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## INDUSTRY OVERVIEW

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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 [REDACTED]. The information from official government sources has not been independently verified by us, the Joint Sponsors, [REDACTED], any of our and their respective directors, supervisors, officers, representatives, employees, advisers or any other persons or parties involved in the [REDACTED], 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 [REDACTED] 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; (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; (iii) key industry drivers are likely to propel the freshly-made beverage market in China forward during the forecast period, including expansion of the consumer base, increased consumption frequency, growing number of freshly-made beverage stores, and improved store-level performance with enhanced store standardization; and (iv) the market will not be dramatically or fundamentally affected by any extreme force majeure events or unforeseen industry regulations.

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## INDUSTRY OVERVIEW

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### 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.

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, a trend that is expected to continue. 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.

#### 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.

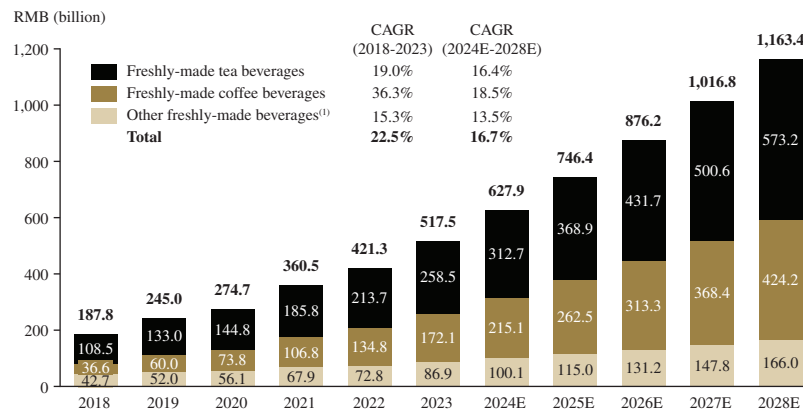
- *Freshly-made tea beverages.* The market for freshly-made tea beverages is the largest segment of China’s freshly-made beverage market in terms of GMV. Made with tea, a long-time favorite in China, and innovatively added ingredients like fresh fruits, freshly-made tea beverages have gained immense 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.

## INDUSTRY OVERVIEW

- 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.

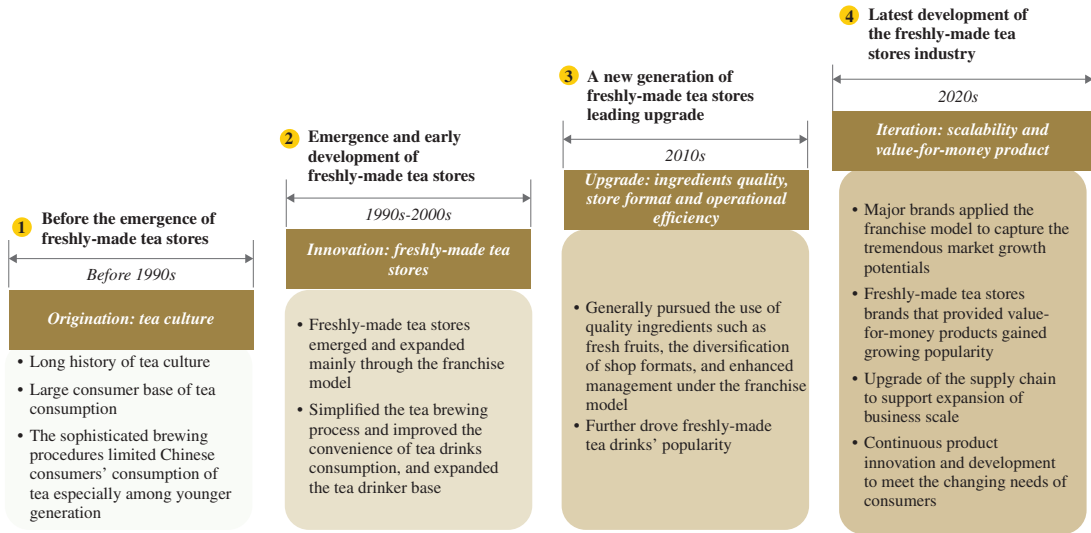
### CHINA’S FRESHLY-MADE TEA STORE MARKET

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.

## INDUSTRY OVERVIEW

### 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.

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’ 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.

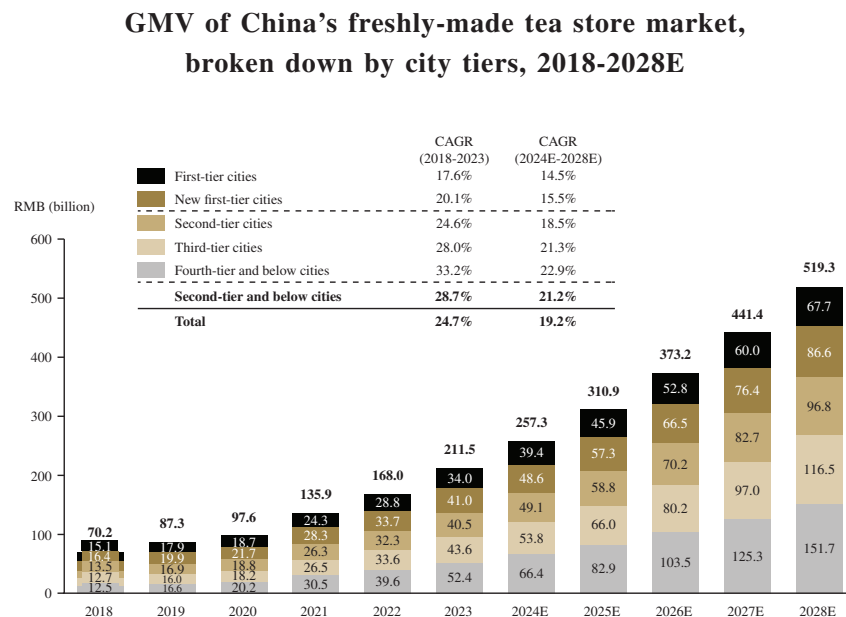
## INDUSTRY OVERVIEW

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.



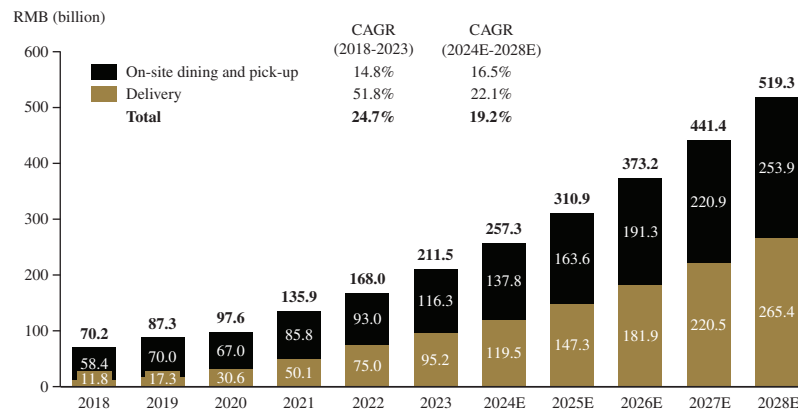
Source: The CIC Report, National Bureau of Statistics of the PRC, International Monetary Fund

## INDUSTRY OVERVIEW

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

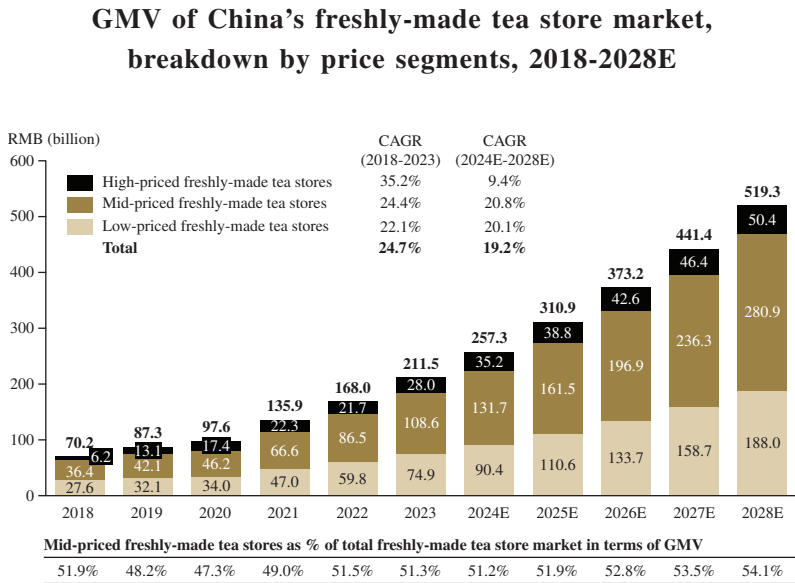
In general, freshly-made tea stores in China are categorized as: (i) high-priced freshly-made tea stores with an average product list price no less than RMB20, (ii) mid-priced freshly-made tea stores with an average product list price less than RMB20 but greater than RMB10, and (iii) low-priced freshly-made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

## INDUSTRY OVERVIEW

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.



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

### 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



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## INDUSTRY OVERVIEW

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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.

### 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.



## INDUSTRY OVERVIEW

### 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.

### 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
		(RMB in billions)	(%)
1	Brand A <sup>(1)</sup>	42.7	20.2
2	<i>Good me</i>	19.2	9.1
3	Brand B <sup>(2)</sup>	16.9	8.0
4	Brand C <sup>(3)</sup>	10.5	5.0
5	Brand D <sup>(4)</sup>	9.7	4.6
	<b>Subtotal</b>	<b>99.0</b>	<b>46.8</b>
	<b>Total</b>	<b>211.5</b>	<b>100.0</b>

## INDUSTRY OVERVIEW

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

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.
- (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.

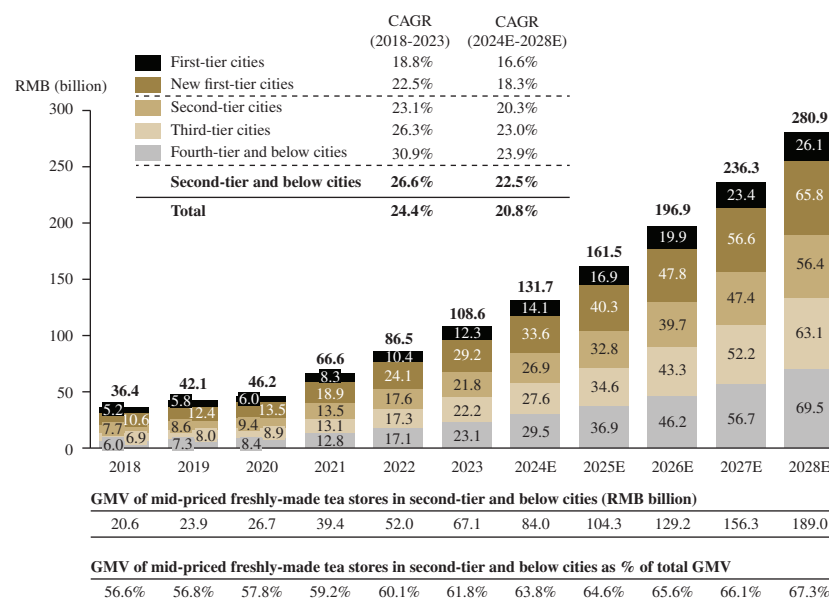
- Given their population size, second-tier and below cities are the largest segment of China’s mid-priced freshly-made tea store market. According to the CIC Report, in 2023, mid-priced freshly-made tea stores located in second-tier and below cities constituted 61.8% of the market’s total GMV.

## INDUSTRY OVERVIEW

- 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.

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.

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## INDUSTRY OVERVIEW

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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.

### **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.

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## INDUSTRY OVERVIEW

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- *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.
- *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.

## INDUSTRY OVERVIEW

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- *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.
- *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.

## INDUSTRY OVERVIEW

### 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.

#### 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
		(RMB in billions)	(%)
1	<i>Good me</i>	19.2	17.7
2	Brand B <sup>(1)</sup>	16.9	15.6
3	Brand C <sup>(2)</sup>	10.5	9.7
4	Brand D <sup>(3)</sup>	9.7	8.9
5	Brand F <sup>(5)</sup>	8.7	8.0
	<b>Subtotal</b>	<b>65.0</b>	<b>59.9</b>
	<b>Total</b>	<b>108.6</b>	<b>100.0</b>

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

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 <sup>(1)</sup>	10.6	26.9	62.5
Brand D <sup>(2)</sup>	~8	~22	~70
Brand E <sup>(3)</sup>	~4	~31	~65
Brand F <sup>(4)</sup>	~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.

### 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.

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## INDUSTRY OVERVIEW

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- *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. In particular, 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, and to guarantee the freshness and consistency of its beverage offerings.
- *Sustained franchisee profitability and enduring franchisee relationships.* In 2023, the Group’s franchisees’ per-store operating profit reached RMB376 thousand 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 Group’s sustained franchisee profitability is helpful to attract and retain quality franchisees, fostering close and enduring franchisee relationships.

### CHINA’S FRESHLY-MADE COFFEE BEVERAGE MARKET

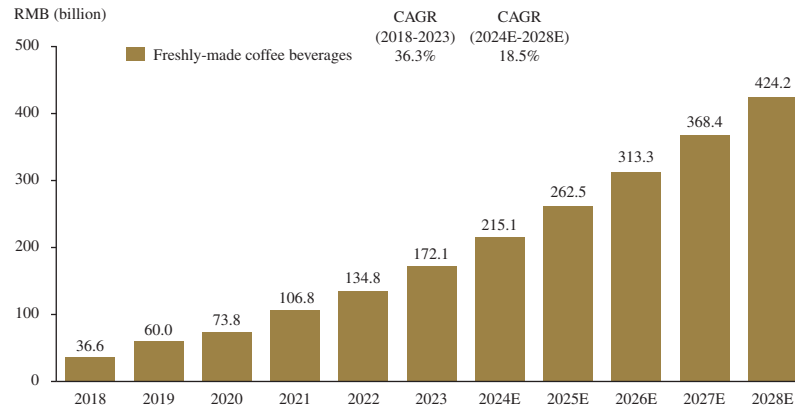
Freshly-made coffee beverages are drinks prepared on-site using coffee extracts or other coffee-centric ingredients. Freshly-made coffee beverages are predominantly available in freshly-made coffee shops, but can also be offered by freshly-made tea stores, bakeries, and restaurants. Given the similarities 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.

## INDUSTRY OVERVIEW

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

### 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.

## INDUSTRY OVERVIEW

- *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.

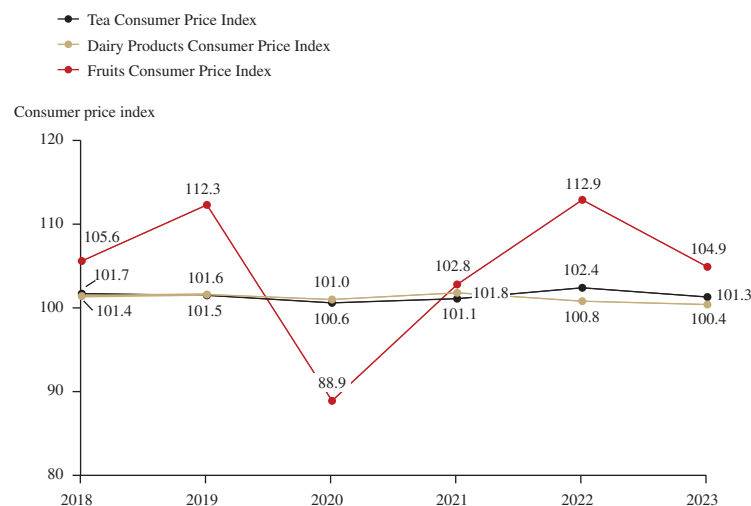
## COST OF RAW MATERIALS AND LABOR

### 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.

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

### Consumer price index<sup>(1)</sup> 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.

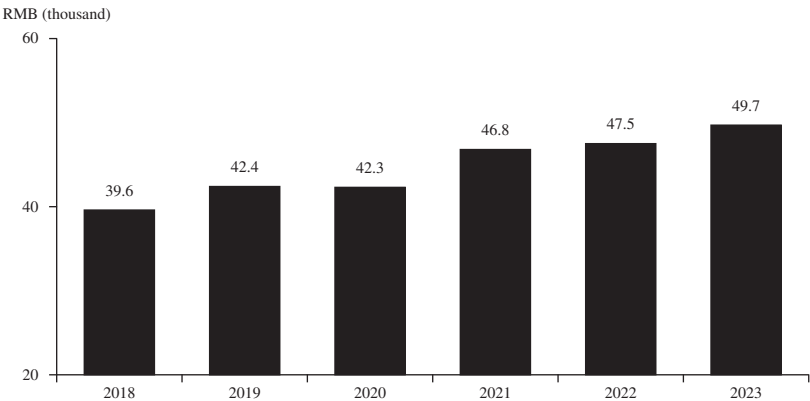
## INDUSTRY OVERVIEW

### 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.

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