejiang Lichuan Food Technology Co., Ltd.
11. . .	A tea cooling mixer	Zhejiang Lichuan Food Technology Co., Ltd.

(c) Domain names

As of the Latest Practicable Date, we owned the following domain names which we consider to be or may be material to our business:

No. ⁽¹⁾	Domain Name	Registered Owner
1. . .	gumingnc.com	Guming Technology
2. . .	goottt.com	Guming Technology
3. . .	goottt.cn	Guming Technology
4. . .	lingyanghua.net	Guming Technology
5. . .	lingyanghua.cn	Guming Technology
6. . .	lingyanghua.com	Guming Technology
7. . .	iguming.net	Guming Technology

FURTHER INFORMATION ABOUT OUR DIRECTORS**1. Particulars of Directors' Service Contracts and Appointment Letters****(a) Executive Directors**

Each of our executive Directors entered into a service contract with us on January 27, 2025. The term of appointment shall be for an initial term of three years from the Listing Date or until the third annual general meeting of the Company after the Listing Date, whichever is sooner (subject to retirement and re-election as and when required under the Articles of Association and the Listing Rules). Either party may terminate the agreement by giving not less than three months' written notice.

The executive Directors are not entitled to receive any remuneration in his/her capacity as executive Director under his service contract.

(b) Non-executive Director

Our Non-executive Director entered into a letter of appointment with us on January 27, 2025. The term of appointment shall be for an initial term of three years from the Listing Date or until the third annual general meeting of the Company after the Listing Date, whichever is sooner (subject to retirement and re-election as and when required under the Articles of Association and the Listing Rules). Either party may terminate the agreement by giving not less than three months' written notice.

The non-executive Director is not entitled to receive any remuneration and benefits in his capacity as a non-executive Director under his appointment letter.

(c) Independent non-executive Directors

Each of our independent non-executive Directors entered into a letter of appointment with us on January 27, 2025. The term of appointment shall be for an initial term of three years from the Listing Date or until the third annual general meeting of the Company after the Listing Date, whichever is sooner (subject to retirement and re-election as and when required under the Articles of Association and the Listing Rules). Either party may terminate the agreement by giving not less than three months' written notice.

Under their appointment letters, each of the independent non-executive Directors is entitled to an annual fixed fee.

2. Remuneration of Directors

- (a) The aggregate amount of remuneration paid and benefits in kind granted to our Directors by our Group for the years ended December 31, 2021, 2022 and 2023 was approximately RMB6.1 million, RMB7.3 million and RMB10.4 million, respectively, and for the nine months ended September 30, 2023 and 2024 was approximately RMB6.8 million and RMB3.9 million, respectively. No Director received other remuneration or benefits in kind from our Company in respect of each of the years ended December 31, 2021, 2022 and 2023 and for the nine months ended September 30, 2024.
- (b) Under the arrangements currently in force, we estimate that the aggregate remuneration (excluding any discretionary bonus which may be paid) payable to, and benefits in kind receivable by, our Directors by any member of our Group in respect of the year ending December 31, 2024 is approximately RMB6.0 million.

3. Disclosure of Interests

(a) *Interests and short positions of our Directors and chief executive in the share capital of our Company or our associated corporations following completion of the Global Offering*

Immediately following completion of the Global Offering and assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised and no Shares are issued under the Post-IPO Share Scheme, the interests or short positions of our Directors and chief executive of our Company in the Shares, underlying Shares and debentures of our Company or any associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO, or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to our Company and the Stock Exchange are set out below:

Name	Nature of interest	Number of Shares	Approximate percentage of interest in our Company immediately after the Global Offering ⁽¹⁾
Mr. Wang . . .	Beneficiary of a trust; Founder of a trust; interest held jointly with another person	1,728,260,872 ⁽²⁾	74.09%
Mr. Qi	Beneficiary of a trust; Founder of a trust; interest held jointly with another person	1,728,260,872 ⁽²⁾	74.09%
Mr. Ruan . . .	Beneficiary of a trust; Founder of a trust; interest held jointly with another person	1,728,260,872 ⁽²⁾	74.09%
Ms. Yuyu Jin	Beneficiary of a trust	579,710 ⁽³⁾	0.02%
Mr. Yunjiang Cai	Beneficiary of a trust	724,638 ⁽³⁾	0.03%

Notes:

- (1) Assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised.
- (2) Mr. Wang, Mr. Qi, Mr. Ruan and Ms. Pan and their respective intermediate holding companies entered into the Acting-in-Concert Arrangement, details of which are set out in the section headed “History, Reorganization and Corporate Structure — Acting-in-Concert Arrangement” of this prospectus.

For further details of Mr. Wang, Mr. Qi and Mr. Ruan’s interest in the Company, please refer to the section headed “Substantial Shareholders.”

- (3) Flourishing Leaves Limited holds 12,231,885 Shares immediately after the Global Offering as an employee shareholding platform held by The Core Trust Company Limited in its capacity as trustee of a trust established to hold Shares for the benefits of among others, Ms. Yuyu Jin and Mr. Yunjiang Cai. Each of Ms. Yuyu Jin and Mr. Yunjiang Cai are interested in approximately 4.74% and 5.92% of the Shares held by such shareholding platform, respectively.

Save as disclosed above, none of the Directors or the chief executive of the Company will, immediately following the completion of the Listing, have an interest and/or short position (as applicable) in the Shares, underlying Shares or debentures of the Company or any interests and/or short positions (as applicable) in the shares, underlying shares or debentures of the Company's associated corporations (within the meaning of Part XV of the SFO) which (i) will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), (ii) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, to be notified to the Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange.

(b) Interests and short positions disclosable under Divisions 2 and 3 of Part XV of the SFO

For information, so far as is known to our Directors or chief executive, of each person, who immediately following completion of the Global Offering and assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised will have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, is, directly or indirectly, interested in 10% or more of the issued voting shares of the Company, see "Substantial Shareholders."

Substantial shareholders of other members of our Group

Member of our Group	Name of substantial shareholder	Nature of interests	Approximate % held by the substantial shareholder
Hangzhou Guoru Food Technology Co., Ltd. (杭州果如食品科技有限公司)	Lishui Qisheng Enterprise Management Partnership (Limited Partnership) (麗水奇晟企業管理合夥企業(有限合伙))	Beneficial interest	35%
Zhejiang Guoru Food Technology Co., Ltd. (浙江果如食品科技有限公司)	Lishui Qisheng Enterprise Management Partnership (Limited Partnership) (麗水奇晟企業管理合夥企業(有限合伙))	Beneficial interest	30%

Member of our Group	Name of substantial shareholder	Nature of interests	Approximate % held by the substantial shareholder
Zhejiang Lichuan Food Technology Co., Ltd. (浙江勵川食品科技有限公司)	Hangzhou Qiyu Enterprise Management Partnership (Limited Partnership) (杭州奇昱企業管理合夥企業(有限合夥))	Beneficial interest	30%
Zhejiang Shuicang Food Technology Co., Ltd. (浙江水倉食品科技有限公司)	Hangzhou Qiyu Enterprise Management Partnership (Limited Partnership) (杭州奇昱企業管理合夥企業(有限合夥))	Beneficial interest	30%

Save as set out above, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the Global Offering, be interested, directly or indirectly, in 10% or more of the nominal of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such capital.

POST-IPO SHARE SCHEME

The following is a summary of the principal terms of the Post-IPO Share Scheme conditionally adopted by our Shareholders' resolutions dated January 27, 2025 with effect from Listing. The terms of the Post-IPO Share Scheme will be governed by Chapter 17 of the Listing Rules.

Purpose

The purpose of the Post-IPO Share Scheme is to provide selected participants with the opportunity to acquire shareholding interests in the Company so as to align the interests of the selected participants with those of our Company and to encourage selected participants to work towards enhancing the value of our Company and its Shares for the benefit of our Company and Shareholders as a whole. The Post-IPO Share Scheme will provide our Company with a flexible means of retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to selected participants.

Selected participants

Any individual, who is:

- (a) an employee (whether full-time or part-time), director or officer of any member of the Group, provided that a person shall not cease to be an employee in the case of (a) any leave of absence approved by the relevant member of the Group; or (b) any transfer of employment amongst members of the Group or any successor, and provided further that a person shall, for the avoidance of doubt, cease to be an employee with effect from (and including) the date of termination of his/her employment;
- (b) an employee (whether full-time or part-time), director or officer of (i) a company of which the Company is a subsidiary ("**Holding Company**"); (ii) subsidiaries of the Holding Company other than members of the Group; or (iii) any company which is an associate of the Company;
- (c) a person providing services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long term growth of the Group as determined by the Board and/or any committee of the Board or other persons to whom the Board has delegated its authority pursuant to the criteria set out in the Post-IPO Share Scheme ("**Service Provider Participants**"),

as determined by the Board or its delegate(s) from time to time to be entitled to participate in the Post-IPO Share Scheme. However, no individual who is resident in a place where the grant, acceptance or vesting of options pursuant to the Post-IPO Share Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, is eligible to be offered or granted options. For the avoidance of doubt, placing agents or financial advisors providing advisory services for fundraising, mergers or acquisitions, or professional service providers such as auditors or valuers who provide assurance or are required to perform their services with impartiality and objectivity may not participate in the Post-IPO Share Scheme.

Maximum number of shares

The total number of Shares which may be issued upon exercise of all awards to be granted under the Post-IPO Share Scheme together with the number of Shares which may be issued under any other share schemes of the Company is 10% of the Shares in issue on the date the Shares commence trading on the Stock Exchange (the "**Scheme Mandate Limit**"), being 233,252,506 Shares assuming the Offer Size Adjustment Option is not exercised at all or 235,631,666 Shares assuming the Offer Size Adjustment Option is exercised at full. Shares which would have been issued pursuant to Awards which have lapsed in accordance with the terms of the rules of the Post-IPO Share Scheme (or any other share schemes of the Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit. The total

number of Shares which may be issued pursuant to awards granted to Service Provider Participants under the Post-IPO Share Scheme is 1% of the Shares in issue on the date the Shares commence trading on the Stock Exchange (the “**Service Provider Sublimit**”), being 23,325,250 Shares assuming the Offer Size Adjustment Option is not exercised at all or 23,563,166 Shares assuming the Offer Size Adjustment Option is exercised at full.

The Scheme Mandate Limit and the Service Provider Sublimit may be refreshed (i) from the later of three years after the adoption date of the Post-IPO Share Scheme or three years after the date of the previous shareholders’ approval for refreshment of the Scheme Mandate Limit or Service Provider Sublimit (as the case may be) or (ii) by obtaining prior approval of our Shareholders in general meeting and subject to compliance with any additional requirements prescribed under the Listing Rules from time to time. However, the refreshed Scheme Mandate Limit cannot exceed 10% of the Shares in issue (excluding treasury shares) as of the date of such approval. Awards previously granted under the Post-IPO Share Scheme and any other share schemes of our Company (and to which provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, cancelled or lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the refreshed Scheme Mandate Limit. Our Company may also grant awards in excess of the Scheme Mandate Limit to specifically identified selected participants provided that such grant is first approved by Shareholders in general meeting.

Maximum entitlement of a grantee

Unless approved by our Shareholders, the total number of Shares issued and to be issued upon exercise of the options granted and to be granted under the Post-IPO Share Scheme and any other share option scheme(s) of the Company to each selected participant (including both exercised and outstanding options) in any twelve-month period shall not exceed 1% of the total number of Shares in issue (excluding treasury shares) (the “**Individual Limit**”). Any further grant of options to a selected participant which would result in the aggregate number of Shares issued and to be issued upon exercise of all options granted and to be granted to such selected participant (including exercised, cancelled and outstanding options) in the twelve months period up to and including the date of such further grant exceeding the Individual Limit shall be subject to separate approval of our Shareholders (with such selected participant and their associates abstaining from voting). For any options to be granted in such circumstances, the date of the Board meeting for proposing such further grant shall be the date of grant of such options for the purpose of calculating the exercise price of the options.

Performance target

The Post-IPO Share Scheme does not set out any performance targets that must be achieved before the options may be exercised. However, the Board or its delegate(s) may at their sole discretion specify, as part of the terms and conditions of any award, such performance conditions that must be satisfied before the award shall be vested.

Exercise price

For awards which take the form of options, the amount payable for each Share to be subscribed for (the “**Exercise Price**”) in the event of the option being exercised shall be determined by the Board or the committee of the Board or person(s) to which the Board has delegated its authority (as applicable) but shall in any event be no less than the higher of:

- (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; and
- (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant.

Rights are personal to grantee

An award is personal to the grantee and shall not be transferable or assignable except in circumstances where the written consent of the Company has been obtained and a waiver has been granted by the Stock Exchange for such transfer in compliance with the requirements of the Listing Rules and provided that any such transferee agrees to be bound by the rules of the Post-IPO Scheme as if the transferee were the grantee.

Options granted to directors or substantial shareholders of the Company

Each grant of options to any director, chief executive or substantial shareholder of our Company (or any of their respective associates) must first be approved by the remuneration committee of the Board (excluding any member who is a proposed recipient of the grant of the award) and the independent non-executive Directors (excluding any independent non-executive Director who is a proposed recipient of the grant of options). In addition,

- (a) where any grant of awards (but not any grant of options) to any Director (other than an independent non-executive Director) or chief executive of the Company or any of their associates would result in the Shares issued and to be issued in respect of all awards granted (excluding any awards lapsed in accordance with the terms of the Post-IPO Share Scheme) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the Shares in issue (excluding treasury shares) at the date of such grant; or

- (b) where any grant of awards to an independent non-executive director or substantial shareholder of the Company (or any of their respective associates) would result in the number of Shares issued and to be issued upon exercise of all awards already granted (excluding any awards lapsed in accordance with the terms of the Post-IPO Share Scheme) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of Shares in issue (excluding treasury shares) at the date of such grant,

such further grant of Awards must be approved by Shareholders in general meeting in the manner required, and subject to the requirements set out, in the Listing Rules.

Vesting of Awards

The Board or person(s) to which the Board has delegated its authority may from time to time while the Post-IPO Share Scheme is in force and subject to all applicable laws, determine such vesting period, vesting criteria and conditions or periods for the award or option to be vested hereunder, provided however that the vesting period for options and awards shall not be less than 12 months, except that any options or awards granted to an employee may be subject to a shorter vesting period, including where:

- (a) grants of “make whole” awards or options to new employees to replace awards or options such employees forfeited when leaving their previous employers;
- (b) grants to an employee whose employment is terminated due to death or disability or occurrence of any out of control event;
- (c) grants of awards or options which are subject to the fulfilment of performance targets as determined in the conditions of his/her grant;
- (d) grants of awards or options that are made in batches during a year for administrative and/or compliance requirements, in which case the vesting date may be adjusted to take account of the time from which the award or options would have been granted if not for such administrative or compliance requirements;
- (e) grants of awards or options with a mixed or accelerated vesting schedule such that the awards or options vest evenly over a period of 12 months; or
- (f) grants of awards or options with a total vesting and holding period of more than 12 months.

Award letter and notification of grant of options

An offer shall be made to selected participants by a letter which specifies the terms on which the award is to be granted. Such terms may include the number of Shares in respect of which the award relates, the issue price or Exercise Price (as applicable), the vesting criteria and conditions, the vesting date, any minimum performance targets that must be achieved, and may include at the discretion of the Board or its delegate(s) such other terms either on a case basis or generally.

Unless otherwise specified in the award letter, a grantee shall have 20 business days from the date of grant to accept the award. A grantee may accept an award by giving written notice of their acceptance to our Company, the Board or the committee of the Board or person(s) to which the Board has delegated its authority (as applicable), together with remittance in favour of the Company of any consideration payable upon grant of the award. Any award may be accepted in whole or in part provided that it must be accepted in respect of a board lot for dealing in Shares or a multiple thereof. To the extent that an award is not accepted within the time and in the manner indicated above, it shall be deemed to have been irrevocably declined and shall automatically lapse.

Time of exercise of an option

An option may, subject to the terms and conditions upon which such option is granted, be exercised in whole or in part by the grantee giving notice in writing to the Company in such form as the Board or the committee of the Board or person(s) to which the Board has delegated its authority (as applicable) may from time to time determine stating that the option is thereby exercised and the number of Shares in respect of which it is exercised.

Cancellation of awards

Any awards granted but not exercised may be cancelled by the Board or the committee of the Board or person(s) to which the Board has delegated its authority (as applicable) at any time with the prior consent of the grantee. Issuance of new awards to the same grantee whose awards have been cancelled pursuant to rules of the scheme may only be made if there are unissued awards available under the scheme mandate (excluding the awards of the relevant grantee cancelled aforementioned) and in compliance with the terms of the Post-IPO Share Scheme.

Lapse of option

Without prejudice to the authority of the Board or the committee of the Board or person(s) to which the Board has delegated its authority to provide additional situations when an award shall lapse in the terms of any award letter, an award shall lapse automatically (to the extent not already vested and exercised) on the earliest of:

- (i) the expiry of the applicable period within which an option may be exercised, and shall not expire later than 10 years from the date of grant (the “**Exercise Period**”);
- (ii) the expiry of any of the periods for exercising an option as referred to in the sub-section headed “Ceasing to be an eligible participant”;
- (iii) the date on which the Board makes a determination under the clawback mechanism of the Post-IPO Share Scheme, as referred to in the sub-section headed “Clawback” below; and
- (iv) the date on which the grantee commits a breach of the rules of the Post-IPO Share Global Option Scheme.

Voting and dividend right

Awards do not carry any right to vote at general meetings of the Company, nor any right to dividends, transfer or other rights.

Alterations in the capital structure of the Company

In the event of any alteration in the capital structure of the Company by way of capitalisation of profits or reserves, rights issue, subdivision or consolidation of Shares or reduction of the share capital of the Company (other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party) after the adoption date, the Board or the committee of the Board or person(s) to which the Board has delegated its authority (as applicable) shall make such corresponding adjustments, if any, as it in its discretion may deem appropriate to reflect such change with respect to:

- (a) the number of Shares constituting the Scheme Mandate Limit or Service Provider Sublimit, provided that in the event of any Share subdivision or consolidation the Scheme Mandate Limit and Service Provider Sublimit as a percentage of the total issued Shares of the Company (excluding treasury shares) at the date immediately before any consolidation or subdivision shall be the same on the date immediately after such consolidation or subdivision;
- (b) the number of Shares in each award to the extent any award has not been exercised;

- (c) the Exercise Price of any option or issue price of any share award,

or any combination thereof, as the auditors or a financial advisor engaged by the Company for such purpose have certified satisfy the relevant requirements of the Listing Rules and are, in their opinion, fair and reasonable either generally or as regards any particular grantee, provided always that (i) any such adjustments should give each grantee the same proportion of the equity capital of the Company, rounded to the nearest whole Share, as that to which that grantee was previously entitled prior to such adjustments, and (ii) no such adjustments shall be made which would result in a Share being issued at less than its nominal value. The capacity of the auditors or financial advisor (as the case may be) is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on the Company and the grantees.

Clawback

To the extent required by applicable law or stock exchange listing standards, or as otherwise determined by the Company, including but not limited to, in the event that:

- (a) a grantee ceases to be a selected participant by reason of the termination of his/her employment or contractual engagement with the Group, a Holding Company, subsidiaries of the Holding Company other than members of the Group or any company which is an associate of the Company (together with the Holding Company and its subsidiaries other than members of the Group, the “**Related Entities**”) for cause or without notice or with payment in lieu of notice;
- (b) a grantee has been convicted of a criminal offence involving his/her integrity or honesty; or
- (c) in the reasonable opinion of the Board, a Grantee has engaged in serious misconduct or breaches the terms of this Scheme in any material respect,

then the Board may make a determination at its absolute discretion that: (A) any awards issued to that grantee but not yet exercised shall immediately lapse, regardless of whether such awards have vested or not, (B) with respect to any Shares issued or transferred to that grantee, the grantee shall be required to transfer back to the Company or its nominee (1) the equivalent number of Shares, (2) an amount in cash equal to the market value of such Shares, or (3) a combination of (1) and (2), and/or (C) with respect to any Award Shares held by the Trustee for the benefit of the Grantee, those Award Shares shall no longer be held on trust for nor inure to the benefit of the Grantee.

Ceasing to be a selected participant

If a grantee ceases to be a selected participant by reason of his/her retirement, (i) any outstanding awards not yet vested shall continue to vest in accordance with the vesting dates set out in the award letter, or such other period as the Board or the committee of the Board or person(s) to which the Board has delegated its authority (as applicable) may determine at their sole discretion, and (ii) any vested option may be exercised within the Exercise Period, failing which such option shall lapse.

If a grantee ceases to be a selected participant by reason of (i) death of the grantee; or (ii) the termination of his/her employment or contractual engagement with any member of the Group or Related Entity by reason of his/her permanent physical or mental disablement:

- (a) in the case of options: any vested option may be exercised within the Exercise Period by the personal representatives of the grantee. In the case where a grantee no longer has any legal capacity to exercise the option, the vested option may be exercised within that period by the persons charged with the duty of representing the grantee under applicable laws. If the vested option is not exercised within the time mentioned above, the option shall lapse; and
- (b) in the case of share awards: any outstanding share awards not yet vested shall immediately vest, and the Company shall issue such number of Shares or pay an amount equal to the actual price at which Shares are sold (net of brokerage, trading fee, transaction levy and any other applicable costs) (hereinafter referred to as “**Benefits**”) pursuant to the vested share awards to the legal personal representatives of the grantee or the persons charged with the duty of representing the grantee under applicable laws as soon as practicable following the death or incapacity of the grantee or, if the Benefits would otherwise become bona vacantia, the Benefits shall be forfeited and shall lapse.

If a grantee is declared bankrupt or becomes insolvent or makes any arrangements or composition with his/her creditors generally, they shall cease to be a selected participant under the Post-IPO Share Scheme and any awards not yet vested and any outstanding options not yet exercised shall immediately be forfeited and shall lapse, unless the Board or the committee of the Board or person(s) to which the Board has delegated its authority (as applicable) determines otherwise at their absolute discretion.

If a grantee ceases to be a selected participant other than in any of the circumstances described above, unless otherwise determined by the Board or the committee of the Board or person(s) to which the Board has delegated its authority, a grantee may exercise any vested Share Options within 20 business days of such cessation or within the Exercise Period, whichever is the shorter. If an option is not exercised within the stipulated time, the option shall be forfeited and shall lapse. Any outstanding share awards not yet vested shall immediately be forfeited and shall lapse, unless the Board or person(s) to which the Board has delegated its authority, determines otherwise at their absolute discretion.

Change of control

If there is an event of change in control of the Company as the result of a merger, scheme of arrangement or general offer, the Board or the committee of the Board or person(s) to which the Board has delegated its authority shall at its sole discretion (subject to compliance with the Listing Rules and the Takeovers Code) determine whether the vesting dates of any awards will be accelerated and/or the vesting conditions or criteria of any awards will be amended or waived, and notify grantees accordingly.

Ranking of Shares

The Shares to be allotted and issued or transferred from the treasury shares upon the exercise of an option shall be identical to the then existing issued Shares of the Company and subject to all the provisions of the memorandum and articles of association of the Company for the time being in force and will rank *pari passu* with the other fully paid Shares in issue on the date the name of the grantee is registered on the register of members of the Company. For the avoidance of doubt, a grantee shall not have any voting rights, or rights to participate in any dividends or distributions (including those arising on a liquidation of the Company) declared or recommended or resolved to be paid to the Shareholders on the register on a date prior to such registration.

At the discretion of the scheme administrator, any obligation to allot and issue award Shares to a grantee may be satisfied by transferring the equivalent number of treasury shares to the grantee.

Duration

The Post-IPO Share Scheme shall be valid and effective for the period of 10 years commencing on the Listing Date and ending on the 10th anniversary of the Listing Date (the “**Scheme Period**”) (after which, no further options shall be offered or granted under the Post-IPO Share Scheme), and thereafter for so long as there are any unvested awards granted prior to the expiration of the aforementioned period, in order to give effect to the vesting of such awards or otherwise as may be required in accordance with the provisions of the rules of the Post-IPO Share Scheme.

Alteration of the Post-IPO Share Scheme

The Board or the committee of the Board or person(s) to which the Board has delegated its authority (as applicable) may subject to the rules of the Post-IPO Share Scheme amend any of the provisions of the Post-IPO Share Scheme or any awards granted under the Post-IPO Share Scheme at any time and in any respect, provided that the terms of this Scheme or Awards so altered must comply with the relevant requirements of Chapter 17 of the Listing Rules.

Any amendment or alteration to the terms of any award the grant of which was subject to the approval of a particular body (such as the Board or any committee thereof, the independent non-executive Directors, or the Shareholders in general meeting) shall be subject to approval by that same body, provided that such requirement is not applicable where the relevant alteration takes effect automatically under existing terms of the Post-IPO Share Scheme. Without limiting the generality of the foregoing, any change in the terms of awards granted to any grantee who is a Director, chief executive or substantial shareholder of the Company, or any of their respective associates, must be approved by the Shareholders in general meeting in the manner required in the Listing Rules if the initial grant of the awards requires such approval (except where the changes take effect automatically under the rules of Post-IPO Share Scheme).

Termination

The Post-IPO Share Scheme shall terminate on the earlier of (a) the expiry of the Scheme Period; and (b) such date of early termination as determined by the Board, following which no further awards will be offered or granted thereunder, provided that notwithstanding such termination, the Post-IPO Share Scheme and rules thereof shall continue to be valid and effective to the extent necessary to give effect to the vesting and exercise of any awards granted prior to the termination of the Post-IPO Share Scheme and such termination shall not affect any subsisting rights already granted to any grantee thereunder. Awards complying with the provisions of Chapter 17 of the Listing Rules which are granted during the life of the Post-IPO Share Scheme and remaining unvested, unexercised and unexpired immediately prior to the termination of the operation of the Post-IPO Share Scheme shall continue to be valid and exercisable in accordance with their terms of issue after the termination of the Post-IPO Share Scheme.

OTHER INFORMATION**1. Estate duty**

Our Directors have been advised that no material liability for estate duty is likely to fall upon any member of our Group.

2. Litigation

Save as disclosed in this document, no member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company that would have a material adverse effect on our Company's results of operations or financial condition.

3. Joint Sponsors

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Joint Sponsors will receive an aggregate of US\$700,000 for acting as the sponsors for the Listing.

4. Consent of experts

This document contains statements made by the following experts:

Name	Qualification
Goldman Sachs (Asia) L.L.C.	A licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO
UBS Securities Hong Kong Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities as defined under the SFO
Shihui Partners	Legal advisor to the Company as to PRC laws
Ernst & Young	Certified Public Accountants under Professional Accountant Ordinance (Chapter 50 of the Laws of Hong Kong) and Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
China Insights Industry Consultancy Limited	Industry consultant
Ogier	Legal advisor to the Company on Cayman Islands law

Save as disclosed, as of the Latest Practicable Date, none of the experts named above has any shareholding interest in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Each of the experts named above have given and have not withdrawn their respective written consent to the issue of this document with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

5. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

6. Bilingual document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

7. Preliminary expenses

We have not incurred any material preliminary expenses in relation to the incorporation of our Company.

8. Disclaimers

- (a) Save as disclosed in this document, within the two years immediately preceding the date of this document:
 - (i) there are no commissions for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company; and
 - (ii) there are no commissions, discounts, brokerages or other special terms granted in connection with the issue or sale of any capital of any member of our Group, and no Directors, promoters or experts named in the part headed “— Other information — 4. Consent of experts” received any such payment or benefit.

- (b) Save as disclosed in this document:
 - (i) there are no founder, management or deferred shares in our Company or any member of our Group;
 - (ii) we do not have any promoter and no cash, securities or other benefit has been paid, allotted or given within the two years immediately preceding the date of this document, or are proposed to be paid, allotted or given to any promoters;

- (iii) none of the Directors or the experts named in the part headed “— Other information — 4. Consent of experts” above has any interest, direct or indirect, in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (iv) there are no bank overdrafts or other similar indebtedness by our Company or any member of our Group;
- (v) there are no hire purchase commitments, guarantees or other material contingent liabilities of our Company or any member of our Group;
- (vi) there are no outstanding debentures of our Company or any member of our Group;
- (vii) there are no other stock exchange on which any part of the equity or debt securities of our Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought;
- (viii) no capital of any member of our Group is under option, or is agreed conditionally or unconditionally to be put under option; and
- (ix) there are no contracts or arrangements subsisting at the date of this document in which a Director is materially interested or which is significant in relation to the business of our Group.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) the written consents referred to in “Statutory and General Information — Other Information — 4. Consent of Experts” in Appendix IV; and
- (b) copies of the material contracts referred to in “Statutory and General Information — Further Information About Our Business — 1. Summary of Material Contracts” in Appendix IV.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange at www.hkexnews.hk and our Company’s website at www.gumingnc.com up to and including the date which is 14 days from the date of this document:

- (a) the Memorandum and the Articles;
- (b) the material contracts referred to in “Statutory and General Information — Further Information About Our Business — 1. Summary of Material Contracts” in Appendix IV;
- (c) the service contracts and the letters of appointment with our Directors referred to in “Statutory and General Information — Further Information About our Directors — 1. Particulars of Directors’ Service Contracts and Appointment Letters” in Appendix IV;
- (d) the report issued by China Insights Industry Consultancy Limited, a summary of which is set forth in “Industry Overview”;
- (e) the PRC legal opinion issued by Shihui Partners, our PRC Legal Advisor, in respect of certain general corporate matters and property interests in China of our Group;
- (f) the Accountants’ Report and the report on the unaudited pro forma financial information of our Group from Ernst & Young, the texts of which are set out in Appendices I and II, respectively;
- (g) the audited combined financial statements of our Company for the years ended December 31, 2021, 2022 and 2023 and for the nine months ended September 30, 2024;
- (h) the letters in respect of the profit estimate of our Group from Ernst & Young, the reporting accountants, and Goldman Sachs (Asia) L.L.C. and UBS Securities Hong Kong Limited, the Joint Sponsors, the texts of which are set out in Appendix IIA;

- (i) the letter of advice prepared by Ogier, our legal advisor on Cayman Islands law, summarising certain aspects of Cayman company law referred to in Appendix III;
- (j) the Cayman Companies Act;
- (k) the written consents referred to in “Statutory and General Information — Other Information — 4. Consent of Experts” in Appendix IV; and
- (l) the terms of the Post-IPO Share Scheme.

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**古茗控股有限公司
Guming Holdings Limited**