MIXUE Group

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

Stock Code : 2097

Global Offering

I LOVE YOU ❤ YOU LOVE ME MIXUE ICE CREAM & TEA

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

(in alphabetical order)

BofA SECURITIES

Goldman Sachs 高盛

UBS 瑞銀集團

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

MIXUE Group
蜜雪冰城股份有限公司

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

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**17,059,900 H Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**1,706,000 H Shares (subject to reallocation)**
Number of International Offer Shares	**:**	**15,353,900 H Shares (subject to reallocation and the Over-allotment Option)**
Offer Price	**:**	**HK$202.50 per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars, subject to refund)**
Nominal value	**:**	**RMB1.00 per H Share**
Stock code	**:**	**2097**

Joint Sponsors, Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers
(in alphabetical order)

BofA Securities **Goldman Sachs** **UBS**

Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers
(in alphabetical order)

CICC **HTSC**

Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager

ICBCI

Joint Bookrunners and Joint Lead Managers

GF Securities **CMBI**

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

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

The Offer Price will be HK$202.50 per H share, unless otherwise announced. Applicants for Hong Kong Offer Share are required to pay, on application, the Offer Price of HK$202.50 for each Hong Kong Offer Share together with the brokerage of 1.0%, the SFC transaction levy of 0.0027%, the AFRC transaction levy of 0.00015% and the Hong Kong Stock Exchange trading fee of 0.00565%.

The Overall Coordinators, on behalf of the Underwriters, may, where considered appropriate and with the Company's consent, reduce the number of Hong Kong Offer Shares and/or the Offer Price that is stated in this Prospectus (which is HK$202.50) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, notices of the reduction in the number of Hong Kong Offer Shares and/or the Offer Price will be published on the website of the Company at **www.mxbc.com** and on the website of the Stock Exchange at **www.hkexnews.hk** 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. Further details are set forth in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this Prospectus.

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 Underwriters) if certain events occur prior to 8:00 a.m. on the Listing Date. Please refer to the section headed "Underwriting" in this Prospectus.

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

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons (as defined in Regulation S), 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 in the United States and to U.S. persons in reliance on Rule 144A, or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act, only to QIBs. The Offer Shares may be offered, sold or delivered outside the United States to non-U.S. persons in offshore transactions in accordance with Regulation S.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this Prospectus 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** and the Company's website at **www.mxbc.com**. If you require a printed copy of this Prospectus, you may download and print from the website addresses above.

February 21, 2025

IMPORTANT NOTICE TO INVESTORS OF HONG KONG OFFER SHARES

FULLY ELECTRONIC APPLICATION PROCESS

The Company has **adopted a fully electronic application process for the Hong Kong Public Offering**.

This Prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the "*HKEXnews > New Listings > New Listing Information*" section, and our website at www.mxbc.com.

The Company 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 prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

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

(1) apply online through the **White Form eIPO** service at **www.eipo.com.hk**; or

(2) apply electronically through the **HKSCC EIPO** channel and cause HKSCC Nominees to apply on your behalf by instructing your **broker** or **custodian** who is an HKSCC Participant to give **electronic application instructions** via HKSCC's FINI system to apply for the Hong Kong Offer Shares on your behalf.

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 stated above.

See the section headed "How to Apply for Hong Kong Offer Shares" in this Prospectus for further details of the procedures through which you can apply for the Hong Kong Offer Shares.

Your application through the **White Form eIPO** service or the **HKSCC EIPO** channel must be for a minimum of 100 Hong Kong Offer Shares and in one of the numbers set out in the table.

If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of Hong Kong Offer Shares you have selected. You must pay the respective 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 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.

No. of Hong Kong Offer Shares applied for	Amount payable(2) on application	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application
	HK$		*HK$*		*HK$*		*HK$*
100	20,454.22	1,000	204,542.21	6,000	1,227,253.28	75,000	15,340,665.93
200	40,908.44	1,500	306,813.32	7,000	1,431,795.49	100,000	20,454,221.26
300	61,362.66	2,000	409,084.43	8,000	1,636,337.70	200,000	40,908,442.50
400	81,816.89	2,500	511,355.53	9,000	1,840,879.91	300,000	61,362,663.76
500	102,271.10	3,000	613,626.63	10,000	2,045,422.13	400,000	81,816,885.00
600	122,725.32	3,500	715,897.74	15,000	3,068,133.19	500,000	102,271,106.26
700	143,179.55	4,000	818,168.86	20,000	4,090,844.26	600,000	122,725,327.50
800	163,633.76	4,500	920,439.96	25,000	5,113,555.31	700,000	143,179,548.76
900	184,087.99	5,000	1,022,711.07	50,000	10,227,110.63	853,000(1)	174,474,507.27

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

(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) and the SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC; and in the case of the AFRC transaction levy, collected by the Stock Exchange on behalf of the AFRC).

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

*If there is any change in the following expected timetable of the Hong Kong Public Offering, the Company will issue an announcement in Hong Kong to be published on the Company's website at **www.mxbc.com** and the website of the Stock Exchange at **www.hkexnews.hk**.*

Hong Kong Public Offering commences	9:00 a.m. on Friday, February 21, 2025
Latest time for completing electronic applications under the **White Form eIPO** service through the designated website **www.eipo.com.hk**[2]	11:30 a.m. on Wednesday, February 26, 2025
Application lists open[3]	11:45 a.m. on Wednesday, February 26, 2025
Latest time for (a) completing payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (b) submitting an EIPO application through HKSCC's FINI system[4]	12:00 noon on Wednesday, February 26, 2025

If you are instructing your **broker** or **custodian** who is an HKSCC Participant to submit an EIPO application on your behalf through HKSCC's FINI system in accordance with your instruction to apply for the Hong Kong Offer Shares, you are advised to contact your **broker** or **custodian** for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

Application lists close[3]	12:00 noon on Wednesday, February 26, 2025
Announcement of 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 Offer Shares on the Company's website at **www.mxbc.com**[5] and the website of the Stock Exchange at **www.hkexnews.hk** on or before	11:00 p.m. on Friday, February 28, 2025

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 the Company's website and the website of the Stock Exchange at **www.mxbc.com** and **www.hkexnews.hk**, respectively, on or before . . . . 11:00 p.m. on Friday, February 28, 2025

- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: **www.eipo.com.hk/eIPOAllotment**) with a "search by ID" function from . . . . .11:00 p.m. on Friday, February 28, 2025 to 12:00 midnight on Thursday, March 6, 2025

- from the allocation results telephone inquiry by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. from . . . . Monday, March 3, 2025 to Thursday, March 6, 2025

H Share certificates in respect of wholly or partially successful applications to be dispatched or deposited into CCASS on or before[6][8] . . . . Friday, February 28, 2025

White Form e-Refund payment instructions/refund checks in respect of wholly or partially unsuccessful applications to be dispatched/collected[7][8] . . . . Monday, March 3, 2025

Dealings in the H Shares on the Stock Exchange expected to commence at 9:00 a.m. on . . . . Monday, March 3, 2025

Notes:

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

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

(3) If there is/are a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, February 26, 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".

(4) Applicants who apply for Hong Kong Offer Shares by instructing your **broker** or **custodian** to apply on your behalf via **HKSCC EIPO** channel should refer to the section headed "How to Apply for Hong Kong Offer Shares — A. Application for Hong Kong Offer Shares — 2. Application Channels".

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

(6) No temporary document of title will be issued in respect of the Offer Shares. H Share certificates will only become valid evidence of title at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with their respective terms at or before that time. Investors who trade H Shares on the basis of publicly available allocation details or prior to the receipt of H Share certificates or the H Share certificates becoming valid evidence of title do so entirely at their own risk.

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

(8) 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. Despatch/Collection of H Share Certificates and Refund of Application Monies" for details.

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

Further information is set out in sections headed "How to Apply for Hong Kong Offer Shares — D. Despatch/Collection of H Share Certificates and Refund of Application Monies".

The above expected timetable is a summary only. For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, please refer to "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" 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 publish an announcement as soon as practicable thereafter.

IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

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

You should rely only on the information contained in this Prospectus to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this Prospectus. We have not authorized anyone to provide you with information that is different from what is contained in this Prospectus. Any information or representation not contained nor made in this Prospectus 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 of any of them or any other parties involved in the Global Offering.

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This summary aims to give you an overview of the information contained in this Prospectus. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this Prospectus. You should read the entire document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this Prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

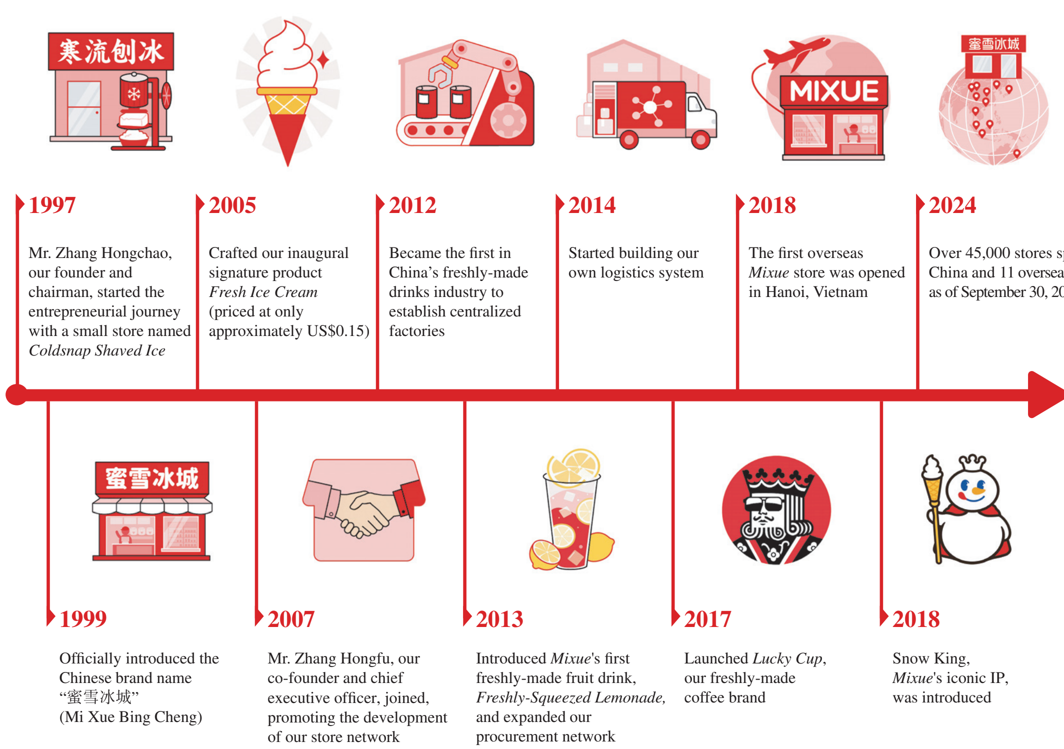
We are a leading freshly-made drinks company. We are committed to providing value-for-money products to consumers, including freshly-made fruit drinks, tea drinks, ice cream and coffee, typically priced around one U.S. dollar (approximately RMB6) per item. We have two major brands – freshly-made tea drinks brand *Mixue* and freshly-made coffee brand *Lucky Cup*. Through a franchise model, we have cultivated a network of over 45,000 stores spanning China and 11 overseas countries as of September 30, 2024. During the Track Record Period, we generated revenue mainly from selling store supplies (including ingredients and packaging materials) and equipment to franchisees under our franchise model, and geographically we primarily focused on China and generated minimal revenue from overseas. In 2023 and the nine months ended September 30, 2024, approximately 7.4 billion and 7.1 billion cups of drinks were sold through our store network, respectively. We are the largest freshly-made drinks company both in China and worldwide in terms of number of stores as of September 30, 2024, according to CIC. In terms of number of cups sold in 2023, we are China's largest, and the world's second largest freshly-made drinks company. In terms of GMV in 2023, we are also China's largest, and the world's fourth largest freshly-made drinks company, and we held a market share of approximately 11.3% and 2.2% in China and globally, respectively.

In 1997, Mr. Zhang Hongchao, our founder and chairman of the Board, set out to open a small store named *Coldsnap Shaved Ice* "寒流刨冰" in Zhengzhou, China. With a homemade shaved ice machine, Mr. Zhang Hongchao embarked on the entrepreneurial journey in the realm of freshly-made drinks. In 1999, the Chinese brand name "蜜雪冰城" (Mi Xue Bing Cheng) was officially introduced – a name that signifies sweetness and refreshing coolness.

Through over 20 years of dedication, we have progressively grown *Mixue* to become a household brand. To humanize our brand and elevate it to new heights, we introduced Snow King "雪王", *Mixue*'s iconic IP and lifelong brand ambassador in 2018, with a vibrant matrix of audio and video content. Today, Snow King stands out as a cultural symbol that extends beyond the realm of drinks. See "Business — Our Brands and Products" for details.

We have built a comprehensive end-to-end supply chain at the largest scale in China's freshly-made drinks industry, encompassing essential aspects covering procurement, production, logistics, R&D and quality control. Utilizing our strong supply chain, we endeavor to maximize "value for money" for our products, as demonstrated by their competitive pricing range. We also maintain product quality across our entire supply chain. See "Business — Our Supply Chain" for details. With this expansive and highly efficient supply chain, we have also expanded our business presence across geographies and product categories.

Below is a diagram illustrating the key milestones in our development history that have shaped who we are today, as elaborated in the section headed "Business."



Our founders and management team have always adhered to the long-term perspective, carrying a strong sense of social responsibility and implementing sustainable development strategies. With Mr. Zhang Hongchao as chairman and Mr. Zhang Hongfu as vice chairman of our dedicated ESG Committee, we are committed to being a socially and environmentally responsible company, creating job opportunities, empowering farmers, promoting green development and advocating for social welfare. As of the Latest Practicable Date, approximately 35% of our franchisees, and 69% of store employees were female. In 2023, our efforts in green packaging upgrades led to a substantial reduction in the consumption of PE plastics by over 12,700 tons. We have also entered into a long-term industry-academia-research partnership with Jiangnan University and provided support to Westlake University in advancing R&D on biodegradable plastics.

In 2021, 2022, 2023 and the nine months ended September 30, 2024, GMV generated through our store network amounted to approximately RMB22.8 billion, RMB30.7 billion, RMB47.8 billion and RMB44.9 billion, respectively. We achieved strong financial performance throughout the Track Record Period, with robust growth, high profitability and ample cash flows on top of a large scale. In 2022, 2023 and the nine months ended September 30, 2024, we recorded revenue of RMB13.6 billion, RMB20.3 billion and RMB18.7 billion, respectively, representing year-over-year growth of 31.2%, 49.6% and 21.2%. Our net profit amounted to RMB2.0 billion, RMB3.2 billion and RMB3.5 billion in 2022, 2023 and the nine months ended September 30, 2024, respectively, growing by 5.3%, 58.3% and 42.3% year-over-year. We have consistently generated net cash flows from operating activities, which totaled RMB1.7 billion, RMB2.4 billion, RMB3.8 billion and RMB5.1 billion in 2021, 2022, 2023 and the nine months ended September 30, 2024, respectively. We are also facing increasingly intense competition within China's freshly-made drinks industry. With the growing number of freshly-made drinks brands and shops in China, our strategy to expand our store network may lead to competition both among our existing stores and against our competitors. It is possible that our competitors might have already taken up the desired locations for our new stores and our measures to minimize the risk of cannibalization within our network and competition against competitors might have limitations. For details, see "— Competition" and "Industry Overview".

OUR BRANDS AND PRODUCTS

We have two major brands – freshly-made tea drinks brand *Mixue* and freshly-made coffee brand *Lucky Cup*. In each period throughout the Track Record Period, revenue and gross profit generated from *Mixue* consistently accounted for over 95% of our total revenue and gross profit, respectively. By contrast, *Lucky Cup* had been an immaterial contributor to our revenue and gross profit during the Track Record Period. *Mixue*'s gross profit margins were 31.4%, 28.9%, 30.3% and 32.9% in 2021, 2022, 2023 and the nine months ended September 30, 2024, respectively, which are generally in line with our overall gross profit margins.

Our Freshly-Made Tea Drinks Brand – *Mixue*

Mixue primarily offers freshly-made fruit drinks, tea drinks and ice cream to consumers both in China and overseas. Our core *Mixue* products typically have a price range of RMB2 to RMB8, substantially lower than that of major products offered by other main freshly-made tea drinks brands in China. During the Track Record Period, the vast majority of GMV was generated through our *Mixue* stores.

Snow King, our *Mixue* lifelong brand ambassador, has become the sole iconic IP in China's freshly-made drinks industry, setting our brand apart from other brands in the industry. Over the years, *Mixue* has become a household brand in China with significant consumer mind-shares.

Our Freshly-Made Coffee Brand – *Lucky Cup*

With the foresight into the growing demand for freshly-made coffee products in China, we launched a freshly-made coffee brand *Lucky Cup* in 2017 to expand our product categories, building on *Mixue*'s success. *Lucky Cup* primarily offers freshly-made coffee drinks, ranging from classic products to trendy, innovative ones. Our core *Lucky Cup* products typically have a price range of RMB5 to RMB10, substantially lower than that of major products offered by other main freshly-made coffee brands in China.

For further details, see "Business — Our Brands and Products".

OUR STORE NETWORK

Our store network spans over 45,000 stores serving consumers both in and outside mainland China. As of September 30, 2024, we have established store presence across 31 provinces, autonomous regions and municipalities, including over 300 cities, 1,700 counties and 4,900 towns (out of approximately 30,000 towns across mainland China), spanning across all tiers of cities with a deep penetration in lower-tier markets. This extensive geographic reach and deep penetration set us apart from other freshly-made drinks brands in mainland China. We have also established a growing presence in markets outside mainland China, with approximately 4,800 stores as of September 30, 2024. Throughout each period during the Track Record Period, we generated approximately or over 70% of our overseas revenue from Indonesia and Vietnam. Our store formats primarily include standard dine-in stores, standard pick-up stores, specially-designed stores, container stores, flagship stores and themed stores.

The following map illustrates the footprint of our vast store network in China and overseas as of September 30, 2024.

Our Store Network in China and Overseas

Indonesia	2,667	Vietnam	1,304
Malaysia	337	Thailand	272
Philippines	98	Cambodia	40
Laos	22	Singapore	22
Australia	12	South Korea	7
Japan	5		

For illustrative purpose only, the map (Map Review Number (審圖號): GS(2021)5447, GS(2016)2948) is presented to demonstrate our footprint in China and overseas. For the sake of completeness, the map of China includes mainland China and the regions of Hong Kong, Macau and Taiwan of China.

The following table sets forth the number of our stores in mainland China by city tier and their percentages of the total number of stores in mainland China as of the dates indicated.

	As of December 31,						As of September 30,	
	2021		2022		2023		2024	
First-tier cities	782	4.0%	1,190	4.4%	1,513	4.6%	1,942	4.8%
New first-tier cities	4,172	21.1%	5,710	21.0%	6,886	20.7%	7,960	19.6%
Second-tier cities	3,187	16.2%	4,739	17.4%	5,955	17.9%	7,446	18.4%
Third-tier and below cities	11,590	58.7%	15,549	57.2%	18,880	56.8%	23,162	57.2%
Total number of stores in mainland China	**19,731**	**100.0%**	**27,188**	**100.0%**	**33,234**	**100.0%**	**40,510**	**100.0%**

We primarily offer mass-market freshly-made drinks (with price per item not higher than RMB10) catering to consumer demands across different city tiers through a broad store network in mainland China. As of September 30, 2024, 57.2% of the total number of our stores in mainland China were situated in third-tier and below cities. For further details, see "Business — Our Store Network".

OUR FRANCHISE MODEL

We primarily employ a franchise model to grow our store network. As of September 30, 2024, more than 99% of our stores were franchised stores, with the rest being our self-operated stores. Under our franchise model, we authorize our franchisees to sell freshly-made drinks through franchised stores under our brands, and the franchisees purchase store supplies and equipment from us as part of their daily operations. Franchisees are the owners of these stores and are accountable for their results of operations. We also stipulate that franchisees adhere to our comprehensive, standardized operational procedures and requirements.

We believe our interest-aligned franchise model drives our franchisees' decision to partner with us. To align interests with our franchisees, we have systematically devised a range of policies and measures. The initial investment and franchise fee for our stores are below the average within China's freshly-made drinks industry. In terms of our revenue model, franchise and related service fees are not our primary sources of revenue. In 2021, 2022, 2023 and the nine months ended September 30, 2024, 1.9%, 2.0%, 2.0% and 2.4% of our revenue was generated from franchise and related services, respectively. Our expansive and highly efficient supply chain provides franchisees with a competitive one-stop solution, improving their profitability and elevating consumer experience. Our interest-aligned cooperation with franchisees is also demonstrated by our standardized management, and continuous support and empowerment of franchisees through highly-digitalized operational system to enhance their operational efficiency. Under the philosophy of aligning interests with franchisees, we have together achieved an unparalleled store scale and built a healthy and sustainable franchise model.

The following table sets out a breakdown of revenue, gross profit and gross profit margin generated through our store network by different distribution channels for the periods indicated.

	For the year ended December 31,									For the nine months ended September 30,					
	2021			2022			2023			2023			2024		
	Revenue	Gross Profit	Gross Profit Margin	Revenue	Gross Profit	Gross Profit Margin	Revenue	Gross Profit	Gross Profit Margin	Revenue	Gross Profit	Gross Profit Margin	Revenue	Gross Profit	Gross Profit Margin
	RMB	*RMB*	*%*	*RMB*	*RMB*	*%*	*RMB*	*RMB*	*%*	*RMB*	*RMB*	*%*	*RMB*	*RMB*	*%*
											(unaudited)				
	(in thousands, except for percentages)														
Franchised stores	10,031,377	3,212,928	32.0	13,101,953	3,810,070	29.1	19,575,307	5,892,349	30.1	14,859,460	4,491,356	30.2	18,202,650	5,967,485	32.8
Self-operated stores	82,793	(1,925)	(2.3)	72,338	(7,311)	(10.1)	107,616	8,378	7.8	86,335	8,090	9.4	38,515	5,301	13.8

The distinct revenue models and cost structures of our franchised and self-operated stores result in differing gross profit margin profiles. During the Track Record Period, we opened a limited number of self-operated stores primarily to gain operating insights and strengthen our brands. Therefore, their operating model and results of operations do not represent or indicate those of our extensive franchised store network.

In the nine months ended September 30, 2024, revenue generated from self-operated stores declined year over year, primarily due to the decrease in the number of our self-operated stores. We primarily employ a franchise model to grow our store network. As we continue to scale business presence and enhance brand reputation, we have been able to effectively grow our store network through the franchise model in relevant markets, and accordingly we decided to close certain self-operated stores, or transfer them to franchisees in the nine months ended September 30, 2024.

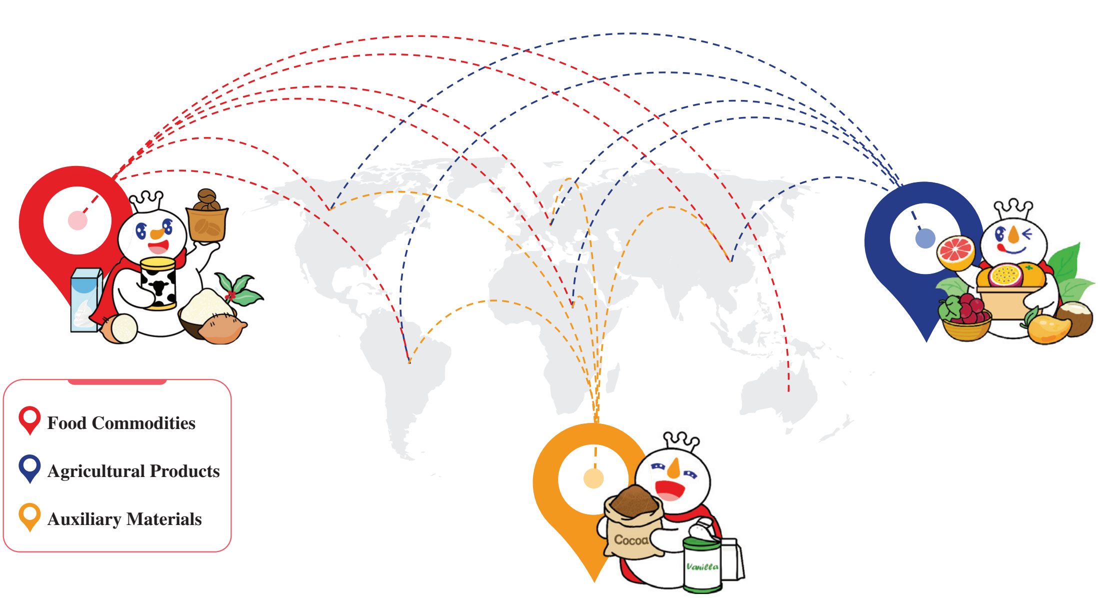
For further details, see "Business — Our Store Operations".

OUR SUPPLY CHAIN

We operate a comprehensive end-to-end supply chain at the largest scale in China's freshly-made drinks industry, according to CIC. Our highly digitalized and expansive supply chain, encompassing essential aspects that cover procurement, production, logistics, R&D and quality control, distinguishes us from our peers and enables us to provide our franchisees with a competitive one-stop solution.

Procurement. Through an extensive global procurement network spanning 38 countries across six continents, we gain access to quality raw materials resources, and utilize digital tools to ensure the quality and stability of supply. Our raw materials procurement primarily comprises food commodities, agricultural products and other auxiliary materials. With our global procurement network extended to the origins of raw materials, and our large procurement scale, we are able to secure many core raw materials at prices below the industry average. This enables us to attract consumers and franchisees by offering products with greater value for money.

Global Procurement Network Spanning 38 Countries across Six Continents

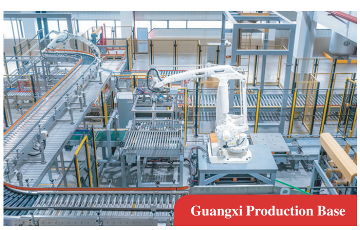


Production. As of September 30, 2024, our production encompasses the most comprehensive product portfolio at the largest scale in the supply chain of China's freshly-made drinks industry, according to CIC. We have five production bases in Henan, Hainan, Guangxi, Chongqing and Anhui, occupying a total of approximately 0.79 million square meters and having a total annual production capacity of approximately 1.65 million tons. We own the largest freshly-made drinks supply chain in China in terms of sales value of ingredients of freshly-made drinks, according to CIC. Through our in-house R&D and production capabilities, we offer a one-stop ingredients solution with full categories including products of syrups, milk, tea, coffee, fruit, grains and condiments. In contrast, the majority of our peers in the freshly-made drinks industry do not engage in production of ingredients, and none of these peers have production capabilities covering such full categories as we do, according to CIC.

Our Production Bases


Henan Production Base


Hainan Production Base


Guangxi Production Base


Chongqing Production Base


Anhui Production Base

Logistics. Our self-operated warehouse system and dedicated delivery network are able to support the most extensive store network in China's freshly-made drinks industry. Our warehouse system, which is the largest in the industry, comprises 27 warehouses nationwide, totaling approximately 350,000 square meters. Our delivery network has the broadest geographical coverage and the deepest penetration in lower-tier markets in the industry, spanning 31 provinces, autonomous regions and municipalities, over 300 cities, 1,700 counties and 4,900 towns across mainland China.

For illustrative purpose only, the map (Map Review Number (審圖號): GS(2021)5447) is presented to demonstrate our logistics system in China, which includes mainland China and the regions of Hong Kong, Macau and Taiwan of China for the sake of completeness.

R&D. Our R&D efforts seamlessly combine both application R&D for product tastes and recipes and fundamental R&D for ingredient-related technologies, production techniques, recipes and equipment. This holistic R&D approach leads to our strong research capabilities for core ingredients and ability to continuously offer value-for-money freshly-made drinks for consumers.

Quality control. We maintain and implement robust quality control standards to ensure the consistent high quality of outputs throughout our entire supply chain.

For further details, see "Business — Our Supply Chain".

OUR CUSTOMERS AND SUPPLIERS

Our customers primarily include the franchisees who operate franchised stores pursuant to the franchise agreements with us. We generated the vast majority of our revenue from the sales of goods and equipment to franchised stores. To a much lesser extent, we also sell our products directly to retail customers through self-operated stores and e-commerce retail channels, and we sell certain goods and equipment to some non-franchisee customers, primarily corporate customers operating in food and beverage industry. See "— Our Franchise Model" for information about sales generated at our self-operated stores. In 2021, 2022, 2023 and the nine months ended September 30, 2024, revenue from sales generated through e-commerce retail channels was RMB180.4 million, RMB271.3 million, RMB341.8 million and RMB208.7 million, respectively. During the same periods, revenue from sales generated from those non-franchisee customers was RMB56.4 million, RMB130.0 million, RMB277.7 million and RMB209.8 million, respectively.

All of our five largest customers for each year/period during the Track Record Period are our franchisees. In 2021, 2022, 2023 and the nine months ended September 30, 2024, revenue from our five largest customers for each such year/period accounted for 1.9%, 1.4%, 1.1% and 1.0% of our total revenue for the respective years/periods. During the Track Record Period, we were not subject to any material customer concentration risk. For further details, see "Business — Our Customers".

Our suppliers primarily include the suppliers of raw materials to support our production, such as food commodities, agricultural products and other auxiliary materials. See also "Business — Our Supply Chain — Procurement". In 2021, 2022, 2023 and the nine months ended September 30, 2024, purchases from our five largest suppliers for each such year/period accounted for 19.3%, 16.6%, 15.2% and 18.3% of total purchases for the respective years/periods. During the same years/periods, purchases from our largest supplier for each such year/period accounted for 5.0%, 4.6%, 3.9% and 6.5% of our total purchases, respectively. For further details, see "Business — Our Suppliers".

OUR REVENUE MODEL

During the Track Record Period, substantially all of our revenue was generated from sales of goods and equipment, primarily comprising amounts received from our franchisees for store supplies (including ingredients, such as products of syrups, milk, tea, coffee, fruit, grains and condiments, as well as packaging materials) and equipment (such as refrigerators, ice cream makers, ice makers and coffee machines) we provided to them. In addition, we also generated revenue from franchise and related services we provided to our franchisees. The following table sets forth the breakdowns of our revenue, gross profit and gross profit margin by the nature of products and services for the periods indicated.

	For the year ended December 31,									For the nine months ended September 30,					
	2021			2022			2023			2023			2024		
	Revenue	Gross Profit	Gross Profit Margin	Revenue	Gross Profit	Gross Profit Margin	Revenue	Gross Profit	Gross Profit Margin	Revenue	Gross Profit	Gross Profit Margin	Revenue	Gross Profit	Gross Profit Margin
	RMB	*RMB*	*%*	*RMB*	*RMB*	*%*	*RMB*	*RMB*	*%*	*RMB*	*RMB*	*%*	*RMB*	*RMB*	*%*
										(unaudited)					
	(in thousands, except for percentages)														
Sales of goods and equipment[(1)]															
Sales of goods	9,457,660	2,973,867	31.4	12,551,043	3,490,207	27.8	19,160,210	5,508,001	28.7	14,504,715	4,209,256	29.0	17,595,055	5,550,933	31.5
Sales of equipment	696,944	129,571	18.6	748,387	140,641	18.8	736,537	168,160	22.8	604,842	137,509	22.7	621,256	123,518	19.9
Subtotal	**10,154,604**	**3,103,438**	**30.6**	**13,299,430**	**3,630,848**	**27.3**	**19,896,747**	**5,676,161**	**28.5**	**15,109,557**	**4,346,765**	**28.8**	**18,216,311**	**5,674,451**	**31.2**
Franchise and related services	**196,382**	**140,424**	**71.5**	**276,147**	**215,989**	**78.2**	**405,718**	**322,806**	**79.6**	**283,771**	**228,874**	**80.7**	**443,360**	**365,971**	**82.5**
Total	**10,350,986**	**3,243,862**	**31.3**	**13,575,577**	**3,846,837**	**28.3**	**20,302,465**	**5,998,967**	**29.5**	**15,393,328**	**4,575,639**	**29.7**	**18,659,671**	**6,040,422**	**32.4**

Note:

(1) Revenue from sales of goods and equipment is predominantly generated by selling store supplies and equipment to our franchisees in the ordinary course of business. Additionally, we also generate a limited portion of revenue from sales at our self-operated stores and various e-commerce retail channels, and from certain goods and equipment sold to some non-franchisee customers, primarily corporate customers operating in the food and beverage industry. For the years ended December 31, 2021, 2022, 2023 and the nine months ended September 30, 2024, revenue from sales generated through e-commerce retail channels was RMB180.4 million, RMB271.3 million, RMB341.8 million and RMB208.7 million, respectively. During the same periods, revenue from sales generated from those non-franchisee customers was RMB56.4 million, RMB130.0 million, RMB277.7 million and RMB209.8 million, respectively. For the years ended December 31, 2021, 2022 and 2023 and the nine months ended September 30, 2024, gross profit for sales generated through e-commerce retail channels was RMB32.2 million, RMB40.8 million, RMB76.6 million and RMB45.8 million, representing gross profit margin of 17.9%, 15.0%, 22.4% and 21.9%, respectively. During the same periods, gross profit for sales generated from those non-franchisee customers was RMB0.6 million, RMB3.3 million, RMB21.7 million and RMB21.8 million, representing gross profit margin of 1.1%, 2.6%, 7.8% and 10.4%, respectively.

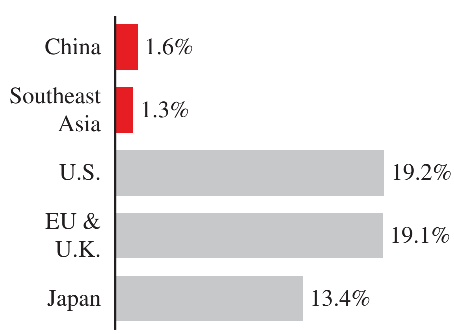
For details, see "Financial Information — Description of Major Components of Our Results of Operations — Revenue".

MARKET OPPORTUNITIES

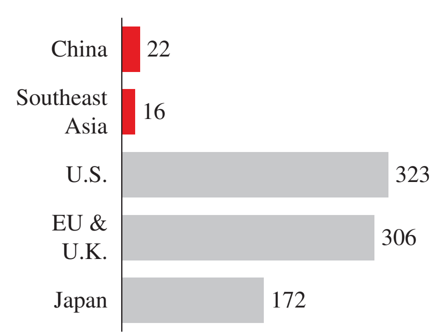
The global freshly-made drinks market is a vast market with potential for accelerated growth in the coming years. As measured by GMV, the market is projected to grow with an accelerated CAGR of 7.2% from 2023 to 2028 to reach US$1,103.9 billion in 2028, constituting nearly half of the overall global drinks market by 2028. The rapid expansion of emerging markets, particularly China and Southeast Asia, has been a key contributor to the accelerated growth anticipated in the global freshly-made drinks market. The cumulative growth of these two markets is projected to contribute nearly 40% to the total growth of the global freshly-made drinks market during the same period, increasing their combined shares in the global freshly-made drinks market from 12.0% in 2023 to 19.4% in 2028.

The rapid growth of the China and Southeast Asia markets is driven by the increasing consumer demand for freshly-made drinks. In 2023, freshly-made drinks consumption volume as a percentage of total fluid intake, and per capita annual consumption of freshly-made drinks in China and Southeast Asia were substantially lower than those of developed markets, as illustrated in the chart below. It is expected that in China and Southeast Asia, the percentage of freshly-made drinks consumption volume in the total fluid intake will further increase towards those developed markets' level. Compared with developed markets, the annual consumption of freshly-made drinks per capita in China and Southeast Asia is expecting a higher increase, leading to the rapid growth in these two markets, as confirmed by CIC. By 2028, per capita annual consumption of freshly-made drinks in China and Southeast Asia is expected to more than double to 51 cups and 36 cups, respectively, presenting attractive growth prospects.

Freshly-made drinks consumption volume as a percentage of total fluid intake, 2023



Annual consumption of freshly-made drinks per capita, cups per year, 2023

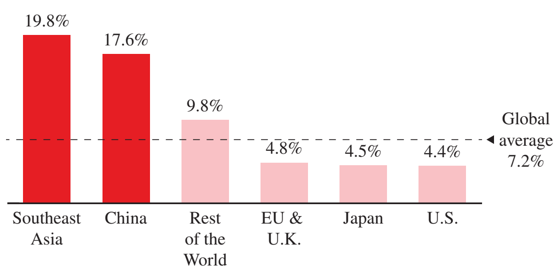


Note: Fluid intake includes freshly-made drinks, RTD drinks, milk, and tap water.

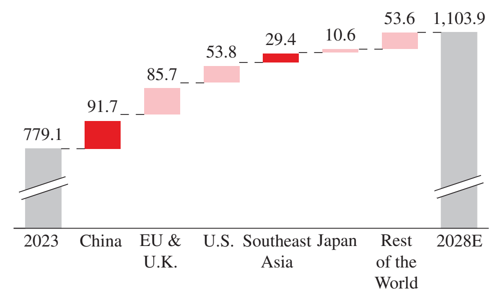
Source: CIC, World Bank, World Health Organization, Chinese Nutrition Society

China's freshly-made drinks market is projected to grow at a CAGR of 17.6% from 2023 to 2028 to reach RMB1,163.4 billion in 2028. Within this market, mass-market freshly-made drinks (with price per item not higher than RMB10) not only address growing consumer demands for value-for-money products, but also offer fresher products and engaging consumer experience compared to other mass-market drinks products in the similar price range. Consequently, mass-market freshly-made drinks segment exhibits the highest growth rate among all segments by price range within China's freshly-made drinks market, growing at aCAGR of 22.2% from 2023 to 2028. The freshly-made drinks market in Southeast Asia, as measured by GMV, is projected to grow at a CAGR of 19.8% from US$20.1 billion in 2023 to US$49.5 billion in 2028, marking the fastest growth among major markets worldwide. For further details, see "Industry Overview".

CAGR from 2023 to 2028E of freshly-made drinks market in terms of GMV, Global



Increment of global freshly-made drinks market in terms of GMV, USD billion, 2023-2028E



Source: CIC, International Monetary Fund, United States Department of Agriculture

OUR COMPETITIVE STRENGTHS

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

- Largest freshly-made drinks company in China and worldwide in terms of number of stores as of September 30, 2024;
- Highly-digitalized end-to-end supply chain pivotal to quality products with value for money;
- Household brand *Mixue* and iconic IP Snow King with a vast consumer and fan base;
- Interest-aligned franchise model and highly-digitalized operational system leading to a healthy franchised store network;
- Substantial long-term growth supported by scalable expansion across geographies and product categories; and
- Resilient founders and management team anchoring a unique corporate culture centered around authenticity and strong ESG commitment.

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

OUR STRATEGIES

For over 20 years, we have built strong and successful brands by staying simple and focused. We will capture the change of the times, and continue to build sustainable global brands lasting for centuries with the following strategies:

- Solidifying our strong leadership in China's freshly-made drinks industry and pursuing overseas expansion opportunities; and
- Further strengthening infrastructure and operational systems to fulfill our vision to build brands lasting for centuries.

For further details, see "Business — Our Strategies".

KEY OPERATING DATA

We regularly monitor a number of operating metrics in order to measure our business performance. These metrics aid us in developing and refining our growth strategies and making strategic decisions. The following table sets out the key operating metrics generated through our entire store network in and outside mainland China for the periods indicated.

	For the year ended/As of December 31,			For the nine months ended/ As of September 30,	
	2021	2022	2023	2023	2024
GMV (*RMB in billions*)	22.8	30.7	47.8	37.0	44.9
Number of cups sold (*in billions*)	3.6	4.7	7.4	5.8	7.1
Number of orders (*in billions*)	2.0	2.6	4.1	3.1	3.9
Number of stores	20,001	28,983	37,565	36,153	45,302
Number of days of operation (*in thousands*)(1)	5,504.8	7,788.1	11,591.5	8,372.2	10,721.2
Average GMV per order (*RMB*)	11.2	11.9	11.8	11.7	11.4
Average GMV per store (*RMB in thousands*)(2)	1,401.8	1,251.6	1,438.0	1,135.3	1,082.7
Average GMV per store per day (*RMB*)(3)	4,144.6	3,936.1	4,127.8	4,416.3	4,184.4
Average number of cups sold per store(4)	221,746.4	191,807.7	221,804.5	177,168.5	170,721.6
Average number of orders per store per day(5)	370.8	330.9	350.3	376.1	367.0
Average store equipment expenditure per newly-opened franchised store (*RMB*)(6)	86,879.1	77,384.7	74,442.8	75,416.7	68,541.1

Notes:

(1) Calculated by summing the number of days for a given period during which each store is open for business with GMV recorded in our system.

(2) Calculated by dividing the GMV for a given period by the average number of the stores at the beginning and end of that period. Accordingly, the statistics results of this metric are influenced by the length of the period.

(3) Calculated by dividing the GMV for a given period by the number of days of operation in that period.

(4) Calculated by dividing the number of cups sold through our store network for a given period by the average number of the stores at the beginning and end of that period.

(5) Calculated by dividing the number of orders for a given period by the number of days of operation in that period.

(6) Calculated by dividing the revenue generated from sales of equipment for a given period by the number of newly opened franchised stores during that period.

Between 2021 and 2023, and from the nine months ended September 30, 2023 to the same period of 2024, GMV, number of cups sold, and number of orders generated through our store network continued to grow in line with the expansion of our store network.

Our individual store performance experienced fluctuations in 2022, primarily due to the disruptions caused by the COVID-19 pandemic. For details, see "Financial Information — Impacts of COVID-19." While we continued to scale our store network, the individual store performance has largely recovered post-pandemic since 2023.

From the nine months ended September 30, 2023 to the same period of 2024, our individual store performance experienced a decline, primarily due to general industry slowdown and intensifying market competition. For further information, including our responsive measures to address the intensifying market competition, see "Business — Competition" and "Risk Factors — Risks relating to Our Business and Industry — A recent slowdown in China's freshly-made drinks market amid intensifying competition may adversely impact our business and results of operations". Consequently, our average GMV per store per day decreased from RMB4,416.3 in the nine months ended September 30, 2023 to RMB4,184.4 during the same period in 2024. Average number of cups sold per store per day and average number of orders per store per day also decreased over the same periods.

The following table sets out average GMV per store per day generated through our entire store network in and outside mainland China by store cohorts for the periods indicated.

	For the year ended December 31,			For the nine months ended September 30,	
	2021	2022	2023	2023	2024
			(RMB)		
Average GMV per store per day[(1)]					
Stores opened in 2021 and before	4,144.6	4,010.8	4,492.8	4,754.9	4,746.2
Stores opened in 2022	–	3,592.0	3,856.5	4,000.4	3,930.8
Stores opened in 2023	–	–	3,302.1	3,777.7	3,468.0
Stores opened in 2024	–	–	–	–	3,989.3

Note:

(1) Calculated by dividing the GMV generated from a specific cohort of stores for a given period by the number of days of operation for such store cohort in that period.

The sales performance of any store cohort is influenced by various factors, such as our expansion across geographical locations and product categories, the composition of newly-opened and established stores, as well as the timing of store openings within a year. Our average GMV per store per day across store cohorts declined year over year in the nine months ended September 30, 2024, primarily due to general industry slowdown and intensifying market competition.

The following table sets out our same-store GMV growth for stores in and outside mainland China for the periods indicated.

	For the year ended December 31,			For the nine months ended September 30,
	2021	2022	2023	2024
Same-store GMV growth (%)	28.9	(2.4)	12.0	(0.6)

In 2021, 2022, 2023 and the nine months ended September 30, 2024, our same-store GMV growth was 28.9%, (2.4%), 12.0% and (0.6%), respectively. In 2021, our same-store GMV increased by 28.9% primarily due to the enhancement of our brand as well as the expansion of our store network. In 2022, our same-store GMV decreased by 2.4% primarily due to the disruptions caused by the COVID-19 pandemic. In the nine months ended September 30, 2024, our same-store GMV decreased by 0.6% primarily due to general industry slowdown and intensifying market competition.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following table sets 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 Prospectus. 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 Prospectus, including the related notes. Our consolidated financial information was prepared in accordance with IFRSs.

The following table sets forth a summary of our consolidated statements of profit or loss 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)			
	(in thousands, except for percentages)									
Revenue	10,350,986	100.0	13,575,577	100.0	20,302,465	100.0	15,393,328	100.0	18,659,671	100.0
Cost of sales	(7,107,124)	(68.7)	(9,728,740)	(71.7)	(14,303,498)	(70.5)	(10,817,689)	(70.3)	(12,619,249)	(67.6)
Gross profit	**3,243,862**	**31.3**	**3,846,837**	**28.3**	**5,998,967**	**29.5**	**4,575,639**	**29.7**	**6,040,422**	**32.4**
Other income and gains (net)	135,181	1.3	127,915	0.9	247,632	1.2	149,624	1.0	135,507	0.7
Selling and distribution expenses	(405,766)	(3.9)	(774,431)	(5.7)	(1,318,588)	(6.5)	(992,934)	(6.5)	(1,097,090)	(5.9)
Administrative expenses	(374,665)	(3.6)	(496,506)	(3.6)	(610,622)	(3.0)	(429,811)	(2.8)	(433,470)	(2.3)
Research and development expenses	(17,151)	(0.2)	(32,304)	(0.2)	(85,000)	(0.4)	(51,343)	(0.3)	(64,805)	(0.3)
Finance costs	(5,973)	(0.1)	(9,190)	(0.1)	(14,697)	(0.1)	(11,037)	(0.1)	(5,479)	(0.1)
(Impairment losses)/reversal of impairment losses on financial assets	(1,787)	(0.0)	(4,098)	(0.0)	1,638	0.1	4,480	0.1	(3,524)	(0.0)
Impairment of property, plant and equipment	(14,827)	(0.1)	–	–	(65,524)	(0.3)	(59,999)	(0.4)	–	–
Share of (losses)/profits of an associate	–	–	(180)	(0.0)	196	0.0	36	0.0	(3,016)	(0.0)
Profit before tax	**2,558,874**	**24.7**	**2,658,043**	**19.6**	**4,154,002**	**20.5**	**3,184,655**	**20.7**	**4,568,545**	**24.5**
Income tax expense	(646,932)	(6.2)	(644,952)	(4.8)	(967,397)	(4.8)	(731,876)	(4.8)	(1,077,573)	(5.8)
Profit for the year/period	**1,911,942**	**18.5**	**2,013,091**	**14.8**	**3,186,605**	**15.7**	**2,452,779**	**15.9**	**3,490,972**	**18.7**
Profit attributable to:										
Owners of the parent	1,910,361	18.5	1,996,715	14.7	3,137,341	15.5	2,400,853	15.6	3,486,065	18.7
Non-controlling interests	1,581	0.0	16,376	0.1	49,264	0.2	51,926	0.3	4,907	0.0

Our net profit increased from RMB1,911.9 million in 2021 to RMB2,013.1 million in 2022 and RMB3,186.6 million in 2023, and increased from RMB2,452.8 million in the nine months ended September 30, 2023 to RMB3,491.0 million during the same period in 2024, primarily due to our increased revenue fueled by the expansion of our store network in and outside mainland China, which was partially offset by the increase in selling and distribution expenses and administrative expenses from 2021 to 2022, and by the increase in selling and distribution expenses and income tax expense from 2022 to 2023 and from the nine months ended September 30, 2023 to the same period in 2024.

The table below sets forth a summary of our consolidated statements of financial position as of the dates indicated.

	As of December 31,			As of September 30,
	2021	2022	2023	2024
	(RMB in thousands)			
Total non-current assets	2,242,617	3,389,291	5,445,381	7,113,433
Total current assets	5,073,766	6,556,065	9,148,185	11,506,900
Total assets	**7,316,383**	**9,945,356**	**14,593,566**	**18,620,333**
Total non-current liabilities	67,495	127,436	263,788	234,876
Total current liabilities	1,706,178	2,338,653	3,734,313	4,289,251
Total liabilities	**1,773,673**	**2,466,089**	**3,998,101**	**4,524,127**
Net current assets	**3,367,588**	**4,217,412**	**5,413,872**	**7,217,649**
Net assets	**5,542,710**	**7,479,267**	**10,595,465**	**14,096,206**
Share capital	360,000	360,000	360,000	360,000
Reserves	5,177,351	7,094,297	10,146,993	13,641,298
Non-controlling interests	5,359	24,970	88,472	94,908
Total equity	**5,542,710**	**7,479,267**	**10,595,465**	**14,096,206**

Our net current assets increased from RMB3,367.6 million as of December 31, 2021 to RMB4,217.4 million as of December 31, 2022, primarily due to the increases in financial assets at fair value through profit or loss, inventories, and prepayments, other receivables and other assets. Our net current assets further increased to RMB5,413.9 million as of December 31, 2023, primarily due to the increases in cash and cash equivalents and inventories, which was partially offset by a decrease in financial assets at fair value through profit or loss and increases in other payables and accruals and trade payables. Our net current assets further increased to RMB7,217.6 million as of September 30, 2024, primarily due to the increases in financial assets at fair value through profit or loss and cash and cash equivalents, and the decrease in interest-bearing bank and other borrowings, which was partially offset by the increase in trade payables.

Our net assets increased from RMB5,542.7 million as of December 31, 2021 to RMB7,479.3 million as of December 31, 2022, primarily due to profit for the year of RMB2,013.1 million and equity-settled share-based payment arrangements of RMB25.0 million, partially offset by dividends declared of RMB104.4 million. Our net assets further increased to RMB10,595.5 million as of December 31, 2023, primarily due to profit for the year of RMB3,186.6 million, which was partially offset by dividends declared of RMB100.0 million. Our net assets further increased to RMB14,096.2 million as of September 30, 2024, primarily due to profit for the period of RMB3,491.0 million.

The following table sets forth a summary of 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**
				(unaudited)	
	(RMB in thousands)				
Operating cash flows before movements in working capital	2,643,793	2,816,683	4,408,046	3,357,947	4,828,654
Changes in working capital	(399,544)	228,172	242,767	281,589	1,089,629
Income tax paid	(590,081)	(658,546)	(910,742)	(584,626)	(876,164)
Interest received	38,221	44,322	53,801	36,781	58,635
Net cash flows generated from operating activities	1,692,389	2,430,631	3,793,872	3,091,691	5,100,754
Net cash flows used in investing activities	(1,831,630)	(2,201,861)	(825,344)	(1,997,140)	(4,485,997)
Net cash flows generated from/(used in) financing activities	726,648	(139,261)	(111,319)	(102,786)	(257,162)
Net increase in cash and cash equivalents	**587,407**	**89,509**	**2,857,209**	**991,765**	**357,595**
Cash and cash equivalents at the beginning of the period	2,089,486	2,675,827	2,764,138	2,764,138	5,621,904
Effect of foreign exchange differences (net)	(1,066)	(1,198)	557	3,310	897
Cash and cash equivalents at the end of the period	**2,675,827**	**2,764,138**	**5,621,904**	**3,759,213**	**5,980,396**

For further details, see "Financial Information".

KEY FINANCIAL RATIOS

	For the year ended/As of December 31,			For the nine months ended/As of September 30,
	2021	2022	2023	2024
Revenue growth	N/A	31.2%	49.6%	21.2%
Gross profit margin	31.3%	28.3%	29.5%	32.4%
Current ratio[(1)]	3.0	2.8	2.4	2.7
Quick ratio[(2)]	2.2	2.1	1.9	2.3
Gearing ratio[(3)]	0.5%	1.9%	2.5%	0.03%

Notes:

(1) Calculated using current assets divided by current liabilities as of the end of the period.

(2) Calculated using current assets less inventories and divided by current liabilities as of the end of the period.

(3) Calculated using total borrowings divided by total equity as of the end of the period and multiplied by 100%.

The year-over-year growth of our revenue slowed in the nine months ended September 30, 2024, as compared to 2022 and 2023, primarily due to our expanded business scale, general industry slowdown and intensifying market competition. See "Risk Factors — Risks relating to Our Business and Industry — We operate in a highly competitive market and intensifying competition in China's freshly-made drinks market could materially and adversely impact our market share and profitability if we fail to compete effectively" and "Risk Factors — Risks relating to Our Business and Industry — A recent slowdown in China's freshly-made drinks market amid intensifying competition may adversely impact our business and results of operations".

Our gross profit margin declined from 31.3% in 2021 to 28.3% in 2022 due to the decrease in the gross profit margin for sales of goods, which was the most significant contributor to our revenue during the Track Record Period. The gross profit margin for sales of goods narrowed from 31.4% in 2021 to 27.8% in 2022. This decrease was primarily attributed to (i) increased purchase costs resulting from fluctuations in market prices for certain of our raw materials, and (ii) our reduction of prices by an average of 15% for 69 store supplies and equipment items sold to our franchisees to ease the impacts from the COVID-19 pandemic in 2022, the sales of which accounted for 23.1% of our total revenue in 2022.

Our gross profit margin subsequently increased to 29.5% in 2023, primarily driven by the increase in the gross profit margin for sales of goods, which was mainly attributed to decreased purchase costs for certain of our raw materials as our business continued to scale. Our gross profit margin improved from 29.7% in the nine months ended September 30, 2023 to 32.4% in the same period of 2024, primarily due to enhanced supply chain efficiency as well as decreased purchase cost for certain raw materials.

Our gearing ratio increased from 1.9% as of December 31, 2022 to 2.5% as of December 31, 2023, primarily due to our increased interest-bearing bank and other borrowings, which resulted from additional bank loans secured for working capital purposes, such as relating to the procurement of raw materials. Our gearing ratio subsequently decreased to 0.03% as of September 30, 2024, primarily attributable to our decreased interest-bearing bank and other borrowings upon repayment.

For further details, see "Financial Information".

RISK FACTORS

Our business and the Global Offering involve certain risks, including risks relating to (i) our business and industry; (ii) doing business in the PRC; and (iii) the Global Offering. Some of the major risks we face include, but are not limited to, the following:

- Our business relies on consumer demand for our products, which is ever-evolving in nature and may shift upon changes in consumer preferences and perceptions, as well as consumers' discretionary spending power. Adverse changes in consumer demand for our products will harm our franchisees' and our business.

- Our future growth depends on our ability to continuously extend the footprint of our store network and successfully manage the operational performance of our expansive store network.

- We operate in a highly competitive market and intensifying competition in China's freshly-made drinks market could materially and adversely impact our market share and profitability if we fail to compete effectively.

- A recent slowdown in China's freshly-made drinks market amid intensifying competition may adversely impact our business and results of operations.

- The continued strength of our brands is critical to our success. If our brand value diminishes, our results of operations, financial performance and business prospects may be materially and adversely affected.

- Our operating history may not be indicative of our results of operations, financial performance or business prospects in the future.

- Our franchised stores purchase store supplies and equipment from us. If we are not able to ensure the sufficient, stable and timely supply of such store supplies and equipment to support the franchised stores' operations, or if there is any disruption to our supply chain, our business will be materially and adversely affected.

- Our reputation, results of operations and financial performance may be materially and adversely affected if the quality and food safety of our products are compromised.

COMPETITION

The freshly-made drinks industry in China is highly competitive. In 2023, the top five companies in China's freshly-made drinks market in terms of GMV collectively accounted for approximately 35.0% of market share, and the top five companies in terms of number of cups sold collectively accounted for approximately 54.9% of market share, according to CIC. For the same period, we ranked first in China's freshly-made drinks market with a market share of approximately 11.3% in terms of GMV, or a market share of approximately 32.7% in terms of number of cups sold. We are faced with increasingly intense competition with other leading players in various aspects of our business, including product innovation, product quality, consumer experience as well as consumer acquisition and retention. See "Industry Overview".

In particular, the growth of China's freshly-made drinks market slowed during the nine months ended September 30, 2024, compared to the same period in 2023. This slowdown occurred amidst intensifying market competition. Specifically: (i) leading market players are competing for prime locations, franchisees, and consumers as they continue to expand their store networks; (ii) underperforming stores, particularly those of smaller brands, have struggled to compete with top-performing stores and brands, leading to store closures; and (iii) several market participants have lowered the price of their product offerings in an attempt to capture price-sensitive consumers, further intensifying market competition. This industry slowdown has also resulted in a negative impact on our business and results of operations. For details, see "Business — Competition." Nevertheless, as confirmed by CIC, the growth of our total GMV in the nine months ended September 30, 2024 is higher than the majority of the other top five peers in the industry. If we fail to effectively compete with, or are out-competed by, the other leading players, we may experience a material and adverse impact on our results of operations, financial conditions and business prospects. See "Risk Factors — Risks relating to Our Business and Industry — We operate in a highly competitive market and intensifying competition in China's freshly-made drinks market could materially and adversely impact our market share and profitability if we fail to compete effectively" and "Risk Factors — Risks relating to Our Business and Industry — A recent slowdown in China's freshly-made drinks market amid intensifying competition may adversely impact our business and results of operations".

OUR SHAREHOLDING STRUCTURE

Our Controlling Shareholders

Immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), Mr. Zhang Hongchao directly and through Qingchun Wuwei, and Mr. Zhang Hongfu directly and through Shiyu Zuxia, will control 41.27% and 41.27% of our total issued share capital, respectively. Accordingly, Mr. Zhang Hongchao, Mr. Zhang Hongfu, Qingchun Wuwei and Shiyu Zuxia will be our Controlling Shareholders upon the Listing. For details, see "Relationship with the Controlling Shareholders".

In September 2022, Mr. Zhang Hongchao and Mr. Zhang Hongfu entered into a concert party agreement, pursuant to which they acknowledged their relationship of acting in concert in the board meetings and general meetings of the Company. It is further agreed that such acting in concert relationship will continue following the listing of the Company, and Mr. Zhang Hongchao and Mr. Zhang Hongfu have no intention to terminate their acting in concert relationship upon the Listing.

Pre-IPO Investment

We completed our Pre-IPO Investment in December 2020 and our Pre-IPO investors are Longzhu Meicheng, Shenzhen Yunqi and Tianjin Panxue. Immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), the Pre-IPO Investors will hold approximately 9.55% of the issued Shares. For further details of the identity and background of the Pre-IPO Investors and the principal terms of the Pre-IPO Investment, see "History, Development and Corporate Structure — Pre-IPO Investment".

THE LISTING ATTEMPT

We submitted our A share listing application to the CSRC in September 2022, which was subsequently lapsed. For details, see "History, Development and Corporate Structure — Listing Attempt".

DIVIDENDS

In 2021, 2022 and 2023, our Company declared dividends of RMB104.4 million, RMB104.4 million and RMB100.0 million, respectively, all of which had been paid in full. Our Company did not declare any dividend in the nine months ended September 30, 2024. See Note 12 to the Accountants' Report included in Appendix I to this Prospectus for details.

As of the Latest Practicable Date, we did not have a formal dividend policy or a fixed dividend distribution ratio. PRC laws require that dividends be paid only out of our distributable profits. Distributable profits are our after-tax profits, less appropriations to statutory and other reserves that we are required to make. Pursuant to our Articles of Association, our Board may declare dividends in the future after taking into account our results of operations, financial conditions, cash requirements and availability, and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, applicable PRC laws and approval by our Shareholders.

After the Global Offering, we may declare and pay dividends mainly by cash or by stock that we consider appropriate. Decisions to declare or to pay any dividends in the future, will depend on, among other things, our Company's profitability, operations and development plans, external financing environment, costs of capital, our Company's cash flows and other factors that our Directors may consider relevant. Our ability to distribute dividends in the future also depends on whether we can receive dividends from our subsidiaries.

PROFIT ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2024

We have prepared the following profit estimate for the year ended December 31, 2024.

Estimated consolidated profit attributable to owners of the parent for the year ended December 31, 2024(1)(2)	not less than RMB4.4 billion (equivalent to approximately HK$4.8 billion)

Notes:

(1) The bases on which the above profit estimate has been prepared are summarized in Part A of Appendix IIB to this Prospectus. The Directors have prepared the estimated consolidated profit attributable to owners of the parent for the year ended December 31, 2024 based on the audited consolidated results of our Group for the nine months ended September 30, 2024 and the unaudited consolidated results based on the management accounts of our Group for the three months ended December 31, 2024. The profit estimate has been prepared on a basis consistent in all material respects with our accounting policies, as presently adopted and as set out in Note 2.3 of the Accountants' Report of the Group, the text of which is set out in Appendix I to this Prospectus.

(2) The estimated consolidated profit attributable to owners of the parent is converted into Hong Kong dollars at the exchange rate of HK$1 to RMB0.926. No presentation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

LISTING EXPENSES

Our listing expenses mainly include (i) underwriting-related expenses, such as underwriting fees and commissions, and (ii) non-underwriting-related expenses, comprising professional fees paid to our legal advisors and reporting accountants for their services rendered in relation to the Listing and the Global Offering, and other fees and expenses. Assuming full payment of the discretionary incentive fee, the estimated total listing expenses for the Global Offering are approximately HK$163.7 million, accounting for approximately 4.7% of our gross proceeds. Among such estimated total listing expenses, we expect to pay underwriting-related expenses of HK$69.4 million, professional fees for our legal advisors and reporting accountants of HK$69.9 million and other fees and expenses of HK$24.4 million. An estimated amount of HK$93.2 million for our listing expenses, accounting for approximately 2.7% of our gross proceeds, is expected to be expensed through the statement of profit or loss and an estimated amount of HK$70.5 million is expected to be recognized directly as a deduction from equity upon the Listing. We did not recognize any listing expenses in 2021 and 2022. We recognized listing expenses of RMB10.9 million and RMB9.2 million in 2023 and the nine months ended September 30, 2024, respectively, in our consolidated statements of profit or loss and other comprehensive income.

GLOBAL OFFERING STATISTICS

The statistics in the following table are based on the assumptions that: (i) the Global Offering is completed and 17,059,900 Offer Shares are issued and sold in the Global Offering; (ii) the Over-allotment Option is not exercised; and (iii) 377,059,900 Shares are in issue upon completion of the Global Offering:

	Based on the Offer Price of HK$202.50 per H Share
Market capitalization of our Shares	HK$76,355 million
Unaudited pro forma adjusted consolidated net tangible assets per Share[1]	HK$49.04

Note:

1. The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated on the basis that 377,059,900 Shares are in issue assuming that 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 Over-allotment Option.

POTENTIAL SPIN-OFF

Having considered, among others, the size and rapid growth of the Company's overseas businesses and its clear delineation with the Company's business in mainland China in terms of geographical locations and market focus, the Company wishes to retain the possibility to spin off its overseas businesses within three years after the Listing. As of the date of this Prospectus, the Company does not have any detailed plan in relation to the potential spin-off, including the timetable, the listing venue and the entity to be spun off.

The potential spin-off will be subject to compliance with all applicable requirements of the Listing Rules including, without limitation, Practice Note 15, unless otherwise waived by the Stock Exchange. We have obtained from the Stock Exchange a waiver from strict compliance with the three-year restriction requirement under paragraph 3(b) of Practice Note 15 in relation to the potential spin-off of our overseas businesses. The potential spin-off will remain subject to other requirements of Practice Note 15.

Notwithstanding the above, the potential spin-off remain highly uncertain and could be subject to material changes in the future.

USE OF PROCEEDS

Based on an Offer Price of HK$202.50 per Offer Share, we estimate that we will receive net proceeds of approximately HK$3,291 million from the Global Offering after deducting the underwriting commissions and other estimated expenses in connection with the Global Offering (assuming the Over-allotment Option is not exercised).

We intend to use the net proceeds we expect to receive from the Global Offering (assuming the Over-allotment Option is not exercised) for the purposes and in the amounts set out below.

- Approximately 66%, or HK$2,172 million, will be used for elevating the breadth and depth of our end-to-end supply chain. For example, we plan to expand our production capacity in China by building new facilities and upgrading and expanding our existing facilities.

- Approximately 12%, or HK$395 million, will be used for brand and IP building and marketing.

- Approximately 12%, or HK$395 million, will be used for advancing our digitalization and intelligization efforts across business processes.

- Approximately 10%, or HK$329 million, will be used for working capital and other general corporate purposes.

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

RECENT REGULATORY DEVELOPMENTS

Overseas Listing

On February 17, 2023, the CSRC released the Overseas Listing Trial Measures, which came into effect on March 31, 2023. Pursuant to the Overseas Listing Trial Measures, where a PRC domestic company seeks to initially offer and list securities in overseas markets directly or indirectly, such company shall file the required documents with the CSRC within three business days after its application for overseas listing is submitted. For further details, see "Regulatory Overview — Regulations on Securities and Overseas Listing".

We have filed the required documents with the CSRC, and the CSRC has issued the filing notice on January 7, 2025, confirming our completion of the filing pursuant to the new filing regime introduced by the Overseas Listing Trial Measures for the Global Offering, the conversion of certain Unlisted Shares into H Shares and the application for listing of the H Shares on the Hong Kong Stock Exchange.

Cybersecurity and Data Privacy

On December 28, 2021, the Cybersecurity Review Measures (《網絡安全審查辦法》) was issued by the CAC jointly with other governmental authorities, which took effect on February 15, 2022. See "Regulatory Overview — Regulations on Cybersecurity".

On September 24, 2024, the Regulations on Network Data Security Management (《網絡數據安全管理條例》) was issued by the State Council, which took effect on January 1, 2025. See "Regulatory Overview — Regulations on Cybersecurity".

Our PRC Legal Advisor and the Joint Sponsors' PRC legal advisor made a telephone consultation on a named basis with the China Cybersecurity Review Technology and Certification Center (the "CCRC", currently China Cybersecurity Review, Certification and Market Regulation Big Data Center), which is the competent authority entrusted by the CAC to set up cybersecurity review consultation hotlines. The CCRC confirmed that the term "listing in a foreign country" under the revised Cybersecurity Review Measures does not apply to listings in Hong Kong, and thus the obligation to proactively apply for cybersecurity review by an entity seeking listing in a foreign country shall not be applicable to the proposed Listing.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Following September 30, 2024, we have continued to scale our business steadily. As of December 31, 2024, our store network encompassed 46,479 stores in China and worldwide, compared to 45,302 stores as of September 30, 2024. In 2024, approximately 9.0 billion cups of drinks were sold through our store network, and GMV generated through our store network amounted to approximately RMB58.3 billion, representing a year-over-year growth of 21.9% and 21.7%, respectively. The growth of our revenue and gross profit in 2024 was consistent with the trend in the nine months ended September 30, 2024.

Our Directors have confirmed that, up to the date of the Prospectus, there had been no material adverse change in our financial, operational or trading position, indebtedness, contingent liabilities or prospects since September 30, 2024, being the end date of the periods reported on in the Accountants' Report set out in Appendix I to this Prospectus, and there had 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 Prospectus.

In this Prospectus, unless the context otherwise requires, the following terms and expressions shall have the meanings set out below. Certain other terms are explained in "Glossary".

"Accountants' Report"	the accountants' report of our Company, the text of which is set out in Appendix I to this Prospectus
"affiliate(s)"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	Accounting and Financial Reporting Council
"Articles" or "Articles of Association"	the articles of association of our Company with effect upon the Listing Date (as amended from time to time), a summary of which is set out in Appendix III to this Prospectus
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of Directors of the Company
"Business Day"	a day on which banks in Hong Kong are generally open for normal business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"CAC"	Cyberspace Administration of China (中華人民共和國國家互聯網信息辦公室)
"Capital Market Intermediary(ies)" or "CMI(s)"	the capital market intermediaries participating in the Global Offering and has the meaning ascribed thereto under the Listing Rules
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC

"China", "mainland China", or "the PRC"	the People's Republic of China, unless the context requires otherwise, excluding, for the purposes of this Prospectus only, the regions of Hong Kong, Macau and Taiwan of the People's Republic of China
"CIC"	China Insights Industry Consultancy Limited, an independent professional market research and consulting company
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	MIXUE Group (蜜雪冰城股份有限公司), a limited liability company established in the PRC on April 30, 2008 which was converted into a joint stock company with limited liability on December 17, 2020, formerly known as Zhengzhou Liangan Enterprise Management Co., Ltd. (鄭州兩岸企業管理有限公司) and Zhengzhou Mi Xue Bing Cheng Commercial Co., Ltd. (鄭州蜜雪冰城商貿有限公司)
"Compliance Advisor"	Somerley Capital Limited
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and refers to Mr. Zhang Hongchao (張紅超), Mr. Zhang Hongfu (張紅甫), Qingchun Wuwei (青春無畏) and Shiyu Zuxia (始於足下)
"core connected person(s)"	has the meaning ascribed thereto under the Listing Rules

"Corporate Governance Code"	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
"CSDC"	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Daka International Food"	Daka International Food Co., Ltd. (大咖國際食品有限公司), a limited liability company incorporated under the laws of the PRC on March 14, 2013, and a wholly-owned subsidiary of the Company
"Director(s)" or "our Director(s)"	the director(s) of our Company
"EIT"	enterprise income tax
"EIT Law"	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》)
"ESG"	Environmental, Social and Governance
"Exchange Participant"	a person (a) who, in accordance with the Hong Kong Listing Rules, may trade on or through the Hong Kong Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Hong Kong Stock Exchange as a person who may trade on or through the Hong Kong Stock Exchange
"Extreme Conditions"	extreme conditions as announced by the government of Hong Kong in the case where a super typhoon or other natural disaster of a substantial scale serious affects the working public's ability to resume work or brings safely concern for a prolonged period
"FINI"	"Fast Interface for New Issuance", the 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 the Listing
"General Rules of HKSCC"	General Rules of HKSCC published by the Stock Exchange and as amended from time to time

"Global Offering"	the Hong Kong Public Offering and the International Offering
"Group", "our Group", "our", "we", or "us"	our Company and its subsidiaries, or any one of them as the context may require, and where the context requires, the businesses operated by our Company and/or its subsidiaries and their predecessors (if any)
"H Share(s)"	listed ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and to be listed on the Hong Kong Stock Exchange
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"**HKSCC EIPO**"	the application for Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your designated HKSCC Participant's stock account through causing HKSCC Nominees to apply on your behalf, including by instructing your broker or custodian who is a HKSCC Participant to give electronic application instructions via HKSCC's FINI system to apply for Hong Kong Offer Shares on your behalf
"HKSCC Operational Procedures"	the operational procedures of HKSCC, containing the practices, procedures and administrative or other requirements relating to HKSCC's services and the operation and functions of the Systems, as from time to time in force
"HKSCC Participant"	a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

"Hong Kong dollars" or "HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong Offer Shares"	1,706,000 H Shares (subject to reallocation as described in the section headed "Structure of the Global Offering") initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering
"Hong Kong Public Offering"	the offering of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee), on and subject to the terms and conditions described in "Structure of the Global Offering — The Hong Kong Public Offering"
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in the section headed "Underwriting — Hong Kong Underwriters"
"Hong Kong Underwriting Agreement"	the underwriting agreement dated February 19, 2025 relating to the Hong Kong Public Offering entered into by, among others, our Company, the Overall Coordinators and the Hong Kong Underwriters, as further described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement"
"IDR"	Indonesian Rupiah, the lawful currency of Indonesia
"IFRSs"	the International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by IASB and the International Accounting Standards (IAS) and interpretations issued by the International Accounting Standards Committee (IASC)
"IIT Law"	the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》)

"Independent Third Party(ies)"	any person(s) or entity(ies) who is not a connected person of the Company within the meaning of the Listing Rules
"International Offer Shares"	the 15,353,900 H Shares offered by our Company pursuant to the International Offering (subject to reallocation as described in the section headed "Structure of the Global Offering") together with any additional H Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option
"International Offering"	the conditional placing of the International Offer Shares by the International Underwriters at the Offer Price outside the United States in offshore transactions in reliance on 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, in each case on and subject to the terms and conditions of the International Underwriting Agreement, as further described in the section headed "Underwriting — International Offering"
"International Underwriters"	the group of international underwriters who are expected to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the underwriting agreement relating to the International Offering expected to be entered into on or about February 27, 2025 among our Company, the Overall Coordinators and the International Underwriters, as further described in the section headed "Underwriting — International Offering"
"Joint Bookrunners"	the joint bookrunners as named in the section headed "Directors, Supervisors and Parties Involved in the Global Offering"
"Joint Global Coordinators"	the joint global coordinators as named in the section headed "Directors, Supervisors and Parties Involved in the Global Offering"
"Joint Lead Managers"	the joint lead managers as named in the section headed "Directors, Supervisors and Parties Involved in the Global Offering"

"Joint Sponsors"	the joint sponsors as named in the section headed "Directors, Supervisors and Parties Involved in the Global Offering"
"Latest Practicable Date"	February 11, 2025, being the latest practicable date for the purpose of ascertaining certain information contained in this Prospectus prior to its publication
"Listing"	listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be on or about March 3, 2025, on which our H Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
"Listing Rules" or "Hong Kong 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)
"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operates in parallel with the GEM of the Hong Kong Stock Exchange
"MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"Nomination Committee"	the nomination committee of the Board
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"Offer Price"	the offer price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027%, Hong Kong Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%) at which the Offer Shares are to be subscribed for and issued pursuant to the Global Offering as described in the section headed "Structure of the Global Offering"

"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares, together with any additional H Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option
"Overall Coordinators"	the overall coordinators as named in the section headed "Directors, Supervisors and Parties Involved in the Global Offering"
"Over-allotment Option"	the option granted by us to the International Underwriters, exercisable by the Overall Coordinators (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, to require our Company to allot and issue up to an aggregate of 2,558,900 additional H Shares at the Offer Price, representing approximately 15% of the Offer Shares initially available under the Global Offering, to cover over-allocations in the International Offering, if any, exercisable at any time from the date of the International Underwriting Agreement up to (and including) the date which is the 30th day from the last day for lodging of applications under the Hong Kong Public Offering
"Overseas Listing Trial Measures"	The Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and five supporting guidelines (《境內企業境外發行證券和上市管理試行辦法》及五項配套指引) promulgated by the CSRC on February 17, 2023 and became effective on March 31, 2023
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC Company Law"	the Company Law of the People's Republic of China (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"PRC GAAP"	generally accepted accounting principles of the PRC
"PRC Legal Advisor"	Zhong Lun Law Firm, the PRC legal advisor to our Company

"PRC Securities Law"	the Securities Law of the PRC (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
"Pre-IPO Investor(s)"	the pre-IPO investors described in "History, Development and Corporate Structure — Pre-IPO Investment"
"Prospectus"	this Prospectus being issued in connection with the Hong Kong Public Offering
"QIBs"	qualified institutional buyers within the meaning of Rule 144A under the U.S. Securities Act
"Qingchun Wuwei"	Zhengzhou Qingchun Wuwei Enterprise Management Partnership (Limited Partnership) (鄭州青春無畏企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on May 21, 2020, details of which are set out in section headed "History, Development and Corporate Structure — Employee Shareholding Platforms", and one of our Controlling Shareholders
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of the Board
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)
"SAMR"	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"Securities and Futures Commission" or "SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Shangdao Smart Supply Chain"	Shangdao Smart Supply Chain Co., Ltd. (上島智慧供應鏈有限公司), a limited liability company incorporated under the laws of the PRC on July 5, 2018, and a wholly-owned subsidiary of the Company
"Share(s)"	ordinary share(s) in the capital of our Company with a nominal value of RMB1.00 each, including H Shares and Unlisted Shares
"Shareholder(s)"	holder(s) of the Share(s)
"Shiyu Zuxia"	Zhengzhou Shiyu Zuxia Enterprise Management Partnership (Limited Partnership) (鄭州始於足下企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on May 21, 2020, details of which are set out in section headed "History, Development and Corporate Structure — Employee Shareholding Platforms", and one of our Controlling Shareholders
"Snow King Smart Supply Chain Guangdong"	Snow King Smart Supply Chain (Guangdong) Co., Ltd. (雪王智慧供應鏈(廣東)有限公司), a limited liability company incorporated under the laws of the PRC on June 22, 2018, and a wholly-owned subsidiary of the Company
"Snow King Smart Supply Chain Sichuan"	Snow King Smart Supply Chain (Sichuan) Co., Ltd. (雪王智慧供應鏈(四川)有限公司), a limited liability company incorporated under the laws of the PRC on October 23, 2020, and a wholly-owned subsidiary of the Company
"Stabilizing Manager"	Merrill Lynch (Asia Pacific) Limited
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Supervisor(s)"	member(s) of the Supervisory Committee
"Supervisory Committee"	the supervisory committee of our Company
"Takeovers Code" or "Hong Kong Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time

"Track Record Period"	the financial years ended December 31, 2021, 2022 and 2023, and the nine months ended September 30, 2024
"treasury shares"	has the meaning ascribed thereto under the Listing Rules
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement, as the context may require
"United States" or "U.S."	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
"Unlisted Share(s)"	ordinary share(s) issued by our Company, with a nominal value of RMB1.00 each, which is/are not listed on any stock exchange
"U.S. dollar(s)", "US$" or "USD"	United States dollar, the lawful currency of the United States
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
"VAT"	value-added tax
"**White Form eIPO**"	the application process for Hong Kong Offer Shares with applications issued in applicant's own name and submitted online through the designated website of the **White Form eIPO** Service Provider at **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"Zhengzhou Baodao"	Zhengzhou Baodao Technology Co., Ltd. (鄭州寶島科技有限公司), a limited liability company incorporated under the laws of the PRC on September 28, 2010, and a wholly-owned subsidiary of the Company
"%"	per cent

This glossary of technical terms contains explanations of certain technical terms used in this Prospectus in connection with our Company and our business. Such terminology and meanings may not correspond to standard industry meanings or usages of those terms.

"BMS"	Billing Management System
"CAGR"	compound annual growth rate
"core ingredients"	base ingredients used to prepare our freshly-made drinks, such as certain syrups and milk products
"CPI"	Consumer Price Index
"DMS"	store supply management system
"EMS"	Energy Management System
"first-tier cities"	Beijing, Shanghai, Guangzhou and Shenzhen
"franchised stores"	stores operated by third parties under our brand names through contractual arrangements between third parties (referred to in this Prospectus as "franchisees") and us in compliance with applicable laws and regulations in a relevant market, and the associated model is referred to as "franchise model" in this Prospectus. For the avoidance of doubt, with respect to Indonesia, stores operated by third parties in Indonesia do not fall under the category of "franchised stores" as defined and regulated by applicable laws and regulations in Indonesia (and accordingly, neither do "franchisees" nor "franchise model" fall under relevant categories); rather, they are operated under a license and management model pursuant to specific management agreements with these third parties. Nevertheless, the disclosure on information of franchised stores throughout this Prospectus has taken account of the stores operated in Indonesia for consistency in business essence
"franchisee retention rate"	unless the context otherwise requires, being one minus the number of franchisees who terminated by us or ceased store operations during a given period divided by the number of franchisees as of the end of such period

"franchisee turnover rate"	unless the context otherwise requires, being the number of franchisees who terminated by us or ceased store operations during a given period divided by the number of franchisees as of the end of such period
"FSC"	Forest Stewardship Council, an international non-profit organization that sets standards under which forests and companies are certified
"GMV"	gross merchandise value, representing the sales value of product(s) in consumer orders before discounts are applied
"HACCP"	Hazard Analysis and Critical Control Points, a systematic approach to food safety that identifies, evaluates, and controls potential hazards throughout the food production process
"intact delivery rate"	the percentage of deliveries that are successfully completed without any damage to the items being delivered
"IP"	characters, songs, drama series or other artistic works and their underlying intellectual property rights (including elements for re-creation)
"ISO14001"	an international standard that specifies requirements for an effective environment management system
"ISO45001"	an international standard that specifies requirements for an effective occupational health and safety management system
"ISO50001"	an international standard that specifies requirements for an effective energy management system
"ISO9001", "ISO22000" and "FSSC22000"	international standards that specify requirements for quality management and food safety management
"LED"	light-emitting diode
"LMS"	Line Management System
"MES"	Manufacturing Execution System

"new first-tier cities"	Chengdu, Xi'an, Wuhan, Suzhou, Zhengzhou, Chongqing, Hangzhou, Nanjing, Tianjin, Changsha, Dongguan, Ningbo, Hefei, Kunming and Qingdao
"OMS"	Order Management System
"PE"	polyethylene
"products of syrups, milk, tea, coffee, fruit, grains and condiments"	seven categories of ingredients for freshly-made drinks, including products of syrups (e.g. sugar syrups, fruit flavored syrups), milk (e.g. ice cream powder, oat milk, coconut milk), tea (e.g. jasmine tea), coffee (e.g. roasted coffee beans), fruit (e.g. fresh fruit, frozen fruit products, fruit pulps), grains (e.g. mashed taro, red beans) and condiments (e.g. tapioca balls, nata coco)
"R&D"	research and development
"RTD drinks"	Ready-to-drink products, which are non-alcohol pre-packaged drinks sold in a prepared form
"same-store GMV growth"	the percentage difference in average GMV per store per day 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/were operational prior to the first day of the prior 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
"solid waste overall recovery rate"	the percentage calculated, as provided in Appendix A of GB/T 36132-2018, by dividing (i) the quantity of solid waste recovered for a given period by (ii) the sum of (a) the quantity of solid waste at the beginning of the period and (b) the quantity of solid waste generated during the respective period
"SRM"	Supplier Relationship Management System

"store closure rate"	being the number of franchised stores closed by franchisees during a given period divided by the number of stores at the end of such period
"third-tier and below cities"	all the cities in China excluding first-tier cities, new first-tier cities and second-tier cities
"TMS"	Transportation Management System
"WMS"	Warehouse Management System

We have included in this Prospectus forward-looking statements. Statements that are not historical facts, including but not limited to statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements. When used in this Prospectus, the words "aim", "anticipate", "believe", "could", "expect", "going forward", "intend", "ought to", "project", "seek", "should", "will", "would", "vision", "aspire", "target", "schedule", and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the risk factors as described in this Prospectus, some of which are beyond our control and may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- our ability to maintain relationship with, and the actions and developments affecting, our franchisees and suppliers;
- future developments, trends and conditions in the industries and markets in which we operate or plan to operate;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment in the industries and markets in which we operate;
- our ability to maintain our market position;
- the actions and developments of our competitors;
- our ability to effectively contain costs and optimize pricing;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- our ability to retain senior management and key personnel and recruit qualified staff;
- our business strategies and plans to achieve these strategies;
- the effectiveness of our quality control systems;

- change or volatility in interest rates, foreign exchange rates, equity prices, trading volumes, commodity prices and overall market trends; including those pertaining to the PRC and the industry and markets in which we operate; and

- capital market developments.

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks, among others, materialize, actual results may vary materially from those estimated, anticipated or projected, as well as from historical results. Specifically but without limitation, sales could decrease, costs could increase, capital costs could increase, capital investment could be delayed and anticipated improvements in performance might not be fully realized.

Subject to the requirements of applicable laws, rules and regulations, we do not have any or undertake no obligation to update or otherwise revise the forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this Prospectus are qualified by reference to the cautionary statements in this section as well as the risks and uncertainties discussed in the section headed "Risk Factors".

In this Prospectus, statements of or references to our intentions or those of our Directors were made as of the date of this Prospectus. Any such information may change in light of future developments.

An investment in our H Shares involves a high degree of risk. You should carefully consider the following information about risks, together with the other information contained in this Prospectus, including our consolidated financial statements and related notes, before you decide to buy our H Shares. If any of the circumstances or events described below actually arises or occurs, our results of operations, financial performance and business prospects may suffer. In any such case, the market price of our H Shares could decline and you may lose all or part of your investment. This Prospectus also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors, including the risks described below.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business relies on consumer demand for our products, which is ever-evolving in nature and may shift upon changes in consumer preferences and perceptions, as well as consumers' discretionary spending power. Adverse changes in consumer demand for our products will harm our franchisees' and our business.

Our business relies on consumer demand for our products, which depends substantially on factors that are ever-evolving in nature, such as consumer preferences, consumer perceptions of and confidence in our products, and consumers' discretionary spending power.

While we are dedicated to developing new products and improving existing ones, there is no assurance that we can consistently and promptly respond to changes in consumer preference and market development, or that our products can gain or retain consumer preference. Consumer demand for our products may fluctuate due to seasonal weather changes, varying dietary preferences, or release of new competing products. Besides changes in consumer preferences, our business also depends on consumers' discretionary spending power, which is influenced by many factors beyond our control, including but not limited to macroeconomic conditions. Any material or adverse changes in consumer demand for our products, whether driven by changes in consumer preference, consumer perceptions of and confidence in our products, or in their discretionary spending power or other factors may have a material and adverse effect on our results of operations, financial performance and business prospects.

Our future growth depends on our ability to continuously extend the footprint of our store network and successfully manage the operational performance of our expansive store network.

Our future growth depends on the ability to expand our store network, which requires substantial operational resources and our management's efforts, and may be affected by factors beyond our control. Our ability to attract new franchisees or attract existing franchisees to open new stores is crucial for our future success. It is also challenging to obtain favorable locations for new stores and qualified personnel for store operations. We have to strengthen our supply chain capabilities and business relationships in places where new stores are opened. If we are not successful in these efforts, or if consumer demand does not grow sufficiently or rapidly enough to support our expansion, our results of operations, financial performance and business prospects may be materially and adversely affected.

Moreover, delays in our store expansion may also affect our results of operations and financial conditions. The length of time taken to open new stores may be subject to a variety of factors, including but not limited to the required time for the franchisees to obtain requisite pre-opening approvals and licenses, and to complete trainings and pass exams. Any delay in new stores opening and/or closures of the existing stores will affect the number of stores, the operation days, as well as our results of operations. Additionally, some new stores may experience an initial ramp-up period during which they could experience unfavorable financial performance compared to other established stores, which could cause our results of operations and profitability to fluctuate.

In addition, an expansive store network and its continuous expansion require exceptionally strong management capability to ensure consistent quality and service of our stores, which entails the following major aspects:

- *Quality and service consistency.* As we rapidly expand, it may become more difficult to ensure the products and consumer experience across our store network are consistently of high quality.

- *Supply chain management.* The product quality and consumer satisfaction depend significantly on the quality of ingredients. As we rapidly expand, it may become increasingly difficult to manage the procurement, production and logistics across our store network.

Our expansion may place substantial demands on our management and our operational, technological, and other resources. There can be no assurance that our management skills, capabilities and systems will always be able to address our needs at different stages of our growth. Our business will be materially and adversely affected if we cannot successfully manage the operational performance of our expansive store network. See "— We primarily employ a franchise model to grow our store network, under which substantially all of our stores are operated by franchisees. Our results of operations depend to a large extent on the performance of these franchised stores, as well as our ability to maintain existing franchisees and attract new franchisees".

We operate in a highly competitive market and intensifying competition in China's freshly-made drinks market could materially and adversely impact our market share and profitability if we fail to compete effectively.

The freshly-made drinks industry in China is highly competitive. There were approximately 660 thousand freshly-made drinks shops in China as of December 31, 2023. In 2023, the top five freshly-made drinks companies in terms of GMV in China collectively accounted for approximately 35.0% of market share, according to CIC.

Competition within China's freshly-made drinks market has become intensifying. Leading market players are competing for prime locations, franchisees, and consumers as they expand their store networks. This heightened competition for critical resources could limit our ability to secure advantageous locations and partnerships, potentially affecting our operational efficiency and market presence. Additionally, underperforming stores, particularly those operated by smaller brands, have struggled to compete with top-performing brands, leading to widespread store closures. These closures may disrupt the market landscape and shift consumer preferences, creating additional uncertainty for our business. Moreover, several market participants have lowered the price of their product offerings in an attempt to capture price-sensitive consumers, further intensifying market competition and potentially affecting our market positioning.

In light of the vast number of freshly-made drinks shops and limited product differentiation, we face increasingly intense competition with other players as well as potential new entrants in areas such as product innovation, price, quality, consumer experience as well as consumer acquisition and retention, which may have a material and adverse impact on our results of operations, financial performance and business prospects. In response to such fierce competition, we may face pricing pressure and may incur a significant amount of additional costs without success, which may materially and adversely affect our results of operations and financial performance.

A recent slowdown in China's freshly-made drinks market amid intensifying competition may adversely impact our business and results of operations.

The growth of China's freshly-made drinks market slowed during the nine months ended September 30, 2024, compared to the same period in 2023. This deceleration occurred amidst intensifying market competition, which has created significant challenges for industry participants, including our business. For example, our individual store performance experienced a decline in the nine months ended September 30, 2024. Our average GMV per store per day decreased from RMB4,416.3 in the nine months ended September 30, 2023 to RMB4,184.4 during the same period in 2024. Over the same periods, average number of cups sold per store decreased from 177,168.5 to 170,721.6, and average number of orders per store per day decreased from 376.1 to 367.0. For further information, see "Summary — Key Operating Data."

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. While we continue to implement strategies to strengthen our competitive position, there is no guarantee that these efforts will fully offset the adverse effects of a slowing market and intensified competition. Prolonged market challenges or an inability to adapt effectively to these conditions could materially and adversely affect our business, results of operations and financial condition.

The continued strength of our brands is critical to our success. If our brand value diminishes, our results of operations, financial performance and business prospects may be materially and adversely affected.

The recognition of our brands among consumers is critical to our business. If we cannot maintain, protect and enhance our brand recognition, our brand value and image could be undermined and our results of operations and business prospects could be materially and adversely affected.

Our ability to launch or improve products with consistently high quality that satisfy consumer needs, our branding efforts to enhance brand awareness, our ability to uphold and implement our food safety and quality control standards, and our relationships with franchisees, suppliers and other business partners are critical in maintaining and potentially enhancing our brand image. Our failure in any of the above efforts could lead to a decline in our brand value, which could materially and adversely affect our results of operations, financial performance and business prospects.

Our brand value may be affected by many other factors, some of which are out of our control. For example, any negative publicity with or without merits, relating to our products, IPs, operations, shareholders, management, employees, franchisees, suppliers and other business partners, the food and beverage industry or similar products of our competitors, could materially and adversely affect consumer perceptions of our brands and result in decreased demand for our products.

Our established brand recognition has attracted imitators who counterfeit and imitate us, including our trademarks, iconic IP, stores, drinks and other products, without our authorization. This may divert potential consumers from our products and stores. Any food safety issues or other negative incidents related to these counterfeit or imitative acts may result in adverse impact on our brand value. See also "— If we are not able to adequately protect our intellectual properties, or if we are not able to maintain the popularity of our IPs, such as our iconic IP, Snow King, our business will be materially and adversely affected".

We primarily employ a franchise model to grow our store network, under which substantially all of our stores are operated by franchisees. Our results of operations depend to a large extent on the performance of these franchised stores, as well as our ability to maintain existing franchisees and attract new franchisees.

We primarily employ a franchise model to grow our store network. During the Track Record Period, our franchised store network continued to expand, increasing from 19,954 stores as of December 31, 2021 to 37,516 stores as of December 31, 2023, and further to 45,282 stores as of September 30, 2024. As of September 30, 2024, over 99% of stores in our network were established and operated by our franchisees. We are subject to several risks relating to our franchise business model, each of which may have a material and adverse impact on our reputation, results of operations and business prospects.

- *Management of franchisees.* While we are involved in the key aspects of each store's operation, our franchisees are ultimately responsible for the day-to-day store operations. If franchisees fail to perform their obligations under the franchise agreements or otherwise fail to comply with our requirements, policies or guidelines at all times, or fail to uphold our brand image and values, our brand image and reputation could be harmed. Additionally, if we fail to monitor our franchisees' performance and uphold quality control over them, we may not be able to manage our store network effectively or sustain our business performance.

- *Our franchisees' ability to operate stores.* Our franchisees may not be able to remain aligned with our commercial, operational and promotional strategies and standards. For example, our franchisees may not be able to hire and effectively train and retain qualified managers and other store operating personnel, resolve financial difficulties or achieve the expected business performance, which may in turn negatively affect our operational and financial performance. There is no guarantee that our franchisees will share our corporate culture, and they may not follow our instructions to take actions that are beneficial only in the long term.

- *Revenue generated from franchised stores.* Since our revenue is mainly derived from the sales of goods and equipment to franchised stores, our financial performance is highly dependent on the business performance of franchised stores. If our franchised stores do not perform well, their financial results may deteriorate, which could result in, among other things, reduced purchase from us or store closures.

We may also fail to timely detect defaults or wrongdoings by franchisees and their employees, and may not be able to fully recover damages caused by such defaults and wrongdoings from the franchisees, which may have a material and adverse effect on our reputation, results of operations and financial performance.

Maintaining the relationships with our franchisees, incentivizing our franchisees to improve the performance of their stores and open new stores and attracting new franchisees to join our store network are critical to our business and results of operations. We may not always be able to successfully maintain our relationships with our franchisees due to many factors, some of which are beyond our control. For example, if our existing products or new products fail to attract consumers, our franchisees may experience sales declines. As a result, they may not be able to generate investment returns as expected, and thus may terminate or choose not to renew their agreements with us. In 2021, 2022, 2023 and the nine months ended September 30, 2024, a total number of 206, 264, 641 and 714 franchised stores were closed by our franchisees, which are generally proportionate to our franchised store network expansion and also attributable to the recent industry slowdown and intensifying market competition. During the same periods, a total number of 371, 432, 666 and 584 franchised stores were closed by us as part of our efforts to enhance the quality of our franchised store network.

In addition, we may not be able to attract a sufficient number of new franchisees to join our network and open stores, which could cause us to lose market shares and negatively affect our future business growth. The occurrence of any of the above could have a material and adverse effect on our results of operations, financial performance and business prospects.

Our reputation, results of operations and financial performance may be materially and adversely affected if the quality and food safety of our products are compromised.

As we operate in the freshly-made drinks industry, quality control and food safety are of critical importance. Maintaining consistent quality and food safety standards, to a large extent, depends on our quality control system effectiveness and compliance with our quality assurance policies and guidelines by employees, franchisees and other third parties involved in our supply chain and store operations. Reports of food safety and quality incidents (both real or alleged) such as beverage- or food-borne illnesses, adulteration, contamination or mislabeling in every aspect of our business and store operations, may severely injure our reputation, hurt our sales, and possibly lead to product liability claims, litigations, fines, penalties, and/or temporary store closures. For example, there have been, and may continue to be, negative incidents and publicity regarding food safety issues in our franchised stores. Due to these incidents, we have become subject to public scrutiny, mainly relating to the safety and quality of our products. From time to time, criticisms, complaints and negative media coverage, regardless of their veracity, may result in negative publicity, which could result in government inquiry or harm to our reputation and brand, and may materially and adversely affect our business. We may not be able to react to the reports, criticism, complaints, or other negative publicity related to food safety and hygiene in a timely manner, and our response or actions taken in response may not be effective. In addition, instances of food or beverage safety issues, even those that do not involve our stores or products at all, could cast a shadow on the freshly-made drinks industry in general, which in turn could materially and adversely affect us. Any of these events may cause material and adverse damage to our reputation, results of operations, financial performance and business prospects.

Our operating history may not be indicative of our results of operations, financial performance or business prospects in the future.

We are the largest freshly-made drinks company both in China and worldwide in terms of number of stores as of September 30, 2024, according to CIC. In terms of number of cups sold in 2023, we are also China's largest, and the world's second largest freshly-made drinks company. Our total revenue increased by 31.2% from RMB10,351.0 million in 2021 to RMB13,575.6 million in 2022, and further increased by 49.6% to RMB20,302.5 million in 2023, and increased by 21.2% from RMB15,393.3 million in the nine months ended September 30, 2023 to RMB18,659.7 million during the same period in 2024. The number of our stores increased from 20,001 as of December 31, 2021 to 45,302 as of September 30, 2024. Our gross profit margin in 2021, 2022, 2023 and the nine months ended September 30, 2024 were 31.3%, 28.3%, 29.5% and 32.4%, respectively. We had net cash flows generated from operating activities of RMB1,692.4 million, RMB2,430.6 million, RMB3,793.9 million and RMB5,100.8 million in 2021, 2022, 2023 and the nine months ended September 30, 2024, respectively.

However, our operating history may not serve as an adequate indicator for our future performance. We may not be able to maintain our growth, profitability, cash flows, or our historical performance in other terms. For example, we cannot assure you that we can manage any future growth effectively or efficiently, cannot guarantee that our store network will continue to grow at the historically high rate in the future, and cannot guarantee that we can successfully capitalize on new business opportunities. For instance, we may not be able to maintain the growth of our store expansion due to market saturation. In addition, our business and results of operations are influenced by various general factors that affect overall consumer demands and market conditions for freshly-made drinks. These factors include but not limited to macroeconomic trends, industry dynamics, and competitive landscape. In addition, our business and results of operations are more directly affected by factors such as consumer demand for freshly-made drinks, store network expansion and management, and our supply chain capabilities. Any negative change in these conditions may adversely impact our results of operations. If our business performance deteriorate, investors' perceptions of our business prospects may be materially and adversely affected and the market price of our H Shares could decline.

Our franchised stores purchase store supplies and equipment from us. If we are not able to ensure the sufficient, stable and timely supply of such store supplies and equipment to support the franchised stores' operations, or if there is any disruption to our supply chain, our business will be materially and adversely affected.

Our franchised stores purchase store supplies and equipment from us. To provide these, we self-produce the core ingredients, certain packaging materials and store equipment, and procure other store supplies and equipment from selected suppliers. If we are unable to provide our franchised stores with sufficient, stable and timely supply of store supplies and equipment to meet consumers' demands and to support the stores' operation, our franchised stores' business performance may be materially and adversely affected. In particular, shortages of one or more of the necessary ingredients could force our franchised stores to suspend sales of related products, which could impact the franchised stores' business performance and consumer satisfaction.

Our ability to provide sufficient, stable and timely supply to our franchised stores depends on our procurement capabilities, production capacity and ability, logistics system, among other factors that may affect our supply chain. See "— We face risks in relation to production capacity. Our future success and growth potential are dependent on our ability to successfully implement our production capacity expansion plans and effectively manage our production capacity", "— If we are unable to manage and expand our logistics system efficiently and effectively, our results of operations and business prospects may be materially and adversely affected", "— Failures, interruptions and other issues of our suppliers and other business partners along our supply chain, or of our cooperation with them, may negatively impact our results of operations", "— Any interruption on our production or incidents related to our production could materially and adversely affect our business", "— Any disruption to operations of our logistics system could materially and adversely affect our business", "— Our reputation, results of operations and financial performance may be materially and adversely affected if the quality and food safety of our products are compromised" and "— Any failure in our R&D may harm our results of operations, financial performance and business prospects".

We face risks in relation to production capacity. Our future success and growth potential are dependent on our ability to successfully implement our production capacity expansion plans and effectively manage our production capacity.

We strategically operate our production facilities to secure the stable, quality and value-for-money supplies to stores. Our production covers seven categories of ingredients for freshly-made drinks, including products of syrups, milk, tea, coffee, fruit, grains and condiments, with an overall annual production capacity of approximately 1.65 million tons as of September 30, 2024. We also self-produce certain essential packaging materials and store equipment. Our ability to maintain the daily operation of our stores and to meet the growing demands for our products may be constrained by limitations in our production facilities. Failure to ensure sufficient ingredient production may disrupt our daily operations and hinder our continuous expansion of the store network.

We have made production capacity expansion plans that require significant investments. However, there is no assurance that such expansion plans will be successfully implemented as scheduled or will be commercially successful. Our production capacity expansion plan is also subject to interruptions caused by risks commonly associated with large construction and expansion projects, such as sufficiency of capital, failure to obtain requisite approvals from regulatory authorities, adverse weather conditions, natural disasters, accidents and unforeseen circumstances and problems, and other factors beyond our control. As such, we may not be able to achieve the planned production capacity expansion on time.

Furthermore, our investment in such expansion plans may not necessarily lead to the desired results. For example, if the expansion leads to excessive production capacity that does not match our business growth, or meet market demand for all or some of our product categories, we could experience low utilization rates of production capacity or overproduction, high fixed costs and low margins. If any of the foregoing events occur, our results of operations, financial performance and business prospects could be materially and adversely affected.

If we are unable to manage and expand our logistics system efficiently and effectively, our results of operations and business prospects may be materially and adversely affected.

The increase in demand for our products may result in challenges in operating our logistics system. For example, our delivery services may be delayed due to limited shipping capacity when facing increasing orders from franchisees, and we may be required to incur significant costs to further expand our existing logistics facilities to handle the increasing orders. Moreover, as we continue to expand business, our logistics system may become increasingly complex and challenging to operate.

Our self-operated warehouse system includes our own facilities and facilities leased from third parties. For delivery, we primarily rely on localized delivery service providers. We may not be able to identify and cooperate with reliable third parties to lease the facilities and/or procure delivery services on commercially reasonable terms, or at all. Additionally, we may not have full control over these third parties. Such third parties may not fully adhere to our quality standard, fail to meet our demand for warehousing and delivery, or otherwise are not able to support our business growth. If any of the foregoing occurs, the fulfillment capacities and operations of our logistics system may be negatively affected, which will in turn materially and adversely affect our results of operations and financial performance.

As of September 30, 2024, we have 27 self-operated warehouses in China totaling approximately 350,000 square meters, and we have seven self-operated warehouses in Southeast Asia, totaling approximately 69,000 square meters. We also plan to continue the expansion of logistics facilities at additional locations in China and overseas. However, we cannot assure you that we will be able to acquire land use rights or leases and set up warehouses on commercially reasonable terms or at all. Moreover, we may not be able to recruit a sufficient number of qualified employees in connection with this expansion. In addition, the development of our logistics system is costly and may strain our managerial, financial, operational and other resources. If we fail to manage such expansion successfully, our results of operations, financial performance and business prospects may be materially and adversely affected.

If we are unable to constantly maintain our price positioning, our results of operations, financial performance and business prospects would be materially and adversely affected.

We may face various challenges in consistently maintaining our price positioning. Factors such as increases in market prices of raw materials that meet our quality standards, increases in labor costs, or increases in logistics costs may pressure us to set higher prices for our products than initially contemplated. Additionally, factors such as intensified competition or changes in market conditions may pressure us to lower our price. Furthermore, inflation could materially impact our business operations and financial performance by significantly increasing the cost of raw materials, labor, and other operating expenses, which may, in turn, put pressure on our profitability. These factors and consequences may compromise our profitability and/or that of our franchisees, undermine our positioning as a provider of value-for-money products, making us less appealing to consumers and less competitive in the marketplace. If any of the foregoing occurs, our results of operations, financial conditions and business prospects may be materially and adversely affected.

If we are not able to adequately protect our intellectual properties, or if we are not able to maintain the popularity of our IPs, such as our iconic IP, Snow King, our business will be materially and adversely affected.

The success of our business depends in part upon our continued ability to use our brands, trade names and trademarks to increase brand awareness and to further develop our products. The unauthorized reproduction of our trademarks could diminish the value of our brands and their market acceptance, competitive advantages or goodwill. Securing our intellectual property from unauthorized use is rather challenging. While we implement measures to protect our intellectual property rights, there is no guarantee that these measures will be sufficient to prevent third-party infringements. Inadequate protection on our intellectual property rights could result in infringement or the loss of these rights and material and adverse impact on our business.

For example, our iconic IP, Snow King, is critical to our business operations. We have a portfolio of trademarks, copyrights and other intellectual properties around Snow King, such as his image, anime series, and our *Mixue* theme song. See "Business — Our Brands and Products — Our Iconic IP – Snow King" for detailed information. These intellectual properties have significantly contributed to and are crucial to our brand awareness and business growth. The popularity and success of these intellectual properties depend on the consumers' interests, which evolve extremely quickly and can change dramatically from time to time.

To maintain the vibrancy of Snow King and continuously organize successful marketing events surrounding him, we need to anticipate consumers' preferences and familiarize the trendy communication channels. However, we cannot assure you that consumers will always be interested in and embrace Snow King and the events we organize. Our success is also dependent on our ability to adequately protect our iconic IP, Snow King, which may be harmed by many factors, such as:

- unfavorable publicity or negative news regarding us or the creative content around Snow King, including the fan-made videos and other content;
- unauthorized use of the intellectual properties around Snow King by third parties;
- falsified or unauthorized replica items that closely resemble Snow King; and
- deterioration of business relationships between us and online platforms on which we operate the Snow King IP, as well as the service providers who help us create the contents related to Snow King.

Opening new stores in existing markets may not result in the expected level of growth in our revenue and profit, and our business, financial conditions and results of operations may be materially and adversely affected.

In addition to entering new markets, we continue to increase our penetration in markets where we have existing stores. As we continue to open new stores in existing markets, we cannot assure you that these new stores will not cannibalize the business of our existing stores, in which case the growth in our store network may not result in the expected level of growth in our revenue and profit, and our business, financial conditions and results of operations may be materially and adversely affected.

We face the risk of price fluctuations in some of our raw materials, which could materially and adversely affect our results of operations and financial performance.

Certain raw materials used in our products are subject to price volatility caused by external conditions, such as market supply and demand, changes in governmental policies and natural disasters. Our cost of raw materials amounted to RMB6,543.6 million, RMB8,994.0 million, RMB13,228.6 million and RMB11,477.8 million in 2021, 2022, 2023 and the nine months ended September 30, 2024, accounting for 63.2%, 66.3%, 65.2% and 61.5% of our revenue for the same period, respectively. Therefore, price fluctuations in our raw materials may affect our costs and business performance. Our business performance has been adversely affected by price fluctuations in some of our raw materials. If raw material prices increase significantly for any reason, we may incur additional costs to secure sufficient supply of raw materials, or resort to alternative supply channels for such raw materials. However, we may not be able to find any alternative supply channels, and we may not be able to successfully pass on such price increases to franchisees or consumers without adverse impact on our business. If any of the foregoing occurs, our results of operations and financial performance could be materially and adversely affected.

Failures, interruptions and other issues of our suppliers and other business partners along our supply chain, or of our cooperation with them, may negatively impact our results of operations.

Our suppliers may experience significant interruptions in their operations, fail to accommodate our fast-growing business scale, terminate, suspend, alter or breach the supply arrangements. Furthermore, we may not be able to incentivize our suppliers to prioritize our orders before their other clients. All of the above could lead to delay or shortage of supplies at our production facilities or stores. We cannot assure you that in any of the foregoing events we would be able to find alternative suppliers on commercially reasonable terms, on a timely basis, or at all.

We also rely on other business partners in supplying and delivering the raw materials, store supplies and equipment. For example, interruptions or failures of the third-party logistics service providers due to unforeseen events, such as inclement weather, natural disasters or transportation disruptions, could prevent the timely or successful delivery of raw materials, store supplies and equipment. If our raw materials are not delivered to our facilities or the supplies and equipment are not delivered to our stores on time and under proper condition, there may be a shortage of our products, in which case our reputation and business prospects may be adversely affected.

For risks relating to our cooperation with other third parties, see "— We are subject to risks in relation to the cooperation with third-party partners".

Any interruption on our production or incidents related to our production could materially and adversely affect our business.

Our production bases may experience business interruptions due to, among others, operational incidents, force majeure events, mechanical failures, or utility shortages and suspensions such as water, electricity, gas or other utilities, which could disrupt our production plans and lead to temporary shutdown or reduced capacity. Any failure to take adequate steps to resolve or eliminate these unexpected issues could extend the downtime, interrupt the operation of our production facilities, reduce our production capacity and result in a loss of sales.

In addition, we may experience incidents related to our production. For example, our employees may be exposed to production safety risks. We cannot assure you that no production safety incident will occur during our production process. If such incidents occur, we and our management may be liable for production safety claims and penalties, and we may experience interruptions in our production. As a result, our results of operations may be materially and adversely affected.

Any disruption to operations of our logistics system could materially and adversely affect our business.

In the event of unexpected and prolonged disruption in our logistics system, such as utility shortages, fire incidents, extreme weathers or natural disasters, our operations may be materially and adversely affected. For example, we may not be able to promptly restore the affected logistics facilities, or promptly relocate to another suitable location with well-equipped facilities, which could lead to destruction of inventories and substantial expenses for restoration or relocation of such logistics facilities. Furthermore, we may be found in violation of applicable laws and regulations on warehouse safety, resulting in relevant administrative penalties or other legal proceedings, or even liabilities for damages to third parties.

To ensure the optimized quality and condition of our products, we have set stringent quality control requirements for our logistics system. If we fail to properly control the storage and delivery of our products, observe proper hygiene, ensure cleanliness, or meet other quality control requirement or standards in operations, our inventories may be spoiled and destroyed, and we may incur significant losses. Our results of operations and financial performance may be materially and adversely affected as a result.

Any failure in our R&D may harm our results of operations, financial performance and business prospects.

Our R&D is critical for our business success, enabling us to continuously provide value-for-money freshly-made drinks to consumers. Any failure to maintain our R&D capabilities, any failure in our application R&D to make upgrades and innovations in our product taste and recipes, any failure in our fundamental R&D to improve our ingredient-related technologies, production techniques, recipes and equipment, or any other failure in our R&D, may harm our business and competitive edge. To support our R&D efforts, we need to devote significant resources in recruiting R&D professionals, in selecting suitable suppliers of raw materials, and in other aspects. Our investment in upgrades and innovations related to our products or ingredients may not generate the desired outcome, such as popular products or proprietary technologies that empower our production, in a cost-effective manner or at all. Any failure in our R&D may harm our results of operations, financial performance and business prospects.

Failure of inventory management may have a material and adverse effect on our business.

We had inventories of RMB1,251.9 million, RMB1,541.2 million, RMB2,231.7 million and RMB1,839.8 million as of December 31, 2021, 2022 and 2023 and September 30, 2024, and our inventories turnover days were 42.7 days, 52.4 days, 48.1 days and 43.6 days in 2021, 2022, 2023 and the nine months ended September 30, 2024, respectively. Our inventories primarily consist of (i) finished goods, mainly representing ingredients for the in-store preparation of our freshly-made drinks, as well as packaging materials, (ii) raw materials, such as food commodities, agricultural products and other auxiliary materials, and (iii) work in progress, mainly representing ingredients in process. We depend on our demand forecasts to make procurement and production planning and to manage our inventories. Such demand, however, can change significantly between the time inventories are ordered or manufactured and the date by which we plan to sell them. Demand may be affected by seasonality, new product launches, pricing and discounts, changes in consumer spending patterns, changes in consumer tastes and other factors. In addition, as we develop and market a new product, we may not be successful in establishing stable and favorable supplier relationships or accurately forecasting demand. The acquisition of certain types of inventories may require significant lead time and prepayment and they may not be returnable. If we fail to manage our inventories effectively, we may be subject to excessive warehousing costs, heightened risks of inventory obsolescence, decline in inventory value, and significant inventory write-offs. Any of the above may materially and adversely affect our results of operations and financial performance.

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

If our existing or potential franchisees are not able to obtain desirable store locations or secure renewal of existing leases on commercially reasonable terms or at all, our store expansion and operation may be materially and adversely affected.

The sites on which our existing or potential franchisees establish stores have a significant impact on the operation results of such stores, the overall layout and the expansion plan of our store network. Our stores compete with other retail businesses for suitable locations, and some property owners and developers may offer priority or grant exclusivity for desirable locations to our competitors. We cannot assure you that our franchisees can enter into new lease agreements for desirable locations or renew existing lease agreements on commercially reasonable terms, which could force our franchisees to close or relocate to less favorable locations, or cease operations altogether, and our results of operations, financial performance and business prospects may be materially and adversely affected.

We are subject to risks related to our overseas expansion, which may result in fluctuations of our business and results of operations.

We have expanded our presence beyond China. We have a limited operating history beyond China and therefore lower brand awareness and operating experience overseas. Our overseas operation is also subject to different competitive landscapes, regulatory environments, customs, consumer tastes, and discretionary spending patterns compared to China. As a result, overseas stores may take longer to ramp up sales and achieve satisfactory performance, if at all, which could affect overall growth and profitability. Building brand awareness in overseas markets may require greater investments in advertising and promotional activities than initially planned or than required in China. This increased investment could negatively impact our profitability in overseas markets.

Our overseas operations are also subject to additional inherent risks of conducting business abroad, such as:

- difficulty in finding qualified franchisees, suppliers and other business partners and maintaining relationships with these business partners for overseas operations;

- inability to anticipate foreign consumers' evolving preferences and tastes;

- challenges, changes or uncertainties in navigating economic, legal, regulatory, social, political, religious and geopolitical complexities in these international markets, or international relations;

- interpretation and application of laws and regulations, including licensing, approvals, permits, tax, tariffs, labor, merchandise and privacy laws and regulations, as well costs and other burdens of complying with a wide variety of local laws and regulations;

- restrictive actions of governmental authorities affecting trade and foreign investment, including relevant measures such as export and customs duties and tariffs, government policies that affect dynamics of market competition and restrictions on the level of foreign ownership;

- the enforceability of intellectual property and contract rights under different legal systems;

- limitations on the repatriation of funds and foreign currency exchange restrictions due to current or new local regulations;

- challenges in recruiting and retaining high-quality employees in overseas markets;

- challenges in securing desirable locations for opening stores;

- difficulties in setting up and developing warehouse system and delivery network overseas;

- difficulties to effectively manage the supply chain, including but not limited to procurement, production, logistics, R&D and quality control, to meet the needs of new and existing stores on a timely basis;

- difficulties in developing and managing foreign operations, including ensuring the consistency of product quality and services, due to governmental regulations and actions, distance, language and cultural differences.

Any of the above factors could materially and adversely affect our ability to expand our store network and, in turn, negatively impact our results of operations and financial performance.

We may incur substantial expenses in connection with our branding and marketing activities.

To promote our brand recognition and increase our brand value, we invested in our brands with comprehensive branding and marketing activities during the Track Record Period. In 2021, 2022, 2023 and the nine months ended September 30, 2024, the branding and promotion expenses amounted to RMB53.2 million, RMB69.9 million, RMB246.4 million and RMB168.6 million, respectively. We expect to explore marketing approaches to keep pace with industry developments and consumer preferences, and expect to further incur investment in branding and marketing activities going forward. In addition, some of these marketing or promotional approaches may not be as effective as we expect. For example, our crossover collaborations with third-party partners may fail or not achieve expected results. If any of the foregoing risks becomes materialized, our results of operations, financial performance and business prospects may be materially and adversely affected.

We may not be successful in expanding our membership base and our ability to leverage our membership programs may be limited.

We have established membership programs, in which we grant a variety of rewards to our members. We have limited experience in operating such membership programs, and we cannot predict with certainty the rate or extent to which our consumers will join such membership programs. There is no assurance that the membership programs will be effective in retaining existing consumers or increasing their purchase, or that the membership programs will not adversely affect the purchases by consumers who do not become members. Moreover, there is no assurance that we will be able to leverage the membership programs to deepen our insights on our target consumers. As a result, our business may be materially and adversely affected.

We may evaluate and potentially explore new business opportunities, enter into new markets, and consummate strategic investments or acquisitions, which may turn out to be unsuccessful and adversely affect our results of operations and financial performance.

We seek and will continue to explore opportunities to grow our business, such as building new brands, developing new products and store formats, or exploring new business initiatives. However, our exploration of new business opportunities may not be successful due to various reasons such as lack of market acceptance, inefficiency in operations and unsuccessful branding strategies. Additionally, to complement our business and strengthen our market-leading position, we may form strategic cooperations or make strategic investments and acquisitions from time to time. We may experience difficulties in integrating our operations with the newly invested or acquired businesses, implementing our strategies or achieving expected levels of revenue, profitability, productivity or other benefits. As a result, we cannot assure you that our initiatives in exploring new business opportunities, entering into new markets, investments or acquisitions will benefit our business operations, generate sufficient revenue to offset the associated costs, or otherwise result in the intended benefits.

Our product sales and business operations are subject to seasonal fluctuations.

We experience seasonal fluctuations during our ordinary course of business and the operation of our stores. For example, during the Track Record Period, we typically had higher sales of cold drinks in summer each year due to hot weather and the increased demands for drinking and cooling. Going forward, we expect our financial conditions and results of operations within a year may continue to fluctuate and our historical quarterly results may not be comparable to future quarters.

Illegal actions, misconducts or other negative incidents of our employees, franchisees and their employees, suppliers, services providers, business partners, and other third parties and/or stakeholders, or perception that these may have occurred could materially and adversely affect our reputation, results of operations, financial performance and business prospects.

We may be exposed to fraud, bribery or other crimes, illegal actions or misconducts that fail to comply with relevant laws, regulations and our internal rules and standards committed by our employees, franchisees and their employees, suppliers, service providers, business partners, and other third parties and/or stakeholders. Such acts could subject us to financial losses, government investigations and sanctions, and other legal liabilities and proceedings. We may be unable to prevent, detect or deter all such instances of misconduct committed by these third parties and/or stakeholders. Any such misconduct committed against our interests, such as bribery or other misconduct that compromise our stringent standards for admitting franchisees, may have a material and adverse effect on our results of operations and business prospects.

For example, if our franchisees engage in any unlawful activities, fail to obtain the requisite licenses and approvals from governmental authorities, fail to comply with our quality standards and provide satisfactory products, resulting in administrative penalties and negative publicities or are involved in any claims, allegations, lawsuits, litigations or other legal proceedings, with or without merits, no matter whether we are a party or not, we might also be subject to reputational risks. We also cannot guarantee that our franchisees will fully comply with relevant provisions in our agreements with them regarding various operational standards. If any of our franchisees engage in any type of illegal actions or misconduct, our reputation, results of operations, financial performance and business prospects could be materially and adversely affected.

In addition, the failure of our suppliers to ensure product quality or to comply with food safety or other laws and regulations could interrupt our operations and result in claims against us, and any delay in delivery of our products, damage to our products during the course of delivery and inappropriate actions taken by delivery riders of our delivery service providers might cause consumer complaints. If any of our business partners fails to comply with relevant laws and regulations and our protocols, or engages in fraud, bribery or other illegal actions or misconducts, our results of operations may be materially and adversely affected.

In the event that we become subject to claims caused by actions taken by our employees, franchisees and their employees, suppliers, service providers, business partners, and other third parties and/or stakeholders, we may seek compensation from or take other actions against the relevant third parties and/or stakeholders. However, such compensation may be limited. We may be required to bear the uncompensated portion of such losses and at our own costs, which could have a material and adverse effect on our results of operations, financial performance and business prospects.

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

We primarily operate our business in China and shall comply with the applicable laws and regulations of food safety. Such regulations set out, among others, the safety standards for food and food additives, packaging and containers, the information required to be disclosed on the packaging, and the regulations on food operating and siting and sale of food. In recent years, the governmental authorities have been enhancing their supervision on food safety and enacting new laws and regulations. See "Regulatory Overview" for detailed discussions of the relevant laws and regulations applicable to us. Failure to comply with the laws and regulations of food safety in China may result in corrective actions ordered by regulatory authorities, fines, confiscation of the proceeds, suspension of business operations as ordered, revocation of operation permits, and in extreme cases, criminal liability. If laws and regulations in China on food safety further evolve, our compliance cost may increase, and we may not be able to successfully pass the additional costs on externally, which will have a material and adverse impact on our financial performance and business prospects.

We have also established business presence in various countries and regions overseas where the food safety regulations and related policies may be different from those in China and also subject to risks of significant changes, which could also expose us to significant risks of increased compliance costs and violations of foreign laws and regulations. See also "— We are subject to risks related to our overseas expansion, which may result in fluctuations of our business and results of operation".

We and our stores require various approvals, licenses and permits to operate our business and the loss or failure to obtain or renew any or all of these approvals, licenses and permits could materially and adversely affect our results of operations and business prospects.

We primarily operate our business in China. In accordance with the laws and regulations of the PRC, we and our franchisees are required to maintain various approvals, licenses and permits to operate business and stores in the PRC, respectively. These approvals, licenses and permits are granted upon satisfactory compliance with, among other things, the applicable laws and regulations in relation to food safety, hygiene, environmental protection and fire safety. They are also subject to examinations or verifications by relevant authorities and some of them are valid only for a fixed period subject to renewal and accreditation.

We and our franchisees may experience difficulties, delays or failures in obtaining the necessary approvals, licenses and permits for new stores. In addition, there can be no assurance that we or our franchisees will be able to obtain or renew all of the approvals, licenses and permits required for existing business operations promptly or at all. If any of these occurs, our ongoing business could be interrupted, and our expansion plan may be delayed.

Complying with government regulations may require substantial expenses, and any non-compliance may expose us to liability. In case of any non-compliance, we may have to incur significant expenses and divert substantial management time and resources to resolve any deficiencies. We may also experience negative publicity arising from such deficiencies, which may materially and adversely affect our financial performance and business prospects. Meanwhile, pursuant to the franchise agreements between our franchisees and us, our franchisees are responsible for the validity and effectiveness of the required licenses and permits for operating their franchised stores, and the franchisees shall bear any liabilities arising from non-compliance in this regard as well as compensate us for any consequential damages. However, if a material number of franchised stores are subject to such non-compliance, our business operations may be disrupted, and our results of operations and financial performance may be negatively impacted as a result.

In addition, we have also established business presence in various countries and regions overseas where local licensing laws and regulations may require us to incur significant spending to ensure compliance in these countries and regions. See also "— We are subject to risks related to our overseas expansion, which may result in fluctuations of our business and results of operation".

We and our franchisees are subject to risks in relation to leased properties.

We and our franchisees may be subject to a number of risks in relation to the leased properties in the ordinary course of the businesses, including but not limited to the following:

- We and our franchisees may not be able to renew existing lease agreements at reasonable commercial terms, especially for stores in locations with a high volume of consumer traffic.

- We and our franchisees may also be exposed to risks of unexpected early lease termination at the request of the lessors or other reasons out of our control, which may result in store closures if we and our franchisees are not able to identify suitable alternative premises on acceptable terms to relocate in a timely manner.

- Our or our franchisees' profitability may be materially and adversely affected by any substantial increase or fluctuation in the local rental prices of regions or countries where we have established business presence.

- As of the Latest Practicable Date, for 11 leased properties mainly used for warehousing, office spaces and self-operated stores with an aggregate floor area of approximately 12,263 square meters, accounting for less than 4% of the total gross floor area of our leased properties in the PRC, the lessors with whom we enter into lease agreements did not provide the valid property ownership certificates or authorizations from the property owners for the lessors to sublease the properties, hence we cannot ensure that they have the rights or authorizations to lease or sublease such properties to us.

- As of the Latest Practicable Date, one leased property used for warehousing with an aggregate floor area of approximately 119 square meters, accounting for approximately 0.04% of the total gross floor area of our leased properties in the PRC, is used in a manner not consistent with the planned residential property usage recorded in the property ownership certificate. The relevant lease agreement might be deemed invalid and unenforceable.

- As of the Latest Practicable Date, 50 lease agreements had not been registered and filed with the relevant land and real estate administration bureaus in the PRC because the relevant lessors failed to provide necessary documents for us to register and file the leases with the local government authorities. As advised by our PRC Legal Advisor, the relevant government authorities may impose a fine ranging from RMB1,000 to RMB10,000 on each lease agreement that is not registered and filed.

See "Business — Compliance and Legal Proceedings — Leased Properties". Due to the above reasons, we and our franchisees may need to find alternative locations for our stores with equal or similar commercial attractiveness as the original locations, and at commercially reasonable terms in a timely manner. Failure to do so would have a material and adverse impact on the operation of such stores and our results of operations.

We may be required to pay the shortfall amount of contributions of social insurance and housing provident funds and are subject to late payment fees and fines imposed by relevant governmental authorities.

Pursuant to relevant PRC laws and regulations, employers are obligated to directly and duly contribute to the social insurance and housing provident funds for their employees. During the Track Record Period, we had not made social insurance and housing provident funds for some of our employees in full in accordance with the relevant PRC laws and regulations. The shortfall amount of contributions of social insurance and housing provident funds was RMB7.4 million, RMB12.5 million, RMB5.7 million and RMB7.0 million in 2021, 2022, 2023 and the nine months ended September 30, 2024, respectively. According to the applicable laws and regulations, the competent government authorities may demand us to take rectification measures. If we fail to take the measures as demanded, we may be subject to fines. In addition, we engaged a third-party human resource agency to pay social insurance and housing provident funds for a small number of our employees during the Track Record Period, which has been rectified in all material respects.

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), for the shortfall of social insurance, we may be subject to the following legal consequences: (i) to compensate for the shortfall within a prescribed period and to pay a daily overdue charge of 0.05% of the delayed payment amount, and (ii) to pay a fine of one to three times of the overdue amount if such payment is not made within the stipulated period. Under the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), for the shortfall of housing provident funds, we may be subject to the following legal consequences: (i) to compensate for the shortfall within a prescribed period, and (ii) an application may be made to the courts for compulsory enforcement if the payment is not made within such time limit. Furthermore, we might be subject to additional contribution, late payment fee and/or penalties imposed by the relevant authorities if the third-party human resource agency failed to pay the social insurance or housing provident funds for the relevant employees in full amount and/or in a timely manner, or if the validity of such arrangements are challenged by relevant authorities. We might also be subject to potential labor disputes arising from such arrangements with the relevant employees.

We cannot assure you that the relevant governmental authorities will not require us to pay the shortfall amount and impose late fees or fines, pecuniary penalties or other administrative actions on us. If we are otherwise subject to investigations related to such incidents related to labor laws and are imposed severe penalties or incur significant legal fees in connection with labor law disputes or investigations, our results of operations, financial performance and business prospects may be materially and adversely affected. For details of these incidents, see "Business — Compliance and Legal Proceedings".

We are subject to risks in relation to the cooperation with third-party partners.

We cooperate with various third-party partners to promote our daily business and store operations. For example, we cooperate with third-party online platforms, including but not limited to social platforms, to reach, acquire and interact with consumers, and engage in innovative online marketing and branding campaigns. Our stores also leverage third-party online platforms to fulfill a portion of online orders. In 2021, 2022, 2023 and the nine months ended September 30, 2024, 53.1%, 52.9%, 54.3% and 52.9% of our online orders were attributable to the third-party online platforms, respectively. Additionally, we cooperate with third-party payment channels, such as Weixin Pay and Alipay, to facilitate consumers' payment at our stores. We also collaborate with IP licensors for various purposes, such as marketing campaigns. From time to time, we also enter into certain collaborations, such as incorporating joint ventures, with third-party business partners.

However, there are certain risks in relation to the forgoing cooperations with third-party partners, including but not limited to the following:

- the business operations of the third-party partners may deteriorate and may be interrupted or terminated, or they may suspend providing services to us;

- we may not be able to maintain business relationships with existing third-party partners in a satisfactory manner or at all;

- there may be adverse changes in key contractual terms with third-party partners, such as increased fee rate, which may become no longer acceptable or commercially reasonable;

- it may be difficult for us to identify and establish business relationship with alternative third-party partners, in a timely manner or at all, if we cannot maintain our cooperative relationships with the existing ones; and

- negative incidents or publicity of our third-party partners may in turn have negative impact on our business operations and reputation.

In any such event, our cooperative relationships with third-party partners may be disrupted or discontinued which could have a material and adverse impact on our results of operations and business prospects.

Our success depends on the continuing and collaborative efforts of our senior management team and experienced and capable personnel. If we fail to hire, train, retain or motivate our staff or to optimize our organizational structure, our business may be materially and adversely affected.

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

Our rapid growth also requires us to hire, train, retain and motivate a wide range of talents who can adapt to a dynamic, competitive and challenging business environment. We may need to offer attractive compensation and other benefits packages, including share-based compensation, to attract and retain them. To cater to our evolving strategies and changing business environment, we may constantly optimize our organizational structure. These adjustments may cause additional costs and expenses and temporary disruptions to our operations, and we cannot guarantee that they will always lead to our desirable results. Occurrence of any of the foregoing could severely disrupt our business and growth, negatively affect our reputation, or cause other adverse consequences.

Our results of operations and financial performance may be materially and adversely affected by political events, war, terrorism, public health issues, adverse weather conditions, natural disasters and other catastrophes.

Our results of operations and financial performance may be materially and adversely affected by political events, war, terrorism, public health issues, adverse weather conditions, natural disasters and other catastrophes, particularly in locations where a large number of stores are situated. If any of such event occurs, our ability to operate our business may be restricted. As a result, we may have to incur substantial additional expenses and our results of operations and financial performance may be materially and adversely affected. For instance, the COVID-19 pandemic had profound impacts on the global economies, affecting the industry within which we operate. During the pandemic, the normal operations of stores within our network were disrupted due to reduced consumer traffic or temporary store closures. In early 2022, to better support our franchisees, we announced the waiver of one-year franchise fees for all existing *Mixue* franchisees in China by the end of 2021. Subsequently during the same year, we lowered our sales prices by an average of 15% for 69 store supplies and equipment items sold to our franchisees, the sales of which accounted for 23.1% of our total revenue in 2022. As a result, our revenue and gross profit margin were adversely affected. See “Financial Information — Impacts of COVID-19” for details.

We, our Directors, management, employees, business partners, franchisees and their employees may be involved in litigations, regulatory investigations and proceedings, claims or allegations such as those related to food safety, commercial disputes, labor and employment matters or securities issues, and we may not always be successful in our defense against such claims or proceedings.

We face potential liability, expenses for legal claims and harm due to our business nature. For example, consumers could assert legal claims against us in connection with personal injuries related to food safety issues. The government authorities, media outlets and public advocacy groups have been increasingly focused on consumer protection in recent years. Sales of defective food and beverages may expose us to liabilities associated with consumer protection laws. We may also be held liable if our franchisees, suppliers or other business partners fail to comply with applicable food-safety related rules and regulations, regardless of whether the food safety incident is caused by us. Though we can ask the responsible parties for indemnity after that, our reputation could still be materially and adversely affected. In addition, we, our Directors, management, employees, business partners, franchisees and their employees may from time to time be subject to litigation and regulatory investigations and proceedings or otherwise face potential liability and expense for various matters, such as food safety, commercial, labor, employment, antitrust or securities matters, which could materially and adversely affect our reputation and results of operations.

We may become subject to claims, allegations or disputes brought by our competitors, customers, business partners or other individuals or entities. It is also possible for us to have disputes with dissenting shareholders. Any such claims, allegations or disputes, with or without merit, or any perceived unfair, unethical, fraudulent or inappropriate business practice by us or perceived malfeasance by our management could significantly harm our reputation, affect the trading price of our Shares and substantially distract our management from our daily operations. In addition to the costs related to defending such claims, allegations or disputes, managing these incidents can significantly divert management's attention.

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

Changes in the labor market, rising labor costs or any potential labor issues may have a material and adverse impact on our results of operations, financial information and business prospects.

Failure to retain a stable and dedicated workforce may disrupt our business operations. The labor market may become increasingly competitive, making it challenging for us to recruit and retain a stable and sufficient workforce. We have experienced, and expect to continue to experience, increases in labor costs due to increases in salary, social benefits and employee headcount. Our employee benefit expenses were RMB536.7 million, RMB820.0 million, RMB1,168.2 million and RMB952.3 million in 2021, 2022, 2023 and the nine months ended September 30, 2024, respectively. We compete with other companies for labor, and we may not be able to offer competitive remuneration and benefits compared to them. If any of the foregoing or any other labor issue occurs, our results of operations, financial information and business prospects may be materially and adversely affected.

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

During the Track Record Period, some of our franchisees (individually or collectively, the "Relevant Franchisee(s)") settled their payments with our Group through accounts of third-party payors designated by these Relevant Franchisees, primarily their employees, spouses and other family members, friends, and business partners, at their requests (the "Third-Party Payment Arrangement(s)"). As confirmed by CIC, it is not uncommon for franchisees to use third-party payors to settle corporate transactions with their suppliers due to convenience and flexibility. In 2021, 2022 and 2023, a total number of 5,595, 3,258, and 179 Relevant Franchisees in China utilized the Third-Party Payment Arrangements to settle payments with us, respectively. During the same periods, the aggregate amount of payments from their designated third-party payors was RMB451.0 million, RMB703.5 million, and RMB64.9 million, respectively, representing approximately 4.4%, 5.2% and 0.3% of our total revenue. To the best of our knowledge, certain franchisees in Indonesia and Vietnam (the "Relevant Overseas Markets") also utilized the Third-Party Payment Arrangements to settle payments with us during the Track Record Period. For additional information, see "Business — Our Customers — Third-Party Payment Arrangements". As of November 29, 2023, our Group had ceased all the Third-Party Payment Arrangements in China and the Relevant Overseas Markets.

We face various risks associated with the Third-Party Payment Arrangements during the Track Record Period, including (i) possible claims from third-party payors seeking the return of funds as they were not contractually indebted to us, (ii) potential claims from liquidators of such third-party payors, and (iii) potential money laundering risks due to our limited knowledge about the source and purpose of funds used by third-party payors. In case of claims or legal proceedings, whether civil or criminal, demanding payment return or alleging violation of laws, we would need to allocate significant financial and managerial resources for defense. Compliance with court rulings may result in returning payment for products and services sold to franchisees, which may materially and adversely affect our business, results of operations and financial conditions.

Fair value changes for our financial assets at fair value through profit or loss may materially and adversely affect our results of operations and financial performance.

As of December 31, 2021, 2022 and 2023 and September 30, 2024, we recorded financial assets at fair value through profit or loss of RMB900.2 million, RMB1,865.7 million, RMB746.0 million and RMB2,842.6 million, respectively. Historically, our financial assets at fair value through profit or loss primarily represent low-risk wealth management products that we purchased from commercial banks in China. The wealth management products issued by banks are subject to the overall market conditions. Any volatility in the market or fluctuations in the interest rates may affect the fair value of our financial assets at fair value through profit or loss. We may also record other financial assets of which the fair value is determined with higher level of judgment and/or more susceptible to market conditions. Changes in fair value are recognized in profit or loss and such treatment of gain or loss may cause volatility in or materially and adversely affect our period-to-period earnings, results of operations and financial performance.

Significant impairment of our property, plant and equipment could materially and adversely impact our results of our operations and financial performance.

We have recorded a significant amount of property, plant and equipment. As of December 31, 2021, 2022 and 2023 and September 30, 2024, the carrying amount of our property, plant and equipment amounted to RMB1,033.5 million, RMB1,701.1 million, RMB3,390.1 million and RMB5,156.5 million, respectively. We estimate the recoverable amount for our property, plant and equipment, which is the higher of the value in use and the fair value less costs of disposal, when an indication of impairment exists. We recorded impairment of property, plant and equipment of RMB14.8 million, nil, RMB65.5 million and nil, respectively, in 2021, 2022, 2023 and the nine months ended September 30, 2024. The impairment evaluation of property, plant and equipment requires significant management judgment. If our estimates and judgments are inaccurate, the recoverable amount determined could be inaccurate and the impairment may not be adequate, and we may need to record additional impairments in the future. Any significant impairment losses charged against our property, plant and equipment could have a material and adverse effect on our results of operations and financial performance.

Change or uncertainties in tax treatments or government grants may adversely affect our results of operations and financial performance.

Our certain subsidiaries that are engaged in the "Encouraged Industries in the Western Region" are eligible for the preferential EIT rate of 15%. Our certain subsidiaries that are domiciled and operate in Hainan Free Trade Port which meet the criteria of "more than 60% of the revenue generated from core business" are eligible for the preferential EIT rate of 15%. Our certain subsidiaries are engaged in agriculture and entitled to the tax exemption on agricultural products. Additionally, we recorded government grants of RMB79.4 million, RMB46.9 million, RMB115.8 million and RMB22.5 million in 2021, 2022, 2023 and the nine months ended September 30, 2024, respectively. Continued eligibility for preferential tax treatment and government grants is subject to recognition and evaluation by the relevant government authorities in China. We cannot assure you that we will continue to receive such preferential tax treatment and government grants at historical levels, or at all. We are also subject to risks of uncertainties in tax treatment, such as development in tax laws and regulations or practices of local tax authorities in the countries, regions or municipalities where we have operations. Such changes or uncertainties in tax treatment or government grants may adversely affect our results of operations and financial performance.

We are subject to credit risks of some of our customers.

We normally require advance payment from our customers but may grant credit terms under limited circumstances. As of December 31, 2021, 2022 and 2023 and September 30, 2024, we had trade receivables of RMB2.0 million, RMB15.4 million, RMB28.5 million and RMB21.5 million, respectively. Adverse changes in their financial conditions may be challenging for us to detect and monitor, and may negatively affect the length of time to collect associated trade receivables or the likelihood of ultimate collection, which would in turn have a material and adverse effect on our results of operations, financial performance and business prospects.

We require a substantial amount of capital to support our operations and respond to business opportunities. Any failure to obtain adequate capital on acceptable terms could have a material and adverse impact on our financial performance and business prospects.

We may require cash resources in addition to cash generated from operating activities to finance our continued growth or other future developments. We may need to seek additional financing which we may not be able to obtain on terms acceptable to us, or at all. In addition, our ability to raise additional funds in the future is subject to a variety of uncertainties, including, but not limited to:

- our future financial conditions, results of operations and cash flows;
- general market conditions for capital raising and debt or equity financing activities; and
- general economic, political and other conditions.

Furthermore, if we raise additional funds through equity or equity-linked financings, your equity interest in us may be diluted. Alternatively, if we raise additional funds by incurring debt obligations, we may be subject to various covenants under the relevant debt instruments that may, among other things, restrict our ability to pay dividends or obtain additional financing. If we cannot obtain sufficient capital on acceptable terms, our financial performance and business prospects may be materially and adversely affected.

We may infringe upon, misappropriate or otherwise violate the intellectual property rights of third parties.

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

Our reliance on information technology systems may expose us to new challenges and risks and may materially and adversely affect our results of operations, financial performance and business prospects.

We rely on information technology systems to process, transmit and store information in relation to our operations. The smooth and efficient operation of our comprehensive supply chain and expansive store network depends on our information technology systems. Our information technology systems may be vulnerable to interruption due to a variety of events beyond our control, including but not limited to, natural disasters, telecommunications failures, computer viruses, attacks by hackers and other security issues. Any such interruption to our information technology system could disrupt our operations and negatively impact our production and ability to fulfill sales orders, which could have a material and adverse effect on our results of operations, financial performance and business prospects.

In addition, we may from time to time implement, modify and upgrade our information technology systems and procedures to support our business development. These modifications and upgrades could require substantial investment and may not improve our profitability at a level that outweighs their costs, or at all.

Regulatory requirements regarding data protection and information security are constantly evolving, the changes of which or any data protection and information security incidents may have a material and adverse effect on our business and results of operations.

In the ordinary course of business, we from time to time collect, store and use certain personal information of our employees, franchisees and their employees, consumers and other individuals, such as (i) when consumers place online orders through our online applications, such as our *Mixue* app and our Mini Programs on Weixin and Alipay, we may collect their account names, phone numbers, transaction information and other information; and (ii) during the franchisee onboarding process, we collect franchisees' basic information, such as their names, ID numbers, phone numbers, e-mail address and bank account information. Therefore, we are subject to laws and regulations relating to the collection, storage, use, processing, transmission, retention, security and transfer of personal information and other data. Any improper handling of personal information or any other information security incidents, such as unauthorized access to our consumer database by hackers, could result in reputation damage and/or civil or regulatory liabilities that may have significant legal, financial and operational consequences.

Regulatory requirements regarding the data security and data protection are constantly evolving, of which the interpretation and application are also evolving and subject to change that may affect us. 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, results of operations and business prospects and/or could lead to civil or regulatory liabilities. Complying with new laws and regulations could also cause us to incur substantial costs or require us to change our business practices in a manner that has a material and adverse effect on our business. For details of cybersecurity-related regulations, the relevant impact and our compliance thereof, see "Regulatory Overview — Regulations on Cybersecurity", "Regulatory Overview — Regulations on Personal Information and Data Protection" and "Business — User Privacy and Data Security".

We face foreign exchange risks. Fluctuations in exchange rates could have a material and adverse effect on our results of operations and financial performance.

Change in exchange rates may materially and adversely affect our results of operations and financial performance. Since we have established business presence in overseas countries and a portion of our revenue is denominated in currencies other than Renminbi while our cost of sales and operating costs and expenses are predominantly denominated in Renminbi, our margins may be pressured when Renminbi appreciates against other currencies. We also anticipate that the fluctuation of foreign exchange rates would impose a greater influence on our business in light of our overseas expansion plan.

During the Track Record Period, the vast majority of our revenue and expenditures were denominated in Renminbi, while the net proceeds from the Global Offering will be in Hong Kong dollar. 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.

Fluctuations in exchange rates between the Renminbi and other currencies may be affected by, among other things, changes in political and economic conditions and developments. There can be no assurance that we will be able to do so successfully.

Our insurance coverage may not be sufficient, which may have a material and adverse effect on our reputation, results of operations, financial performance and business prospects.

Our primary insurance policies include: (i) property insurances covering major business interruptions and accidental loss for our fixed assets and inventories, (ii) employer liability insurance, and (iii) personal accident insurance and health insurance for our key employees. In the future, we may be unable to renew our insurance policies or obtain new insurance policies without increases in cost or decreases in coverage levels. We may also encounter disputes with insurance providers regarding payments of claims that we believe are covered under our policies. Furthermore, if we are held liable for amounts and claims exceeding the limits of our insurance coverage or outside the scope of our insurance coverage, our reputation, results of operations, financial performance and business prospects may be materially and adversely affected.

Any uncertainties embedded in the legal systems of the jurisdictions where we have established business presence could affect our business, financial conditions and results of operations.

Legal systems of the jurisdictions where we have established business presence may vary significantly from each other. Some jurisdictions have a civil law system based on written statutes and others are based on common law. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value, and there may be a limited volume of published court decisions in civil law systems.

In addition, we are subject to certain uncertainties embedded in the legal systems of some jurisdictions where we have established business presence. Laws and regulations in these markets continue to develop. Many of these laws and regulations are relatively new and continue to evolve and are subject to future interpretations and implementations in response to changing economic and other conditions, which may adversely affect the legal protections and remedies that are available to investors and us. These uncertainties may materially and adversely affect our business.

RISKS RELATING TO DOING BUSINESS IN THE PRC

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

On July 6, 2021, the relevant PRC government authorities issued 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 emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies. See "Regulatory Overview — Regulations on Securities and Overseas Listing" for details.

On February 24, 2023, the CSRC, the MOF, the National Administration of State Secrets Protection of China, and the National Archives Administration of China published the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "Archives Rules"), which came into effect on March 31, 2023. The Archives Rules require that, in relation to the overseas securities offering and listing activities of domestic enterprises, either in direct or indirect form, such domestic enterprises, as well as securities companies and securities service institutions providing relevant securities services, are required to strictly comply with relevant requirements on confidentiality and archives management, establish a sound confidentiality and archives system, and take necessary measures to implement their confidentiality and archives management responsibilities. The interpretation and implementation of the Archives Rules may keep evolving, failure to comply with which may materially affect our business, results of operations or financial conditions.

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 proceeds from such future financing activities into the PRC or take other actions to restrict our financing activities, which could have a material and adverse effect on our financial conditions and business prospects.

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

We are headquartered in Henan Province, China and currently most of our operations are conducted in China. Accordingly, our results of operations, financial performance and business prospects may be influenced by the economic, regulatory, political and social conditions in China. China has implemented, and may continue to introduce, among others, various policies and measures to encourage the economic growth and guide the allocation of resources. China's freshly-made drinks industry in general is affected by macro-economic factors, including international, national, regional and local economic conditions, trade relationships, employment levels, consumer demand and discretionary spending. Any changes in these factors may have material and adverse effect on our results of operations, financial performance and business prospects.

Investors may experience difficulties in effecting service of legal process and enforcing judgments against us and our Directors, Supervisors and management.

We are a company incorporated under the laws of the PRC and the majority of our assets and subsidiaries are located in the PRC. Most of our Directors, Supervisors and senior management reside within the PRC. The assets of these Directors, Supervisors and senior management are also mostly located within the PRC. As a result, it may be difficult and time-consuming to effect service of process upon most of our Directors, Supervisors and senior management outside the PRC. In addition, investors may also experience difficulties in enforcing judgements due to lack of reciprocal recognition and enforcement of judicial rulings and awards of other jurisdictions.

The holders of H Shares will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. The Listing Rules and the Hong Kong Takeovers Code do not have the force of law in Hong Kong.

We are subject to the currency exchange regulatory system.

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 regulatory 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 continue in the future. In addition, any insufficiency of foreign exchange may restrict our ability to pay dividend to shareholders or to satisfy any other foreign exchange requirements, capitalize our capital expenditure plans, and even our results of operations, financial performance and business prospects may be affected.

Our operations are subject to PRC tax laws and regulations.

We are subject to periodic examinations on fulfillment of our tax obligation under the PRC tax laws and regulations by PRC tax authorities. The PRC tax laws and regulations might be subject to interpretations and adjustments by relevant authorities from time to time. We cannot assure you that future examinations by PRC tax authorities would not result in fines, other penalties or actions that could materially and adversely affect our results of operations, financial performance and business prospects.

Holders of our H Shares may be subject to PRC income tax obligations.

Under the current PRC tax laws and regulations, non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to the dividends paid to them by us and the gains realized upon the sale or other disposition of H Shares.

Non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate for the income derived in China under the IIT Law and its implementation guidelines. Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdiction in which the foreign individual resides reduce or provide an exemption for the relevant tax obligations. However, pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》) (Cai Shui Zi [1994] No. 020) issued by the MOF and SAT on May 13, 1994, the income gained by individual foreigners from dividends and bonuses of enterprises with foreign investment are exempted from individual income tax for the time being. In addition, under the IIT Law and its implementation regulations, non-PRC resident individual holders of H Shares are subject to individual income tax at a rate of 20% on gains realized upon the sale or other disposition of H Shares. However, pursuant to the Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No. 61) issued by the MOF and the SAT on March 30, 1998, from January 1, 1997, the income of individuals from the transfer of the shares of listed enterprises continues to be exempted from individual income tax.

As of the Latest Practicable Date, no aforesaid provisions has expressly provided that individual income tax shall be levied on non-PRC resident individual holders on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges, and to our knowledge, no such individual income tax was levied by PRC tax authorities in practice. However, there is no assurance that the PRC tax authorities will not change these practices which could result in levying income tax on non-PRC resident individual holders on gains from the sale of H Shares.

For non-PRC resident enterprises that do not have establishments or premises in China, and for those that have establishments or premises in China but whose income is not related to such establishments or premises, under the EIT Law and its implementation regulations, dividends paid by us and gains realized by such foreign enterprises upon the sale or other disposition of H Shares are subject to PRC EIT at a 10% rate. In accordance with the Circular on Issues Relating to Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897) issued by SAT on November 6, 2008, the withholding tax rate for dividends payable to non-PRC resident enterprise holders of H Shares will be 10% and we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our H Shares (including HKSCC Nominees). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' approval.

Despite the arrangements mentioned above, the applicable PRC tax laws and regulations, as well as the interpretation and application of existing applicable PRC tax laws and regulations may be evolving and subject to change. New taxes may be imposed which may materially and adversely affect the value of your investment in our H Shares.

RISKS RELATING TO THE GLOBAL OFFERING

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

Prior to the completion of the Global Offering, there has been no public market for our H Shares. There can be no guarantee that an active trading market for our H Shares will develop or be sustained after the completion of the Global Offering. The Offer Price is the result of negotiations between 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 H Shares will be traded following the completion of the Global Offering. The market price of our H Shares may drop below the Offer Price at any time after completion of the Global Offering.

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

The trading price of our H Shares may be volatile and could fluctuate widely in response to factors beyond our control. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in mainland China that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our H Shares. A number of mainland China-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. The share price of some of these companies have experienced significant volatility, including significant price declines after their initial public 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 mainland China-based companies listed in Hong Kong and consequently may impact the trading performance of our H Shares. Pursuant to the applicable PRC law, within one year following the Listing Date, all existing Shareholders (including the Pre-IPO Investors) could not dispose of any of the Shares held by them. Due to such lock-up requirement, the liquidity and trading volume of the H Shares in the short term following the Global Offering may be significantly affected. These factors may significantly affect the market price and volatility of our H Shares, regardless of our actual operating performance.

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

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

You will incur immediate and substantial dilution and may experience further dilution if we issue additional Shares in the future.

The Offer Price of the Offer Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, purchasers of the Offer Shares in the Global Offering will experience an immediate dilution in pro forma consolidated net tangible asset value. To expand our business, we may consider offering and issuing additional shares in the future. Purchasers of the Offer Shares 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 that is lower than the net tangible asset value per Share at that time.

Our Controlling Shareholders have significant influence over us and their interests may not always be aligned with the interest 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 Over-allotment Option, Mr. Zhang Hongchao directly and through Qingchun Wuwei, and Mr. Zhang Hongfu directly and through Shiyu Zuxia, will control 41.27% and 41.27% of our total issued share capital, respectively. Our Controlling Shareholders will, through their voting power at the Shareholders' meetings and their delegates or positions 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 a part of a sale of our Company and may significantly reduce the price of our H Shares.

Our historical dividends may not be indicative of our future dividend policy, and there can be no assurance that we will declare and distribute any amount of dividends in the future.

As a holding company, our ability to declare future dividends will depend on the availability of dividends, if any, received from us and our subsidiaries. Under PRC law and the constitutional documents of our PRC operating subsidiaries, dividends may be paid only out of distributable profits, which refer to after-tax profits as determined under PRC GAAP less any recovery of accumulated losses and required allocations to statutory capital reserve funds. Any distributable profits that are not distributed in a given year are retained and become available for distribution in subsequent years. The calculation of our distributable profits under PRC GAAP differs in many aspects from the calculation under IFRSs. In addition, as stipulated by our Articles, distributable profits are recognized as our after-tax profit determined under PRC GAAP or IFRSs, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, our Company and our subsidiaries may not be able to pay a dividend in a given year if our Company or our subsidiaries do not have distributable profits as determined under PRC GAAP even if they have profits as determined under IFRSs. See "Financial Information — Dividends" for details of our dividend policy.

Our historical dividends may not be indicative of our future dividend policy, and there can be no assurance that we will declare and distribute any amount of dividends in the future. The declaration, payment and amount of any future dividends are subject to the discretion of our Directors, after taking into account our results of operations, financial conditions, cash requirements and availability, and other factors as they may deem relevant, and subject to the approval at a Shareholders' meeting. We may not have sufficient or any profits to enable us to distribute dividends to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable.

We are exposed to risks associated with the potential spin-off of one or more of our businesses.

We are exposed to risks associated with the potential spin-off of one or more of our businesses. We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements in paragraph 3(b) of Practice Note 15 to the Hong Kong Listing Rules such that we are able to spin-off a subsidiary entity for listing within three years of the Listing. While we did not have any specific plans with respect to the timing, the listing venue, the entity to be spun off, or other details of any potential spin-off listing as of the Latest Practicable Date, we continue to explore the ongoing financing requirements for our various businesses and may consider a spin-off listing for one or more of those businesses within the three year period subsequent to the Listing. As we did not have any specific spin-off plan as of the Latest Practicable Date, there is no material omission of any information relating to any possible spin-off in this Prospectus. We cannot assure you that any spin-off will ultimately be consummated, whether within the three-year period after the Listing or otherwise, and any such spin-off will be subject to market conditions at the time. In the event that we proceed with a spin-off, the Company's interest in the entity to be spun-off (and its corresponding contribution to the financial results of our Group) will be reduced accordingly. For additional information, see "Waivers and Exemptions — Waiver in Respect of Strict Compliance with Practicable Note 15 and the Three-Year Restriction on Spin-offs."

Certain statistics contained in this Prospectus are derived from a third-party report and publicly available official sources.

This Prospectus, particularly the section headed "Industry Overview", contains information and statistics relating to the freshly-made drinks industry in China and internationally. Such information and statistics have been derived from various official governments and other publications and from a third-party report commissioned by us. However, we cannot guarantee the quality or reliability of information and statistics from official government sources. The information from official government sources has not been independently verified by us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers or representatives or any other parties involved in the Global Offering and no representation is given as to their 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, 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.

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

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 Prospectus, there has been press and media coverage regarding us, our business, our industry and the Global Offering. There may be additional press and media coverage regarding us, our business, our industry and the Global Offering subsequent to the date of this Prospectus 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 Prospectus, 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 coverage 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 Prospectus, we disclaim responsibility for it, and you should not rely on such information.

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

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, our Company must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 of the Listing Rules may be waived by having regard to, among other considerations, our arrangements for maintaining regular communication with the Hong Kong Stock Exchange.

Our headquarters are based, and most of the business operations of our Group, are managed and conducted in the PRC. Our executive Directors ordinarily reside in the PRC and they play very important roles in our Company's business operations. It is in our best interests for them to be based in places where our Group has significant operations. We consider it practically difficult and commercially unreasonable for us to arrange for two executive Directors to ordinarily reside in Hong Kong, either by means of relocation of our existing executive Directors or appointment of additional executive Directors. Therefore, our Company does not have, or does not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, pursuant to Rule 19A.15 of the Listing Rules, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rule 8.12 of the Listing Rules subject to the following conditions:

(a) We have appointed Mr. Zhang Hongfu (張紅甫) and Ms. Tang King Yin (鄧景賢) as our authorized representatives (the "Authorized Representatives") pursuant to Rule 3.05 of the Listing Rules. The Authorized Representatives will act as our Company's principal channel of communication with the Hong Kong Stock Exchange. The Authorized Representatives will be readily contactable by phone, facsimile and email to promptly deal with inquiries from the Hong Kong Stock Exchange, and will also be available to meet with the Hong Kong Stock Exchange to discuss any matter within a reasonable period of time upon request of the Hong Kong Stock Exchange;

(b) When the Hong Kong Stock Exchange wishes to contact our Directors on any matter, each of the Authorized Representatives will have all necessary means to contact all of our Directors (including our independent non-executive Directors) and senior management team promptly at all times. Our Company will also inform the Hong Kong Stock Exchange promptly in respect of any changes in the authorized representatives. We have provided the Hong Kong Stock Exchange with the contact details (i.e. mobile phone number, office phone number and email address) of all

Directors to facilitate communication with the Hong Kong Stock Exchange. Our Directors will also provide the phone number of the place of his/her accommodation to the Authorized Representatives in the event that any Director expects to travel or otherwise be out of office;

(c) All Directors who do not ordinarily reside in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Hong Kong Stock Exchange within a reasonable period of time;

(d) We have appointed Somerley Capital Limited as our Compliance Advisor upon the Listing pursuant to Rule 3A.19 of the Listing Rules for a period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date. The Compliance Advisor will have access at all times to our Authorized Representatives, Directors, Supervisors and members of our senior management, who will act as the additional channel of communication with the Hong Kong Stock Exchange when the Authorized Representatives are not available. The contact details of the Compliance Advisor has been provided to the Hong Kong Stock Exchange and the Company will inform the Hong Kong Stock Exchange promptly in respect of any change in the Compliance Advisor; and

(e) The Company has designated staff members as the communication officer at the Company's headquarters after the Listing who will be responsible for maintaining day-to-day communication with the Authorized Representatives, and the Company's professional advisors in Hong Kong, including our legal advisors in Hong Kong and the Compliance Advisor, to keep abreast of any correspondences and/or inquiries from the Hong Kong Stock Exchange and report to the executive Directors to further facilitate communication between the Hong Kong Stock Exchange and the Company.

WAIVER IN RESPECT OF APPOINTMENT OF JOINT COMPANY SECRETARY

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of the company secretary. Note 1 to Rule 3.28 of the Listing Rules provides that the Hong Kong Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Chartered Governance Institute;

(b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and

(c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Note 2 to Rule 3.28 of the Listing Rules further provides that the Hong Kong Stock Exchange considers the following factors in assessing the "relevant experience" of the individual:

(a) length of employment with the issuer and other issuers and the roles he/she played;

(b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

Our Company has appointed Mr. Chen Yixin (陳翊新) ("Mr. Chen"), as one of our joint company secretaries. Mr. Chen has sufficient experience in legal and capital markets affairs but presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, we have appointed Ms. Tang King Yin (鄧景賢) ("Ms. Tang"), who is associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom, who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as the other joint company secretary. Ms. Tang will provide assistance to Mr. Chen for an initial period of three years from the Listing Date to enable Mr. Chen to acquire the "relevant experience" under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

Since Mr. Chen does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Mr. Chen may be appointed as a joint company secretary of our Company. Pursuant to paragraph 13 of Chapter 3.10 under the Guide for New Listing Applicants published by the Stock Exchange, the waiver will be for a fixed period of time (the "Waiver Period") and on the following conditions: (i) the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the Waiver Period; and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by the issuer. The waiver is valid for an initial period of three years from the Listing Date, and is granted on the condition that Ms. Tang will work closely with Mr. Chen to jointly discharge the duties and responsibilities as company secretary and assist Mr. Chen in acquiring the relevant experience as required under Rules 3.28 and 8.17 of the Listing Rules. Ms. Tang will also assist Mr. Chen in organizing Board meetings and Shareholders' meetings of our Company as well as other matters of our Company which are incidental to the duties of a company secretary. Ms. Tang is expected to work closely with Mr. Chen and will maintain regular contact with Mr. Chen, the Directors, the Supervisors and the senior management of our Company. The waiver will be revoked immediately if Ms. Tang ceases to provide assistance to Mr. Chen as a joint company secretary for the three-year period after the Listing or where there are material breaches of the Listing Rules by our Company. In addition, Mr. Chen 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. Mr. Chen will also be assisted by (a) Compliance Advisor of our Company, particularly in relation to compliance with the Listing Rules; and (b) the Hong Kong legal advisors of our Company, on matters concerning our Company's ongoing compliance with the Listing Rules and the applicable laws and regulations.

Before the expiration of the initial three-year period, the qualifications of Mr. Chen will be re-evaluated to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied. We will liaise with the Hong Kong Stock Exchange to enable it to assess whether Mr. Chen, having benefited from the assistance of Ms. Tang for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

WAIVER IN RELATION TO POST-TRACK RECORD PERIOD ACQUISITIONS

Rules 4.04(2) and 4.04(4) of the Listing Rules require that the new applicant include in its accountants' report the results and balance sheet of any business or subsidiary acquired, agreed or proposed to be acquired, since the date to which its latest audited accounts have been made up, in respect of each of the three financial years immediately preceding the issue of this Prospectus.

Pursuant to note (4) of Rule 4.04(4) of the Listing Rules, the Stock Exchange may consider an application for a waiver of Rules 4.04(2) and 4.04(4) of the Listing Rules taking into account the following factors:

(a) that all the percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) are less than 5% by reference to the most recent audited financial year of the new applicant's trading record period;

(b) if the acquisition will be financed by the proceeds raised from a public offer, the new applicant has obtained a certificate of exemption from the SFC in respect of the relevant requirements under paragraphs 32 and 33 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance; and

(c) (i) where a new applicant's principal activities involve the acquisition of equity securities (the Stock Exchange may require further information where securities acquired are unlisted), the new applicant is not able to exercise any control, and does not have any significant influence over the underlying company or business to which Rule 4.04(2) and 4.04(4) of the Listing Rules relate, and has disclosed in its listing document the reasons for the acquisition and a confirmation that the counterparties and their respective ultimate beneficial owners are independent of the new applicant and its connected persons. In this regard, "control" means the ability to exercise or control the exercise of 30% (or any amount specified in the Hong Kong Code on Takeovers and Mergers as the level for triggering a mandatory general offer) or more of the voting power at general meeting, or being in a position to control the composition of a majority of the board of directors of the underlying company or business; or

(ii) with respect to an acquisition of a business (including acquisition of an associated company and any equity interest in a company other than in the circumstances covered under sub-paragraph (a) above) or a subsidiary by a new applicant, the historical financial information of such business or subsidiary is unavailable, and it would be unduly burdensome for the new applicant to obtain or prepare such financial information; and the new applicant has disclosed in its listing document information required for the announcement for a discloseable transaction under Rules 14.58 and 14.60 of the Listing Rules on each acquisition. In this regard, "unduly burdensome" will be assessed based on each new applicant's specific facts and circumstances (e.g. why the financial information of the acquisition target is not available and whether the new applicant or its controlling shareholder has sufficient control or influence over the seller to gain access to the acquisition target's books and records for the purpose of complying with the disclosure requirements under Rules 4.04(2) and 4.04(4) of the Listing Rules).

Background

Acquisition of a Company in Southeast Asia

In October 2024, we entered into a framework agreement in relation to our acquisition of the entire equity interests of a company in Southeast Asia (the "**Target Company**") at a consideration of US$4.3 million from an Independent Third Party based on arm's length negotiation. The Target Company is a company incorporated in Southeast Asia with limited liability which is primarily engaged in production of ingredients. The consideration will be fully paid up by installments pursuant to the framework agreement with our internal resources by 2026, subject to terms and conditions set forth therein. After completion of the acquisition, the Target Company will be accounted as one of our subsidiaries. As of the Latest Practicable Date, we have not paid any consideration.

According to the unaudited management accounts of the Target Company, (i) its total assets as of September 30, 2024 was approximately RMB10.65 million, (ii) its revenue was approximately RMB1.91 million for the year ended December 31, 2023, and (iii) its net loss was approximately RMB1.97 million for the year ended December 31, 2023.

Investment in Xinxiang Leyuan

In December 2024, we entered into an agreement in relation to our acquisition of the 35% equity interests in Xinxiang Leyuan Muye Company Limited (新鄉樂源牧業有限公司, "**Xinxiang Leyuan**") by way of capital injection at a consideration of RMB105 million based on arm's length negotiation. Xinxiang Leyuan is a company established in the PRC which is primarily engaged in production of ingredients. After completion of the capital injection, the remaining 65% equity interests in Xinxiang Leyuan is held by an Independent Third Party. The consideration is expected to be fully paid up in March 2025 with our internal resources. After completion of the aforesaid investment, Xinxiang Leyuan will be accounted as our associated company.

According to the unaudited management accounts of Xinxiang Leyuan, (i) its total assets as of September 30, 2024 was approximately RMB279.5 million, (ii) its revenue was nil for the year ended December 31, 2023, and (iii) its net loss was approximately RMB1.8 million for the year ended December 31, 2023.

Reasons and Benefits

The Company believes that the acquisition of the Target Company and the investment in Xinxiang Leyuan (the "**Post-TRP Acquisitions**") will contribute to our domestic and overseas business expansion, and will also support the Group's long-term business development through cooperation with our business partners. Our Directors considered that the Post-TRP Acquisitions are on normal commercial terms, fair and reasonable and in the interest of our Company and the Shareholders as a whole.

Conditions to the waiver granted by the Stock Exchange

We have applied to the Stock Exchange for, and the Stock Exchange has granted a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules in respect of the Post-TRP Acquisitions on the following grounds:

(a) Immateriality

Under Rule 14.04(9) of the Listing Rules, all the applicable percentage ratios under Rule 14.07 of the Listing Rules in relation to the Post-TRP Acquisitions are below 5% by reference to the most recent audited financial year of the Track Record Period. We consider the Post-TRP Acquisitions to be immaterial in the context of our Company's operations as a whole and therefore a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules will not affect potential investors' assessment of our business and future prospects when considering an investment in our Company.

(b) Acquisition of minority interests only and absence of control for Xinxiang Leyuan

We will not be able to control a majority of the board of directors nor the daily management of the Xinxiang Leyuan and therefore it will not be treated as our subsidiary upon completion of the Post-TRP Acquisitions. As a result, its financial information will not be consolidated into our Group.

(c) Impracticality and undue burden

As we have not controlled the Target Company and will not control Xinxiang Leyuan, we are unable to provide our reporting accountant with full access to their financial record, provide them opportunities to fully familiarize with the Target Company and Xinxiang Leyuan's accounting policies or to gather and compile the necessary financial information and supporting documents to prepare the financial information required under the Listing Rules. As such, it would be impracticable and unduly burdensome for us to disclose the financial information of the Target Company and Xinxiang Leyuan in strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules.

(d) Alternative disclosure in this Prospectus

We have provided alternative information in this Prospectus in connection with the Post-TRP Acquisitions required for the announcement for a discloseable transaction under Chapter 14 of the Listing Rules including, among other things, (i) the reasons for the Post-TRP Acquisitions, (ii) description of the principal business of the Target Company and Xinxiang Leyuan, (iii) descriptions of the counterparty of the acquisition of the Target Company and the remaining shareholder of Xinxiang Leyuan and a confirmation that they are Independent Third Parties, (iv) the considerations for the Post-TRP Acquisitions and how they were or expected to be satisfied, (v) basis on which the considerations for the Post-TRP Acquisitions were determined, and (vi) key financial information of the Target Company and Xinxiang Leyuan.

For the avoidance of doubt, as we have only entered into a framework agreement to acquire the Target Company and are currently under further negotiations on the details of such acquisition, the identity of the Target Company was not disclosed because the disclosure of which is commercially sensitive and we do not have consent from the Target Company for such disclosure.

WAIVER IN RELATION TO RULE 4.04(1) OF THE LISTING RULES AND EXEMPTION FROM 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

Pursuant to Rule 4.04(1) of the Listing Rules, the accountant's report contained in this prospectus must include, inter alia, the results of our Company in respect of each of the three financial years immediately preceding the issue of this Prospectus or such shorter period as may be acceptable to the Stock Exchange.

Pursuant to section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, a prospectus shall include 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.

Pursuant to paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in this Prospectus a statement as to the gross trading income or sales turnover (as the case may be) of our Company during each of the three financial years immediately preceding the issue of this 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.

Pursuant to paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in this Prospectus a report by the auditor of our Company with respect to profits and losses in respect of each of the three financial years immediately preceding the issue of this Prospectus and assets and liabilities of our Company at the last date to which the financial statements of our Company were prepared.

Pursuant to section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interests 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.

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 Prospectus.

Pursuant to the relevant requirements set out above, our Company is required to produce three full years of audited accounts for the three years ended December 31, 2024. 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 Prospectus will be issued on or before February 21, 2025 and the Company's H Shares will be listed on or before March 31, 2025, i.e. three months after the latest financial year end;

(b) inclusion in this Prospectus a profit estimate for the financial year ended December 31, 2024 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 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 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that (i) the particulars of the exemption are set out in this Prospectus; (ii) this Prospectus will be issued on or before February 21, 2025 and the Company's H Shares will be listed on or before March 31, 2025, i.e. three months after the latest financial year end.

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 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 to finalise the audited financial statements for the year ended December 31, 2024 for inclusion in this Prospectus. 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 the Prospectus, and the relevant sections of the Prospectus 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 herein confirm that after performing all reasonable due diligence work which they consider appropriate, up to the date of this Prospectus, except to the extent disclosed in the section headed "Summary – Recent Development and No Material Adverse Change" in this Prospectus, there has been no material adverse change to the financial and trading positions or prospects of our 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 Prospectus) up to December 31, 2024 and there has been no event which would materially affect the information shown in the Accountants' Report as set out in Appendix I to this Prospectus, the financial information section, the profit estimate as set out in Appendix IIB to this Prospectus and information regarding the Company's recent development subsequent to the Track Record Period and up to the date of this Prospectus, since October 1, 2024;

(c) our Company is 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 Prospectus have already provided the potential investors with adequate and reasonably necessary information in the circumstances to form a view on the track record and earnings trend of our Company. Our Directors and the Joint Sponsors 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 included in this Prospectus. Therefore, the waiver and exemption would not prejudice the interests of the investing public; and

(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.

WAIVER IN RESPECT OF STRICT COMPLIANCE WITH PRACTICE NOTE 15 AND THE THREE-YEAR RESTRICTION ON SPIN-OFFS

Paragraph 3(b) of Practice Note 15 (the "**PN15**") provides that the Listing Committee would not normally consider a spin-off application within three years of the date of listing of the issuer with regard to proposals submitted by issuers to effect the separate listing on the Stock Exchange or elsewhere of assets or business wholly or partly within their existing groups, given the original listing of the issuer will have been approved on the basis of the issuer's portfolio of businesses at the time of listing, and that the expectation of investors at that time would have been that the issuer would continue to develop those businesses (the "**Three-year Spin-off Restriction**').

As disclosed in the Prospectus, the Company has established a growing presence in markets outside mainland China, with approximately 4,800 stores as of September 30, 2024 covering 11 countries (including Indonesia, Vietnam, Malaysia, Thailand, Philippines, Cambodia, Laos, Singapore, Australia, South Korea and Japan). In addition, the Company's delivery network has covered four overseas countries, including over 560 cities, as of September 30, 2024. During the Track Record Period, the Company recorded revenue from countries and regions outside mainland China of approximately RMB50 million, RMB541 million, RMB1,487 million and RMB952 million for the three years ended December 31, 2021, 2022 and 2023 and the nine months ended September 30, 2024, respectively. For the three years ended December 31, 2021, 2022 and 2023 and the nine months ended September 30, 2024, with respect to its overseas businesses, the Company achieved gross profit of approximately RMB21 million, RMB233 million, RMB596 million and RMB376 million, respectively. For details, please refer to the sections headed "Business" and "Financial Information" in this Prospectus.

In 2018, the first overseas *Mixue* store was opened in Hanoi, Vietnam. Through years of development, *Mixue* had become the largest freshly-made tea drinks brand in Southeast Asia in terms of number of stores as of December 31, 2023 and number of cups sold in 2023, according to CIC. As of September 30, 2024, the Company had approximately 4,800 stores outside mainland China with 469 employees. The Group's revenue outside mainland China experienced a rapid growth from RMB50 million for the year ended December 31, 2021 to RMB541 million and RMB1,487 million for the years ended December 31, 2022 and 2023, respectively, mainly driven by the Group's store network expansion outside mainland China.

As the Company continues to grow and scale its overseas businesses, it plans to enhance its global end-to-end supply chain and establish a multi-functional supply chain center in Southeast Asia in the future. In particular, approximately 66% of the proceeds from the Global Offering will be used for elevating the breadth and depth of the Company's end-to-end supply chain. Among which, part of the proceeds from the Global Offering will be used for production capacity expansion which facilitates the self-production of the Company's store supplies and equipment and enables the Company to effectively meet the growing demand from its global consumers. In addition, the Company plans to utilize proceeds from the Global Offering to establish the international supply chain platform to support the expansion of the Company's overseas businesses. For details, please refer to the sections headed "Business" and "Future Plans and Use of Proceeds" in this Prospectus.

Having considered, among others, the size and rapid growth of the Company's overseas businesses as illustrated above and its clear delineation with the Company's business in mainland China in terms of geographical locations and market focus, the Company wishes to retain the possibility to spin off (the "**Proposed Spin-off**") its overseas businesses within three years after the Listing. As of the date of this Prospectus, the Company does not have any detailed plan in relation to the Proposed Spin-off, including the timetable, the listing venue and the entity to be spun off.

The Company has applied to the Stock Exchange for a waiver from strict compliance with the Three-year Spin-off Restriction under paragraph 3(b) of PN15 on the following grounds:

(a) **Full compliance with PN15**: except for the Three-year Spin-off Restriction, the Proposed Spin-off will be in full compliance with all other applicable requirements under the Listing Rules, including but not limited to (i) the requirement for the retained group to retain a sufficient level of operations and sufficient assets to support its separate listing status, (ii) a clear delineation between the businesses of the retained group and the spun-off group, (iii) independence of the spun-off group in terms of directorship and management, administration, business operation, financing and treasury function, and (iv) announcement or shareholders' approval procedures, as applicable, at the time of spin-off.

(b) **No material impact on the Group's overall performance**: as of September 30, 2024, overseas stores and employees only constituted approximately 10% and 7% of the Group's total stores and employees, respectively. As disclosed in the Prospectus, revenue generated outside mainland China accounted for 0.5%, 4.0%, 7.3% and 5.1% of the Group's total revenue for the three years ended December 31, 2021, 2022 and 2023 and the nine months ended September 30, 2024, respectively. Therefore, the Proposed Spin-off is not expected to have any material impact on the overall business performance and financial positions of the Group. In addition, the overseas businesses are clearly delineated with the domestic businesses in terms of geographical locations, market focus, and day-to-day franchisee/store management. As such, the Proposed Spin-off will not have any material adverse impact to operations of remaining businesses of the Group.

(c) **In line with Shareholders' interests**: the Company believes that the Proposed Spin-off could better reflect the value of its overseas businesses on its own merits and increase its operational and financial transparency, through which investors would be able to appraise and assess the performance and potential of its overseas businesses separately and distinctly from those of the domestic businesses. The overseas businesses are expected to undergo relatively rapid business expansion and would be appealing to an investor base that favors high growth opportunities and businesses outside mainland China. The value of the Company's overseas businesses is expected to be enhanced through the Proposed Spin-off given that a listing will enhance its profile amongst its franchisees, consumers, suppliers and other business partners and enable the Company's overseas businesses to directly and independently access both equity and debt capital markets. The Proposed Spin-off will also enhance the ability of the relevant companies which operate the overseas businesses to raise funds or secure bank credit facilities independently, should the need arise. In addition, the Proposed Spin-off will facilitate the Company to structure dedicated equity incentive schemes for its overseas employees. As such, it is in the interest of the Shareholders and the Company as a whole to conduct the Proposed Spin-off.

(d) **No material adverse effect on the expectation of the investors at the time of Listing**: upon the Proposed Spin-off, the investors can expect to continue to benefit from the growth of the overseas businesses by way of assured entitlement. Also, as elaborated above, the impact for the Proposed Spin-off on the overall business performance and financial positions is expected to be insignificant to the Group as a whole. At the time of Listing, considering that the Company does not have any concrete plan on the timetable, listing venue and offering size of the Proposed Spin-off, there should be minimal impact on the Global Offering resulting from the expectation of investors on the Proposed Spin-off.

(e) **Safeguards in place to protect Shareholders' interests**: The following safeguards will be in place to protect the Shareholders' interest:

- the Directors owe fiduciary duties to the Company, including the duty to act in good faith and in the best interest of the Shareholders. As such, the Directors will only pursue the Proposed Spin-off if there are clear commercial benefits for both the Company and the potential spin-off entities. The Directors will not direct the Company to conduct the Proposed Spin-off if they believe that it will have an adverse impact on the interests of the Company and the Shareholders as a whole;

- in the event that the waiver from strict compliance with Three-year Spin-off Restriction is granted, it will not dispense with the requirement to obtain the approval from the Stock Exchange for the Proposed Spin-off, which will be evaluated with reference to the facts prevailing at the time of submission of the spin-off application. The Proposed Spin-off will remain subject to the other requirements of PN15, including that the Company will satisfy applicable listing eligibility requirements on a standalone basis;

- sufficient information will be provided to the Shareholders to assess the impact of the Proposed Spin-off. In particular, details of this waiver will be disclosed in the Prospectus, and the Company will also announce in accordance with the Listing Rules the details of the Proposed Spin-off when it becomes available. In addition, the Company will update its plan and status of the Proposed Spin-off in its annual and interim reports after Listing, so that the Shareholders will obtain periodic updates on the progress of the Proposed Spin-off; and

- after the Listing, the Company will follow the relevant disclosure requirement and approval procedures pursuant to the applicable requirements (including shareholders' approval, where applicable) under the Listing Rules.

(f) **Undue limitation on the financing source and business expansion of the overseas businesses**: as described above, the overseas businesses of the Group are under rapid growth and require substantial financial supports. The Three-year Spin-off Restriction of the Proposed Spin-off is unduly burdensome for the Company to satisfy the funding needs of its overseas businesses, and therefore putting the Company at a disadvantage among fierce competition with industry peers in the overseas market.

(g) **Robust disclosures of the Overseas Businesses**: details of the Company's overseas businesses have already been disclosed in the Prospectus, including but not limited to the sections headed "Business", "Financial Information" and "Future Plans and Use of Proceeds".

The Stock Exchange has granted the Company a waiver from strict compliance with the Three-year Spin-off Restriction under paragraph 3(b) of PN15, subject to the following conditions:

(a) disclosures of this waiver will be made in the Prospectus;

(b) details of the Company's overseas businesses will be disclosed in the Prospectus, including but not limited to the sections headed "Business", "Financial Information" and "Future Plans and Use of Proceeds";

(c) the Company will announce the details of the Proposed Spin-off in accordance with the Listing Rules, when they become available;

(d) the Company will update the status of the Proposed Spin-off in its annual and interim reports within three years after the Listing;

(e) the Company will comply with the applicable requirements under the Listing Rules, including but not limited to Chapters 14 and 14A of the Listing Rules with respect to the Proposed Spin-off, as well as, where applicable, the announcement and shareholders' approval requirements under PN15; and

(f) the Proposed Spin-off will be subject to the requirements of PN15 (other than paragraph 3(b) thereof), including that our Company will satisfy the applicable listing eligibility requirements on a standalone basis.

WAIVER IN RESPECT OF PUBLIC FLOAT REQUIREMENT

Rule 8.08(1)(a) of the Listing Rules provides that there must be an open market in the securities for which listing is sought. It normally means that at least 25% of the issuer's total issued share capital must at all times be held by the public. Based on the Offer Price of HK$202.50 per H Share and assuming that the Over-allotment Option is not exercised, the Company expects that its market capitalization at the time of the Listing will be significantly higher than HK$10 billion and that the quantity and scale of the issued securities would enable the market to operate properly with a lower percentage of public float.

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules to reduce the minimum public float of the Company to the higher of (a) 10.00% of the total issued share capital of the Company, and (b) such percentage of H Shares to be held by the public immediately after completion of the Global Offering, as increased by the H Shares to be issued upon any exercise of the Over-allotment Option, subject to the following:

(i) the Company will make appropriate disclosure of the lower percentage of the public float in this Prospectus;

(ii) the Company will announce the percentage of H Shares held by the public immediately after the completion of the Global Offering (before any exercise of the Over-allotment Option) and upon any exercise of the Over-allotment Option such that the public will be informed of the minimum public float requirement applicable to the Company;

(iii) the Company will confirm the sufficiency of its public float in successive annual reports after the Listing;

(iv) the Company will ensure an open market in the H Shares, and the number of H Shares to be held by the public and their distribution would enable the market to operate properly with a lower percentage;

(v) the Company will implement appropriate measures and mechanisms to ensure continual maintenance of a 10.00% public float of H Shares (or such higher percentage upon the completion of any exercise of the Over-allotment Option); and

(vi) in the event that the public float percentage falls below the minimum percentage prescribed by the Stock Exchange, the Directors will take appropriate steps to ensure the minimum percentage of public float prescribed by the Stock Exchange is complied with.

WAIVER AND CONSENT IN RELATION TO THE SUBSCRIPTION FOR H SHARES BY CLOSE ASSOCIATES OF MINORITY EXISTING SHAREHOLDER AS CORNERSTONE INVESTOR

Rule 2.03(2) of the Listing Rules provides that the issue and marketing of securities should be conducted in a fair and orderly manner.

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

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

Paragraph 5(2) of Appendix F1 to the Listing Rules provides that, without the prior written consent of the Stock Exchange, no allocations will be permitted to directors or existing shareholders of the applicant or their close associates, whether in their own names or through nominees unless the conditions set out in Rules 10.03 and 10.04 of the Listing Rules are fulfilled.

Paragraph 13 of Chapter 4.15 of the Guide for New Listing Applicants sets out the Existing Shareholders Conditions (as defined under Chapter 4.15 of the Guide for New Listing Applicants) for the Stock Exchange to consider granting a consent and waiver for placing to existing shareholders or their close associates.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 10.04 of the Listing Rules and a written consent under paragraph 5(2) of Appendix F1 to the Listing Rules for the subscription of H Shares by LONG-Z FUND I, LP, a close associate of Longzhu Meicheng, an existing Shareholder (the "**Minority Existing Shareholder**"), as a cornerstone investor, on the following grounds which are consistent with the Existing Shareholder Conditions:

(a) **Less than 5%**: the Joint Sponsors confirm that the Minority Existing Shareholder is interested in less than 5% of the Company's voting rights prior to the completion of the Global Offering;

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

(c) **No right to appoint Directors**: the Joint Sponsors confirm that the Minority Existing Shareholder has no right to appoint Directors (which, for the avoidance of doubt, does not include the director nomination right of a Shareholder under the Articles of Association) and does not have other special rights upon the Listing;

(d) **No impact on public float**: the Joint Sponsors confirm that allocation to such Minority Existing Shareholder or its close associates will not affect the Company's ability to satisfy the public float requirement as prescribed by the Stock Exchange under the waiver from strict compliance with the requirements of Rule 8.08 of the Listing Rules;

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

(f) the Joint Sponsors confirm to the Stock Exchange in writing that based on (i) their discussions with the Company and the Overall-coordinators; and (ii) the confirmations provided to the Stock Exchange by the Company and the Overall Coordinators (confirmations (g) and (h) mentioned below), and to the best of their knowledge and belief, they have no reason to believe that the Minority Existing Shareholder or its close associates received any preferential treatment in the allocation as a cornerstone investor by virtue of its relationship with the Company other than the preferential treatment of assured entitlement under a cornerstone investment following the principles set out in Chapter 4.15 of the Guide for New Listing Applicants, and details of the allocation will be disclosed in this Prospectus and/or the allotment results announcement, as the case may be;

(g) the Company confirms to the Stock Exchange in writing that no preferential treatment has been, nor will be, given to the Minority Existing Shareholder or its close associates by virtue of its relationship with the Company other than the preferential treatment of assured entitlement under a cornerstone investment following the principles set out in Chapter 4.15 of the Guide for New Listing Applicants, that none of the Minority Existing Shareholder or its close associates' cornerstone investment agreement contains any material terms which are more favorable to the Minority Existing Shareholder or its close associates than those in other cornerstone investment agreements; and

(h) the Overall Coordinators confirm, to the best of their knowledge and belief, to the Stock Exchange in writing that no preferential treatment has been, nor will be, given to the Minority Existing Shareholder or its close associates by virtue of its relationship with the Company other than the preferential treatment of assured entitlement under a cornerstone investment following the principles set out in Chapter 4.15 of the Guide for New Listing Applicants, and details of the allocation will be disclosed in this Prospectus and/or the allotment results announcement, as the case may be.

For further information about the cornerstone investment of the close associate of the Minority Existing Shareholder, please refer to the section headed "Cornerstone Investors" in this Prospectus.

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 Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable inquiries, 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.

CSRC FILING

We have filed the required documents with the CSRC, and the CSRC has issued the filing notice on January 7, 2025, confirming our completion of the filing pursuant to the new filing regime introduced by the Overseas Listing Trial Measures for the Global Offering, the conversion of certain Unlisted Shares into H Shares and the application for listing of the H Shares on the Hong Kong Stock Exchange.

INFORMATION ON THE GLOBAL OFFERING

This Prospectus is published solely in connection with the Hong Kong Public Offering. For applications under the Hong Kong Public Offering, this Prospectus contains the terms and conditions of the Hong Kong Public Offering. The Global Offering comprises the Hong Kong Public Offering of initially 1,706,000 Offer Shares and the International Offering of initially 15,353,900 Offer Shares (subject to reallocation on the basis as set out in the section headed "Structure of the Global 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. 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 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, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees, advisors, agents or representatives, or any other persons or parties involved in the Global Offering. Neither the delivery of this Prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this Prospectus or that the information in this Prospectus is correct as of any subsequent time.

For details of the structure of the Global Offering, including its conditions and the arrangements relating to the Over-allotment Option and stabilization, see "Structure of the Global Offering".

INFORMATION ON THE CONVERSION OF UNLISTED SHARES INTO H SHARES

Our Company has applied for the conversion of an aggregate of 131,264,258 Unlisted Shares into H Shares. For details, see the section headed "History, Development and Corporate Structure" and "Share Capital". Such H Shares to be converted from Unlisted Shares are restricted from trading for a period of one year after the Listing.

The relevant filing procedure in relation to the conversion of Unlisted Shares into H Shares has been completed on January 7, 2025.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for the Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares".

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

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

No action has been taken to permit a public offering of the H Shares outside Hong Kong or the distribution of this Prospectus in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this Prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation for subscription. The distribution of this Prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the PRC.

UNDERWRITING

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Overall Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters subject to the terms and conditions of the Hong Kong Underwriting Agreement. The International Offering is expected to be fully underwritten by the International Underwriters. For further details on the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting".

APPLICATION FOR LISTING OF THE H SHARES ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the H Shares to be converted from Unlisted Shares. Dealings in the H Shares on the Stock Exchange are expected to commence on March 3, 2025. Except as otherwise disclosed in this Prospectus, no part of our Shares is listed on or dealt in on any other stock exchange, and no such listing or permission to list is being or proposed to be sought in the near future.

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 H 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 or on behalf of the Stock Exchange.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the H Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, the H 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 the HKSCC Operational Procedures in effect from time to time. All necessary arrangements have been made for the H Shares to be admitted in to CCASS. Investors should seek the advice of their stockbrokers or other professional advisors for the details of the settlement arrangements as such arrangements may affect their rights and interests.

REGISTER OF MEMBERS AND STAMP DUTY

All H Shares issued pursuant to applications made in the Global Offering and converted from Unlisted Shares will be registered on our H Share register to be maintained in Hong Kong by our H Share Registrar, Computershare Hong Kong Investor Services Limited. Our principal register of members will be maintained by us at our headquarters in the PRC.

Dealings in the H Shares registered in our H Share register will be subject to Hong Kong stamp duty. Hong Kong stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.1% on the higher of the consideration for or the market value of the H Shares transferred. In other words, a total of 0.2% will be payable on a typical sale and purchase transaction of the H Shares. In addition, a fixed stamp duty of HK$5.00 is currently payable on each instrument of transfer of H Shares.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed our H Share Registrar, and our H Share Registrar has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until such holder delivers a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that the holders:

- agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Overseas Listing Trial Measures and our Articles of Association;

- agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we, acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each of our Shareholders, to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which arbitration shall be final and conclusive;

- agrees with us and each of our Shareholders that the H Shares are freely transferable by the holders thereof; and

- authorizes us to enter into a contract on his or her behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association. Persons applying for or purchasing H Shares under the Global Offering are deemed, by their making an application or purchase, to have represented that they are not associates of any of our Directors, Supervisors or existing Shareholder or a nominee of any of the foregoing.

DIVIDENDS PAYABLE TO HOLDERS OF H SHARES

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of our H Shares will be paid to the Shareholders as recorded on the H Share register of our Company in Hong Kong and sent by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisors if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposal of, or dealing in, or the exercise of any rights in relation to, our H Shares. None of our 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 our or their affiliates or any of their respective directors, officers, employees, advisors, agents or representatives, or any other persons or parties involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposal of, or dealing in, or the exercise of any rights in relation to, our H Shares.

LANGUAGE

If there is any inconsistency between this Prospectus and its Chinese translation, this Prospectus shall prevail. For ease of reference, the names of the Chinese laws and regulations, government authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this Prospectus in both the Chinese and English languages. In the event of any inconsistency, the Chinese version shall prevail.

ROUNDING

Certain amounts and percentage figures included in this Prospectus have been subject to rounding adjustments, or have been rounded to one or two decimal places. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figure preceding them. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

CURRENCY TRANSLATION

Solely for your convenience, this Prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars at specified rates.

Unless otherwise specified, 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:

RMB0.92075 to HK$1

RMB7.1716 to US$1

HK$7.7889 to US$1

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.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Zhang Hongchao (張紅超)	No. 67, Building 13, Courtyard 18 Dongfeng Road Jinshui District Zhengzhou, Henan Province PRC	Chinese
Mr. Zhang Hongfu (張紅甫)	Room 102, Unit 4, Building 11 No. 90, Zhenghua Road Jinshui District Zhengzhou, Henan Province PRC	Chinese
Ms. Cai Weimiao (蔡衛淼)	Room 1404, Unit 2, Building 1 Guanjun Road North and Fengshou Road East Jinshui District Zhengzhou, Henan Province PRC	Chinese
Ms. Zhao Hongguo (趙紅果)	Room 1401, Building 9 No. 58, Jialuhebei Road Jinshui District Zhengzhou, Henan Province PRC	Chinese
Independent Non-Executive Directors		
Ms. Poon Philana Wai Yin (潘慧妍)	Flat 1, 6th Floor Block F, Villa Monte Rosa 41A Stubbs Road Hong Kong	Canadian
Mr. Chu Gary Hsi (朱璽)	310 Ming Yuan Villa No. 189, Longxi Road Changning District Shanghai PRC	American
Mr. Huang Sidney Xuande (黃宣德)	80 Holland Park London W11 3SG United Kingdom	American

SUPERVISORS

Name	Address	Nationality
Ms. Cui Haijing (崔海靜)	Room 1404, Unit 1, Building 17, Courtyard 86 Sanquan Road Jinshui District Zhengzhou, Henan Province PRC	Chinese
Ms. Yu Min (于敏)	No. 169-12 Longhaixi Road Zhongyuan District Zhengzhou, Henan Province PRC	Chinese
Mr. Sun Jiantao (孫建濤)	Room 704, Unit 2, Building A, Zhoukou Dong Jing Guo Ji Ming Yuan Daqing Road West and Jianshe Road South Chuanhui District Zhoukou, Henan Province PRC	Chinese

For further details on our Directors and Supervisors, see the section headed "Directors, Supervisors and Senior Management".

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	**Merrill Lynch (Asia Pacific) Limited** 55/F, Cheung Kong Center 2 Queen's Road Central Central Hong Kong
	Goldman Sachs (Asia) L.L.C. 68/F, Cheung Kong Center 2 Queen's Road Central Hong Kong
	UBS Securities Hong Kong Limited 52/F, Two International Finance Centre 8 Finance Street, Central Hong Kong
	(in alphabetical order of the logos on the important page)
Overall Coordinators	**Merrill Lynch (Asia Pacific) Limited** 55/F, Cheung Kong Center 2 Queen's Road Central Central Hong Kong
	Goldman Sachs (Asia) L.L.C. 68/F, Cheung Kong Center 2 Queen's Road Central Hong Kong
	UBS AG Hong Kong Branch 52/F, Two International Finance Centre 8 Finance Street, Central Hong Kong
	(in alphabetical order of the logos on the important page)
	China International Capital Corporation Hong Kong Securities Limited 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong

Huatai Financial Holdings (Hong Kong) Limited
62/F, The Center
99 Queen's Road Central
Hong Kong

(in alphabetical order)

Joint Global Coordinators

Merrill Lynch (Asia Pacific) Limited
55/F, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

Goldman Sachs (Asia) L.L.C.
68/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

UBS AG Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street, Central
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China International Capital Corporation Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Huatai Financial Holdings (Hong Kong) Limited
62/F, The Center
99 Queen's Road Central
Hong Kong
(in alphabetical order)

ICBC International Securities Limited
37/F, ICBC Tower
3 Garden Road
Hong Kong

Joint Bookrunners, Joint Lead Managers and Capital Market Intermediaries	**Merrill Lynch (Asia Pacific) Limited** 55/F, Cheung Kong Center 2 Queen's Road Central Central Hong Kong
	Goldman Sachs (Asia) L.L.C. 68/F, Cheung Kong Center 2 Queen's Road Central Hong Kong
	UBS AG Hong Kong Branch 52/F, Two International Finance Centre 8 Finance Street, Central Hong Kong
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	China International Capital Corporation Hong Kong Securities Limited 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
	Huatai Financial Holdings (Hong Kong) Limited 62/F, The Center 99 Queen's Road Central Hong Kong
	(in alphabetical order)
	ICBC International Securities Limited 37/F, ICBC Tower 3 Garden Road Hong Kong
	GF Securities (Hong Kong) Brokerage Limited 27/F, GF Tower 81 Lockhart Road Wan Chai Hong Kong
	CMB International Capital Limited 45th Floor, Champion Tower 3 Garden Road Central Hong Kong

Legal Advisors to our Company	*As to Hong Kong and U.S. laws* **Davis Polk & Wardwell** 10/F The Hong Kong Club Building 3A Chater Road Central Hong Kong
	As to PRC law **Zhong Lun Law Firm** 22-31/F, South Tower of CP Center 20 Jin He East Avenue Chaoyang District Beijing PRC
Legal Advisors to the Joint Sponsors and the Underwriters	*As to Hong Kong and U.S. laws* **Freshfields** 55th Floor, One Island East Taikoo Place, Quarry Bay Hong Kong
	As to PRC law **Jingtian & Gongcheng** 34/F, Tower 3 China Central Place 77 Jianguo Road Chaoyang District Beijing China
Reporting Accountants and Auditor	**Ernst & Young** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 27/F, One Taikoo Place 979 King's Road Quarry Bay Hong Kong

Industry Consultant	**China Insights Industry Consultancy Limited** 10F, Block B Jing'an International Center 88 Puji Road, Jing'an District Shanghai PRC
Compliance Advisor	**Somerley Capital Limited** 20/F China Building 29 Queen's Road Central Hong Kong
Receiving Bank	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong

Registered Office	Room 16004, Hanhai Beijin Commerce Center Beisanhuan South and Wenhua Road East Jinshui District Zhengzhou, Henan Province PRC
Headquarters and Principal Place of Business in the PRC	Room 16004, Hanhai Beijin Commerce Center Beisanhuan South and Wenhua Road East Jinshui District Zhengzhou, Henan Province PRC
Principal Place of Business in Hong Kong	Room 1912, 19/F Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Company's Website	**www.mxbc.com** (*The information contained in this website does not form part of this Prospectus*)
Joint Company Secretaries	Mr. Chen Yixin (陳翊新) Room 401, Unit 4, Building 2, Courtyard 20 Yucai Road Wenfeng District Anyang, Henan Province PRC Ms. Tang King Yin (鄧景賢) *ACG, HKACG* Room 1912, 19/F Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong

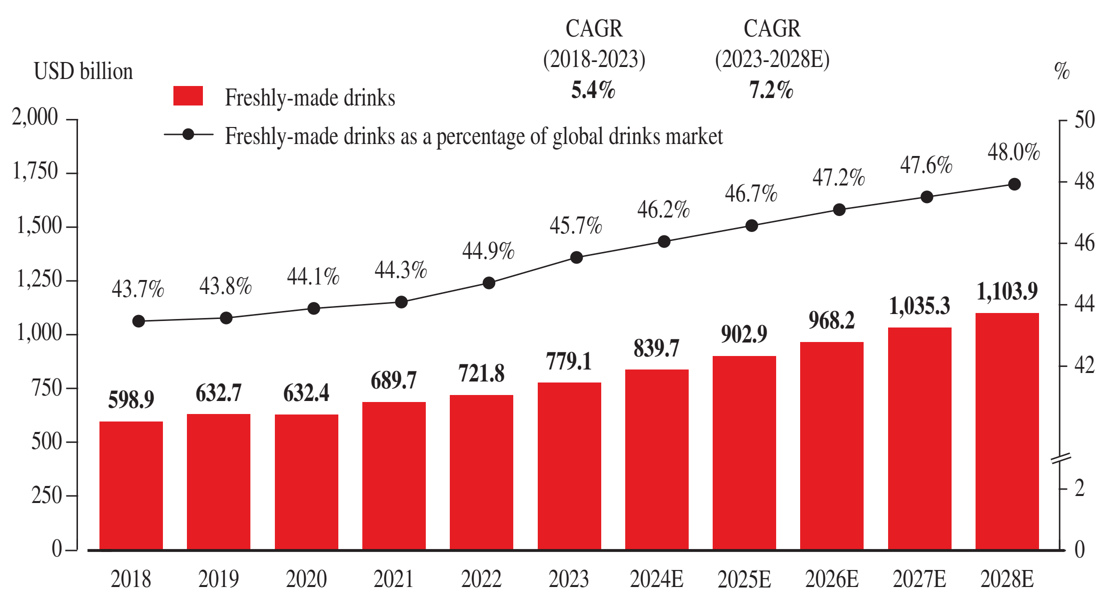
Authorized Representatives	Mr. Zhang Hongfu (張紅甫) Room 102, Unit 4, Building 11 No. 90, Zhenghua Road Jinshui District Zhengzhou, Henan Province PRC
	Ms. Tang King Yin (鄧景賢) *ACG, HKACG* Room 1912, 19/F Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Audit Committee	Mr. Huang Sidney Xuande (黃宣德) *(Chairman)* Ms. Poon Philana Wai Yin (潘慧妍) Mr. Chu Gary Hsi (朱璽)
Nomination Committee	Mr. Zhang Hongchao (張紅超) *(Chairman)* Ms. Poon Philana Wai Yin (潘慧妍) Mr. Chu Gary Hsi (朱璽) Mr. Huang Sidney Xuande (黃宣德)
Remuneration Committee	Mr. Chu Gary Hsi (朱璽) *(Chairman)* Mr. Huang Sidney Xuande (黃宣德) Mr. Zhang Hongfu (張紅甫)
H Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal Bank	**China Construction Bank** Zhengzhou Wenhua Road Branch No.76, Wenhua Road Jinshui District Zhengzhou, Henan Province PRC

Certain information and statistics set out in this section and elsewhere in this Prospectus are derived from various government and other publicly available sources, and from the market research report prepared by CIC (including certain consumer surveys), an independent industry consultant, that we commissioned (the "CIC Report"). The information extracted from the CIC Report should not be considered as a basis for investments in the Offer Shares or as an opinion of CIC with respect to the value of any securities or the advisability of investing in our Company. The information from official government sources has not been independently verified by us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers and representatives, or any other parties involved in the Global Offering, and no representation is given as to its accuracy. For discussions of risks relating to our industries, see "Risk Factors — Risks Relating to Our Business and Industry".

GLOBAL FRESHLY-MADE DRINKS MARKET

Freshly-made drinks refer to non-alcoholic drinks prepared onsite, including freshly-made fruit drinks, tea drinks, ice cream, and coffee. The global freshly-made drinks market is a vast market with potential for accelerated growth in the coming years. As measured by GMV, the market grew at a CAGR of 5.4% from US$598.9 billion in 2018 to US$779.1 billion in 2023. It is projected to grow with an accelerated CAGR of 7.2% from 2023 to 2028 to reach US$1,103.9 billion in 2028, constituting nearly half of the overall global drinks market by 2028.

Market size of freshly-made drinks in terms of GMV, Global, 2018-2028E

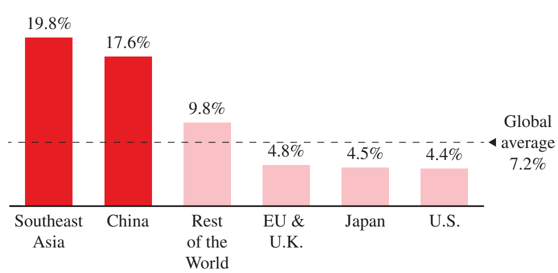


Note: Drinks market comprises the markets for (i) freshly-made drinks, and (ii) ready-to-drink products ("RTD drinks"), which are non-alcoholic pre-packaged drinks sold in a prepared form.

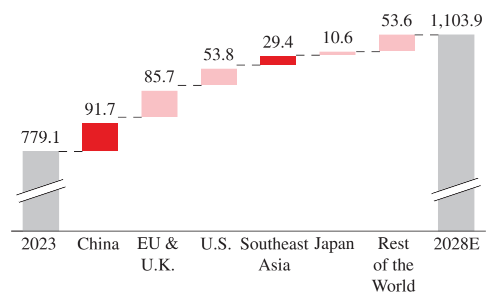
Source: CIC, International Monetary Fund, United States Department of Agriculture

The rapid expansion of emerging markets, particularly China and Southeast Asia, is a key contributor to the accelerated growth anticipated in the global freshly-made drinks market. The growth of these two markets is expected to lead that of the major markets worldwide, with a respective CAGR of 17.6% and 19.8% from 2023 to 2028. Their cumulative growth is projected to contribute nearly 40% to the total growth of the global freshly-made drinks market during the same period, increasing their combined shares in the global freshly-made drinks market from 12.0% in 2023 to 19.4% in 2028.

CAGR from 2023 to 2028E of freshly-made drinks market in terms of GMV, Global



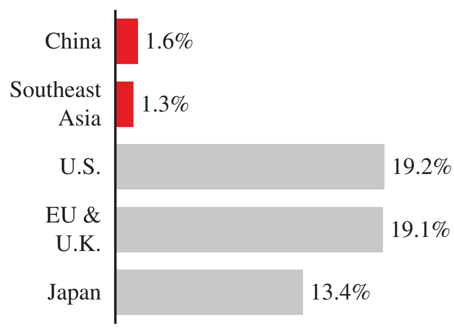
Increment of global freshly-made drinks market in terms of GMV, USD billion, 2023-2028E



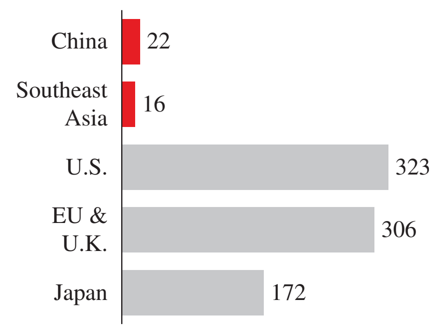
Source: CIC, International Monetary Fund, United States Department of Agriculture

The rapid growth of the China and Southeast Asia markets is driven by the increasing consumer demand for freshly-made drinks. In 2023, freshly-made drinks consumption volume only accounted for less than 2% of the total fluid intake in China and Southeast Asia, substantially lower than an average of over 17% consumption level observed in developed markets including the United States, the European Union and the United Kingdom, and Japan. In the same year, per capita annual consumption of freshly-made drinks in China and Southeast Asia was 22 cups and 16 cups, respectively, compared to an average of over 260 cups in those developed markets. Specifically, it is expected that in China and Southeast Asia, the percentage of freshly-made drinks consumption volume in the total fluid intake will further increase towards those developed markets' level. Compared with developed markets, the annual consumption of freshly-made drinks per capita in China and Southeast Asia is expecting a higher increase, leading to the rapid growth in these two markets, as confirmed by CIC. By 2028, per capita annual consumption of freshly-made drinks in China and Southeast Asia is expected to more than double to 51 cups and 36 cups, respectively, presenting attractive growth prospects.

Freshly-made drinks consumption volume as a percentage of total fluid intake, 2023



Annual consumption of freshly-made drinks per capita, cups per year, 2023



Note: Fluid intake includes freshly-made drinks, RTD drinks, milk, and tap water.

Source: CIC, World Bank, World Health Organization, Chinese Nutrition Society

With over 45,000 stores, our Group is the world's largest freshly-made drinks company in terms of number of stores as of September 30, 2024. In terms of number of cups sold in 2023, our Group is the world's second largest freshly-made drinks company. In terms of GMV, our Group held a market share of approximately 2.2% globally in 2023.

Top three freshly-made drinks companies in terms of period-end number of stores and number of cups sold, Global, 2023

Ranking	Company	Major products	Period-end number of stores, thousand	Number of cups sold, billion	Market share in terms of number of cups sold
1	Company A	Freshly-made drinks, food	38.6	10.0	10.0%
2	**Our Group**	**Freshly-made drinks**	**37.6**	**7.4**	**7.4%**
3	Company B	Freshly-made drinks, food	21.4	2.1	2.1%

Notes:

1. Founded in 1971, Company A is a U.S. listed multi-national company headquartered in Seattle, Washington, the United States that primarily offers freshly-made coffee, freshly-made tea drinks, and other drinks and food products. Company A has approximately 38,600 and 40,200 freshly-made drinks shops globally as of December 31, of 2023 and September 30, 2024, respectively.

   Founded in 2018, Company B is a private multi-brand restaurant company headquartered in Atlanta, Georgia, the United States that primarily offers freshly-made coffee, ice cream, and other drinks and food products. Company B has approximately 21,400 and 21,500 freshly-made drinks shops globally as of December 31, 2023 and September 30, 2024, respectively.

2. For a meaningful comparison, Company B's number of stores as of December 31, 2023 refers to the stores operating under its freshly-made drinks brands, and the number of cups sold correspondingly reflects that sold through these stores.

Source: CIC

Top five freshly-made drinks companies in terms of GMV, Global, 2023

Ranking	Company	Major products	GMV, RMB billion	GMV YoY growth	Market share in terms of GMV
1	Company A	Freshly-made drinks, food	406.9	16.3%	18.3%
2	Company B	Freshly-made drinks, food	109.2	10.4%	4.9%
3	Company C	Freshly-made drinks, food	55.3	9.5%	2.5%
4	**Our Group**	**Freshly-made drinks**	**47.8**	**55.7%**	**2.2%**
5	Company D	Freshly-made drinks, food	42.6	6.0%	1.9%

Notes:

1. Founded in 2014, Company C is a U.S. and Canada dual listed multi-brand restaurant company headquartered in Toronto, Canada that primarily offers freshly-made coffee, and other drinks and food products. Company C has approximately 5,800 freshly-made drinks shops globally by the end of 2023.

   Founded in 1940, Company D is a private multi-national company headquartered in Bloomington, Minnesota, the United States that primarily offers freshly-made ice cream, and other drinks and food products. Company D has over 7,000 freshly-made drinks shops globally by the end of 2023.

2. For a meaningful comparison, Company B and Company C's GMV in 2023 refers to the GMV derived from their freshly-made drinks brands.

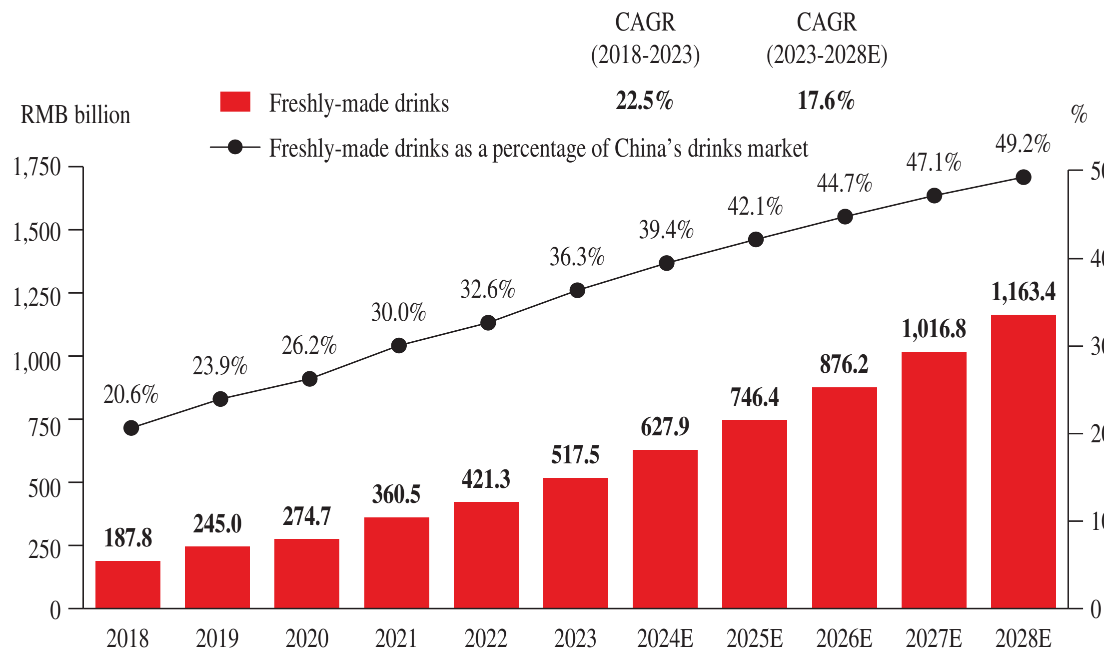
Source: CIC

CHINA'S FRESHLY-MADE DRINKS MARKET

The total GMV of China's freshly-made drinks market is projected to grow from RMB517.5 billion in 2023 to RMB1,163.4 billion in 2028 with a CAGR of 17.6%, significantly outpacing the 5.8% CAGR anticipated for RTD drinks during the same period. By 2028, China's freshly-made drinks market is expected to constitute nearly half of China's drinks market.

During the nine months ended September 30, 2024, the growth of China's freshly-made drinks market slowed compared to the same period in 2023. However, the market remains poised for significant expansion, with an expected CAGR of 17.6% from 2023 to 2028, driven by several compelling factors: (i) in 2023, per capita annual consumption of freshly-made drinks in China was only 22 cups, significantly lower than other markets – 323 cups in the United States, 306 in the European Union and the United Kingdom, and 172 in Japan, (ii) in 2023, per capita annual consumption reached 70 cups in first-tier cities but only 13 cups in third-tier and below cities, underscoring growth opportunities in lower-tier markets, and (iii) over the medium to long term, China's economy and consumer spending are expected to grow steadily, further fueling market expansion. These factors collectively indicate growth potential for China's freshly-made drinks market, despite recent short-term deceleration.

Market size of freshly-made drinks in terms of GMV, China, 2018-2028E



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

Our Group is China's largest freshly-made drinks company, in terms of GMV and number of cups sold in 2023, and number of stores as of December 31, 2023. In terms of GMV, our Group held a market share of approximately 11.3% in China in 2023. The number of cups sold through our Group's store network in 2023 surpassed the total number of cups sold by the market's second to fifth largest players combined. Additionally, there were approximately 660 thousand freshly-made drinks shops in China as of December 31, 2023.

Top five freshly-made drinks companies in terms of GMV, China, 2023

Ranking	Company	List price range of major products, RMB	GMV, RMB billion	Market share in terms of GMV
1.	**Our Group**	**2-8**	**44.7**	**11.3%**
2.	Company E	14-21	33.0	8.3%
3.	Company A	30-41	25.0	6.3%
4.	Company F	10-18	19.2	4.8%
5.	Company G	10-22	16.9	4.3%

Top five freshly-made drinks companies in terms of number of cups sold and period-end number of stores, China, 2023

Ranking	Company	List price range of major products, RMB	Number of cups sold, billion	Market share in terms of number of cups sold	Period-end number of stores, thousand
1	**Our Group**	**2-8**	**6.9**	**32.7%**	**33.2**
2	Company E	14-21	1.9	9.0%	16.2
3	Company F	10-18	1.2	5.7%	9.0
4	Company G	10-22	1.0	4.7%	7.8
5	Company H	7-22	0.6	2.8%	7.8

Notes:

1. Founded in 2017, Company E is a public freshly-made coffee company headquartered in Xiamen, Fujian, China. Company E has approximately 16,200 freshly-made coffee shops in China by the end of 2023.

   Founded in 2010, Company F is a Hong Kong listed freshly-made tea drinks company headquartered in Hangzhou, Zhejiang, China. Company F has approximately 9,000 freshly-made tea shops in China by the end of 2023.

   Founded in 2008, Company G is a Hong Kong listed freshly-made tea drinks company headquartered in Chengdu, Sichuan, China. Company G has approximately 7,800 freshly-made tea shops in China by the end of 2023.

   Founded in 2013, Company H is a private freshly-made tea drinks company headquartered in Shanghai, China. Company H has approximately 7,800 freshly-made tea shops in China by the end of 2023.

2. Market share in terms of GMV is calculated by dividing the GMV generated from all products of a freshly-made drinks company by the GMV generated across all freshly-made drinks shops in China.

3. Market share in terms of number of cups sold is calculated by dividing the cups of drinks sold by a freshly-made drinks company by the total number of cups sold across all freshly-made drinks shops in China.

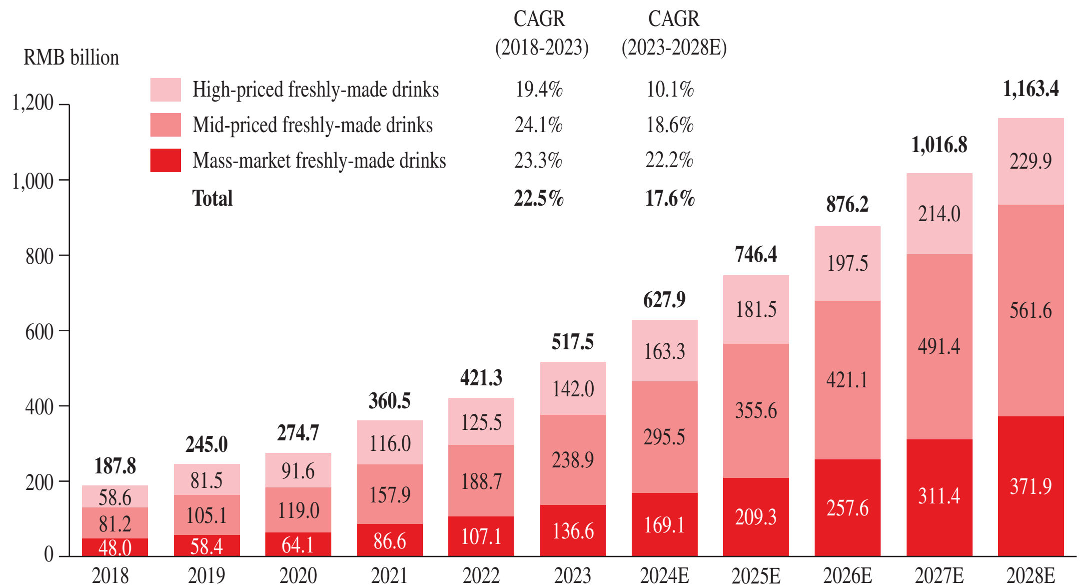
Source: CIC

Price Range Segmentation – Mass-Market Segment Is Fastest-Growing

Freshly-made drinks can be categorized into three price ranges: (i) mass-market, with price per item not higher than RMB10, (ii) mid-priced, with price per item lower than RMB20, but higher than RMB10, and (iii) high-priced, with price per item not lower than RMB20.

Among all these price ranges, the mass-market segment is expected to have the highest growth rate, with its GMV expanding from RMB48.0 billion in 2018 to RMB136.6 billion in 2023 at a CAGR of 23.3%. This mass-market segment is forecasted to reach RMB371.9 billion in 2028 at a CAGR of 22.2% from 2023 to 2028.

Market size of freshly-made drinks in terms of GMV, by price range, China, 2018-2028E



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

This rapid growth is mainly fueled by (i) the increasing penetration of mass-market freshly-made drinks within China's overall drinks market, and (ii) the growing consumer preferences for mass-market freshly-made drinks.

Increasing penetration of mass-market freshly-made drinks within China's overall drinks market

China's overall drinks market is highly competitive with approximately 26 thousand RTD drinks companies and 660 thousand freshly-made drinks shops as of December 31, 2023. Within China's overall drinks market, freshly-made drinks offer consumers fresher ingredients, a richer taste, a wider variety including seasonal and regional options, and overall, a more customized and engaging consumer experience. Specifically, mass-market freshly-made drinks, priced similarly to other mass-market drinks products (usually not higher than RMB10 per item), are gaining popularity among Chinese consumers. With expanded store networks improving product accessibility, mass-market freshly-made drinks are anticipated to capture a growing share of China's overall drinks consumption. Our Group is the only freshly-made drinks company among the five largest drinks companies in China, in terms of GMV in 2023.

Top five drinks companies in terms of GMV, China, 2023

Ranking	Company	Major drinks products	List price range of major drinks products, RMB	GMV, RMB billion	GMV YoY growth	Market share in terms of GMV
1	Company I	RTD drinks	2-6	94.4	5.3%	6.6%
2	Company J	RTD drinks	2-8	87.7	5.4%	6.1%
3	Company K	RTD drinks	2-10	87.5	23.2%	6.1%
4	Company L	RTD drinks	2-8	75.4	0.6%	5.3%
5	**Our Group**	**Freshly-made drinks**	**2-8**	**44.7**	**49.5%**	**3.1%**

Notes:

1. Founded in 1987, Company I is a private drinks company headquartered in Hangzhou, Zhejiang, China, which primarily offers packaged drinking water, protein drinks and other RTD drinks.

   Founded in 1958, Company J is a Hong Kong listed food and drinks company headquartered in Taiwan, China, and entered the mainland China market in 1992, which primarily offers packaged drinking water, tea drinks and other food and RTD drinks.

   Founded in 1996, Company K is a Hong Kong listed drinks company headquartered in Hangzhou, Zhejiang, China, which primarily offers packaged drinking water, tea drinks and other RTD drinks.

   Company L is the China branch of a U.S. listed drinks company headquartered in Atlanta, Georgia, the United States, which was founded in 1892 and entered the mainland China market in 1979, which primarily offers carbonated drinks, juice drinks and other RTD drinks.

2. For a meaningful comparison, GMV for the Company I, J, K and L excludes GMV generated from the sales of food products.

Source: CIC

Growing consumer preferences for mass-market freshly-made drinks

The growing consumer preferences for mass-market freshly-made drinks are mainly driven by increasing consumer emphasis on value for money as freshly-made drinks become integral to everyday consumption. As of December 31, 2023, there were approximately 270 thousand mass-market freshly-made drinks shops in China, of which stores within our Group's network comprised 12.3%.

Among the five largest players in terms of GMV in China's freshly-made drinks market, our Group is the only company focused on mass-market freshly-made drinks. Excelling in the mass-market segment requires a company to offer compelling product quality and great value for money simultaneously. This calls for more in supply chain breadth and depth, as well as brand reputation, as compared to other industry players focusing on higher-priced alternatives.

- ***Breadth and depth of supply chain***. The breadth and depth of supply chain is crucial for developing quality products with value for money in the mass-market freshly-made drinks segment. The supply chain needs to extend end-to-end to cover procurement, production, logistics, R&D and quality control, with depth at every aspect. Specifically, an expansive upstream procurement network ensures the stable supply of high-quality raw materials with competitive prices. Large-scale centralized factories enhance self-sufficient production capabilities of core ingredients in a cost-effective manner. Self-operated warehouse system and dedicated delivery network create advantages in terms of logistics costs and efficiency.

- ***Brand reputation***. To succeed in the mass-market freshly-made drinks segment, building a sizable and loyal consumer base with frequent consumption habits is crucial. Establishing a household brand is essential to reach a broad consumer base efficiently. Furthermore, as mass-market freshly-made drinks become integral to daily routines, consumers often opt for a highly recognized brand to simplify decision-making in their frequent consumption. This, in turn, requires a steadfast, enduring commitment to high product quality, compelling consumer experience, and a universally resonant brand culture across demographics and geographies.

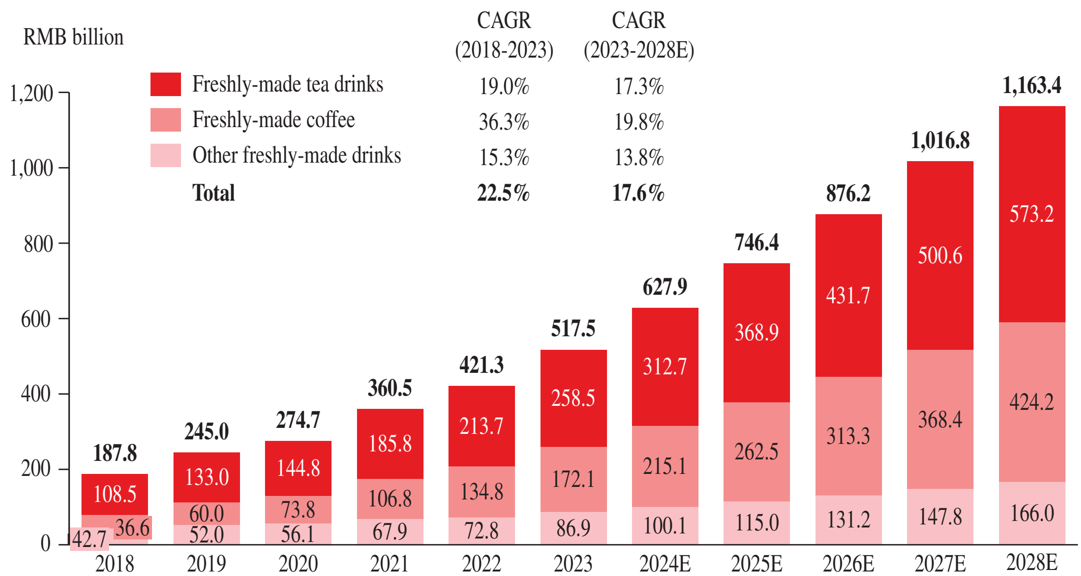
Product Segmentation – Freshly-Made Tea Drinks & Freshly-Made Coffee

The main segments of China's freshly-made drinks market include freshly-made tea drinks and coffee.

- **Freshly-made tea drinks – largest segment.** As measured by GMV, the freshly-made tea drinks segment represents the largest segment, comprising approximately 50% of China's freshly-made drinks market in 2023.

- **Freshly-made coffee – fastest-growing segment.** The freshly-made coffee segment is forecasted to grow at a CAGR of 19.8% from 2023 to 2028 as the fastest-growing segment within China's freshly-made drinks market.

Market size of freshly-made drinks in terms of GMV, by product category, China, 2018-2028E



Note: Other freshly-made drinks mainly include freshly-made fruit drinks, ice cream and yogurt.

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

Freshly-made tea shops and freshly-made coffee shops are the primary channels for consumers to purchase freshly-made tea drinks and coffee, complemented by other outlets such as restaurants, bakeries and convenient stores.

Freshly-Made Tea Shops

Freshly-made tea shops usually offer a variety of products including freshly-made tea drinks, fruit drinks, and ice cream. The per capita annual consumption of freshly-made tea drinks in China is forecasted to grow from approximately 11 cups in 2023 to 26 cups in 2028, driving China's freshly-made tea shops market to expand at a CAGR of 19.7% from RMB211.5 billion in 2023 to RMB519.3 billion in 2028, as measured by GMV.

Within China's freshly-made tea shops market, in 2021, 2022, 2023 and the nine months ended September 30, 2024, *Mixue* is China's largest freshly-made tea drinks brand in terms of GMV, with a market share of approximately 16.6%, 17.3%, 20.2% and 20.9%, respectively. In 2021, 2022, 2023 and the nine months ended September 30, 2024, *Mixue* is China's largest freshly-made tea drinks brand in terms of number of cups sold, with a market share of approximately 42.4%, 42.5%, 49.6% and 52.8%, respectively. During the same periods and up to the Latest Practicable Date, *Mixue's* market share in terms of GMV and number of cups sold gradually increased.

Top five freshly-made tea drinks brands in terms of GMV, China, 2023

Ranking	Brand	List price range of major products, RMB	GMV, RMB billion	Market share in terms of GMV
1	***Mixue***	**2-8**	**42.7**	**20.2%**
2	Brand F	10-18	19.2	9.1%
3	Brand G	10-22	16.9	8.0%
4	Brand M	15-24	10.5	5.0%
5	Brand H	7-22	9.7	4.6%

Top five freshly-made tea drinks brands in terms of number of cups sold, China, 2023

Ranking	Brand	List price range of major products, RMB	Number of cups sold, billion	Market share in terms of number of cups sold
1	***Mixue***	**2-8**	**6.6**	**49.6%**
2	Brand F	10-18	1.2	9.0%
3	Brand G	10-22	1.0	7.5%
4	Brand H	7-22	0.6	4.5%
5	Brand N	10-20	0.6	4.5%

Note: Brand F is operated by Company F.

Brand G is operated by Company G.

Brand M is operated by a private freshly-made tea drinks company, founded in 2017 and headquartered in Chengdu, Sichuan, China. This company has approximately 3,400 freshly-made tea shops in China by the end of 2023.

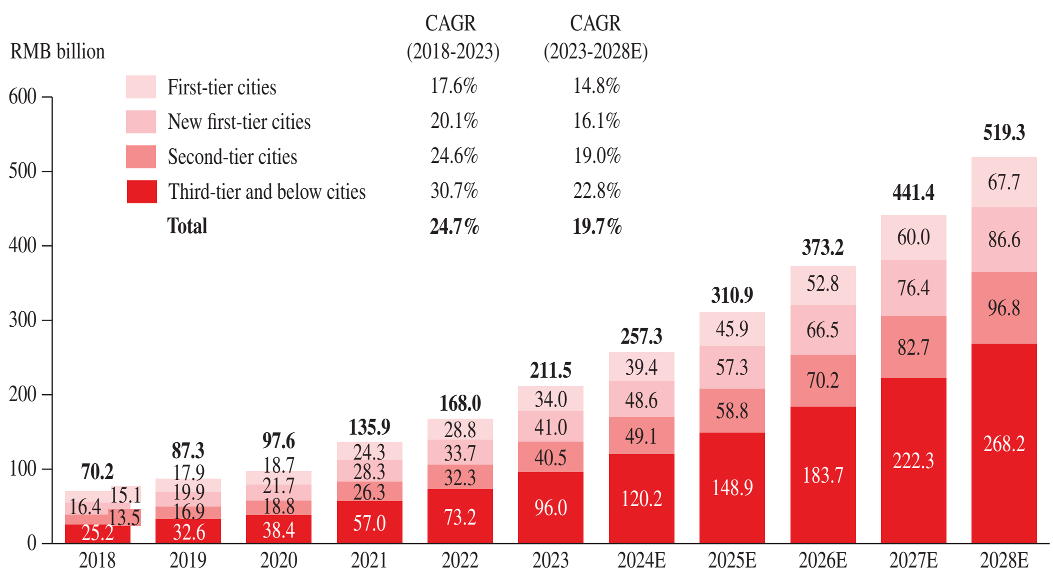
Brand H is operated by Company H.

Brand N is operated by a private freshly-made tea drinks company, founded in 1997 and headquartered in Taiwan, China, which entered the mainland China market in 2007. This company has approximately 4,300 freshly-made tea shops in mainland China by the end of 2023.

Source: CIC

Third-tier and below cities in China, with underserved consumer demands for freshly-made drinks due to limited accessibility, represent substantial growth opportunities for freshly-made tea shops. As of December 31, 2023, the density of freshly-made tea shops in third-tier and below cities was 273 stores per million population, considerably lower than 474 stores per million population in first-tier cities. Growing rapidly, the number of freshly-made tea drinks shops in third-tier and below cities in China reached approximately 250 thousand as of December 31, 2023. In the coming years, the freshly-made tea shops market in third-tier and below cities, as measured by GMV, is anticipated to grow at a CAGR of 22.8% from RMB96.0 billion in 2023 to RMB268.2 billion in 2028, registering the fastest growth among all city-tier segments and constituting 51.6% of China's freshly-made tea shops market by 2028.

Market size of freshly-made tea shops in terms of GMV, by city-tier, China, 2018-2028E



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

Mixue is China's largest freshly-made tea drinks brand, in terms of number of stores as of December 31, 2023. Among the market's five largest players, *Mixue* has the deepest penetration in third-tier and below cities in China. The number of *Mixue* stores in these cities as of December 31, 2023 surpassed the combined number of stores of the second to fifth largest players.

Top five freshly-made tea drinks brands in terms of number of stores, China, as of December 31, 2023

Ranking	Brand	List price range of major products, RMB	Number of stores, thousand	Market share in terms of number of stores	Number of stores in third-tier and below cities, thousand
1	***Mixue***	**2-8**	**30.3**	**6.5%**	**17.1**
2	Brand F	10-18	9.0	1.9%	4.4
3	Brand G	10-22	7.8	1.7%	3.2
4	Brand H	7-22	7.8	1.7%	3.8
5	Brand O	11-20	7.0	1.5%	3.8

Note: Brand O is operated by a private freshly-made tea drinks company, founded in 2007 and headquartered in Chengdu, Sichuan, China. This company has approximately 7,000 freshly-made tea shops in China by the end of 2023.

Source: CIC

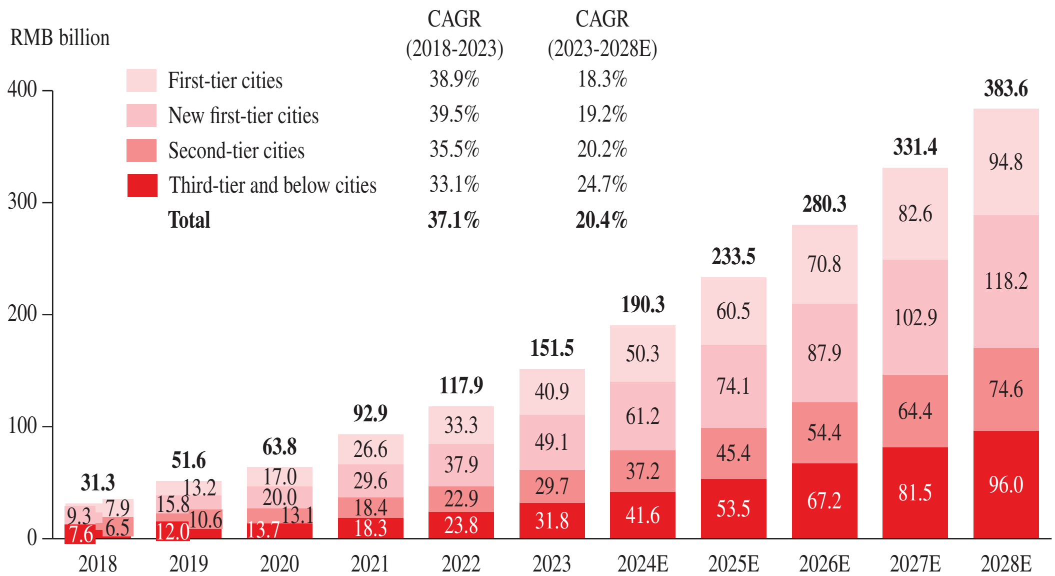
As of the Latest Practicable Date, there had been no significant change to the market position of the *Mixue* brand, according to CIC.

Freshly-Made Coffee Shops

Freshly-made coffee shops primarily offer coffee drinks prepared onsite using freshly-grounded coffee beans. The overall coffee consumption in China, driven by increased urbanization and disposable income, has been undergoing substantial growth. The percentage of China's population consuming freshly-made coffee is projected to rise from 9.4% in 2023 to 18.3% in 2028. Per capita annual consumption is forecasted to increase from approximately 6 cups in 2023 to 13 cups in 2028. This growth is expected to propel the market of freshly-made coffee shops from RMB151.5 billion in 2023 to RMB383.6 billion in 2028, representing a CAGR of 20.4%.

As penetration deepens in lower-tier cities, particularly in third-tier and below cities which had approximately 40 thousand freshly-made coffee shops as of December 31, 2023, there is significant growth potential for freshly-made coffee shops in these cities in the coming years. As measured by GMV, the market of freshly-made coffee shops in third-tier and below cities is anticipated to grow at a CAGR of 24.7% from 2023 to 2028 to nearly reach RMB100 billion by 2028. Positioned as value for money, mass-market freshly-made coffee priced not higher than RMB10 per item is poised to capitalize on this substantial growth in the market of freshly-made coffee shops in third-tier and below cities.

Market size of freshly-made coffee shops in terms of GMV, by city-tier, China, 2018-2028E



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

Lucky Cup is the fifth largest freshly-made coffee brand in terms of GMV in 2023, and the fourth largest freshly-made coffee brand in terms of number of cups sold in 2023 and number of stores as of December 31, 2023. With 61.5% of its stores located in third-tier and below cities as of December 31, 2023, *Lucky Cup* caters to the rising consumer demands for freshly-made coffee shops in these cities. Additionally, *Lucky Cup* is the only brand among the top five freshly-made coffee brands that focuses on offering mass-market freshly-made coffee.

Top five freshly-made coffee brands in terms of GMV, China, 2023

Ranking	Brand	List price range of major products, RMB	GMV, RMB billion	Market share in terms of GMV
1.	Brand E	14-21	33.0	21.8%
2.	Brand A	30-41	25.0	16.5%
3.	Brand P	10-15	5.5	3.6%
4.	Brand Q	15-30	2.5	1.7%
5.	***Lucky Cup***	**5-10**	**1.9**	**1.3%**

Top five freshly-made coffee brands in terms of number of cups sold and period-end number of stores, China, 2023

Ranking	Brand	List price range of major products, RMB	Number of cups sold, billion	Market share in terms of number of cups sold	Period-end number of stores, thousand	Period-end number of stores in third-tier and below cities, thousand
1	Brand E	14-21	1.9	31.7%	16.2	4.6
2	Brand A	30-41	0.5	8.3%	7.0	1.0
3	Brand P	10-15	0.4	6.7%	6.8	2.6
4	***Lucky Cup***	**5-10**	**0.2**	**4.0%**	**2.9**	**1.8**
5	Brand Q	15-30	0.1	1.7%	1.1	<0.1

Note: Brand E is operated by Company E.

Brand A is operated by Company A.

Brand P is operated by a private freshly-made coffee company, founded in 2022 and headquartered in Beijing, China. This company has approximately 6,800 freshly-made coffee shops in China by the end of 2023.

Brand Q is operated by a private freshly-made coffee company, founded in 2015 and headquartered in Shanghai, China. This company has approximately 1,100 freshly-made coffee shops in China by the end of 2023.

Source: CIC

Key Drivers and Trends for China's Freshly-Made Drinks Market

Continued urbanization. China's urbanization rate increased from 61.5% in 2018 to 66.2% in 2023, and is expected to further increase to 70.6% in 2028. Continued urbanization in China, particularly in third-tier and below cities, has been driving population concentration in urban areas, expanding the consumer base and increasing the population density in urban areas, thereby concentrating consumer traffic and demand for freshly-made drinks. This facilitates efficient reach to consumers by freshly-made drinks shops, thereby fostering sustained market growth. The percentage of China's population consuming freshly-made tea drinks and coffee are projected to rise from 22.7% and 9.4% in 2023 to 34.4% and 18.3% in 2028, respectively, leading to the overall market growth.

Increased consumption frequency. The allure of quality products and superior consumer experiences in freshly-made drinks sustains a growing consumer base and consumption frequency. Per capita annual consumption of freshly-made drinks in China increased from 8 cups in 2018 to 22 cups in 2023, which is still substantially lower than that of 323 cups in the United States, 306 cups in the European Union and the United Kingdom, and 172 cups in Japan in 2023, indicating significant growth potential. With the rising popularity of mass-market freshly-made drinks, consumers are increasingly incorporating freshly-made drinks consumption into their daily routines across diverse consumption scenarios, particularly in specialty freshly-made drinks shops where consumers gain access to quality products with value for money, as well as more customized services and experiences. By 2028, China's per capita annual consumption of freshly-made drinks is expected to reach 51 cups, presenting sizable demand for market growth.

Emergence of high-quality product supply. Along with the increasing consumption frequency, consumers are paying more attention to product quality and consumption experience. Enhancements in the supply chain improve production capabilities and optimize cost structures. A widespread store network expands consumer coverage. Digitalized operational systems and standardized store management model enhance operational efficiency and ensure consistent consumer experience. Investments in R&D elevate taste and quality. Leading freshly-made drinks companies, effectively combining these factors, are poised to introduce more high-quality products, expanding their consumer base and fostering greater consumer loyalty, thereby propelling the overall market growth.

Growing chain rate. Freshly-made drinks chains enhance operational efficiency and store-level performance through a robust combination of factors such as strong brand reputation, standardized store operations, supply chain capabilities, and economies of scale. As a result, the chain rates of freshly-made tea shops and coffee shops are expected to rise continuously, driving the overall growth of the freshly-made drinks market. The freshly-made tea shops chain rate is projected to increase from approximately 56% in 2023 to 72% in 2028, and the freshly-made coffee shops chain rate is expected to grow from approximately 30% in 2023 to 55% in 2028. Additionally, within the freshly-made drinks market, mass-market segment has a lower chain rate, indicating significant growth potential. For instance, the chain rate for mass-market freshly-made tea shops is projected to increase from approximately 43% in 2023 to 61% in 2028, offering substantial growth opportunities. Leading players in the mass-market freshly-made drinks segment, with supply chain breadth and depth and strong brand reputation, are poised to capitalize on this opportunity to improve product accessibility for consumers and enhance store-level performance, facilitating overall market growth.

Key Success Factors in China's Freshly-Made Drinks Market

Excellent supply chain. Building a high-quality, end-to-end supply chain is crucial to enhancing product quality while optimizing cost structure. Specifically, a comprehensive supplier network secures stable and cost-effective access to high-quality raw materials. Large-scale centralized factories control ingredient quality, enhance self-sufficient production capabilities, and improve value for money in products. Stable logistics systems ensure efficient and timely supply. For franchise-focused freshly-made drinks companies, superior supply chain management capability offers a competitive one-stop solution for franchisees, elevates product standardization, and supports store network expansion.

Strong brand reputation. A widespread offline store network increases the brand exposure of freshly-made drinks companies, capturing consumers' mind-shares. Accordingly, leading freshly-made drinks companies with a large-scale store network have established significant brand influence. In addition, these companies integrate offline marketing activities with online social media campaigns, leveraging IP-related content creation to interact with consumers, increase brand exposure, and cultivate a household brand. Robust brand reputation fosters long-term emotional connections with consumers, leading to effective consumer acquisition, while also increasing brand loyalty and repeated purchases by existing consumers. The strong brand reputation established by leading freshly-made drinks companies therefore represents a competitive strength that is difficult to replicate.

Effective store network management. Effective supervision and management of an expansive store network rely on advanced management systems, comprehensive management structures, and extensive managerial expertise. Leading freshly-made drinks companies are capable of empowering every key facet of business operations, covering procurement, logistics, store operations, training and marketing. With such support, franchisees are able to enhance operational efficiency at the store level and improve individual store profitability, which in turn will also drive the continuous expansion of the brand's store network.

Advanced digitalization. Leading freshly-made drinks companies integrate digitalization into their entire business processes, utilizing digital tools for effective control over procurement, production, and logistics throughout the supply chain. In addition, they utilize digital systems and tools to optimize store site selection, enhance omni-channel marketing, and implement intelligent store management, thereby strengthening management capabilities while improving operational efficiency.

Comprehensive product development. Comprehensive ingredient-related R&D on technologies and production techniques enhance standardized production capabilities and ensure stable product quality for freshly-made drinks companies. Effective investments in product-related R&D enable these companies to promptly respond to evolving consumer demands, improving product taste and diversifying product offerings.

Entry Barriers in China's Freshly-Made Drinks Market

Established store network. Leading freshly-made drinks brands with an extensive store network have secured prime locations in commercial streets and shopping centers, among others, thereby gaining increased consumer traffic and heightened brand recognition. New entrants face challenges in securing desirable locations or may incur higher rental costs.

Product quality control capabilities. Consumers are increasingly focusing on food safety when choosing freshly-made drinks. Leading companies have implemented rigorous quality control systems with high standards, instilling consumer trust and influencing their purchasing decisions. The robust quality control measures of established companies pose a challenge for new entrants, whose systems are typically in early stages and may not guarantee product quality effectively.

Operational standardization. Leading companies have implemented a standardized and comprehensive operational system from procurement, production to in-store drinks preparation. This enhances efficiency and supports sustained long-term store network expansion. Small and new entrants in the freshly-made drinks market may face challenges in achieving operational standardization quickly, as the establishment of such systems is time-consuming.

Market Challenges and Threats in China's Freshly-Made Drinks Market

Food safety and hygiene compliance. Managing food safety and hygiene compliance is a common challenge in the freshly-made drinks market. Companies in this market must proactively address these issues by controlling key aspects such as raw materials procurement, production and logistics processes, store environment, in-store drink preparation, and overall personnel hygiene. Failure to effectively comply with food safety requirements may lead to the loss of consumers, damage to brand reputation, or legal and regulatory risks.

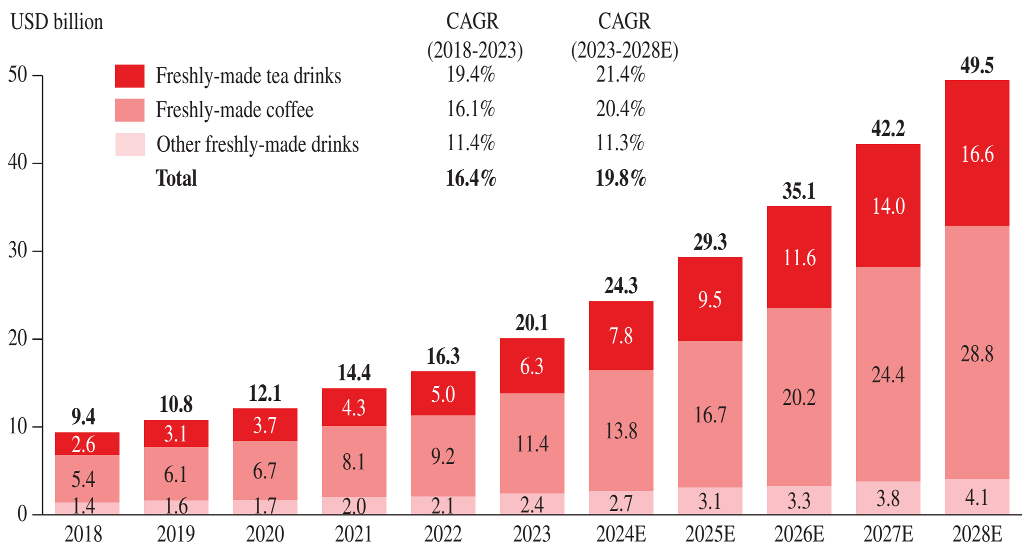
Raw materials and labor costs. Major cost components for freshly-made drinks companies include raw materials and labor costs. Certain raw materials, particularly food commodities, are subject to market pricing, and labor costs are consistently on an upward trend. The fluctuation in raw materials prices and the rise in labor costs may present challenges to the development and profitability of freshly-made drinks companies.

SOUTHEAST ASIA FRESHLY-MADE DRINKS MARKET

Fueled by factors such as a growing consumer base focused on value for money, expanding consumer coverage through growing store networks, and improving supply chain infrastructure, the freshly-made drinks market in Southeast Asia is experiencing rapid expansion. The freshly-made drinks market in Southeast Asia, as measured by GMV, is projected to grow at a CAGR of 19.8% from US$20.1 billion in 2023 to US$49.5 billion in 2028, marking the fastest growth among major markets worldwide.

The freshly-made drinks market in Southeast Asia is projected to grow at a robust CAGR of 19.8% from 2023 to 2028, driven by the anticipated expansion of the regional economy and rising consumer spending. Several key factors underscore this growth potential: (i) in 2023, per capita annual consumption of freshly-made drinks in Southeast Asia was 16 cups, significantly trailing behind other markets – 323 cups in the United States, 306 in the European Union and the United Kingdom, and 172 in Japan, and (ii) over the medium to long term, both economic development and consumer spending in Southeast Asia are expected to grow steadily, creating a favorable environment for market expansion. These dynamics position Southeast Asia as a region with significant untapped potential, paving the way for substantial growth in the freshly-made drinks market.

Market size of freshly-made drinks in terms of GMV, by product category, Southeast Asia, 2018-2028E



Note: Other freshly-made drinks mainly include freshly-made fruit drinks, ice cream and yogurt.

Source: CIC, International Monetary Fund

The freshly-made drinks market in Southeast Asia is highly fragmented and has a lower chain rate compared to China, offering significant growth prospects for market leaders. For example, the freshly-made tea shops chain rate in Southeast Asia was approximately 25% in 2023, significantly lower than that of 56% in China. With over 4,000 stores in the Southeast Asia market, *Mixue* is the largest freshly-made tea drinks brand in Southeast Asia, in terms of number of stores as of December 31, 2023 and number of cups sold in 2023.

Top three freshly-made tea drinks brands in terms of period-end number of stores and number of cups sold, Southeast Asia, 2023

Ranking	Brand	Period-end number of stores, thousand	Number of cups sold, million	Market share in terms of number of cups sold
1	***Mixue***	**4.3**	**513.4**	**19.5%**
2	Brand R	1.3	165.0	6.3%
3	Brand S	1.0	160.0	6.1%

Note: Brand R is operated by a Taiwan-listed multi-brand restaurant company, founded in 2004 and headquartered in Taiwan, China. This company has approximately 1,300 freshly-made tea shops in Southeast Asia by the end of 2023.

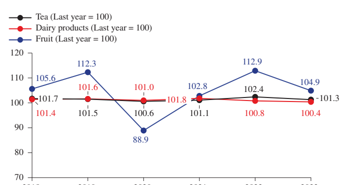
Brand S is operated by a private freshly-made tea drinks company, founded in 2018 and headquartered in Indonesia. This company has approximately 1,000 freshly-made tea shops in Southeast Asia by the end of 2023.

Source: CIC

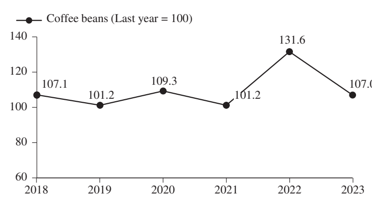
ANALYSIS OF RAW MATERIALS AND LABOR COST CHANGES

The major cost components for freshly-made drinks companies include raw materials, primarily tea, dairy products, fruit, and coffee beans, and labor costs. Historically, market prices for fruit and coffee beans in China have experienced fluctuations as illustrated in the charts below. In particular, China's consumer price index (CPI) for fruit rose from 105.6 in 2018 to 112.3 in 2019, dropped to 88.9 in 2020, rebounded to 112.9 in 2022, and dropped to 104.9 in 2023. The import unit value index for coffee beans in China remained relatively stable from 2018 to 2021, increased significantly in 2022, but subsequently declined in 2023. Tea and dairy products CPI in China remained relatively stable from 2018 to 2023. On the other hand, labor costs have experienced steady growth.

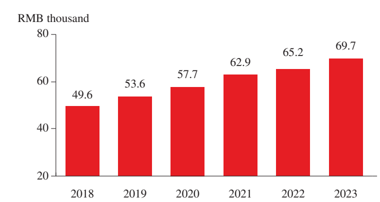
Consumer price index for tea, dairy products, and fruit, China, 2018-2023



Import unit value index for coffee beans, China, 2018-2023



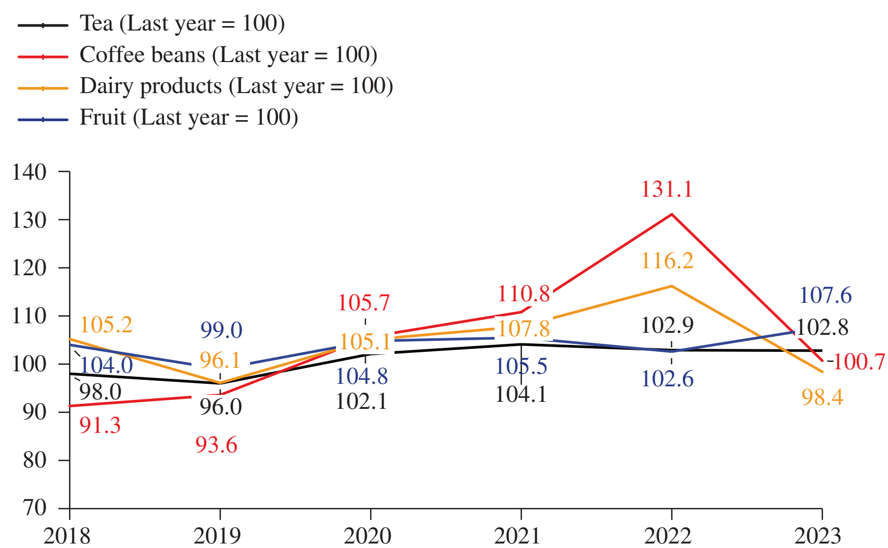
Average annual salary of employees in the private sector, China, 2018-2023



Source: CIC, National Bureau of Statistics of the PRC, General Administration of Customs of the PRC

Globally, historical data indicates fluctuations in market prices for coffee beans and dairy products, as depicted in the chart below. Specifically, the world import unit value index for coffee beans increased from 91.3 in 2018 to 131.1 in 2022, but subsequently declined to 100.7 in 2023. The world import unit value index for dairy products declined from 105.2 in 2018 to 96.1 in 2019, rising to 116.2 in 2022, and dropped to 98.4 in 2023. The world import unit value index for tea and fruit remained relatively stable from 2018 to 2023.

Import unit value index for tea, coffee beans, dairy products, and fruit, World, 2018-2023



Source: Food and Agriculture Organization of the United Nations

Long-term stability is anticipated in the price indices in China and globally for raw materials in the freshly-made drinks industry. The price indices for tea, dairy products, and fruit in China and globally are expected to remain generally stable in the near future. While the import unit value index for coffee beans in China and globally experienced a significant increase in 2022, it declined in 2023 and is expected to revert to a reasonable price index interval in the coming years.

SOURCE OF THE INDUSTRY INFORMATION

CIC was commissioned to conduct research and analysis of, and produce a report on, the global and China's freshly-made drinks market and related economic data at a fee of approximately RMB1,766,528. The commissioned report has been prepared by CIC independently without the influence from the Company or other interested parties. CIC offers industry consulting services, commercial due diligence, and strategic consulting. With a consultant team actively tracking the latest market trends in various industries such as consumer goods and services, agriculture, chemicals, marketing and advertising, culture and entertainment, energy and industry, finance and services, healthcare, TMT, and transportation, CIC possesses the most relevant and insightful market intelligence in these sectors. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the CIC Report. We have also referred to certain information in the "Summary", "Risk Factors", "Business" and "Financial Information" sections to provide a more comprehensive presentation of the industry in which we operate.

CIC employed both primary and secondary research methods using a variety of resources. Primary research included interviews with key industry experts and leading participants, while secondary research involved analyzing data from publicly available sources, such as the National Bureau of Statistics, General Administration of Customs of the PRC, World Bank, World Health Organization, International Monetary Fund, Food and Agriculture Organization of the United Nations and United States Department of Agriculture. The market projections in the CIC Report are based on the following key assumptions during the forecast period: (i) a stable social, economic, and political environment, (ii) steady economic and industrial growth with urbanization supported by sustained market demand, technological advancements, and ongoing initiatives promoting infrastructure development, (iii) key industry drivers influencing the freshly-made drinks market, and (iv) no extreme force majeure or unforeseen industry regulations affecting the market fundamentally. The key industry drivers include the expansion of the consumer base due to continued urbanization, increased consumption frequency, particularly for quality products with value for money, an increased number of stores to meet underserved consumer demands, and enhanced average store-level performance driven by growing chain rates, store standardization, and improved supply chain capabilities.

Our Directors confirm that, to the best of their knowledge, after making reasonable inquiries, there is no material and adverse change in the market information since the date of the CIC Report, which may qualify, contradict or have an impact on the information in this section.

PRC

Since we operate our business primarily in China, we are subject to various PRC laws and regulations that may impact both our business operations and the Global Offering.

REGULATIONS ON CORPORATION

The establishment, operation and management of corporate entities in the PRC are governed by the PRC Company Law, which was promulgated by the Standing Committee of the NPC (the "SCNPC") in December 1993 and further amended in December 1999, August 2004, October 2005, December 2013, October 2018 and December 2023, respectively. According to the PRC Company Law, companies are generally classified into two categories: limited liability companies and companies limited by shares. The PRC Company Law also applies to foreign-invested limited liability companies and companies limited by shares.

General

A "joint stock limited company" refers to an enterprise legal person incorporated in China under the PRC Company Law with independent legal person properties and entitlements to such legal person properties and with its registered capital divided into shares. The liability of the company for its own debts is limited to all the properties it owns and the liability of its shareholders for the company is limited to the extent of the shares they subscribe for.

Shareholders' General Meetings

According to the PRC Company Law, a shareholders' general meeting of a company limited by shares shall be constituted by all the shareholders; the shareholders' general meeting shall be the authority of the company and shall exercise duties and powers in accordance with the provisions the PRC Company Law.

A shareholders' general meeting is required to be held once every year. An extraordinary general meeting is required to be held within two months in case of the certain events specified in the PRC Company Law.

Shareholders present at a shareholders' general meeting have one vote for each share they hold, save that the shareholders holding classified shares may have the special number of voting rights for each classified share and the company's shares held by the company are not entitled to any voting rights.

Resolutions of the general meeting must be passed by more than half of the voting rights held by shareholders present at the meeting, with the exception of matters relating to merger, division or dissolution of the company, increase or reduction of registered share capital, change of corporate form or amendments to the articles of association, which in each case must be passed by at least two-thirds of the voting rights held by the shareholders present at the meeting.

The shareholders may appoint the entrusted representative to attend a shareholders' general meeting; the entrusted representative shall submit a power of attorney to the company and exercise the voting rights within the scope of authorization.

Transfer of Shares

Shares held by shareholders may be transferred legally. Under the PRC Company Law, a shareholder should effect a transfer of his/her shares on a stock exchange established in accordance with laws or by any other means as required by the State Council. Shares may be transferred after the shareholders endorse the back of the share certificates or in any other manner specified by the laws or administrative regulations. Following the transfer, the company shall enter the names and domiciles of the transferees into its share register. No changes of registration in the share register described above shall be effected during a period of 20 days prior to convening a shareholders' general meeting or 5 days prior to the record date for the purpose of determining entitlements to dividend distributions, unless otherwise stipulated by laws, administrative regulation or the securities regulatory authority of the State Council on the changes in the share register of listed companies.

Under the PRC Company Law, shares of the company issued prior to the public issuance of shares may not be transferred within one year of the date of the company's listing on a stock exchange. Directors, supervisors and the senior management of a company shall declare to the company their shareholdings in it and any changes in such shareholdings. During the term of office as determined when they assume the posts, they may transfer no more than 25% of the total number of shares they hold in the company every year. They shall not transfer the shares they hold within one year of the date of the company's listing on a stock exchange, nor within six months after they leave their positions in the company. The articles of association may set out other restrictive provisions in respect of the transfer of shares in the company held by its directors, supervisors and the senior management.

REGULATIONS ON FOREIGN INVESTMENT

Investment in the PRC by foreign investors are mainly regulated by the Catalogue of Industries for Encouraging Foreign Investment (2022 Edition) (《鼓勵外商投資產業目錄》(2022年版)), which was promulgated by the Ministry of Commerce of the PRC (the "MOFCOM") and the National Development and Reform Committee of the PRC (the "NDRC") on October 26, 2022 and took effect on January 1, 2023, and the Special Administrative Measures for Access of Foreign Investment (Negative List) (2024 Edition) (《外商投資准入特別管理措施 (負面清單)》 (2024年版)) (the "Negative List"), which were promulgated by the MOFCOM and the NDRC on September 6, 2024 and took effect on November 1, 2024. The Negative List sets out several restrictive measures in a unified manner, such as the requirements on shareholding percentages and management, for the access of foreign investments in the industries listed in the Negative List and the industries that are prohibited for foreign investment. Any industries not falling in the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment.

On March 15, 2019, the NPC promulgated the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "FIL"), which came into effect on January 1, 2020, pursuant to which, it is applicable to the investment activities in the PRC carried out directly or indirectly by foreign natural persons, enterprises or other organizations. The Implementation Rules to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which were promulgated by the State Council on December 26, 2019 and became effective on January 1, 2020, further clarify that the state encourages and promotes foreign investment, protects the lawful rights and interests of foreign investors, regulates foreign investment administration, continues to optimize foreign investment environment, and advances a higher-level opening.

On December 30, 2019, the MOFCOM and the SAMR jointly promulgated the Measures for Information Reporting on Foreign Investment (《外商投資信息報告辦法》), which became effective on January 1, 2020, pursuant to which, where a foreign investor carries out investment activities in the PRC directly or indirectly, the market regulatory authorities shall forward the investment information submitted by foreign investor or the foreign-invested enterprise to the competent commerce administrative authorities.

REGULATIONS ON FRESHLY-MADE DRINKS INDUSTRY IN THE PRC

As the provision of our business covers food production and operation, we shall comply with the relevant provisions, such as obtaining the food production license and the food operation license in accordance with the food production and operation related laws and regulations, and conforming to measures specified in the food safety related laws and regulations to ensure food safety, and complying with the regulations in relation to online catering.

Food Safety

In accordance with the Food Safety Law of the PRC (《中華人民共和國食品安全法》) (the "Food Safety Law"), which was promulgated by the SCNPC on February 28, 2009 and latest 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》), which were promulgated by the State Council on July 20, 2009 and last amended on October 11, 2019, further specify 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 Administrative Measures for Supervision and Inspection of Food Production and Business Operation (《食品生產經營監督檢查管理辦法》) promulgated by the SAMR on December 24, 2021 and effective on March 15, 2022, the SAMR shall be responsible for supervising and guiding the supervision and inspection of food production and business operations nationwide and may organize supervision and inspection as needed.

The Measures for Investigation and Punishment of Illegal Acts concerning the Safety of Food Sold Online (《網絡食品安全違法行為查處辦法》), which were promulgated by China Food and Drug Administration (now merged into SAMR) on July 13, 2016 and last amended on April 2, 2021, stipulate the rules for 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.

Food Production Licensing

According to the Administrative Measures of Food Production Licensing (《食品生產許可管理辦法》) promulgated by the SAMR on January 2, 2020 and effective on March 1, 2020, entities involved in food production within the PRC shall obtain the food production license. The food production license is valid for five years and is subject to the "one entity, one license" principle. Food producers shall display their original food operation licenses prominently at their sites of production. Where the licensed items specified in the food production license need to be changed, the food producer shall, within 10 business days after the changes take place, file an application for such change with the market regulatory authority which originally issued the license. If the production site of the food producer is relocated, the food production licensing shall be reapplied. Food producers who have engaged in the food production activities without the food production licensing shall be punished by the local market regulatory authority at or above the county level according to the Article 122 of the Food Safety Law, which provided that the authorities shall confiscate their illegal income, the food or food additives illegally produced or dealt in, and the tools, equipment, raw materials, and other items used for illegal production or operation, and impose a fine of not less than RMB50,000 but not more than RMB100,000 on them if the goods value of the food or food additives illegally produced or dealt in is less than RMB10,000 or a fine of not less than 10 times but not more than 20 times the goods value if the goods value is RMB10,000 or more.

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.

Online Catering Services

In accordance with Measures for the Supervision and Administration of the Safety of Food Offered through Online Catering Services (《網絡餐飲服務食品安全監督管理辦法》) promulgated by China Food and Drug Administration on November 6, 2017 and amended on October 23, 2020, online catering service providers shall have their own physical stores and have obtained the food operation licenses according to the law, and shall carry out business activities pursuant to the business forms and business items specified on their own food operation licenses, and they shall not operate beyond the business scope. Online catering service providers which do not have any physical stores, or fail to obtain the food operation licenses in accordance with the law shall be punished by the local market regulatory authorities at or above the county level according to Article 122 of the Food Safety Law.

REGULATIONS ON FRANCHISED COMMERCIAL OPERATION

We shall comply with the regulations in relation to administration of franchised operation.

Franchised operation is subject to the supervision and administration of the MOFCOM and its local competent commercial departments. These activities are currently regulated by the Regulations on the Administration of Commercial Franchised Operation (《商業特許經營管理條例》) promulgated by the State Council on February 6, 2007 and effective on May 1, 2007, which was supplemented by the Administrative Measures for the Record-filing of Commercial Franchises (《商業特許經營備案管理辦法》) promulgated by the MOFCOM on December 12, 2011 and amended on December 29, 2023 and the Administrative Measures for the Information Disclosure of Commercial Franchise (《商業特許經營信息披露管理辦法》) promulgated by the MOFCOM on February 23, 2012 and effective on April 1, 2012.

According to the above-mentioned applicable regulations, franchisers may engage in franchised operation activities on conditions that they shall have a mature operation model and be capable of providing continuous operation guidance, technical support, training services and other service support for franchisees, as well as owning at least two direct-sale stores in China with the operation period being more than one year. Where franchisers fail to conduct franchised activities in accordance with the above provisions, punishment may be imposed, such as confiscating the illegal proceeds and imposing a fine of above RMB100,000 but less than RMB500,000, and an announcement will be made by the MOFCOM or the local competent department of commerce. The franchise contract shall specify certain necessary provisions concerning terms, the right to terminate and payment.

Franchisers shall submit the business license, a draft of the franchise contract and other documents to the provincial competent commercial department where they are registered within 15 days from the date of the initial signing of the franchise contract with franchisees within China. Where a franchiser engages in franchised activities within the scope of two or more provincial areas, it shall file with the MOFCOM. Filing shall be performed by the franchisers complying with the above applicable regulations through the information management system for commerce franchises established by the MOFCOM. In addition, franchisers shall file with the commercial department concerning the execution, cancellation, termination and renewal of franchise agreements in the preceding year before March 31 of every year.

In case of any changes to franchisers' filing information, such changes shall also be filed with the relevant commercial department after occurrence. Where franchisers fail to file in accordance with such regulations, relevant commercial departments may order the franchiser to file within a stipulated period and impose a fine of more than RMB10,000 but less than RMB50,000. Failure to file within the stipulated period may render a fine of more than RMB50,000 but less than RMB100,000, and a public announcement.

REGULATIONS ON PRODUCT QUALITY AND CONSUMER PROTECTIONS

We are engaged in the food production and the sale of food to consumers and therefore shall comply with the laws and regulations in relation to product quality and consumers rights protection.

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) promulgated by the SCNPC on February 22, 1993 and latest amended on December 29, 2018, the seller shall be responsible for the repair, replacement or return of the product sold if (i) the product sold does not have the function for use that it is supposed to have, and no prior indication is given of such a situation; (ii) the product sold does not conform to the applied product standard as carried on the product or its packaging; or (iii) the product sold does not conform to the quality indicated by such means as a product description or physical sample. If a consumer incurs losses as a result of purchased product, the seller shall compensate for such losses.

On May 28, 2020, the Civil Code of the PRC (《中華人民共和國民法典》) (the "Civil Code") was adopted by the NPC, which became effective on January 1, 2021, according to which, a manufacturer or a commercial seller is subject to liability for harm to persons or property caused by the product defects. The infringed may seek compensation from the manufacturer or the commercial seller. Where the infringed seeks compensation from the commercial seller, the commercial seller shall have the right to make a claim against the liable manufacturer after it has made compensation.

The Law of the PRC on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》) (the "Customer Protection Law") was promulgated by the SCNPC on October 31, 1993 and was amended on August 27, 2009 and October 25, 2013, to protect consumers' rights when they purchase or use goods and accept services. Pursuant to Customer Protection Law, business operators must guarantee that the commodities they sell satisfy the requirements for personal or property safety, provide customers with authentic information about the commodities, and guarantee the quality, function, usage and term of validity of the commodities. Failure to comply with the Customer Protection Law may subject business operators to civil liabilities such as refunding purchase prices and compensation, administrative penalties such as confiscation of illegal income, fine, order to suspend business for rectification and revocation of business license, or criminal penalties if business operators commit crimes by infringing the legitimate rights and interests of customers.

REGULATIONS ON FIRE PREVENTION

As the provision of our business includes food production and operation, we shall comply with the regulations on fire prevention to construct and operate relevant production facilities and business premises.

According to the Fire Prevention Law of the People's Republic of China (《中華人民共和國消防法》) (the "Fire Prevention Law") promulgated by the SCNPC on April 29, 1998 and latest 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 of the PRC on April 1, 2020 and latest amended on August 21, 2023, special construction projects that fail to undergo or pass the fire protection acceptance check 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 from use. Any special construction projects put into use without passing the fire protection acceptance check, or failure to suspend the use of any construction projects other than special construction projects which fail to pass the random inspection on fire safety acceptance, shall be ordered to discontinue the construction, use, production or operation and be fined not less than RMB30,000 but not more than RMB300,000. Any constructing entity fails to go through the fire safety acceptance filing for any construction projects other than special construction projects shall be ordered to make corrections and imposed a fine of not more than RMB5,000 by the competent housing and urban-rural development authorities.

Pursuant to the Fire Prevention Law, the constructing entity or the entity occupying the facility shall apply to the fire prevention and rescue department of the local people's government at or above the county level for a fire safety inspection before a public gathering place is put into use or opens for business. Any public gathering place put into use or operated without passing the fire safety inspection or without satisfying the fire safety requirements, shall be ordered to discontinue the construction, use, production or operation and be fined not less than RMB30,000 but not more than RMB300,000.

REGULATIONS ON ENVIRONMENTAL PROTECTION

We shall comply with the regulations on environmental protection to conduct construction projects.

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) (the "Environmental Protection Law"), was promulgated by the SCNPC on December 26, 1989 and latest amended on April 24, 2014. The Environmental Protection Law has been formulated for the purpose of protecting and improving both the living and the ecological environment, preventing and controlling pollution and other public hazards and safeguarding people's health. According to the provisions of the Environmental Protection Law, in addition to other 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 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 fines, rectification within a time limit, forced shutdown, or criminal punishment.

Pursuant to the Law of the PRC on Environment Impact Assessment (《中華人民共和國環境影響評價法》) promulgated by the SCNPC on October 28, 2002 and latest amended on December 29, 2018, the State Council implemented an environmental impact assessment (the "EIA") system, to classify construction projects according to the impact of the construction projects on the environment. Constructing entities shall prepare an environmental impact report (the "EIR"), or an environmental impact statement (the "EIS"), or fill out the EIR Form according to the following rules: (i) for projects with potentially serious environmental impacts, an EIR shall be prepared to provide a comprehensive assessment of their environmental impacts; (ii) for projects with potentially mild environmental impacts, an EIS shall be prepared to provide an analysis or specialized assessment of the environmental impacts; and (iii) for projects with very small environmental impacts, an EIS is not required but an EIR form shall be completed.

According to the Classified Administration Catalog of Environmental Impact Assessments for Construction Projects (2021 version) (《建設項目環境影響評價分類管理名錄(2021年版)》), which was promulgated by the Ministry of Ecology and Environment of the PRC On November 30, 2020 and became effective on January 1, 2021, food and beverage services are not included in the management of EIA of construction projects.

REGULATIONS ON WORK SAFETY

As the provision of our business includes food production, we shall comply with the regulations on work safety to conduct food production.

Under relevant construction safety laws and regulations, including the PRC Work Safety Law (《中華人民共和國安全生產法》), which was promulgated by the SCNPC on June 29, 2002, last amended on June 10, 2021, and effective on September 1, 2021, production and operating business entities must establish the all-staff work safety responsibility system and work safety rules and regulations, and improve the working environment and conditions for workers in a planned and systematic way. An appropriate mechanism shall also be set up to strengthen the supervision over and assessment of the implementation of the responsibility system for work safety and to ensure the proper implementation of the responsibility system for work safety. 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. The emergency administration under the State Council and its local counterparts are responsible for supervision and control over work safety.

REGULATIONS ON ROAD TRANSPORTATION PERMIT

We are engaged in road transportation related businesses and therefore shall comply with the regulations in relation to road transportation.

Pursuant to the Regulations on Road Transportation of the PRC (《中華人民共和國道路運輸條例》), which were promulgated by the State Council on April 30, 2004 and latest amended on July 20, 2023, and the Provisions on Administration of Road Freight Transportation and Stations (Sites) (《道路貨物運輸及站場管理規定》) which were issued by the Ministry of Transport of the PRC in June 2005 and latest amended in November 2023 (the "Road Freight Provisions"), the business operations of road freight transportation refer to commercial road freight transportation activities that provide public services. The road freight transportation includes general road freight transportation, special road freight transportation, road transportation of large articles, and road transportation of hazardous cargos. Special road freight transportation refers to freight transportation using special vehicles with containers, refrigeration equipment, or tank containers, etc. The Road Freight Provisions set forth detailed requirements with respect to vehicles and drivers, pursuant to which, anyone engaging in the business of operating road freight transportation must obtain a road transportation operation permit from the competent road transportation administrative bureau, and each vehicle used for road freight transportation must have a road transportation certificate. However, where an operator uses an ordinary freight vehicle of 4,500 kilograms or less to engage in general freight transportation business operations, it is not required to apply for a road transportation operation permit and a road transportation certificate.

REGULATIONS ON CYBERSECURITY

Our business processes personal information, and thus we are required to comply with applicable laws, rules and regulations relating to cybersecurity.

On November 7, 2016, the SCNPC promulgated the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》) (the "Cybersecurity Law"), which became effective on June 1, 2017. In accordance with the Cybersecurity Law, network operators must comply with applicable laws and regulations and fulfill their obligations to safeguard network security in conducting business and providing services. Network operators must take technical and other necessary measures as required by laws to safeguard the operation of networks, respond to network security events effectively, prevent illegal and criminal activities in the cyberspace, and maintain the integrity, confidentiality and usability of network data.

On December 28, 2021, the Cybersecurity Review Measures was issued by CAC jointly with other governmental authorities, which took effect on February 15, 2022. Under the Cybersecurity Review Measures, the procurement of network products and services by critical information infrastructure operators ("CIIO") and the data processing activities conducted by network platform operators which affect or may affect national security shall be subject to cybersecurity review. Besides, according to Article 7 of the Cybersecurity Review Measures, a network platform operator who holds the personal information of more than one million users and is seeking for listing in a foreign country must apply for a cybersecurity review. In addition, according to Article 16 of the Cybersecurity Review Measures, members of the cybersecurity review working mechanism may initiate cybersecurity review towards network products, network services, and data processing activities ex officio. Based on the Cybersecurity Review Measures, cybersecurity review shall focus on the assessment of a number of national security risk factors of the relevant object or situation, including but not limited to, risks of any illegal control or supply chain interruption of critical information infrastructure, and risks of illegal use or illegal cross-border transfer of data.

On September 24, 2024, the Regulations on Network Data Security Management (《網絡數據安全管理條例》) was issued by the State Council, which took effect on January 1, 2025. According to the Regulations on Network Data Security Management, network data handlers shall, in accordance with the provisions of laws and administrative regulations and the mandatory requirements of national standards, and on the basis of classified protection of cyber security, strengthen the protection of network data security, establish and perfect the system of network data security management, take technical measures to protect network data, and prevent illegal and criminal activities aiming at and using network data.

REGULATIONS ON PERSONAL INFORMATION AND DATA PROTECTION

Our business involves collection, storage and use of personal information, and thus we are required to comply with applicable laws, rules and regulations relating to personal information and data protection.

The Cybersecurity Law provides that: (i) to collect and use personal information, network operators shall follow the principles of legitimacy, rightfulness and necessity, disclose rules of personal information collection and use, clearly express the purposes, means and scope of collecting and using the information, and obtain the consent of the individuals whose personal information is gathered; (ii) network operators shall neither gather personal information unrelated to the services they provide, nor gather or use personal information in violation of the provisions of laws and administrative regulations or the scopes of consent given by the individuals whose personal information is gathered; and shall process personal information they have saved in accordance with the provisions of laws and administrative regulations and agreements reached with the individual; and (iii) network operators shall not divulge, tamper with or damage the personal information they have collected, and shall not provide the personal information to others without the consent of the individuals whose personal information is collected. However, if the information has been processed and cannot be recovered and thus it is impossible to match such information with specific individuals, such circumstance is an exception.

The Data Security Law of the PRC (《中華人民共和國數據安全法》), which was promulgated by the SCNPC on June 10, 2021 and took effect on September 1, 2021, provides that China shall establish a data classification and grading protection system, formulate the important data catalogs to enhance the protection of important data and establish national core data management system to provide stricter protection of national core data. The conduct of data processing activities shall be in compliance with the provisions of laws and regulations, establishing and completing a data security management system for the entire workflow, organizing and conducting data security education and training, adopting corresponding technical measures and other necessary measures to ensure data security, strengthening risk monitoring, taking immediately disposition measures and promptly reporting to relevant authorities when data security incidents occur. Besides, data collection by any organization or individual shall be conducted by lawful and proper means and the data shall not be acquired by theft or other illegal means. Processors of important data shall specify the person responsible for data security and management agencies, implement data security protection responsibilities, periodically conduct risk assessments of such data processing activities as provided and submit risk assessment reports to the relevant authorities.

The Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) (the "Personal Information Protection Law"), which was issued by the SCNPC on August 20, 2021 and effective on November 1, 2021, provides detailed rules on processing personal information and legal responsibilities, including but not limited to the general principles of processing personal information, the legal bases for processing personal information, the individuals' rights and the handlers' obligations in the processing of personal information, the requirements on data localization and cross-border data transfer, and the requirements on processing of sensitive personal information. CIIO and personal information handlers processing personal information reaching the threshold amount prescribed by CAC shall store personal information collected and produced in the PRC within the territory of the PRC; where they need to transfer it abroad, they shall pass a security assessment organized by the CAC. Personal information handlers shall take the following measures to ensure that personal information processing activities comply with the provisions of laws and administrative regulations, and prevent unauthorized access as well as the leakage, tampering or loss of personal information:

- Developing internal management rules and operating procedures.

- Conducting classified management of personal information.

- Taking corresponding security technical measures such as encryption and de-identification.

- Determining in a reasonable manner the operation privileges relating to personal information processing and providing security education and trainings for employees on a regular basis.

- Developing and organizing the implementation of emergency plans for personal information security incidents.

- Other measures as provided by laws and administrative regulations.

Company violates the Personal Information Protection Law in processing personal information may face penalties, fines, suspension of relevant business or revocation of the business license, etc.

The Regulations on Network Data Security Management (《網絡數據安全管理條例》) also provide provisions for data processing activities carried out through networks, including but not limited to the formulating of rules for handling personal information, the general requirements on processing personal information and accepting individual requests regarding personal information. The network data handler handling the personal information of more than 10 million individuals shall also comply with the provisions governing network data handlers handling important data as specified in Articles 30 and 32 of the Regulations on Network Data Security Management (《網絡數據安全管理條例》). The network data handler shall specify the person in charge of network data security and the management body for network data security, which shall perform the responsibilities of network data security protection. If the security of data may be affected due to the merger, demerger, dissolution or bankruptcy of the network data handler, the handler shall take measures to ensure the security of network data, and report to the competent authority.

REGULATIONS ON VALUE-ADDED TELECOMMUNICATION SERVICES

We have obtained certain value-added telecommunications services operation licenses (including the license for operating *Mixue* app), the permitted services under which include Internet information services and online data processing and transaction processing services.

The Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) (the "Telecommunications Regulations"), which were promulgated by the State Council on September 25, 2000 and latest amended on February 6, 2016, provide a regulatory framework for telecommunications services providers in the PRC. The Telecommunications Regulations require telecommunications services providers to obtain an operating license prior to the commencement of their operations. The Telecommunications Regulations categorize telecommunications services into basic telecommunications services and value-added telecommunications services. According to the Catalog of Telecommunications Business (《電信業務分類目錄》), attached to the Telecommunications Regulations and as latest amended by the Ministry of Industry and Information Technology of the PRC (the "MIIT") on June 6, 2019, the Internet information services and online data processing and transaction processing services fall within the value-added telecommunications services. The Administrative Measures on Telecommunications Business Operating Licenses (《電信業務經營許可管理辦法》), which were promulgated by the MIIT on March 1, 2009 and amended on July 3, 2017, set forth more specific provisions regarding the types of licenses required to operate value-added telecommunications services, the qualifications and procedures for obtaining such licenses and the administration and supervision of such licenses.

In December 2001, in order to comply with China's commitments with respect to its entry into the World Trade Organization, the State Council promulgated the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) (the "FITE Regulations"), which were latest revised in March 2022 and took effect on May 1, 2022. The FITE Regulations set out detailed requirements with respect to capitalization, investor qualifications, and application procedures in connection with establishing a foreign invested telecom enterprise. Pursuant to the FITE Regulations, unless it is otherwise prescribed by the State, foreign investors may hold an aggregate of no more than 50% of the total equity in any value-added telecommunications business in China.

REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

Trademarks

Trademarks are protected by the PRC Trademark Law (《中華人民共和國商標法》) promulgated by the SCNPC on August 23, 1982, latest amended on April 23, 2019 and effective on November 1, 2019, as well as the Implementation Regulations of the PRC Trademark Law (《中華人民共和國商標法實施條例》) promulgated by the State Council on August 3, 2002 and amended on April 29, 2014, pursuant to which, the Trademark Office of China National Intellectual Property Administration, is responsible for trademark registrations and administration, and grants a term of ten years to registered trademarks and another ten years if requested upon expiry of the first or any renewed ten-year term. In addition, the PRC Trademark Law has adopted a "first-to-file" principle with respect to trademark registration.

Copyrights

Pursuant to the PRC Copyright Law (《中華人民共和國著作權法》) promulgated by the SCNPC on September 7, 1990 and latest amended on November 11, 2020, as well as the Implementing Regulations of the PRC Copyright Law (《中華人民共和國著作權法實施條例》) promulgated by the State Council on August 2, 2002 and latest amended on January 30, 2013, the PRC citizens, legal persons, and other organizations shall, enjoy copyright in their works, whether published or not, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. The copyright owner enjoys various kinds of rights, including right of publication, right of authorship and right of reproduction, etc.

Patents

According to the PRC Patent Law (《中華人民共和國專利法》) promulgated by the SCNPC on March 12, 1984 and latest amended on October 17, 2020, as well as the Detailed Rules for the Implementation of the PRC Patent Law (《中華人民共和國專利法實施細則》) promulgated by the State Council on January 9, 2010 and latest amended on December 11, 2023, the China National Intellectual Property Administration is responsible for administering patents in the PRC. The PRC Patent Law and its implementation rules provide for three types of patents, "invention", "utility model" and "design". Invention patents are valid for twenty years, while design patents are valid for fifteen years and utility model patents are valid for ten years, commencing from the date of application.

Domain Names

Internet domain name registration and related matters are primarily regulated by the Administrative Measures on Internet Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017 and effective on November 1, 2017, and the Implementing Rules of Registration of Country Code Top-level Domain Name (《國家頂級域名註冊實施細則》), promulgated by the China Internet Network Information Center (the "CNNIC") on June 18, 2019 and effective on the same day, pursuant to which, the MIIT is in charge of the administration of PRC Internet domain names and the CNNIC is responsible for the daily administration of domain names of ".CN" and ".中国". The registration of domain names follows a "first come, first file" principle. The applicants will become the holders of such domain names upon the completion of the registration procedure.

REGULATIONS ON EMPLOYMENT AND SOCIAL WELFARE

Labor Contract Law

According to the Labor Law of the PRC (《中華人民共和國勞動法》) promulgated by the SCNPC on July 5, 1994 and last amended on December 29, 2018, enterprises and institutions shall establish and improve their system of workplace safety and sanitation, strictly abide by state rules and standards on workplace safety and sanitation, educate laborers in labor safety and sanitation in the PRC. Labor safety and sanitation facilities shall comply with state-fixed standards. Enterprises and institutions shall provide laborers with a safe workplace and sanitation conditions which are in compliance with state stipulations and the relevant articles of labor protection. The PRC Labor Contract Law (《中華人民共和國勞動合同法》, which was promulgated by the SCNPC on June 29, 2007 and amended on December 28, 2012, is primarily aimed at regulating employee/employer rights and obligations, including matters with respect to the establishment, performance and termination of labor contracts. Pursuant to the PRC labor Contract Law, labor contracts shall be concluded in writing if labor relationships are to be or have been established between enterprises or institutions and the laborers. Enterprises and institutions are forbidden to force laborers to work beyond the time limit and employers shall pay laborers for overtime work in accordance with the laws and regulations. In addition, labor wages shall not be lower than local standards on minimum wages and shall be paid to laborers in a timely manner.

Social Insurance

Enterprises in China are required by PRC laws and regulations to participate in certain employee benefit plans, including social insurance funds, namely a pension plan, a medical insurance plan, an unemployment insurance plan, a work-related injury insurance plan and a maternity insurance plan, and a housing provident fund, and contribute to the plans or funds in amounts equal to certain percentages of salaries, including bonuses and allowances, of the employees as specified by the local government from time to time at locations where they operate their businesses or where they are located. In accordance with the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) which was last amended on December 29, 2018 and other applicable laws and regulations, employers who fail to promptly contribute social security premiums in full amount shall be ordered by the social security premium collection agency to make or supplement contributions within a stipulated period, and shall be subject to a late payment fine computed from the due date at the rate of 0.05% per day; where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times of the amount in arrears.

According to the Urgent Notice of the General Office of the Ministry of Human Resources and Social Security on Implementing the Spirit of the Executive Meeting of the State Council in Stabilising the Collection of Social Security Contributions (《人力資源和社會保障部辦公廳關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) issued on September 21, 2018, local authorities at all levels responsible for the collection of social insurance are strictly forbidden to conduct self-collection of historical unpaid social insurance contributions from enterprises in a centralized manner. The Notice of the State Administration of Taxation on Implementing Measures to Further Support and Serve the Development of Private Economy (《國家稅務總局關於實施進一步支持和服務民營經濟發展若干措施的通知》) issued on November 16, 2018 and the Notice on Promulgation of the Comprehensive Plan for the Reduction of Social Insurance Premium Rate (《關於印發<降低社會保險費率綜合方案>的通知》), promulgated by the General Office of the State Council on April 1, 2019, also emphasize that the historical unpaid arrears of enterprises shall be properly treated, or in the process of the reform of the collection system, it is not allowed to conduct self-collection of historical unpaid arrears from enterprises in a centralized manner.

Housing Provident Fund

In accordance with the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) which were promulgated by the State Council on April 3, 1999 and last amended on March 24, 2019, employers shall register at the competent managing center for housing provident funds and upon the examination by such managing center of housing provident funds, these enterprises shall complete procedures for opening an account at the relevant bank for the deposit of employees' housing provident funds. Employers are also required to pay and deposit housing provident funds on behalf of their employees in full and in a timely manner. With respect to employers who violate the above regulations and fail to complete housing provident fund contribution registration or open housing provident fund accounts for their employees, such employers shall be ordered by the competent managing center of housing provident funds to complete such procedures within prescribed period. Those who fail to complete such procedures within the prescribed period shall be subject to a fine from RMB10,000 to RMB50,000. For overdue or underpayment of housing provident fund in violation of the provisions of such regulations, the managing center of housing provident funds shall order relevant employers to make contribution within prescribed period, failing which an application may be made to a people's court for compulsory enforcement.

REGULATIONS ON FOREIGN EXCHANGE

The Regulations on the Foreign Exchange Control of the PRC (《中華人民共和國外匯管理條例》), which were issued by the State Council on January 29, 1996, latest amended and became effective on August 5, 2008, classify all international payments and transfers into current account items and capital account items. Pursuant to these regulations and other PRC rules and regulations on currency conversion, 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 SAFE or its branches is obtained.

The Decisions of Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《關於取消和調整一批行政審批項目等事項的決定》) promulgated by the State council on October 23, 2014 canceled the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares.

Pursuant to the Notice on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《關於境外上市外匯管理有關問題的通知》) promulgated by the SAFE on December 26, 2014, a domestic company shall, within 15 business days from completion of its overseas listing issuance, register the overseas listing with the SAFE's local branch at the place of its incorporation. The proceeds of a domestic company from an overseas listing may be remitted to a domestic account or deposited overseas, and the use of the proceeds must be consistent with the content of the prospectus and other disclosure documents.

According to the Notice on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》), which was promulgated by the SAFE on February 13, 2015, the administrative approval for foreign exchange registration under domestic direct investment and overseas direct investment have been cancelled. A market player involved may elect a bank at the place of its incorporation for direct investment foreign exchange registration. Upon registration, it may open an account, transfer funds and other businesses for subsequent direct investment, including inward or outward remittances of profits and bonus.

Pursuant to the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Account Items (《關於改革和規範資本項目結匯管理政策的通知》) promulgated by the SAFE on June 9, 2016, discretionary settlement of foreign exchange capital income can be handled at the banks based on the actual operating needs of the domestic companies. The proportion of discretionary settlement of foreign exchange capital income for domestic companies is temporarily set at 100%. The SAFE may adjust the above proportion in due course based on international balance of payments.

On January 26, 2017, the SAFE released the Notice on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (《關於進一步推進外匯管理改革完善真實合規性審核的通知》), to further expand the settlement scope for domestic foreign exchange loans, allow settlement for domestic foreign exchange loans with export background under goods trading, allow repatriation of funds under domestic guaranteed foreign loans for domestic utilization, allow settlement for domestic foreign exchange accounts of foreign institutions operating in the Free Trade Pilot Zones, and adopt the model of full-coverage Renminbi and foreign currency overseas lending management, where a domestic institution engages in overseas lending, the sum of its outstanding overseas lending in Renminbi and outstanding overseas lending in foreign currencies shall not exceed 30% of its owner's equity in the audited financial statements of the preceding year.

On October 23, 2019, the SAFE released the Circular on Further Promoting the Facilitation of Cross-border Trade and Investment (《關於進一步促進跨境貿易投資便利化的通知》). Under this circular, on the basis that investing foreign-funded enterprises (including foreign-funded companies, foreign-funded venture capital enterprises and foreign-funded equity investment enterprises) may make domestic equity investments with their capital funds in accordance with laws and regulations, non-investing foreign-funded enterprises are permitted to legally make domestic equity investments with their capital funds under the premise that the existing special administrative measures (negative list) for foreign investment access are not violated and domestic investment projects are true and compliant.

Pursuant to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (《關於優化外匯管理支持涉外業務發展的通知》) issued by the SAFE on April 10, 2020, under the prerequisite of ensuring true and compliant use of funds and compliance with the prevailing administrative provisions on use of income under the capital account, enterprises which satisfy the criteria are allowed to use income under the capital account, such as capital funds, foreign debt and overseas listing, etc. for domestic payment, without prior provision of proof materials for veracity to the bank for each transaction. Banks shall, with the principle of prudential business development, manage and control the relevant business risks, and conduct ex post random inspection over the payment facilitation business of income under capital accounts according to the relevant requirements.

REGULATIONS ON TAXATION

Principal Taxation of Our Company In the PRC

Enterprise Income Tax

According to the of the EIT Law that was last amended and which came into effect on December 29, 2018, a resident enterprise refers to an enterprise that is established within the PRC, or which is established under the law of a foreign country (region) but whose de-facto management body is within the PRC. A resident enterprise shall pay the enterprise income tax on its income derived from both within and outside the PRC at the rate of 25%.

Pursuant to the EIT Law and its Implementation Regulations, enterprise income tax shall be exempted for income from primary processing of agricultural products. Pursuant to the Notice on Publishing the Scope of the Preliminary Processing of Farm Produce Eligible for Preferential Corporate Income Tax Policies (Trial) (《關於發佈享受企業所得稅優惠政策的農產品初加工範圍(試行)的通知》) promulgated by the MOF and the SAT on November 20, 2008, primary processing of agricultural products includes preliminary processing of fruits, such as crude juices made through cleaning out, shelling, cutting into pieces, classifying, storing up for keeping fresh and other simple processing and treatments.

Pursuant to the Announcement on Continuation of Enterprise Income Tax Policies for Large-scale Development in the Western Region (《關於延續西部大開發企業所得稅政策的公告》) promulgated by the NDRC, the MOF and the SAT on April 23, 2020, during the period from January 1, 2021 to December 31, 2030, enterprise income tax shall be levied at a reduced tax rate of 15% on enterprises established in the western region in encouraged industries.

Pursuant to the Notice on Preferential Enterprise Income Tax Policies for the Hainan Free Trade Port (《關於海南自由貿易港企業所得稅優惠政策的通知》) promulgated by the MOF and the SAT on June 23, 2020, during the period from January 1, 2020 to December 31, 2024, enterprises in encouraged industries registered in the Hainan Free Trade Port and engaging in substantive operations are entitled to enterprise income tax at a reduced tax rate of 15%. Enterprises in encouraged industries shall mean enterprises whose principal activities are industrial projects stipulated in the list of Encouraged Industries in the Hainan Free Trade Port, and whose income from their principal activities constitutes 60% or more of their total income.

Pursuant to the Announcement on Relevant Tax Policies for Further Supporting the Development of Small Low-profit Enterprises and Individually Owned Businesses (《關於進一步支持小微企業和個體工商戶發展有關稅費政策的公告》) promulgated by the MOF and the SAT on August 2, 2023, the policy of computing taxable income amount at a reduced rate of 25% for small low-profit enterprises and paying enterprise income tax at a reduced tax rate of 20% continues to apply until 31 December 2027.

Value-added Tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》), which were promulgated by the State Council on December 13, 1993, last amended and which became effective on November 19, 2017, and the Implementing Rules for the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》), which were promulgated by the MOF on December 25, 1993, last amended on October 28, 2011 and which became effective on November 1, 2011, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, the sale of services, intangible assets or immovable properties and the importation of goods within the territory of the PRC must pay the VAT. The VAT tax rates generally applicable are 17%, 11%, 6% and 3%, and the VAT tax rate applicable to the small-scale taxpayers is 3%.

Pursuant to the Notice on Adjusting Value-added Tax Rates (《關於調整增值稅稅率的通知》) that was promulgated by the MOF and the SAT on April 4, 2018 and which came into effect on May 1, 2018, for taxpayers engaging in taxable sales or import of goods, the previously applicable VAT rates of 17% and 11% are adjusted to 16% and 10%, respectively.

Pursuant to the Announcement on Relevant Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》) that was promulgated by the MOF, the SAT and the General Administration of Customs of the PRC on March 20, 2019 and which came into effect on April 1, 2019, for taxpayers engaging in taxable sales or import of goods, the previously applicable VAT rates of 16% and 10% are adjusted to 13% and 9%, respectively.

Taxation on Dividends

Individual Investors

According to the IIT Law which was promulgated on September 10, 1980 and last amended on August 31, 2018 by the SCNPC, and which came into effect on 1 January 2019, and the Regulations for the Implementation of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which were last amended by the State Council on December 18, 2018 and which came into effect on January 1, 2019, dividends paid by PRC enterprises to individual investors are generally subject to a withholding tax at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by a relevant tax treaty. In addition, pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax (《關於個人所得稅若干政策問題的通知》) issued by the MOF and SAT on May 13, 1994, the income gained by individual foreigners from dividends and bonuses of enterprises with foreign investment are exempted from individual income tax for the time being.

Corporate Investors

According to the EIT Law, and the Regulations for the Implementation of the Law of the PRC on Enterprise Income Tax (《中華人民共和國企業所得稅法實施條例》) that were last amended on December 6, 2024, where a non-resident enterprise has not set up any institutions or establishments in China, or it has done so, but its income generated in the PRC is irrelevant to the said institutions or establishments, it shall pay tax on the portion of its income generated in the PRC (including dividends received from a PRC resident enterprise whose shares are issued and listed in the Hong Kong Special Administrative Region) and the enterprise income rate is generally 10%. The aforesaid income tax payable by a non-resident enterprise must be withheld at source. The payer of the income is the withholding obligator. When making such payment or when such payment becomes due and payable, the withholding obligator shall withhold the income tax from the payment or the amount due and payable.

The Circular on Issues Relating to Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》), which was promulgated by the SAT and which came into effect on November 6, 2008, further clarifies that with regard to dividends generated after January 1, 2008, PRC resident enterprises must withhold and pay enterprise income tax at a tax rate of 10% on dividends distributed to H-share non-PRC resident enterprise shareholders. The Reply of the Imposition of Enterprise Income Tax on B-share and Other Dividends of Non-resident Enterprises (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》), which was promulgated by the SAT on July 24, 2009, further provides that any PRC resident enterprise listed on any overseas stock exchange must withhold enterprise income tax at a rate of 10% on dividends of 2008 and thereafter distributed to non-PRC resident enterprise shareholders. Such tax rates may be further changed pursuant to the tax treaty or agreement that China has concluded with a relevant jurisdiction, where applicable.

Taxes on Income from Share Transfer

Individual Investors

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

In accordance with the Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) that was promulgated by the MOF and the SAT on March 30, 1998, from January 1, 1997, income of individuals from the transfer of shares of listed companies remains exempted from individual income tax. The Circular of Issues concerning the Individual Income Tax on Individuals' Income from the Transfer of Restricted Shares of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) which was jointly promulgated on December 31, 2009 by the MOF, the SAT and the CSRC, provided that income from the transfer of shares of listed companies on relevant domestic stock exchanges by individuals shall continue to be exempt from income tax, except for the relevant restricted shares as defined in Supplemental Circular of Issues concerning the Individual Income Tax on Individuals' Income from the Transfer of Restricted Shares of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》). As of the Latest Practicable Date, the foresaid provisions don't specify whether income tax on transfer of shares of a PRC resident enterprise listed on an overseas stock exchange by non-PRC resident would be levied.

Corporate Investors

According to the EIT Law and its implementation regulations, where a non-PRC resident enterprise has not set up any institutions or establishments in China, or it has done so but its income generated in China is irrelevant to the said institutions or establishments, it shall pay tax on the portion of its income generated in China (including gains from the disposal of shares of PRC resident enterprises) and the enterprise income tax rate is generally 10%. Such tax may be reduced or eliminated under applicable tax treaties or arrangements.

REGULATIONS ON SECURITIES AND OVERSEAS LISTING

The PRC Securities Law which was latest revised on December 28, 2019 and came into effect on March 1, 2020, regulates, among other things, the issue and trading of securities, the listing of securities and takeovers of listed companies. The PRC Securities Law provides that domestic enterprises which, directly or indirectly, issue securities or list and trade their securities outside the PRC shall comply with the relevant regulations of the State Council. Currently, the issue and trading of foreign issued securities (including shares) are principally governed by the regulations and rules promulgated by the State Council and the CSRC.

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》) promulgated on July 6, 2021 call for the enhanced administration and supervision of overseas-listed China-based companies, propose to revise the relevant regulation governing the overseas issuance and listing of shares by such companies and clarify the responsibilities of competent domestic industry regulators and government authorities.

On February 17, 2023, the CSRC issued the Overseas Listing Trial Measures, which took effect on March 31, 2023. The Overseas Listing Trial Measures comprehensively reformed the regulatory regime for overseas offering and listing of PRC domestic companies' securities, either directly or indirectly, into a filing-based system. According to the Overseas Listing Trial Measures, the PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and report relevant information. Direct overseas offering and listing by domestic companies refers to such overseas offering and listing by a joint-stock company incorporated domestically. Indirect overseas offering and listing by domestic companies refers to such overseas offering and listing by a company in the name of an overseas incorporated entity, whereas the company's major business operations are located domestically and such offering and listing is based on the underlying equity, assets, earnings or other similar rights of a domestic company.

The Overseas Listing Trial Measures provides that an overseas listing and offering is explicitly prohibited, if any of the following circumstances applies: (i) where such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations or relevant state rules; (ii) where the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with laws; (iii) where the domestic company intending to make the securities offering and listing, or its controlling shareholder(s) and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) where the domestic company intending to make the securities offering and listing is suspected of committing crimes or major violations of laws and regulations, and is under investigation according to law, and no conclusion has yet been made thereof; or (v) where there are material ownership disputes over equity held by the domestic company's controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.

On February 24, 2023, CSRC and other three relevant government authorities issued the Archives Rules, which took effect on March 31, 2023. According to the Archives Rules, a domestic company that seeks overseas offering and listing shall strictly abide by applicable PRC laws and regulations, enhance legal awareness of keeping state secrets and strengthening archives administration, institute a sound confidentiality and archives administration system, and take necessary measures to fulfill confidentiality and archives administration obligations. The "domestic company" may refer to either one of the following entities: a joint-stock company incorporated domestically that conducts direct overseas offering and listing, or a domestic operating entity of a company that conducts indirect overseas offering and listing.

REGULATIONS RELATED TO THE "FULL CIRCULATION" OF H SHARE

"Full circulation" means listing and circulating on the Stock Exchange of the domestic unlisted shares of an H-share listed company, including unlisted domestic shares held by domestic shareholders prior to overseas listing, unlisted domestic shares additionally issued after overseas listing, and unlisted shares held by foreign shareholders.

On November 14, 2019, CSRC announced the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-share Listed Companies (《H股公司境內未上市股份申請"全流通"業務指引》("Guidelines for the 'Full Circulation'"), which were amended in August 10, 2023. According to the Guidelines for the "Full Circulation", shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met, and the corresponding H-share listed company may be entrusted to file with the CSRC for "full circulation". An unlisted domestic joint stock company may file with the CSRC for "full circulation" at the time of its initial public offering and listing overseas. After domestic unlisted shares are listed and circulated on the Stock Exchange, they may not be transferred back to China. Pursuant to the Overseas Listing Trial Measures, which came into effect on March 31, 2023, for a domestic company directly offering and listing overseas, shareholders of its domestic unlisted shares applying to convert such shares into shares listed and traded on an overseas trading venue shall conform to relevant regulations promulgated by the CSRC, and authorize the domestic company to file with the CSRC on their behalf.

On December 31, 2019, CSDC and Shenzhen Stock Exchange (the "SZSE") jointly announced the Measures for Implementation of H-share "Full Circulation" Business (《H股"全流通"業務實施細則》) (the "Measures for Implementation"). The businesses of cross-border conversion registration, maintenance of deposit and holding details, transaction entrustment and instruction transmission, settlement, management of settlement participants, services of nominal holders, etc. in relation to the H-share "full circulation" business, are subject to the Measures for Implementation. Where there is no provision in the Measures for Implementation, it shall be handled with reference to other business rules of the CSDC and China Securities Depository and Clearing (Hong Kong) Company Limited and SZSE.

VIETNAM

The following is a summary of the salient laws and regulations of Vietnam that are material to the Group's business in food and beverage sector in Vietnam.

REGULATIONS IN RELATION TO FOREIGN INVESTMENT

From a legal standpoint in Vietnam, foreign investors are permitted to choose from the subsequent investment structures: (i) formation of an economic organization; (ii) purchase of shares or capital contribution; (iii) the implementation of an investment project; and (iv) business cooperation agreement. The summary will concentrate on the most prevalent investment form in this section.

The establishment, operation, and management of a foreign-invested company ("**FIE**") in Vietnam — would be notably governed by the Law on Investment and the Law on Enterprises.

According to the Law on Investment, an FIE shall be deemed as an economic organization. Before the establishment of an foreign-invested economic organization, foreign investors must have an investment project and must notably apply for an investment registration certificate ("**IRC**") from the relevant Vietnamese licensing authority of the location where the investment project will be based ("**Investment Licensing Authority**"). The statutory time limit for the Investment Licensing Authority to issue the IRC is within fifteen days of its receipt of the complete and valid IRC application dossier. However, it would often take longer time in practice. The Investment Licensing Authority is either the relevant provincial Department of Planning and Investment ("**DPI**"), or the management authority of the relevant industrial zone/export processing zone/economic zone/high-tech zone, depending on the location of the investment project.

After obtaining an IRC, the foreign investor (owner) of the FIE must submit a dossier to the Business Registration Office under the DPI (the "**BRO**") to apply for an enterprise registration certificate ("**ERC**") in order to incorporate the FIE. The statutory time limit for the BRO to issue the ERC is within three working days of its receipt of the complete and valid ERC application dossier. In practice, it may actually take seven or more working days. The registration of the enterprise's tax information is a part of the enterprise registration procedure, where the enterprise code of the FIE recorded under the ERC is also the tax code of the FIE.

A foreign investor establishing an FIE may be subject to limitations on foreign investment. The foreign investors should see if the expected business lines (in both cases of new establishment of the FIE or expanding new business lines for existing FIE) fall within the list for which foreign investment is prohibited or subject to market access conditions.

After obtaining an IRC and ERC, an FIE must carry out several statutory procedures, such as signing up an account for tax declaration and implementing tax declaration and submitting periodical reports on the progress and implementation of the investment project.

REGULATIONS IN RELATION TO FOREIGN EXCHANGE CONTROL

Capital contribution

Under Vietnamese law, an FIE is required to open a "direct investment capital account" ("**DICA**") in a foreign currency or VND at a commercial bank or a branch of a foreign bank duly licensed to operate in Vietnam ("**Permitted Bank**") to implement transactions relating to foreign direct investment. The FIE can only open 1 (one) DICA for each type of currency, corresponding to the currency of the investment capital under the FIE's IRC with one Permitted Bank. Several transactions must be routed via DICA, notably: (i) contribution of capital in cash (i.e., bank transfers) made by foreign investors to the charter capital of FIE; (ii) payments for the FIE's capital transfer transactions between a resident investor and a non-resident investor, which must be made in VND and routed via the DICA in VND; (iii) drawdown and repayment of medium/long-term foreign loans borrowed by the FIE, and (iv) profit repatriation to foreign investors.

Payments

In general, Ordinance 28/2005/PL-UBTVQH11 issued by the Standing Committee of National Assembly dated 13 December 2005 enshrines the principle of liberalization of "current transactions" *(in Vietnamese: "giao dich vãng lai")* (i.e., not for the purpose of remittance of capital such as the contribution of the charter capital of the FIE as mentioned above) between residents and non-residents. All current transactions related to payments and remittance of money connected to exports, imports, short-term loans from banks, net income from direct and indirect investment, interest and repayments on foreign loans, and import or export of goods or services, may be conducted freely. However, in the territory of Vietnam, all transactions, payments, displays of prices, advertisements, quotations, pricing, and price writing in contracts and agreements and other similar forms (including conversion or adjustment of prices of goods or services, value of contracts or agreements) must not be conducted in any foreign currency except for limited cases provided by the law.

REGULATIONS IN RELATION TO ANTI-MONEY LAUNDERING

The anti-money laundering legal framework of Vietnam establishes measures to prevent, detect, halt, and address money laundering activities. The Law on Anti-Money Laundering shall be applicable to (i) reporting entities, which encompass financial entities (which are licensed to engage in certain financial services such as lending, financial leasing, payment services, payment intermediary services, etc.), entities and individuals engaged in relevant non-financial businesses (e.g. prized gaming businesses, accounting, notarization, services of establishing, managing and running an enterprise) (the "**Reporting Entities**"); (ii) Vietnamese individuals/entities, foreign individuals/entities, and other international organizations conducting transactions with the Reporting Entities; and (iii) other organizations, individuals, and agencies related to anti-money laundering matters.

The Law on Anti-Money Laundering requires the Reporting Entities to conduct measures of anti-money laundering and comply with statutory obligations taken on by Reporting Entities including:

(i) Customer identification;

(ii) Assessment of money-laundering risks;

(iii) Building upon internal regulations on anti-money laundering;

(iv) Reporting suspicious transactions;

(v) Reporting high-value transactions, with the regulated reporting threshold of VND 400 million (approximately USD16,667);

(vi) Storing/recording information and documents; and

(vii) Applying provisional measures.

Notably, the Law on Anti-Money Laundering specifies suspicious transactions in each service sector (i.e. banking, payment intermediaries, life insurance, securities, prize-awarding game, and real estate), which the Reporting Entities must report to the SBV.

REGULATIONS IN RELATION TO DATA PRIVACY

In Vietnam there is no single law generally providing for data privacy. Instead, this matter is provided in various laws and regulations such as the Constitution, the Civil Code, the Law on Commerce, the Law on Electronic Transactions, the Law on Information Technology, the Law on Cybersecurity, the Law on Cyber Information Security, and most recently Decree No. 13/2023/ND-CP issued by the Government dated 17 April 2023 on personal data protection ("**Decree 13**"). This section is focused on some key aspects of personal data protection under Vietnamese law.

Under Decree 13 which took effect from July 1, 2023, personal data refers to electronic information in the form of symbols, letters, numbers, images, sounds, or equivalences associated with an individual or used to identify an individual. Personal data includes basic personal data (*e.g. name, age, address, identity card number, phone number, email address, images*) and sensitive personal data (*e.g. health status, religion*).

Under Decree 13, the data controllers (who determine the purpose and means of personal data processing), data processors (who are engaged under a contract with a data controller to process personal data for and in accordance with the instructions of that data controller), or data controller-cum-processors (who simultaneously determine the purpose and means of personal data processing and directly conduct the personal data processing) are required to prepare, retain, and send a copy of a data protection impact assessment dossier ("**DPIA**") to the

Department of Cyber Security and Hi-tech Crime Prevention under the Vietnamese Ministry of Public Security ("**DCHCP**") within 60 days from commencement of, or changes to, personal data processing activity. The submission of DPIA can be conducted (i) directly to the headquarters of the DCHCP; (ii) through postal services; or (iii) through online submission via the DCHCP's portal specialized for data privacy (the "**Portal**").

In addition, for the processing of sensitive personal data, they are also required to designate (and notify the DCHCP of the details of) a data protection department and data protection officer.

REGULATIONS IN RELATION TO FOOD SAFETY

According to the Law on Food Safety No. 55/2010/QH12 of the National Assembly of Vietnam dated 17 June 2010 (the "**Law on Food Safety**") and other relevant regulations, the Ministry of Health and the local People's Committee are the key authorities who monitor and administer the food safety affairs.

The Law on Food Safety sets forth that entities and individuals producing and/or trading food must have a certificate of satisfaction of food safety conditions food hygiene and safety (the "**Food Safety Certificate**") issued by the competent food safety authority to legally produce and/or trade food (except for certain cases such as production and trading of food without a fixed address, traders of pre-packaged food, restaurants within hotels, street food vendors, etc.).

In addition, organizations and individuals producing and trading food being packaged processed food, food additives, food containers, and packaging materials directly contacting food (together the "**Specialized Products**"), except for the food which are not sold in Vietnam, are required to conduct the procedure of product self-declarations for the Specialized Products on their website (or at their head office) and on the food safety data information system (the "**FSDI System**") managed by a respective food safety administering authority (in case the FSDI System is not available, the product self-declaration dossier for each Specialized Product must be submitted directly to the provincial authority administering the respective Specialized Product designated by the provincial People's Committee where the establishment of the organizations and individuals is located) before selling the Specialized Products in Vietnam. Immediately after making the product self-declaration, such organizations and individuals shall have the right to produce and trade the Specialized Products and shall be wholly liable for their safety.

REGULATIONS IN RELATION TO FIRE PROTECTION AND PREVENTION

According to the Law on Fire Prevention No. 27/2001/QH10 of the National Assembly of Vietnam dated 29 June 2001 and amended on 22 November 2013 (the "**Law on Fire Prevention**") and other relevant regulations, the Ministry of Public Security, the local Fire and Rescue Police Department and the local People's Committee are the key authorities who monitor and administer the fire prevention and fighting affairs.

The Law on Fire Prevention and other relevant regulations set forth the following general fire safety requirements applicable to the premises:

(i) Having regulations, prohibition signs, signage, maps or instruction signs regarding fire prevention, fighting and escape;

(ii) Having internal and specialized firefighting forces suitable for the premises' characteristics and having received training in fire prevention and fighting operation, and on-site combat-ready firefighters according to regulations;

(iii) Having a firefighting plan approved by the competent authority;

(iv) The power system, lightning protection system, antistatic system, electrical equipment, spark-generating equipment, heat-generating equipment, and the use of fire sources and heat sources must ensure fire safety in accordance with regulations and standards on fire prevention and fighting or regulations of the Ministry of Public Security;

(v) There are sufficient and quality traffic system, water supply system and communication system supporting fire fighting, system for management of database on fire prevention and fighting, incident notification system, fire alarm system, firefighting system, fire blocking system, smoke blocking system, fire escape system, other fire prevention and fighting equipment, and rescue equipment in accordance with regulations and standards on fire prevention and fighting or regulations of the Ministry of Public Security; and

(vi) The owner or the legal user of premises which fall into the list of premises provided in Appendix V of Decree 136/2020/ND-CP issued by the Government dated 24 November 2020 ("**Decree 136**") ("**Regulated Premises**") must obtain the following key fire prevention and fighting-related approvals:

   (a) A certificate of appraisal on the fire-fighting and prevention design of the Regulated Premises ("**Design Appraisal**") issued by the provincial police authority in the location where the Regulated Premises is located before commencement of the construction of the Regulated Premises. The Design Appraisal is one of the bases for reviewing and approving planning, approving projects, appraising construction designs and issuing the construction permit for the construction of the Regulated Premises; and

   (b) An approval on the results of the final acceptance of completion of fire prevention and fighting of the Regulated Premises issued by the provincial police authority where the Regulated Premises is located before putting the Regulated Premises into operation.

Restaurants and food stores with total volume (*in Vietnamese: "khối tích")* of at least 3,000 m3 are included in the list of Regulated Premises.

REGULATIONS IN RELATION TO LABOR

Labor Code and its guiding regulations

The main law governing employment relationship in Vietnam is the Labor Code 2019 No. 45/2019/QH14 dated 20 November 2019 issued by the National Assembly ("**Labor Code**"), which applies to:

(i) Employees, trainees and apprentices, and persons working without an employment relationship;

(ii) Employers;

(iii) Foreign employees working in Vietnam; and

(iv) All other organizations or individuals that are directly related to employment relationship.

In general, companies doing business in Vietnam must ensure they follow the provisions of the Labor Code, which contains the legal framework for the rights and obligations of employers and employees with respect to working hours, overtime working, labor safety and hygiene, sexual harassment, disciplinary measures and termination of employment contracts, etc.

The employment relationship in Vietnam is also subject to other relevant laws and regulations, governmental decrees, ministerial circulars, and decisions, as well as provincial decisions and guidelines. In conjunction with these, applicable collective labor agreements, internal labor rules and individual employment contracts must be taken into consideration.

Notably, the regular working hours of employees (except for those working on a weekly basis) cannot exceed 8 hours per day, or 48 hours per week. The employer must limit the time of exposure to hazardous or harmful elements in accordance with the law and relevant national technical regulations. Employers are generally permitted to arrange the employees to work overtime, provided that it is agreed upon by both employers and employees and the regulatory capped time is adhered to.

Currently, there are four regional minimum salary levels applicable to employers, ranging from VND3,250,000 (approximately USD135.4) (the lowest level) to VND4,680,000 (approximately USD195) (the highest level) per month, depending on the locality. Employers are required to pay a salary to their employees which is not lower than the minimum salary level applicable in their region.

EMPLOYMENT OF FOREIGN EMPLOYEES IN VIETNAM

The Labor Code explicitly states that it applies to foreign nationals working in Vietnam, and the general rule is that foreign nationals working in Vietnam must comply with the Vietnamese labor laws, unless an international treaty to which Vietnam is a party determines otherwise. If an employment contract is signed with a Vietnam-based entity, the law of Vietnam must apply to that employment contract regardless of any choice of law selected by the parties.

To engage foreign personnel to work in Vietnam, the employer would need to apply to the people's committee of the province ("**Provincial PC**") where its registered office is located for approval of the need of using foreign employees, which must be done for every job position for which Vietnamese workers are underqualified. This process should be implemented before making any foreign hires or job offers.

After obtaining the Provincial PC's approval above and subject to certain exceptions (e.g. people who are responsible to establish a commercial presence; head of a representative office or of a project; entering Vietnam for a period under three months in order to offer services; etc.), the employer is required to apply for and obtain a work permit or a work permit exemption certificate from a competent Vietnamese authority. A work permit has a term of up to two years which may be extended once for up to two years.

After obtaining the work permit or work permit exemption certificate, foreign personnel entering Vietnam to work are required to obtain an employment visa (the "**LD Visa**"). After entry with the LD Visa, the foreign personnel may apply for a temporary residence card through the employer, which allows the foreign personnel to reside in Vietnam for up to two years.

INDONESIA

The following is a summary of the salient laws and regulations of Indonesia that are material to the Group's business as currently conducted in Indonesia.

Regulations on Corporation

Pursuant to the Law of the Republic of Indonesia No. 40 of 2007 on Limited Liability Company which was amended by Law No. 6 of 2023 on the Stipulation of the Government Regulation in Lieu of Law No. 2 of 2022 on Job Creation into a Law ("**Job Creation Law**") (as amended, the "**Company Law**"), a company must have at least 2 (two) shareholders which can be individuals and/or legal entities, except for: (i) several type of government-owned companies, (ii) companies that engage in the business activities related to capital market in accordance with the capital market laws and regulations, and (iii) a company that meets the criteria for micro and small businesses. A single shareholder is only allowed for the maximum period of 6 (six) months only.

The Company Law also requires the company to have the two-tier management structure, i.e. (i) the Board of Directors which has the management duty for day-to-day operations, and (ii) the Board of Commissioners who has the supervisory duty for actions conducted by the Board of Directors, whereby any member of the Board of Directors and the Board of Commissioners must be a natural person.

The capitalization structure required under the Company Law consists of: (i) authorized capital; (ii) issued capital; and (iii) paid-up capital, whereby at least 25% (twenty five percent) of the authorized capital must be issued and fully paid-up as evidenced by valid proof of deposit.

Each business activity to be carried out by the company in Indonesia is classified under (i) a certain business classification code (KBLI) as currently governed under the Regulation of the Central Bureau of Statistics (*Badan Pusat Statistik*) No. 2 of 2020 on Classification of Indonesian Business Field, and (ii) the risk level as currently governed under the Regulation of the Government of the Republic of Indonesia No. 5 of 2021 on Implementation of Risk-Based Licensing ("**GR No. 5/2021**").

Regulations on Foreign Investment

Investment in Indonesia is mainly governed by the Law of the Republic of Indonesia No. 25 of 2007 on Investment as amended by Job Creation Law (as amended, the "**Investment Law**"), and is currently overseen and coordinated by the Ministry of Investment/Investment Coordinating Board (*Badan Koordinasi Penanaman Modal* – "**BKPM**") as the authorized agency in the field of investment.

The list of business activities which are closed and opened for investment in Indonesia, including the limitations, are currently outlined in the President Regulation No. 10 of 2021 on Investment Business Fields as partially amended by the President Regulation No. 49 of 2021 (as amended, "**PR No. 49/2021**"). Under the PR No. 49/2021, the restrictions that can be applicable for foreign direct investment in Indonesia are (among others) maximum foreign ownership, single purpose business activity, obtaining a special business license, and mandatory cooperation with an Indonesian micro, small and medium enterprises.

Foreign direct investment in Indonesia must be in the form of an Indonesian Limited Liability Company or known as a foreign investment company (*Perusahaan Penanaman Modal Asing* or a "**PMA Company**"). Any PMA Company in Indonesia must comply with: (i) the minimum issued and paid-up capital of IDR 10.000.000.000,- (ten billion Indonesian Rupiah), unless specified otherwise by the laws and regulations, and (ii) the minimum investment value of more than IDR 10.000.000.000,- (ten billion Indonesian Rupiah) excluding land and building for each business activity under 5-digit KBLI classification and each project location, unless otherwise specified by laws and regulation.

Any PMA Company is also required to submit the mandatory investment report (*Laporan Kegiatan Penanaman Modal*) to the BKPM periodically, either on a quarterly or semester basis.

Regulations on Licenses

With the enactment of the GR No. 5/2021, the Indonesian Government has implemented the risk-based licensing system, whereby each business activity is classified into several categories of risks, each of which will have different licensing requirements as summarized in the below table:

No.	Risk Level	Required Licenses
a.	Low Risk	Only Business Identification Number (*Nomor Induk Berusaha* – "**NIB**") issued by the Online Single Submission system ("**OSS System**").
b.	Medium-Low Risk	NIB to be issued by the OSS System and the Standard Certificate (in the form of Self-Statement Letter) to be issued by the OSS System.
c.	Medium-High Risk	NIB to be issued by the OSS System and the Standard Certificate to be issued by the OSS System and verified by the relevant Government authority.
d.	High Risk	NIB to be issued by the OSS System and the Business License to be issued by the OSS System in integration with the relevant Government authority.

Pursuant to GR No. 5/2021, the NIB also serves as: (i) Importer's Identification Number (*Angka Pengenal Importir*), (ii) customs access rights, (iii) registration of participation of business actor with health social security and employment social security; and (iv) mandatory labor report for the first period.

Regulations on Product Quality and Consumer Protection

Food and beverage products traded in Indonesia, as well as those involved in food processing, storing, serving, and selling, must possess a Halal Certificate issued by Halal Product Assurance Organizing Body (*Badan Penyelenggara Jaminan Produk Halal*), according to among others: (i) Law of the Republic Indonesia No. 33 of 2014 on Halal Product Assurance as amended by the Job Creation Law and (ii) Government Regulation of the Republic Indonesia No. 39 of 2021 on Organization of Halal Product Assurance. Non-compliance with this requirement is subject to administrative sanctions in the form of written warnings or products recall.

Further, pursuant to Government Regulation of the Republic Indonesia No. 86 of 2019 on Food Safety, every person who produces and trades food must comply with food safety and food quality standards, which include provisions on (i) food sanitation, (ii) food additives, (iii) genetically modified food products, (iv) food irradiation, (v) food packaging, and (vi) the use of other materials.

Based on Law of the Republic Indonesia No. 18 of 2012 on Foods as amended by the Job Creation Law, everyone is prohibited from trading contaminated food, among others: (i) contains toxic, hazardous, or other materials that may endanger human health or life; (ii) contains contaminants that exceed the specified maximum threshold; and/or (iii) contains ingredients that are prohibited to be used in food production activities or processes. Non-compliance with this requirement is subject to administrative sanctions in the form of fine, temporary suspension of activities, production, and/or circulation, withdrawal of food from circulation by the producer, compensation, and/or revocation of license.

Any business actor in Indonesia shall also comply the consumer protection provisions which mainly regulated under Law of the Republic of Indonesia Number 8 of 1999 on Consumer Protection.

Regulations on Trademark

Pursuant to Law of the Republic Indonesia No. 20 of 2016 on Trademark and Geographical Indication as amended by the Job Creation Law ("**Trademark Law**"), registration of trademarks to the Indonesian Directorate General of Intellectual Property ("**Indonesian DGIP**") is essential to obtain trademarks protection in Indonesia. Upon registration, the Indonesian DGIP will issue a certificate of trademark to the trademark holder with the protection period of 10 (ten) years from the filing date and can be renewed.

Further, the Trademark Law also recognizes the concept of the license agreement which allows the trademark holder to grant the license to use its registered trademark to any third party – which the license agreement signed by the parties must be further registered to the Indonesian DGIP. Non-compliance with this registration requirement will cause the license agreement to have no legal effect on third parties.

Regulations on Employment and Social Welfare

Employment

Pursuant to the Law of the Republic of Indonesia No. 13 of 2003 on Employment as partially amended by the Job Creation Law (as amended, the "**Employment Law**"), there are 2 (two) types of employment agreement, i.e.: (i) employment agreement made for a specific period time (Fixed Term Employment Agreement); or (ii) employment agreement made for an indefinite period of time (Indefinite Period Employment Agreement). Regardless of the type of employment agreement, employers are prohibited from paying the monthly salary of their employees below the amount of the provincial minimum salary, which non-compliance thereof can be imposed with imprisonment and/or fine.

Any company which employs at least 10 (ten) employee/workers must prepare and sign a company regulation, which should be further ratified by Ministry of Manpower ("**MOM**") or the relevant Manpower Office. The ratified company regulation is valid for 2 (two) years and shall be renewed upon its expiration. Non-compliance with this obligation can be imposed with fines.

In addition, any company in Indonesia must also submit a mandatory manpower report (*Wajib Lapor Ketenagakerjaan di Perusahaan*) to the MOM on annual basis, as required under Law No. 7 of 1981 on the Mandatory Manpower Report in a Company, the MOM Regulation No. 18 of 2017 on Procedure for the Mandatory Online Reporting of Employment by Companies as lastly amended by the MOM Regulation No. 4 of 2019. Non-compliance with this obligation can be imposed with imprisonment up to 3 (three) months and fines with the maximum amount of IDR1.000.000,- (one million Rupiah).

Employee Social Security

Pursuant to the Employment Law and Law of the Republic of Indonesia No. 24 of 2011 on Social Security Organizing Agency (*Badan Penyelenggaraan Jaminan Sosial* – "**BPJS**") as amended by the Job Creation Law, any employer in Indonesia is required to enrol their Indonesian employees/workers as participants of social security, i.e. Health BPJS and Manpower BPJS. Employer will also be obligated to register foreign employees in the Health BPJS and the Manpower BPJS if such foreign employees have worked for a minimum period of 6 (six) months within Indonesian territory.

Foreign Employment Licences

Any company in Indonesia which employs foreign workers must obtain a Foreign Workers Recruitment Plan (*Rencana Penggunaan Tenaga Kerja Asing*) ratified by the MOM and a Limited Stay Permit (*Izin Tinggal Terbatas*) from the relevant Immigration Office for its foreign workers who reside in Indonesia, as required under (among others) the Employment Law, the Government Regulation No. 34 of 2021 regarding the Recruitment of Foreign Workers, Law of the Republic of Indonesia No. 6 of 2011 on Immigration as lastly amended by Job Creation Law, and the Minister of Law and Human Rights Regulations No. 22 of 2023 on Visa and Stay Permit.

The employer who employs a foreign worker is also obliged to submit a report every 1 (one) year to the MOM or an appointed official for the implementation of: (i) recruitment of foreign workers; (ii) education and job training for the Indonesian workers who are employed for transfer of technology from the foreign workers; and (iii) transfer of technology and expertise from foreign workers to such Indonesian workers.

A. *General Taxation Regulatory Overview*

General Principle of Tax in Indonesia

Pursuant to the Law of the Republic Indonesia Number 6 of 1983 regarding General Provisions on Taxation, as lastly amended by the Harmonization of Tax Regulations Law ("**Taxation Law**"), any individual or entity who fulfills the subjective and objective requirements of any type of tax and, is deemed as the "Taxpayer" and is obliged to register with the relevant Tax Office to obtain the Indonesian Tax ID (*Nomor Pokok Wajib Pajak – NPWP).*

Requirements of Income Tax and Withholding Tax in Indonesia

Income Tax and Withholding Tax in Indonesia is mainly regulated under (i) Law of the Republic Indonesia Number 7 of 1983 regarding Income Tax as lastly amended by the Harmonization of Tax Regulations Law ("**Income Tax Laws**"); and (ii) Government Regulation Number 55 of 2022 regarding the implementing income tax regulation.

Indonesia imposes a range of income taxes on individuals and corporate taxpayers, i.e.: (i) Corporate Income Tax, (ii) Individual Income Tax, (iii) Withholding tax on employees' remuneration, and (iv) Withholding tax on various payments to third parties.

The subjective requirements of the Income Tax consist of 2 (two) types of Taxpayers, i.e.: domestic taxpayers and foreign taxpayers. For domestic taxpayers in form of institution, the income tax is applicable for institution (e.g.: limited liability company) which is established and domiciled in Indonesia, with exception of certain government institutions. While for foreign taxpayers, the income tax is applicable for institutions who are not established or domiciled in Indonesia. However, such institutions earn income from Indonesia, with or without Permanent Establishment (PE).

The objective requirements of the Income Tax in Indonesia are any income in the form of any additional economic capacity received or obtained by a Taxpayer, either originating from Indonesia or outside Indonesia, which can be used for consumption or to increase the wealth of the concerned Taxpayer, under whatever name and form. The standard corporate income tax rate is 22%.

Requirements of the Value-Added Tax ("VAT") in Indonesia

VAT in Indonesia is mainly regulated under Law of the Republic Indonesia Number 8 of 1983 regarding Value-Added Tax of Goods and Services and Sales on Luxurious Goods, as lastly amended by the Harmonization of Tax Regulations Law ("**VAT Laws**").

The subjective requirement of the VAT is any entrepreneur who delivers taxable goods and/or taxable services in accordance with the requirements under the VAT Laws, which is referred to as a "Taxable Entrepreneur".

The objective requirements of the VAT are taxable goods and/or taxable services, as follows: (i) delivery of taxable goods and/or taxable services in the customs area which carried out by the Taxable Entrepreneur; (ii) import and/or export of taxable goods; (iii) utilization of intangible taxable goods from outside the customs area within the customs area; (iv) utilization of taxable services from outside the customs area within the customs area; and (v) export of intangible taxable goods, tangible taxable goods, and/or taxable services carried out by the Taxable Entrepreneur.

Prohibited Actions and Applicable Sanctions in Tax Related Matters

The Taxation Laws provide a broad scope for the prohibited actions which are categorized as tax crimes and the applicable criminal sanctions, which can be in the form of fines, confinement, and imprisonment. The violation of the Income Tax Laws and the VAT Laws will be subject to the same applicable sanctions. On another note, Article 43A of the Taxation Law regulates that a tax investigation is a process that will be executed based on the results of a Tax Examination for Preliminary Evidence *(Pemeriksaan Bukti Permulaan)* conducted by the Directorate General of Tax which indicate the violation to the Taxation Laws.

OVERVIEW

Tracing back to 1997, we embarked on the entrepreneurial journey in the realm of freshly-made drinks. Over the years, we have been committed to providing quality value-for-money products to consumers, and have developed into a leading freshly-made drinks company.

MILESTONES

The following is a summary of our key business development milestones since the commencement of our business:

Time	Milestone
1997	Mr. Zhang Hongchao, our founder and chairman of the Board, set out to open a small store named *Coldsnap Shaved Ice* "寒流刨冰" in Zhengzhou, China.
1999	Our Chinese brand name "蜜雪冰城" (Mi Xue Bing Cheng) was officially introduced.
2005	Mr. Zhang Hongchao crafted an ice cream cone (now our *Fresh Ice Cream*) priced at only RMB1 (approximately US$0.15).
2007	Mr. Zhang Hongfu, our co-founder and chief executive officer, joined our venture.
2012	We established our first centralized factory.
2013	We introduced *Freshly-Squeezed Lemonade*, *Mixue*'s first freshly-made fruit drink.
2014	We started to build our own logistics system.
2017	We launched *Lucky Cup*, our freshly-made coffee brand.
2018	The first overseas *Mixue* store was opened in Hanoi, Vietnam.
	We introduced Snow King, *Mixue*'s iconic IP and lifelong brand ambassador.
2020	The number of our stores exceeded 10,000.
2021	Our largest production base to date started operations in Henan.
2024	We have cultivated a network of over 45,000 stores spanning China and 11 overseas countries (including Indonesia, Vietnam, Malaysia, Thailand, Philippines, Cambodia, Laos, Singapore, Australia, South Korea and Japan).

OUR MAJOR SUBSIDIARIES

Set forth below are details for each of our major subsidiaries which made a material contribution to our results of operations during the Track Record Period. All of them were established in the PRC and wholly-owned by our Company.

Name of Subsidiary	Date of Establishment	Principal Business
Zhengzhou Baodao	September 28, 2010	Sales of ingredients, packaging materials and store equipment to franchisees and provision of IT services to the Group
Daka International Food	March 14, 2013	Production of ingredients and packaging materials
Snow King Smart Supply Chain Guangdong	June 22, 2018	Sales of ingredients, packaging materials and store equipment to franchisees
Shangdao Smart Supply Chain	July 5, 2018	Sales of ingredients, packaging materials and store equipment to franchisees
Snow King Smart Supply Chain Sichuan	October 23, 2020	Sales of ingredients, packaging materials and store equipment to franchisees

In June 2021, the Company increased the registered share capital of Zhengzhou Baodao from RMB20 million to RMB100 million and the registered share capital of Daka International Food from RMB50 million to RMB200 million by way of capital injection, both of which were fully settled in June 2021. There has been no other change of shareholding in any of our major subsidiaries during the Track Record Period.

MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

Establishment of our Company

To set up a centralized platform to manage our business, in April 2008, our Company was established in the PRC with a registered capital of RMB600,000 which was fully paid up in April 2010 and was controlled by Mr. Zhang Hongchao.

Major shareholding changes until 2019

In February 2015, the registered share capital of our Company was increased to RMB10 million, which was fully paid up by Mr. Zhang Hongchao.

In December 2016, Mr. Zhang Hongchao transferred 50% of his equity interests in our Company to Mr. Zhang Hongfu at a consideration of RMB5 million based on the registered share capital of our Company, which has been fully paid up. After the completion of the aforesaid share transfer, our Company was owned by Mr. Zhang Hongchao and Mr. Zhang Hongfu as to 50% and 50%, respectively.

In December 2017, our registered share capital was increased from RMB10 million to RMB100 million, which was fully paid up by (a) Mr. Zhang Hongchao as to RMB42.5 million, (b) Mr. Zhang Hongfu as to RMB42.5 million, (c) Mr. Shi Peng (時朋), a member of our senior management, as to RMB1 million, (d) Mr. Sun Jiantao (孫建濤), our Supervisor, as to RMB1 million, (e) a member of our then management team and currently an Independent Third Party, as to RMB1 million, the shares of which were subsequently transferred to Mr. Zhang Hongfu at a consideration of RMB1 million in January 2019, (f) a member of our then management team and currently an Independent Third Party, as to RMB1 million, the shares of which were subsequently transferred to Mr. Zhang Hongchao at a consideration of RMB1 million in October 2019, (g) Ms. Luo Jing (羅靜), a Director from November 2021 to December 2023, as to RMB0.8 million, and (h) Ms. Cai Weimiao (蔡衛淼), our executive Director and a member of our senior management, as to RMB0.2 million, respectively.

Our shareholding structure after the completion of the above increase of registered share capital and share transfers is set forth in the table below:

Name of Shareholder	Amount of Registered Share Capital	Shareholding in our Company
	(RMB in million)	*(%)*
Mr. Zhang Hongchao	48.50	48.50
Mr. Zhang Hongfu	48.50	48.50
Mr. Shi Peng	1.00	1.00
Mr. Sun Jiantao	1.00	1.00
Ms. Luo Jing	0.80	0.80
Ms. Cai Weimiao	0.20	0.20
Total	**100.00**	**100.00**

Further increase of share capital in 2020

In recognition of the contributions of our employees as well as long-term business partners, in June 2020, our registered share capital was increased from RMB100 million to RMB102.0408 million, which was fully paid up by Hainan Wandian Yingli Investment Partnership (Limited Partnership) (海南萬店盈利投資合夥企業(有限合夥)) ("Wandian Investment"), Qingchun Wuwei and Shiyu Zuxia at a consideration of RMB20 million, RMB10 million and RMB10 million, respectively.

Wandian Investment is owned by Mr. Chen Zhiqiang (陳志強), an Independent Third Party, and Mr. Zhang Xiaoming (張曉明), our employee, as to 85% and 15%, respectively, both of which were then our external consultants. For details of Qingchun Wuwei and Shiyu Zuxia, our employee shareholding platforms, please refer to "— Employee Shareholding Platforms" below.

Our shareholding structure after the completion of the above increase of registered share capital is set forth in the table below:

Name of Shareholder	Amount of Registered Share Capital	Shareholding in our Company
	(RMB in million)	*(%)*
Mr. Zhang Hongchao	48.50	47.53
Mr. Zhang Hongfu	48.50	47.53
Wandian Investment	1.0204	1.00
Mr. Shi Peng	1.00	0.98
Mr. Sun Jiantao	1.00	0.98
Ms. Luo Jing	0.80	0.78
Qingchun Wuwei	0.5102	0.50
Shiyu Zuxia	0.5102	0.50
Ms. Cai Weimiao	0.20	0.20
Total	**102.0408**	**100.00**

Conversion into a joint stock company and subsequent change of share capital

In December 2020, our Company was converted into a joint stock company with limited liability. After the completion of the aforementioned conversion, we completed the Pre-IPO Investment in December 2020. For details, please refer to "— Pre-IPO Investment" below.

In March 2021, our Company increased the registered share capital to RMB360 million through conversion from capital reserve and the shareholdings of each shareholder remain unchanged. After the completion of the above Pre-IPO Investment and increase of share capital, our shareholding structure as of the Latest Practicable Date is set forth below:

Name of Shareholder	Number of Shares	Shareholding in our Company
		(%)
Mr. Zhang Hongchao	153,997,224	42.78
Mr. Zhang Hongfu	153,997,224	42.78
Longzhu Meicheng	14,400,001	4.00
Shenzhen Yunqi	14,400,001	4.00
Tianjin Panxue	7,199,999	2.00
Wandian Investment	3,239,975	0.90
Mr. Shi Peng	3,175,201	0.88
Mr. Sun Jiantao	3,175,201	0.88
Ms. Luo Jing	2,540,160	0.71
Qingchun Wuwei	1,619,987	0.45
Shiyu Zuxia	1,619,987	0.45
Ms. Cai Weimiao	635,040	0.18
Total	**360,000,000**	**100.00**

ACQUISITION, MERGER AND DISPOSAL

Throughout the Track Record Period and up to the Latest Practicable Date, we did not conduct any material acquisitions, mergers or disposals.

EMPLOYEE SHAREHOLDING PLATFORMS

In recognition of the contributions of our employees and to incentivize them to further promote our development, Qingchun Wuwei and Shiyu Zuxia were established as our employee shareholding platforms in the PRC in May 2020. As of the Latest Practicable Date, all of the awards under the two platforms have been granted and vested, and, as a result, the grantees held the partnership interest of our employee shareholding platforms. There are 26 and 28 limited partners in Qingchun Wuwei and Shiyu Zuxia, respectively, as of the Latest Practicable Date. Pursuant to the relevant partnership agreements, the general partners are responsible for the management and administration of Qingchun Wuwei and Shiyu Zuxia. The limited partners are not allowed to transfer their partnership interests to parties other than the existing partners unless otherwise agreed. If any of the limited partners cease to be an employee of the Group, interests of such limited partners shall be transferred to relevant general partners or their designated parties unless otherwise agreed.

Mr. Zhang Hongchao has been the general partner of Qingchun Wuwei and Mr. Zhang Hongfu has been the general partner of Shiyu Zuxia since their establishment, respectively. As of the Latest Practicable Date, Mr. Zhang Hongchao is interested in Qingchun Wuwei as to 36% and Mr. Zhang Hongfu is interested in Shiyu Zuxia as to 15%. In addition, Ms. Zhao Hongguo (趙紅果), our executive Director and a member of our senior management, Mr. Qiu Yong (邱勇), a supervisor of Daka International Food, and Ms. Jin Ruirui (晉瑞瑞), a director of Snow King Smart Supply Chain Sichuan and Snow King Smart Supply Chain Guangdong, are interested in Qingchun Wuwei as limited partners as to 5%, 1.5%, 1.5%, respectively. Ms. Cui Haijing (崔海靜) and Ms. Yu Min (于敏), our Supervisors, are interested in Shiyu Zuxia as limited partners as to 1% and 1%, respectively. Save as disclosed above, there are no connected persons who are limited partners of Qingchun Wuwei or Shiyu Zuxia.

PRE-IPO INVESTMENT

In December 2020, Ningbo Meishan Bonded Port Area Longzhu Meicheng Equity Investment Partnership (Limited Partnership) (寧波梅山保税港區龍珠美城股權投資合夥企業(有限合夥), "Longzhu Meicheng"), Shenzhen Yunqi Investment Consulting Center (Limited Partnership) (深圳蘊祺投資諮詢中心(有限合夥), "Shenzhen Yunqi") and Tianjin Panxue Enterprise Management Partnership (Limited Partnership) (天津磐雪企業管理合夥企業(有限合夥), "Tianjin Panxue") entered into an investment agreement with the Company and our then shareholders, pursuant to which Longzhu Meicheng, Shenzhen Yunqi and Tianjin Panxue subscribed for 4,535,147 Shares, 4,535,147 Shares and 2,267,573 Shares in our Company at a consideration of RMB933,333,333, RMB933,333,333, and RMB466,666,667, respectively. As advised by our PRC Legal Advisor, the Pre-IPO Investment was conducted in compliance with all applicable laws and regulations in the PRC.

Principal Terms of the Pre-IPO Investment

The following table summarizes the principal terms of the Pre-IPO Investment:

Date of agreement	December 15, 2020
Amount of consideration paid	RMB2,333,333,333
Post-money valuation	RMB23,333,333,333
Basis of determination of the consideration	Arm's length negotiation between our Company and the Pre-IPO Investors with reference to the operational and financial performance of the Group.
Consideration payment date	January 13, 2021
Cost per Share[(1)]	RMB64.81
Discount to the Offer Price	65.24%
Use of proceeds	We utilized the proceeds from the Pre-IPO Investment for the growth and expansion of our Company's business and as our general working capital. As of the Latest Practicable Date, proceeds from the Pre-IPO Investment had been fully utilized.
Strategic benefits to our Group	At the time of the Pre-IPO Investment, we believed that our Group could benefit from the additional funds provided by the Pre-IPO Investors as well as their knowledge and experience.

Note:

(1) The cost per Share is adjusted with reference to the conversion of capital reserve to registered share capital of our Company as set out in "— Major Shareholding Changes of our Company — Conversion into a joint stock company and subsequent change of share capital" above.

Lock-up Arrangement

There are no lock-up undertakings in the investment agreement under our Pre-IPO Investment. Pursuant to PRC Company Law, Shares issued by our Company prior to the Global Offering (including those held by the Pre-IPO Investors) will be subject to a lock-up period of one year from the Listing Date.

Special Rights of the Pre-IPO Investors

The Pre-IPO investors were granted certain special rights including, but not limited to information rights, inspection rights, pre-emptive rights and anti-dilution rights. All special rights have been terminated prior to the first filing of the listing application by our Company with the Stock Exchange.

Joint Sponsors' Confirmation

On the basis that (i) the consideration for the Pre-IPO Investment was settled more than 28 clear days before the first filing of the listing application by our Company with the Stock Exchange, and (ii) the termination of special rights granted to the Pre-IPO Investors as disclosed in "Special Rights of the Pre-IPO Investors" above, the Joint Sponsors confirm that the investments by the Pre-IPO Investors are in compliance with the Pre-IPO Investment Guidance issued by the Stock Exchange effective from January 1, 2024.

Information of the Pre-IPO Investors

Set forth below are details for each of our Pre-IPO Investors. To the best of knowledge of our Company, all Pre-IPO Investors are Independent Third Parties.

Longzhu Meicheng

Longzhu Meicheng is a limited partnership established in the PRC on November 13, 2020. Longzhu Meicheng is owned as to (i) approximately 99.999% by its limited partner, Shenzhen Longzhu 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 Longzhu"), which has more than 100 beneficial owners who are individual investors and institutions, and (ii) approximately 0.001% by its general partner, Ningbo Meishan Bonded Port Area Xuezhu Enterprise Management Co., Ltd. (寧波梅山保税港區雪珠企業管理有限公司) ("Ningbo Xuezhu"). Shenzhen Longzhu is an affiliated entity of Long-Z Investments (龍珠投資), a private investment fund focusing on consumer and technology sectors. Ningbo Xuezhu is wholly-owned by Ningbo Meishan Bonded Port Area Meixing Private Fund Management Co., Ltd. (寧波梅山保税港區美興私募基金管理有限公司), which is controlled by Zhu Yonghua (朱擁華), an Independent Third Party.

Shenzhen Yunqi

Shenzhen Yunqi is a limited partnership established in the PRC on September 19, 2019. Shenzhen Yunqi is owned as to (i) approximately 99.999% by its limited partner, Zhuhai Lingxue Enterprise Management Consultation Partnership (Limited Partnership) (珠海瓴雪企業管理諮詢合夥企業(有限合夥)), which is invested by over 100 ultimate limited partners on a decentralized base, and (ii) approximately 0.001% by its general partner, Shenzhen Gao Ling Tiancheng III Investment Co., Ltd. (深圳高瓴天成三期投資有限公司), which is held by Zhang Haiyan (張海燕), Ma Cuifang (馬翠芳), Cao Wei (曹偉), Li Liang (李良) and Zhu Jia (祝佳), all being Independent Third Parties.

Tianjin Panxue

Tianjin Panxue is a limited partnership established in the PRC on November 25, 2020 focusing on investment in consumer sector. Tianjin Panxue is owned as to (i) approximately 57.13% by its limited partner, Xiamen Yuanfeng Equity Investment Fund Partnership (Limited Partnership) (廈門源峰股權投資基金合夥企業(有限合夥)) ("Xiamen Yuanfeng"), (ii) approximately 42.85% by its limited partner, Panmao (Shanghai) Investment Center (Limited Partnership) (磐茂(上海)投資中心(有限合夥)) ("Shanghai Panmao"), and (iii) approximately 0.02% by its general partner, Shanghai Pannuo Enterprise Management Service Co., Ltd. (上海磐諾企業管理服務有限公司) ("Shanghai Pannuo"). Xiamen Yuanfeng and Shanghai Panmao are owned by more than 100 beneficial owners who are individual investors and institutions. Shanghai Pannuo is wholly-owned by CITIC Private Equity Funds Management Co., Ltd. (中信產業投資基金管理有限公司), which is in turn owned as to 35% by CITIC Securities Company Limited (中信證券股份有限公司), a company listed on both the Shanghai Stock Exchange (stock code: 600030) and the Stock Exchange (stock code: 6030).

LISTING ATTEMPT

We submitted our A share listing application to the CSRC in September 2022, which was subsequently lapsed. Considering a listing on the Stock Exchange would (a) provide our Company with an international platform to promote our market awareness worldwide, (b) gain access to international capital and optimize our capital structure, and (c) further raise our market profile and help us to attract international talents, we did not renew our A share listing application based on our latest corporate development strategies. Our Directors confirm that, to their best knowledge, there are no other material matters relating to the A share listing attempt that would affect the Company's suitablity for listing on the Stock Exchange and are necessary to be disclosed in this Prospectus for investors to form an informed assessment of our Company.

Based on the due diligence conducted by the Joint Sponsors, including, among other things, reviewing relevant documents and discussing with relevant key professional parties, nothing has come to the Joint Sponsors' attention that would reasonably cause the Joint Sponsors to disagree with the Directors' view above.

CONCERT PARTY AGREEMENT

In September 2022, Mr. Zhang Hongchao and Mr. Zhang Hongfu entered into a concert party agreement, pursuant to which they acknowledged their relationship of acting in concert in the board meetings and general meetings of the Company. It is further agreed that such acting in concert relationship will continue following the listing of the Company, and Mr. Zhang Hongchao and Mr. Zhang Hongfu have no intention to terminate their acting in concert relationship upon the Listing.

CAPITALIZATION

Our Company has applied for H-share full circulation to convert certain Unlisted Shares into H Shares after the Listing. The conversion of Unlisted Shares into H Shares will involve an aggregate of 131,264,258 Unlisted Shares, representing approximately 36.46% of total issued share capital of the Company as of the Latest Practicable Date. The table below is a summary of the capitalization of our Company upon completion of the Global Offering (assuming the Over-allotment Option is not exercised) and the conversion of Unlisted Shares into H Shares:

Name of Shareholder	Number of Unlisted Shares held	Number of H Shares held	Number of Shares held in total	Shareholding in the Company
				(%)
Mr. Zhang Hongchao	100,098,196	53,899,028	153,997,224	40.84
Mr. Zhang Hongfu	100,098,196	53,899,028	153,997,224	40.84
Longzhu Meicheng	8,640,001	5,760,000	14,400,001	3.82
Shenzhen Yunqi	8,640,001	5,760,000	14,400,001	3.82
Tianjin Panxue	3,600,000	3,599,999	7,199,999	1.91
Wandian Investment	–	3,239,975	3,239,975	0.86
Mr. Shi Peng	1,905,121	1,270,080	3,175,201	0.84
Mr. Sun Jiantao	1,905,121	1,270,080	3,175,201	0.84
Ms. Luo Jing	1,524,096	1,016,064	2,540,160	0.67
Qingchun Wuwei	971,993	647,994	1,619,987	0.43
Shiyu Zuxia	971,993	647,994	1,619,987	0.43
Ms. Cai Weimiao	381,024	254,016	635,040	0.17
Other public shareholders	–	17,059,900	17,059,900	4.52
Total	**228,735,742**	**148,324,158**	**377,059,900**	**100.00**

PUBLIC FLOAT

Following the conversion of the Unlisted Shares into H Shares and upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised):

(a) (i) Mr. Zhang Hongchao, Mr. Zhang Hongfu, Qingchun Wuwei, Shiyu Zuxia, our Controlling Shareholders, (ii) Mr. Sun Jiantao, our Supervisor, and (iii) Ms. Cai Weimiao, our executive Director, will be deemed as our core connected persons and a total of 315,044,663 Shares held by them will not be counted towards the public float, representing 83.55% of our share capital in aggregate;

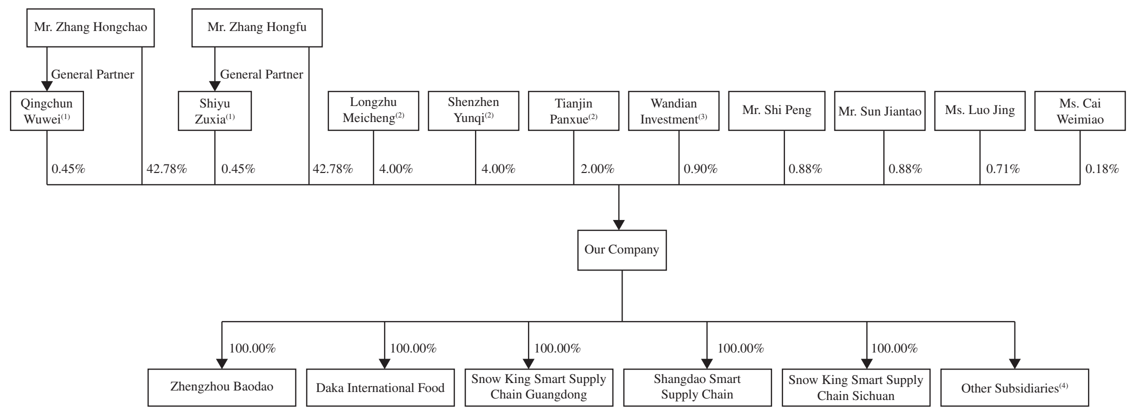
(b) a total of 24,309,219 Unlisted Shares held by Longzhu Meicheng, Shenzhen Yunqi, Tianjin Panxue, Mr. Shi Peng and Ms. Luo Jing will not be converted into H Shares and listed on the Stock Exchange, and therefore will not be counted as part of the public float, representing 6.45% of our share capital in aggregate; and

(c) a total of 20,646,118 Unlisted Shares held by Longzhu Meicheng, Shenzhen Yunqi, Tianjin Panxue, Wandian Investment, Mr. Shi Peng and Ms. Luo Jing will be converted into H Shares and listed on the Stock Exchange, and therefore will be counted as part of the public float, representing 5.48% of our share capital in aggregate. None of Longzhu Meicheng, Shenzhen Yunqi, Tianjin Panxue, Wandian Investment, Mr. Shi Peng or Ms. Luo Jing are accustomed to take instructions from any core connected persons in relation to the acquisition, disposal, voting or other disposition of their Shares and none of their acquisition of the Shares were financed directly or indirectly by our core connected persons.

The public float of our Company immediately upon the Listing will be 10%. We have applied to the Stock Exchange to request the Stock Exchange to exercise its discretion under Rule 8.08(1)(d) of the Listing Rules, and the Stock Exchange has granted our Company a waiver from strict compliance with the requirements of Rule 8.08(1)(a) of the Listing Rules. For details, see "Waivers and Exemption — Waiver in respect of Public Float Requirement".

SHAREHOLDING AND CORPORATE STRUCTURE IMMEDIATELY PRIOR TO THE COMPLETION OF THE GLOBAL OFFERING

The following chart sets forth our Group's simplified shareholding and corporate structure immediately prior to the completion of the Global Offering:



Notes:

(1) Please see "— Employee Shareholding Platforms" in this section for details.

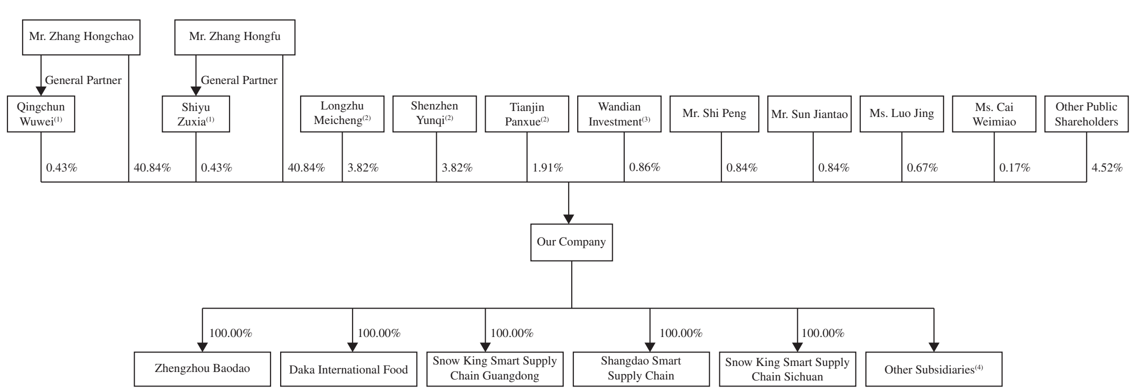
(2) Please see "— Pre-IPO Investment — Information of the Pre-IPO Investors" in this section for details.

(3) Please see "— Major Shareholding Changes of our Company — Further increase of share capital in 2020" in this section for details.

(4) Including other 47 subsidiaries which are wholly-owned by our Company or non-wholly-owned by our Company and Independent Third Parties.

SHAREHOLDING AND CORPORATE STRUCTURE IMMEDIATELY AFTER THE COMPLETION OF THE GLOBAL OFFERING

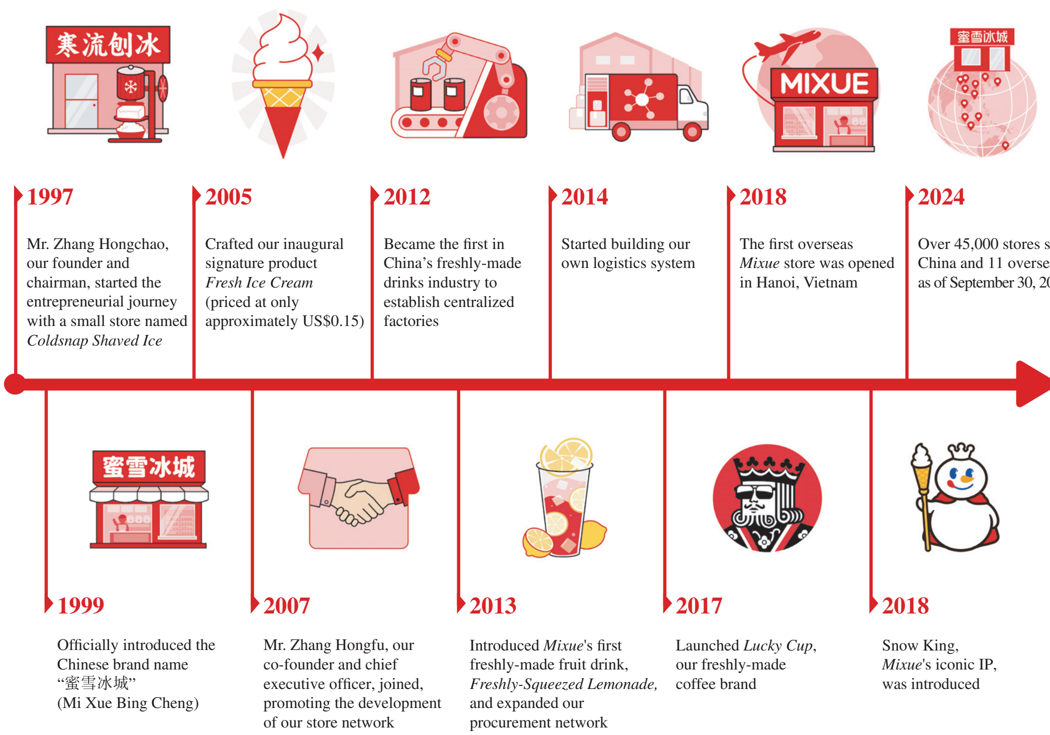
The following chart sets forth our Group's simplified shareholding and corporate structure immediately after the completion of the Global Offering (assuming the Over-allotment Option is not exercised):



Note: For notes (1) to (4), please see "- Shareholding and Corporate Structure Immediately Prior to the Completion of the Global Offering" in this section. For the Unlisted Shares and H Shares held by each of the Shareholders, please see "– Capitalization" in this section.

OVERVIEW

We are a leading freshly-made drinks company. We are committed to providing value-for-money products to consumers, including freshly-made fruit drinks, tea drinks, ice cream and coffee, typically priced around one U.S. dollar (approximately RMB6) per item. We have two major brands – freshly-made tea drinks brand *Mixue* and freshly-made coffee brand *Lucky Cup*. Through a franchise model, we have cultivated a network of over 45,000 stores spanning China and 11 overseas countries (including Indonesia, Vietnam, Malaysia, Thailand, Philippines, Cambodia, Laos, Singapore, Australia, South Korea and Japan) as of September 30, 2024. In 2023 and the nine months ended September 30, 2024, approximately 7.4 billion and 7.1 billion cups of drinks were sold through our store network, respectively. We are the largest freshly-made drinks company both in China and worldwide in terms of number of stores as of September 30, 2024, according to CIC. In terms of number of cups sold in 2023, we are also China's largest, and the world's second largest freshly-made drinks company.



In 1997, Mr. Zhang Hongchao, our founder and chairman of the Board, set out to open a small store named *Coldsnap Shaved Ice* "寒流刨冰" in Zhengzhou, China. With a homemade shaved ice machine, Mr. Zhang Hongchao embarked on the entrepreneurial journey in the realm of freshly-made drinks. In 1999, the Chinese brand name "蜜雪冰城" (Mi Xue Bing Cheng) was officially introduced – a name that signifies sweetness and refreshing coolness.

In 2005, Mr. Zhang Hongchao crafted an ice cream cone (now our *Fresh Ice Cream*) through continuous experiments and refinements, using ingredients including milk, eggs, corn flour and sugar while priced at only RMB1 (approximately US$0.15). This *Fresh Ice Cream* was an instant hit and became our inaugural signature product. Over time, with ingredient upgrades and recipe refinements, *Fresh Ice Cream*, now priced at only RMB2 (approximately US$0.30), continues to captivate consumers. In the nine months ended September 30, 2024, approximately 501 million cups of *Fresh Ice Cream* were sold through our store network in China, solidifying its position as one of the best-selling items in China's freshly-made drinks industry.

In 2007, Mr. Zhang Hongfu, our co-founder and chief executive officer, joined our venture. Leveraging his successful first-hand experience in operating stores, Mr. Zhang Hongfu formulated a standardized system for store operations and management, which we subsequently rolled out through a franchise model. Similar to our franchisees who are themselves entrepreneurs building a business from the ground up and standing at the forefront of store operations, Mr. Zhang Hongchao and Mr. Zhang Hongfu empathize profoundly with our franchisees, and adhere to the alignment of interests with them. This empathy enables us to continuously expand our franchise network, achieve an unparalleled scale of store network, and deliver a consistently compelling consumer experience. As of September 30, 2024, we had over 19,000 franchisees.

In 2012, we became the first in China's freshly-made drinks industry to establish centralized factories. With the rapid growth of our business, we decided to venture upstream into production to ensure the quality and stability of ingredients supply while achieving cost optimization and efficiency improvement. Through over ten years of efforts, we have built five production bases occupying a total of approximately 0.79 million square meters, covering a full range of ingredients including products of syrups, milk, tea, coffee, fruit, grains and condiments ("糖、奶、茶、咖、果、糧、料"). Our total annual production capacity reached approximately 1.65 million tons, and we possessed 124 patents as of September 30, 2024. *Mixue* is one of the very few brands in China's freshly-made drinks industry from which franchisees procure 100% of their ingredients, packaging materials and store equipment. Over 60% of the ingredients we provide to franchisees are self-produced, the highest in China's freshly-made drinks industry according to CIC, with the core ingredients being 100% self-produced.

In 2013, with the introduction of *Freshly-Squeezed Lemonade*, *Mixue*'s first freshly-made fruit drink, we extended our procurement network upstream to cover agricultural products. Over the years, we have continuously enhanced our global procurement network to access premium resources, while establishing collaborative planting bases to ensure direct and stable supply of agricultural products. For example, we are the largest lemon purchaser in China in terms of purchase volume in 2023, according to CIC. In 2023, we procured approximately 115,000 tons of lemons, with the majority sourced from our collaborative planting base situated in Anyue, Sichuan.

In 2014, we started building our own logistics system and became the first in China's freshly-made drinks industry to offer nationwide free logistics services to our franchisees, supporting their store expansion across China without potential constraints related to long-haul logistics expenses. Through ten years of development, our self-operated warehouse system and dedicated delivery network now support the most extensive store network in the industry. As of September 30, 2024, our delivery network covered 31 provinces, autonomous regions and municipalities, including over 300 cities, 1,700 counties and 4,900 towns in mainland China. As of September 30, 2024, we were capable of reaching over 90% of the counties in mainland China within 12 hours.

Through a series of measures including establishing our global procurement network, production bases and logistics system, we have built a comprehensive end-to-end supply chain at the largest scale in China's freshly-made drinks industry, encompassing essential aspects covering procurement, production, logistics, R&D and quality control. This expansive and highly efficient supply chain is the bedrock of our ability to offer quality products with value for money, supporting our expansion across geographies and product categories.

In 2017, we launched *Lucky Cup*, our freshly-made coffee brand. Sharing the same mission as *Mixue*, *Lucky Cup* remains steadfast in providing quality freshly-made coffee with value for money to everyone. With a network of over 2,900 stores, *Lucky Cup* ranks as the 4th largest freshly-made coffee brand in China in terms of number of stores as of December 31, 2023, according to CIC.

In 2018, the first overseas *Mixue* store was opened in Hanoi, Vietnam. We aspire to bring the sweetness and love embodied in our quality freshly-made drinks with value for money to overseas consumers. *Mixue* is the largest freshly-made tea drinks brand in Southeast Asia in terms of number of stores as of December 31, 2023, according to CIC. As of September 30, 2024, we had approximately 4,800 stores outside mainland China.

With over 20 years of efforts and accumulations, *Mixue* has become a household brand. To humanize our brand and elevate it to new heights, we introduced Snow King "雪王", *Mixue*'s iconic IP and lifelong brand ambassador in 2018, with a vibrant matrix of audio and video content. Today, Snow King stands out as a cultural symbol that extends beyond the realm of drinks. Across different countries and diverse cultural background globally, Snow King has gathered a vast and loyal fanbase. As of the Latest Practicable Date, the hashtags for Snow King and *Mixue* theme song had garnered more than 19.5 billion and 9.7 billion views across major social platforms, respectively. As of September 30, 2024, *Mixue* had approximately 315 million registered members.

Our founders and management team have always adhered to the long-term perspective, carrying a strong sense of social responsibility and implementing sustainable development strategies. With Mr. Zhang Hongchao as chairman and Mr. Zhang Hongfu as vice chairman of our dedicated ESG Committee, we are committed to being a socially and environmentally responsible company, creating job opportunities, empowering farmers, promoting green development and advocating for social welfare. As of the Latest Practicable Date, approximately 35% of our franchisees, and 69% of store employees were female. In 2023, our efforts in green packaging upgrades led to a substantial reduction in the consumption of PE plastics by over 12,700 tons. We have also entered into a long-term industry-academia-research partnership with Jiangnan University and provided support to Westlake University in advancing R&D on biodegradable plastics.

In 2021, 2022, 2023 and the nine months ended September 30, 2024, GMV generated through our store network amounted to approximately RMB22.8 billion, RMB30.7 billion, RMB47.8 billion and RMB44.9 billion, respectively, which makes us the largest freshly-made drinks company in China in 2023, according to CIC. We achieved strong financial performance throughout the Track Record Period, with robust growth, high profitability and ample cash flows on top of a large scale. In 2022, 2023 and the nine months ended September 30, 2024, we recorded revenue of RMB13.6 billion, RMB20.3 billion and RMB18.7 billion, respectively, representing year-over-year growth of 31.2%, 49.6% and 21.2%. Our net profit amounted to RMB2.0 billion, RMB3.2 billion and RMB3.5 billion in 2022, 2023 and the nine months ended September 30, 2024, respectively, growing by 5.3%, 58.3% and 42.3% year-over-year. We have consistently generated net cash flows from operating activities, which totaled RMB1.7 billion, RMB2.4 billion, RMB3.8 billion and RMB5.1 billion in 2021, 2022, 2023 and the nine months ended September 30, 2024, respectively.

OUR COMPETITIVE STRENGTHS

Largest freshly-made drinks company in China and worldwide

We are the largest freshly-made drinks company both in China and worldwide in terms of number of stores as of September 30, 2024, according to CIC. In terms of number of cups sold in 2023, we are also China's largest, and the world's second largest freshly-made drinks company. Our store network spans over 45,000 stores across China and 11 overseas countries as of September 30, 2024. We are the only company in China's freshly-made drinks industry with a network of more than 40,000 stores, consistently ranking the 1st in terms of number of stores since 2018. With approximately 37,000 stores, our brand *Mixue* is China's largest freshly-made tea drinks brand in terms of number of stores as of September 30, 2024. As of December 31, 2023, our freshly-made coffee brand *Lucky Cup* had a network of over 2,900 stores, which stands out as the 4th largest freshly-made coffee brand in China. Internationally, we had over 4,000 *Mixue* stores as of December 31, 2023, quickly emerging as the largest freshly-made tea drinks brand in Southeast Asia. In 2023 and the nine months ended September 30, 2024, approximately 7.4 billion and 7.1 billion cups of drinks were sold through our store network, respectively.

The freshly-made drinks market has tremendous growth potential. China's freshly-made drinks market is projected to grow at a CAGR of 17.6% from 2023 to 2028 to reach RMB1.2 trillion in 2028. Within this market, mass-market freshly-made drinks not only address growing consumer demands for value-for-money products, but also offer fresher products and engaging consumer experience compared to other similarly priced mass-market drinks products. Consequently, mass-market freshly-made drinks segment exhibits the highest growth rate among all segments by price range, growing at a CAGR of 22.2% from 2023 to 2028. Compared to higher-priced alternatives, excelling in this segment calls for more in a company's supply chain breadth and depth and brand reputation. Therefore, leading companies in this segment have not only enjoyed competitive advantages, but also erected substantial entry barriers. With the hard-to-replicate know-how in establishing an expansive and highly efficient supply chain infrastructure, building a household brand, and managing an extensive franchised store network, we believe we are able to capture the global opportunities, and continue to achieve our scalable and sustainable growth.

Highly-digitalized end-to-end supply chain pivotal to quality products with value for money

As the first company to establish centralized factories, we currently operate a highly-digitalized end-to-end supply chain at the largest scale in China's freshly-made drinks industry. *Mixue* is one of the very few brands in China's freshly-made drinks industry from which franchisees procure 100% of their ingredients, packaging materials and store equipment. Over 60% of the ingredients we provide to franchisees are self-produced, the highest in China's freshly-made drinks industry according to CIC, with the core ingredients being 100% self-produced.

An extensive global procurement network

Through a global procurement network spanning 38 countries across six continents, we gain access to a wide range of quality raw materials resources from their origins, and utilize digital tools to ensure the quality and stability of supply. We possess a substantial procurement scale, acquiring approximately 115,000 tons of lemons, 51,000 tons of milk powder, 46,000 tons of oranges, 16,000 tons of tea and 16,000 tons of green coffee beans in 2023. As a result, we are able to secure many core raw materials at prices below the industry average. For example, our procurement costs for milk powder and lemons of the same type and quality were approximately 10% and over 20% lower than our peers on average in 2023, respectively.

Most comprehensive product portfolio at largest scale

As of September 30, 2024, our production encompasses a comprehensive product portfolio at the largest scale in the supply chain of China's freshly-made drinks industry, according to CIC. As a result, we are able to offer a one-stop ingredients solution with full categories including products of syrups, milk, tea, coffee, fruit, grains and condiments. Recently, we obtained a food production license for liquid milk products, making us the only freshly-made drinks company in China to hold such a license. This milestone has paved the way for in-house fresh milk production and expanded opportunities to refine our product offerings. We have five production bases with a total annual production capacity of approximately 1.65 million tons. Our approach to production is to leverage the profound strengths of China manufacturing capabilities, and incorporate world standards in factory construction and production management. We have built smart factories housing over 60 intelligent production lines, equipped with advanced automation equipment and digital tools. Our ingredient production maintained a depletion rate of 0.71% in the nine months ended September 30, 2024, which was significantly below the industry average. We also produce certain essential packaging materials and store equipment in-house to enhance quality and cost efficiency. For example, we produced packaging bottles for syrups to achieve cost savings of approximately 50% compared to external procurements in the nine months ended September 30, 2024. These cost advantages, enabled by our extensive scale and our sophisticated and intelligent production management, make it difficult for other companies within our industry to replicate and achieve the same level of both quality and value for money for core ingredients.

Logistics system for the most extensive store network in China

By deeply integrating a nationwide self-operated warehouse system and dedicated local delivery services, we have established an effective, digitalized logistics system to support the most extensive store network in China's freshly-made drinks industry. In 2014, we became the first in China's freshly-made drinks industry to build a self-operated warehouse system, which currently is the largest in the industry, with 27 warehouses and approximately 350,000 square meters as of September 30, 2024. Our delivery network has the broadest geographical coverage and the deepest penetration in lower-tier markets in the industry, spanning 31 provinces, autonomous regions and municipalities, over 300 cities, 1,700 counties and 4,900 towns across mainland China. In addition, we are able to precisely manage each end-of-line delivery through digital tools by synchronizing goods flow, information flow, fund flow and logistics flow. As such, we have gained a competitive edge in managing logistics costs and efficiency, while consistently exceeding industry average in delivery time and quality. As of September 30, 2024, we were capable of reaching over 90% of the counties in mainland China within 12 hours, and our cold chain logistics covered approximately 97% of our store network in mainland China.

Seamless integration of both application and fundamental R&D

Our R&D efforts are focused on application R&D for product taste and recipes, as well as fundamental R&D for ingredient-related technologies, production techniques, recipes and equipment. Our key R&D strengths lie in the seamless and synergetic integration of both application and fundamental R&D. As a result, we can continuously offer quality value-for-money products. Our professional R&D team excels not only in developing classic products but also in introducing seasonal and regional products continuously, which gain popularity among consumers. In addition, we achieved multiple technological breakthroughs. We are among the first-movers in our industry to introduce a rapid-cooking technique for tapioca balls, nearly doubling their in-store preparation efficiency. We have self-developed proprietary innovative techniques and self-produced premium trans-free dairy-based powder, securing stable supplies while achieving cost savings. To elevate the flavor of our drinks and meet consumers' growing demand for health-conscious options, we have developed a proprietary production technique for fresh milk blend base which enables us to make drinks with a fresher, healthier recipe while achieving a velvety texture and rich, indulgent taste. We employ the proprietary spray drying method for ice cream powder production to improve ice cream quality. Additionally, we are the only industry player providing our franchisees with self-developed and self-produced semi-automatic coffee machines.

Robust quality control along the supply chain

We uphold a robust supply chain quality control system, overseen by a dedicated team of approximately 290 employees, to ensure consistent high quality across our supply chain including stringent food safety standards, a production pass rate exceeding 99.99%, and an intact delivery rate exceeding 99.99% in the nine months ended September 30, 2024.

Household brand *Mixue* and iconic IP Snow King with a vast consumer and fan base

Our value proposition of offering value-for-money products and our brand culture centered around sweetness and love have enabled *Mixue* to become a household brand with a vast consumer and fan base. As of September 30, 2024, *Mixue* has garnered approximately 315 million registered members. As of the Latest Practicable Date, *Mixue* had a total of approximately 47 million followers across six major social platforms, including Weixin, Douyin, Kuaishou, rednote, Weibo and Bilibili, which represent the largest base of followers in the freshly-made drinks industry in China.

To humanize our *Mixue* brand and deepen our emotional connection with consumers, we introduced our IP, Snow King, in 2018. Snow King quickly became the sole iconic IP in China's freshly-made drinks industry, setting our brand apart from other brands in the industry. Centered around this endearing cartoon character, who holds an ice cream scepter, we curate a variety of high-quality auditory and visual content including our theme song, short videos and animations. Such content not only nurtures a community of engaging consumers and fans, but also inspires them to re-create content. As of the Latest Practicable Date, the hashtags for Snow King and *Mixue* theme song, "I Love You, You Love Me, Mixue Ice Cream & Tea", had garnered more than 19.5 billion and 9.7 billion views across major social platforms, respectively. Additionally, our animated TV series, "The Legend of Snow King", amassed over 220 million views since its debut in August 2023. Building on a loyal following, we launched another animated TV series, "Snow King and the Sands of Mystery" on December 21, 2024. In Vietnam, social media topics about the Snow King Children's Day painting event in 2023 received approximately 70 million views. Today, Snow King extends beyond the realm of drinks, transforming into a cultural symbol.

We have established a comprehensive online and offline branding and marketing matrix to accelerate brand building. We leverage social media and creative content to promote Snow King IP-related marketing online. As of the Latest Practicable Date, the hashtag #*Mixue* had garnered over 44.4 billion views on Douyin. Offline, we connect with our vast consumer base through our expansive network of over 45,000 stores and a variety of activities such as Snow King parades and music festivals. We also seamless integrate online-offline events for effective marketing campaigns. The internet traffic generated by our iconic Snow King, widespread store network and robust marketing matrix have significantly enhanced our marketing efficiency. In the nine months ended September 30, 2024, our branding and promotion expenses represented 0.9% of our revenue.

Interest-aligned franchise model and highly-digitalized operational system leading to a healthy franchised store network

We believe our interest-aligned franchise model drives our franchisees' decision to partner with us. The initial investment and franchise fee for our stores are below the average within China's freshly-made drinks industry. Our expansive and highly efficient supply chain provides franchisees with a competitive one-stop solution to improve their profitability. In addition, we stand by our franchisees during challenging times. In early 2022, to better support the franchisees during the COVID-19 pandemic, we announced the waiver of one-year franchise fees for all existing *Mixue* franchisees in China by the end of 2021. Subsequently during the same year, we lowered prices for 69 store supplies and equipment items sold to our franchisees, with an average price reduction of 15%.

Our interest-aligned cooperation with franchisees is also demonstrated by our standardized management, and continuous support and empowerment of franchisees. We implement standardized management over site selection, store format, store operations and marketing to enable our franchisees to be more successful. We provide centralized trainings to franchisees and their store employees to ensure quality store operations. In addition, we empower franchisees through our smart store solutions to enhance their operational efficiency such as effectively managing their store-level inventory.

Under the philosophy of aligning interests with franchisees, we have together achieved an unparalleled store scale and built a healthy and sustainable franchise model. As of September 30, 2024, we had over 19,000 franchisees, and we have also earned an excellent reputation among our franchisees. During the Track Record Period, we received a total of over 4.2 million franchise inquiries, forming a substantial candidate pool for selecting quality franchisees.

Substantial long-term growth supported by scalable expansion across geographies and product categories

With our profound insight into consumer demands, extensive brand operating experience, efficient supply chain, robust R&D and production capabilities, and proven franchise model, we have scaled the extension of our operating footprints from China to the Southeast Asia market, and the expansion of our product categories from freshly-made tea drinks to freshly-made coffee.

Since 2018, we have expanded across the Southeast Asia market. By combining our extensive experience and know-how accumulated in China, and a series of locally-tailored innovative measures, we have grown rapidly in these markets. We maintained many classic products on our local menus, and rolled out certain tailored offerings based on the insights into consumption patterns in specific markets. We combine our unique production capabilities in China with high-quality local resources to create an ingredient supply solution suitable for targeted markets. In addition, we fully capitalize on our Snow King to launch a broad array of locally-tailored marketing activities, leading to the wide acceptance and viral dissemination of our brand in the Southeast Asia market. For example, the hashtag #mixueindonesia had been viewed approximately 2.6 billion times cumulatively on TikTok as of the Latest Practicable Date. Furthermore, building upon proven franchise management practices in China, we have implemented country-specific franchisee selection and training measures. As of December 31, 2023, we are the largest freshly-made tea drinks brand in Southeast Asia with over 4,000 *Mixue* stores.

In 2017, we ventured into the freshly-made coffee industry with the launch of our *Lucky Cup* brand, which is priced significantly below the industry average for similar products. Our ability of delivering value-for-money products is achieved through controlling the most critical factors affecting coffee quality, including core ingredients such as coffee beans and milk, essential store equipment like coffee machines, and in-store preparation standards for drinks. We source our Arabica coffee beans from regions such as Ethiopia, Colombia, Brazil, and Indonesia, and have built large-scale smart roasting facilities, leading China's freshly-made drinks industry in both price and quality control. Our high-quality coffee beans were recognized with one Platinum Medal and 21 Gold Medals from the IIAC International Institute of Coffee Tasters in Italy between 2022 and 2024. Moreover, we source high-quality milk from top-tier dairy companies in China. With a network of over 2,900 stores, *Lucky Cup* ranks as the 4th largest freshly-made coffee brand in China in terms of number of stores as of December 31, 2023.

We believe we are well positioned to harness the substantial growth opportunities in the Southeast Asia market and in the freshly-made coffee industry, building upon our initial achievements and leadership in these areas.

Resilient founders and management team anchoring a unique corporate culture centered around authenticity and strong ESG commitment

Since inception, our founders have adhered to our core values of sincere people, genuine hearts, and authentic products, and are dedicated to fostering a corporate culture rooted in authenticity. With a commitment to our mission of enabling everyone around the world to enjoy quality delicious products with value for money, we focus on continuously offering quality products across categories while maintaining affordable prices. As a part of our mission of making our brands stronger, we continuously enhance our end-to-end supply chain, and investing in our iconic IP, Snow King. To make our partners more successful, we leverage our highly efficient operations to help franchisees succeed, and share our achievements.

Our founders and management are strong believers in social responsibility, championing long-term sustainable development. As of the Latest Practicable Date, approximately 35% of our franchisees, and 69% of store employees were female. We continuously enhance our efforts in environmental protection, decarbonization and energy saving, and refined production, upholding the business philosophy of being low-carbon, green, and environment-friendly. In the area of rural revitalization, we strive to enhance the quality of life for farmers by aiding them in improving scientific cultivation capabilities. During the Track Record Period, we donated around RMB100 million, supporting areas such as natural disaster relief, education assistance, and environmental protection-related scientific research.

We attribute our growth and success to the resilience, long-term collegiality and the ability to learn and evolve of our founders and management. For over 20 years, we have not only endured multiple economic and industry cycles, but also navigated challenges from external competition and internal transformations. Starting from the front lines of business operations, most of our founders and management have collaborated to shape our shared values. Aged 39 on average, our founders and management are young industry veterans, with an average of 17 years of experience in relevant industries. The traits of our management and our unique corporate culture have laid a solid foundation for building brands lasting for centuries.

OUR STRATEGIES

For over 20 years, we have built strong and successful brands by staying simple and focused. We will capture the change of the times, and continue to build sustainable global brands lasting for centuries with the following strategies.

Solidifying our strong leadership in China's freshly-made drinks industry and pursuing overseas expansion opportunities

We will continue to grow our store network in China. For *Mixue*, we will further enter into new markets and expand in existing markets to cover a broader consumer base. For *Lucky Cup*, we plan to leverage our Group's robust supply chain and strong operational capabilities to accelerate the nationwide store expansion.

As of September 30, 2024, we have established store presence across 31 provinces, autonomous regions and municipalities, including over 300 cities, 1,700 counties and 4,900 towns in mainland China. With around 30,000 towns in China and our competitive edge in lower-tier markets, we are well positioned to penetrate into geographic markets we have not covered, while continuously expand in existing markets across all city tiers and regions.

Primarily offering mass-market freshly-made drinks, we believe our penetration and expansion plans will address consumers' common demands for quality products with value for money. China's freshly-made drinks market, as measured by GMV, is projected to reach RMB1.2 trillion by 2028. Within this market, mass-market freshly-made drinks segment is anticipated to experience the highest growth rate, with a CAGR of 22.2% from 2023 to 2028 surpassing the overall CAGR of 17.6% for China's freshly-made drinks market during the same period. The rapid growth is mainly fueled by the increasing penetration of mass-market freshly-made drinks within China's overall drinks market, and the growing consumer preferences for mass-market freshly-made drinks.

Overseas, while our specific plans for each country or region will be adjusted based on the local operational environment and our performance, we will remain focused on cultivating the Southeast Asia market, including Indonesia and Vietnam, and continue to expand our franchised store network locally. Additionally, we plan to tap into other markets in due course to build a more globalized brand. We use a holistic approach in determining the specific markets to enter, taking into account the population size, economic growth, income level, local culture, consumer preferences, etc.

Further strengthening infrastructure and operational systems to fulfill our vision to build brands lasting for centuries

First, we will enhance our end-to-end supply chain. In China, we will continue to elevate the breadth and depth of our supply chain, secure more diverse premium resources, and build a more agile and efficient logistics system, continue to invest steadily in production capacity expansion, and enhance R&D and innovation driven by new technologies and new materials. For instance, we plan to construct new facilities in our Hainan production base dedicated to the production of frozen fruit products, coffee products, syrups and condiments that could offer more diversified ingredient supplies for our drinks, which commenced construction in 2023 and are expected to complete in 2025. In addition, we plan to add production capacities in other production bases in China to support our growing store network. Internationally, we aim to establish a more versatile and dynamic global supply chain platform to effectively support our globalization strategies and overseas business expansion. In particular, we plan to establish a multi-functional supply chain center in Southeast Asia. With our position being the largest freshly-made tea drinks brand in Southeast Asia market and our continued focus on cultivating this market, establishing a local supply chain center with production capabilities will be important to support our growing local presence. For example, the local production facilities can leverage our existing raw materials procurement in Southeast Asia such as tropical fruits for cost management, and allow ingredients to reach our Southeast Asia store network more efficiently compared to shipping from our China production bases. The new supply chain center is expected to be at a location to offer effective support for countries where we have strong operations, while considering other factors such as cost and labor supply. The capabilities and functions of the center include (i) local production capabilities for ingredients such as fruit products and condiments, with a special focus on using locally procured raw materials, (ii) R&D center, (iii) digitalized supply chain operations, and (iv) training facilities. The center will improve our local production capabilities and cost efficiency, enable us to adapt to overseas consumer demand and market trends, and effectively support our globalization strategies. Approximately 66%, or HK$2,172 million, of our net proceeds will be used for elevating the breadth and depth of our end-to-end supply chain. See "Future Plans and Use of Proceeds".

Additionally, we are committed to advancing our digitalization and intelligization efforts across business processes, enhancing operational efficiency and quality. For example, we will continue to refine our digital marketing and consumer management system to address market demands more effectively. We will also continuously strengthen our smart store solutions, covering site selection, store operations, and store supply replenishment systems, thereby empowering our franchisees. To improve production efficiency and quality, we will further enhance our advanced manufacturing capabilities characterized by automation, digitalization, and intelligization, and fully utilize leading equipment and robotics, and advanced production management systems. Approximately 12%, or HK$395 million, of our net proceeds will be used for advancing our digitalization and intelligization efforts across business processes. See "Future Plans and Use of Proceeds".

Furthermore, we will further cultivate our brand IP. Our goal is to elevate Snow King into a distinctive global cultural symbol by leveraging his cultural significance extending beyond the realm of drinks and seamlessly integrated into everyday life, and enriching his cultural connotation and unlocking his cultural potential. Particularly, we will expand Snow King's content matrix through curating additional high-quality contents in diverse formats including but not limited to animated series, movies and featured merchandise, and continue to launch IP collaboration with various leading brands to expand our brand influence. Approximately 12%, or HK$395 million, of our net proceeds will be used for brand and IP building and marketing. See "Future Plans and Use of Proceeds".

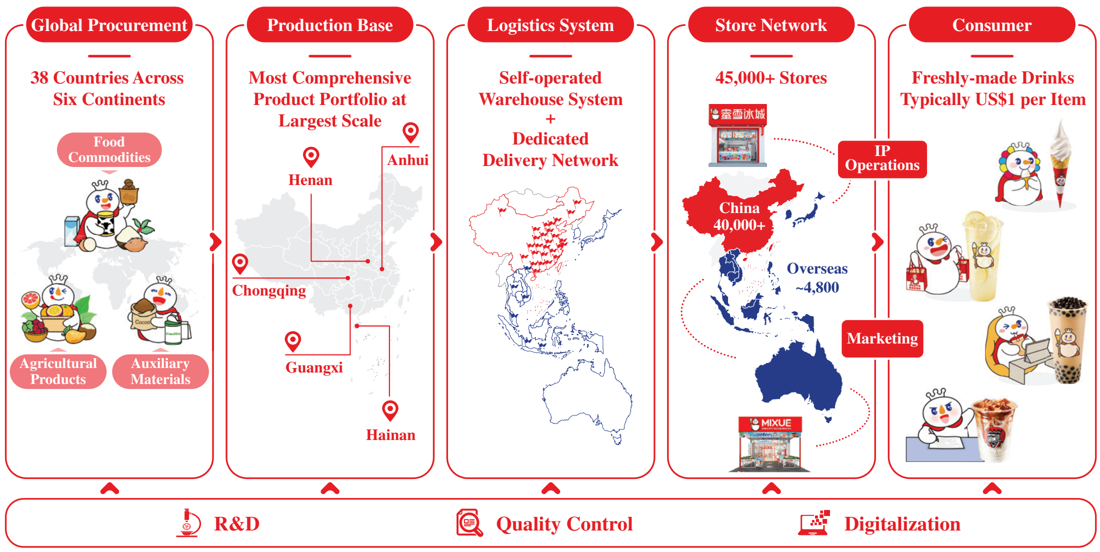
Lastly, we are dedicated to establishing a long-term sustainable green company and continuously creating social value. Our social responsibility efforts will concentrate on technological innovation, ecological environment, education, and rural revitalization.

OUR BUSINESS

Our business value proposition is to provide quality products with value for money. With this in mind, we have built our freshly-made tea drinks brand *Mixue* and our freshly-made coffee brand *Lucky Cup*, dedicated to offering quality freshly-made fruit drinks, tea drinks, ice cream and coffee typically priced around one U.S. dollar (approximately RMB6) per item.

We primarily employ a franchise model to grow our store network, and generate the vast majority of revenue from sales of goods and equipment to franchised stores. Our store network spans over 45,000 stores serving consumers both in and outside mainland China as of September 30, 2024. We are the largest freshly-made drinks company both in China and worldwide in terms of number of stores as of September 30, 2024, according to CIC. In terms of number of cups sold in 2023, we are also China's largest, and the world's second largest freshly-made drinks company.

Our compelling value proposition is underpinned by our end-to-end supply chain encompassing essential aspects covering procurement, production, logistics, R&D and quality control. This comprehensive supply chain, which is the largest one in China's freshly-made drinks industry according to CIC, fundamentally distinguishes us from our peers.



OUR BRANDS AND PRODUCTS

We have two major brands – freshly-made tea drinks brand *Mixue* and freshly-made coffee brand *Lucky Cup*.

Our *Mixue* brand ranks the first among all freshly-made tea drinks brands in China in terms of number of cups sold, which totaled over 6.6 billion cups in 2023, according to CIC. As of September 30, 2024, *Mixue* is also the largest freshly-made tea drinks brand in China by number of stores, with a network of approximately 37,000 stores. As of the same date, we had approximately 4,800 *Mixue* stores outside mainland China. *Mixue* has become the largest freshly-made tea drinks brand in Southeast Asia in terms of number of stores as of December 31, 2023, according to CIC. During the Track Record Period, the vast majority of GMV was generated through our *Mixue* stores.

With the foresight into the growing demand for freshly-made coffee products in China, we launched a freshly-made coffee brand *Lucky Cup* in 2017 to expand our product categories, building on *Mixue*'s success. *Lucky Cup*, with over 2,900 stores as of December 31, 2023, ranks the 4th among all freshly-made coffee brands in China in terms of number of stores according to CIC.

In each period throughout the Track Record Period, revenue and gross profit generated from *Mixue* consistently accounted for over 95% of our total revenue and gross profit, respectively. *Mixue*'s gross profit margins were 31.4%, 28.9%, 30.3% and 32.9% in 2021, 2022, 2023 and the nine months ended September 30, 2024, respectively, which are generally in line with our overall gross profit margins.

Our Freshly-Made Tea Drinks Brand – *Mixue*

Mixue's journey started in 1997, from a small store named *Coldsnap Shaved Ice* in Zhengzhou, China. When *Mixue* was formally introduced in 1999, our main product was shaved ice topped with syrups and jam. This product inspired the name of *Mixue*, or Mi Xue Bing Cheng as its Chinese full name – to bring sweetness and refreshing coolness to our consumers. Today, over 20 years after the launch of *Mixue*, our brand culture extends far beyond the products we offer and *Mixue* has become a household brand in China with significant consumer mind-shares.

Our *Mixue* Product Offerings

Mixue primarily offers freshly-made fruit drinks, tea drinks and ice cream to consumers both in China and overseas through an extensive store network. Our core *Mixue* products typically have a price range of RMB2 to RMB8. Our *Mixue* product offerings include both classic drinks and seasonal and regional drinks.

Classic Mixue Drinks

We have developed a series of classic *Mixue* drinks that have gained tremendous and enduring popularity among consumers both domestically and overseas. In the nine months ended September 30, 2024, our top five best-selling classic drinks, in aggregate, accounted for approximately 41.2% of our total number of cups sold in China. Our *Freshly-Squeezed Lemonade*, *Fresh Ice Cream* and *Bubble Tea* are the top three best-selling items in China's freshly-made drinks industry in terms of number of cups sold in 2023, according to CIC.

The below list includes the details of our best-selling classic drinks during the Track Record Period.

Freshly-Squeezed Lemonade "冰鮮檸檬水" is made with fresh premium lemons, ensuring a refreshing flavor. It typically has a price of RMB4. In the nine months ended September 30, 2024, approximately 1.1 billion cups of our *Freshly-Squeezed Lemonade* were sold in China, and over eight out of every ten cups of all freshly-made lemonade consumed in China in 2023 were from our *Mixue* stores according to CIC.

Fresh Ice Cream "新鮮冰淇淋", freshly made with premium dairy products, is a symbol of sweetness and love, reminiscent of the original ice cream cone crafted by our founder in 2005. It typically has a price of RMB2. In the nine months ended September 30, 2024, approximately 1.4 billion cups of our ice cream products, including our *Fresh Ice Cream*, were sold in China, and over three out of every ten cups of all freshly-made ice cream consumed in China in 2023 were from our *Mixue* stores according to CIC.

Bubble Tea "珍珠奶茶" (also known as *Pearl Milk Tea*) is a milk tea drink made with tapioca balls, dairy products and black tea. It typically has a price of RMB6. In the nine months ended September 30, 2024, approximately 385 million cups of our *Bubble Tea* were sold in China, and over three out of every ten cups of all bubble teas consumed in China in 2023 were from our *Mixue* stores according to CIC.

Peachy Spring Oolong Tea "蜜桃四季春" is a tea drink made with peach fruit pulp and oolong tea. It typically has a price of RMB7. In the nine months ended September 30, 2024, approximately 365 million cups of our *Peachy Spring Oolong Tea* were sold in China.

Bountiful Passion Fruit "滿杯百香果" is a tea drink made with passion fruit pulp and jasmine tea. It typically has a price of RMB7. In the nine months ended September 30, 2024, approximately 281 million cups of our *Bountiful Passion Fruit* were sold in China.

Jasmine Green Milk Tea "茉莉奶綠" is a milk tea drink made with jasmine tea and fresh milk blend base. It typically has a price of RMB6. We launched our *Jasmine Green Milk Tea* in July 2024, and over 100 million cups were sold in China during the first month of its debut.

Seasonal and Regional Mixue Drinks

To complement our appealing and time-enduring classic drinks, we periodically introduce seasonal and regional drinks based on consumer preference insights and market trend analysis. When we launch seasonal products, we also consider the availability of seasonal ingredients. Our regional products are usually created with distinctive regional elements to suit the tastes of local consumers.

Details of our selected seasonal and regional drinks are illustrated below.

In June 2023, we launched *Bestie Berries* "莓果三姐妹", a seasonal thirst quencher featuring strawberries, blueberries and raspberries. It typically has a price of RMB7. During the first month of its debut, approximately 33 million cups of our *Bestie Berries* were sold.

In June 2022, we launched *Mulberry n' Strawberry Blast* "桑葚莓莓", a seasonal tea drink boosting the freshness of mulberries and strawberries with a rich and fruity texture. It typically has a price of RMB9. During the first month of its debut, approximately 18 million cups of our *Mulberry n' Strawberry Blast* were sold.

In October 2022, we launched *Taro Toasty* "厚芋泥奶茶", a winter seasonal drink that offers a smooth and velvety texture through the fusion of rich, mashed taro and milk tea. It typically has a price of RMB8. During the first month of its debut, approximately 12 million cups of our *Taro Toasty* were sold.

In July 2023, we launched *Citro Earl Grey* "香檸紅茶" as a regional drink across the southern China regions, where citrus medica is popular. It typically has a price of RMB5. During the first month of its debut, approximately 3 million cups of our *Citro Earl Grey* were sold.

Our Iconic IP – Snow King

To humanize our *Mixue* brand and elevate it to new heights in light of its business success, we went on to create a relatable icon that would resonate with a consumer base both domestically and overseas. Snow King, an endearing cartoon character who holds an ice cream scepter, was then introduced in 2018 as our *Mixue* lifelong brand ambassador. Since his debut, Snow King has endeared himself to fans for his upright, friendly, passionate, and determined personalities.

Centered around Snow King's adorable persona, we constantly create and release a variety of high-quality auditory and visual content that is fun and engaging. Most notably, Snow King stars in the music video of our catchy and melodious *Mixue* theme song, "I Love You, You Love Me, Mixue Ice Cream & Tea". As of the Latest Practicable Date, the hashtags for Snow King and *Mixue* theme song had garnered more than 19.5 billion and 9.7 billion views across major social platforms, respectively. In August 2023, we launched an animated TV series, "The Legend of Snow King", bringing the adorable character and lovely stories of Snow King to life. As of the Latest Practicable Date, this TV series achieved more than 220 million views. With a loyal following, we introduced another animated TV series, "Snow King and the Sands of Mystery" on December 21, 2024.

Building on this wide-ranging content library, Snow King has nurtured an engaging consumer base and fan base from different countries with diverse cultural background, and inspired fans' social interactions and content re-creation.

- As of the Latest Practicable Date, *Mixue* had a total of approximately 47 million followers across six major social platforms, including Weixin, Douyin, Kuaishou, rednote, Weibo and Bilibili, which represents the largest base of followers in the freshly-made drinks industry in China.

- The broad audience of consumers is highly engaged in enriching Snow King's character and image and participating in content re-creation. Content re-created by users on Bilibili reached over 335 million views as of the Latest Practicable Date. Snow King's adorable appearance has also endeared him to people and led to the creation of numerous memes shared on social media.

- In Vietnam, social media topics about the Snow King Children's Day painting event in 2023 had been viewed approximately 70 million times as of the Latest Practicable Date.

- Snow King can be found in our major *Mixue* events, such as the Ice Cream Music Festival, the *Mixue* Lucky Bag Festival, Snow King Cup Creativity Competition and Snow King's Birthday Party, resulting in constant visibility to consumers.

- To cater to Snow King fans' interests and further enhance his popularity, we also sell adorable merchandise like toys and water bottles featuring Snow King images.

See also "— Marketing" for more details about our Snow King's role in various marketing campaigns.

Through years of content creation and IP operations, Snow King has become the sole iconic IP in China's freshly-made drinks industry, setting our brand apart from other brands in the industry.

Given the importance of Snow King in promoting our brand image, we implemented various measures in protecting the IP, including but not limited to:

- have registered various trademarks and other intellectual properties underlying Snow King in China and overseas;
- make all necessary application, renewals or filings for the intellectual properties underlying Snow King with the relevant authorities in a timely manner;
- take prompt and necessary legal actions against relevant parties if any infringement of intellectual properties is found;
- enhance employees' awareness, knowledge and capabilities in intellectual properties protection by regular trainings; and
- establish a comprehensive internal control mechanism covering procedures for application, maintenance and management of intellectual properties.

During the Track Record Period, there had not been any IP infringement of Snow King that had a material and adverse impact on our business operations.

Our Freshly-Made Coffee Brand – *Lucky Cup*

Drawing on the success of *Mixue*, we launched our freshly-made coffee brand *Lucky Cup* in 2017 to further expand our product categories.

At *Lucky Cup*, we offer value-for-money coffee with meticulously selected ingredients and equipment. All of the coffee drinks offered by *Lucky Cup* are made of our Arabica coffee beans sourced from countries such as Ethiopia, Colombia, Brazil, and Indonesia. We have also established large-scale coffee roasting plants equipped with automated facilities and machinery procured from well-recognized suppliers, such as Probat and Bühler. Furthermore, our coffee beans have won one Platinum Medal and 21 Gold Medals from the IIAC International Institute of Coffee Tasters in Italy between 2022 and 2024. Other key ingredients for our coffee drinks include premium dairy products from well-recognized suppliers, such as ZHAORIWEIPIN.

Our *Lucky Cup* Products

Lucky Cup primarily offers freshly-made coffee drinks, ranging from classic products to trendy, innovative ones. Our core *Lucky Cup* products typically have a price range of RMB5 to RMB10. Details of our best-selling *Lucky Cup* products during the Track Record Period are illustrated below.

Coffee Americano "美式咖啡" products cater to coffee lovers yearning for the original taste of high-quality coffee beans. Our *Coffee Americano* products typically have a price of RMB5.9.

Coffee Latte "拿鐵咖啡" products are made with premium coffee beans and dairy products. Our *Coffee Latte* products typically have a price of RMB6.9.

Coco Latte "椰椰拿鐵" products are made with premium coffee beans and coconut milk. Our *Coco Latte* products typically have a price of RMB9.9.

OUR STORE NETWORK

We are the largest freshly-made drinks company both in China and worldwide in terms of number of stores as of September 30, 2024, according to CIC. In terms of number of cups sold in 2023, we are also China's largest, and the world's second largest freshly-made drinks company. As of September 30, 2024, our store network encompassed over 45,000 stores in and outside mainland China. In 2023 and the nine months ended September 30, 2024, approximately RMB47.8 billion and RMB44.9 billion of GMV was generated and approximately 7.4 billion and 7.1 billion cups were sold through our store network, respectively.

As of September 30, 2024, we have established store presence across 31 provinces, autonomous regions and municipalities, including over 300 cities, 1,700 counties and 4,900 towns (out of approximately 30,000 towns across mainland China), spanning across all tiers of cities with a deep penetration in lower-tier markets. This extensive geographic reach and deep penetration set us apart from other freshly-made drinks brands in China. We have also established a growing presence in markets outside mainland China, with approximately 4,800 stores as of September 30, 2024.

The following map illustrates the footprint of our vast store network in China and overseas as of September 30, 2024.

Our Store Network in China and Overseas

For illustrative purpose only, the map (Map Review Number (審圖號): GS(2021)5447, GS(2016)2948) is presented to demonstrate our footprint in China and overseas. For the sake of completeness, the map of China includes mainland China and the regions of Hong Kong, Macau and Taiwan of China.

The following table sets forth the number of our stores in and outside mainland China as of the dates indicated.

	As of December 31,			As of September 30,
	2021	2022	2023	2024
Mainland China	19,731	27,188	33,234	40,510
Outside mainland China	270	1,795	4,331	4,792
Total	**20,001**	**28,983**	**37,565**	**45,302**

The significant growth of our franchised stores is in line with the scale and high growth of China and Southeast Asia's freshly-made drinks market. The total GMV of China's freshly-made drinks market had increased from RMB187.8 billion in 2018 to RMB517.5 billion in 2023 with a CAGR of 22.5%. Such significant growth of China's freshly-made drinks market is driven by, among others, continued urbanization, increased consumption frequency, emergence of high-quality product supply, and growing chain rate. See "Industry Overview — China's freshly-made drinks market" for details. Outside of mainland China, we have expanded across the Southeast Asia market since 2018, which we remain focused on cultivating. The freshly-made drinks market in Southeast Asia, as measured by GMV, had increased from US$9.4 billion in 2018 to US$20.1 billion in 2023 at a CAGR of 16.4%. Therefore, the significant increase of our franchised stores in and outside mainland China is in line with the high growth and prospects offered in the relevant markets.

The significant growth of our franchised stores is attributable to the franchise model and our interest-aligned approach in recruiting and empowering franchisees. We primarily employ a franchise model, which has been proven successful in the freshly-made drinks industry especially for expansion of store network, according to CIC. Moreover, instead of substantial investments in advertising and marketing, we primarily rely on word-of-mouth referrals to attract a large, growing pool of franchisee candidates. This is achieved mainly through building an interest-aligned franchise model. For example, the initial investment and franchise fee for our franchised stores are below the average within China's freshly-made drinks industry. We derive our revenues primarily by sales of goods and equipment to franchised stores instead of franchise fee, and thus we are well incentivized to empower the franchisees, facilitating their sustainable prosperity. For details of our interest-aligned approach, see "— Our Competitive Strengths — Interest-aligned franchise model and highly-digitalized operational system leading to a healthy franchised store network". As a result, franchisee candidates are incentivized to join our network. During the Track Record Period, we received a total of over 4.2 million franchise inquiries, forming a substantial candidate pool for selecting quality franchisees.

Moreover, the significant growth of our franchised stores is attributable to our competitive strengths in brands and products, comprehensive end-to-end supply chain, among others. With our strong brands and value-for-money products, we have established enduring popularity among consumers, from which the franchisees benefit significantly, further driving the franchisees' decision to partner and stay with us. We have also established a highly-digitalized end-to-end supply chain, which is pivotal to quality products with value-for-money, empowering the franchisees' business.

The following table sets forth the number of our stores in mainland China by city tier and their percentages of the total number of stores in mainland China as of the dates indicated.

	As of December 31,						As of September 30,	
	2021		2022		2023		2024	
First-tier cities	782	4.0%	1,190	4.4%	1,513	4.6%	1,942	4.8%
New first-tier cities	4,172	21.1%	5,710	21.0%	6,886	20.7%	7,960	19.6%
Second-tier cities	3,187	16.2%	4,739	17.4%	5,955	17.9%	7,446	18.4%
Third-tier and below cities	11,590	58.7%	15,549	57.2%	18,880	56.8%	23,162	57.2%
Total number of stores in mainland China	**19,731**	**100.0%**	**27,188**	**100.0%**	**33,234**	**100.0%**	**40,510**	**100.0%**

The following table sets out a breakdown of revenue generated through our store network in mainland China by city tier.

	For the year ended December 31,						For the nine months ended September 30,			
	2021		2022		2023		2023		2024	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
							(unaudited)			
	(in thousands, except for percentages)									
First-tier cities	496,432	4.9	719,756	5.7	1,126,180	6.2	854,386	6.2	1,067,537	6.2
New first-tier cities	1,995,410	19.8	2,632,976	20.8	3,674,830	20.1	2,793,344	20.2	3,330,382	19.2
Second-tier cities	1,682,686	16.7	2,227,404	17.6	3,423,608	18.7	2,591,841	18.7	3,255,297	18.8
Third-tier and below cities	5,889,573	58.6	7,072,641	55.9	10,066,210	55.0	7,596,370	54.9	9,693,299	55.8
Total	**10,064,101**	**100.0**	**12,652,777**	**100.0**	**18,290,828**	**100.0**	**13,835,941**	**100.0**	**17,346,515**	**100.0**

OUR STORE OPERATIONS

We primarily employ a franchise model to grow our store network, and the vast majority of our revenue during the Track Record Period was generated from sales of goods and equipment to franchised stores. As of September 30, 2024, more than 99% of our stores were franchised stores, with the rest being our self-operated stores.

The following table sets out a breakdown of revenue, gross profit and gross profit margin generated through our store network by different distribution channels for the periods indicated.

	For the year ended December 31,									For the nine months ended September 30,					
	2021			2022			2023			2023			2024		
	Revenue	Gross Profit	Gross Profit Margin	Revenue	Gross Profit	Gross Profit Margin	Revenue	Gross Profit	Gross Profit Margin	Revenue	Gross Profit	Gross Profit Margin	Revenue	Gross Profit	Gross Profit Margin
	RMB	*RMB*	*%*	*RMB*	*RMB*	*%*	*RMB*	*RMB*	*%*	*RMB*	*RMB*	*%*	*RMB*	*RMB*	*%*
											(unaudited)				
	(in thousands, except for percentages)														
Franchised stores	10,031,377	3,212,928	32.0	13,101,953	3,810,070	29.1	19,575,307	5,892,349	30.1	14,859,460	4,491,356	30.2	18,202,650	5,967,485	32.8
Self-operated stores	82,793	(1,925)	(2.3)	72,338	(7,311)	(10.1)	107,616	8,378	7.8	86,335	8,090	9.4	38,515	5,301	13.8

The distinct revenue models and cost structures of our franchised and self-operated stores result in different gross profit margin profiles. During the Track Record Period, we opened a limited number of self-operated stores primarily to gain operating insights and strengthen our brands. Therefore, their operating model and results of operations do not represent or indicate those of our extensive franchised store network.

In the nine months ended September 30, 2024, revenue generated from self-operated stores declined year over year, primarily due to the decrease in the number of our self-operated stores. We primarily employ a franchise model to grow our store network. As we continue to scale business presence and enhance brand reputation, we have been able to effectively grow our store network through the franchise model in relevant markets, and accordingly, we decided to close certain self-operated stores, or transfer them to franchisees in the nine months ended September 30, 2024.

Overview

We cooperate with our franchisees on every major aspect of store operations to best align our core values with their continued drive for entrepreneurial success. On one hand, our franchisees benefit from our brand reputation, industry expertise and resources. On the other hand, with day-to-day store operations fully handled by our franchisees in accordance with our operational procedures, we are able to focus on strengthening our brands, developing and refining our products, improving our supply chain capabilities, expanding our scale, and enhancing store performances at all levels. This interest-aligned approach fosters a mutually beneficial relationship between our franchisees and us, allowing us to attract more franchisees to join our network. Franchise model represents a common market practice in the freshly-made drinks industry in China and overseas, according to CIC.

Under our franchise model, we authorize our franchisees to sell freshly-made drinks through franchised stores under our brands, and the franchisees purchase store supplies and equipment from us as part of their daily operations. Franchisees are the owners of these stores and are accountable for their results of operations. We also stipulate that franchisees adhere to our comprehensive, standardized operational procedures and requirements.

The following table sets forth the movement of the number of our franchised stores in and outside mainland China for the periods indicated.

	For the year ended December 31,			For the nine months ended September 30,
	2021	2022	2023	2024
Number of franchised stores at the beginning of the period	12,509	19,954	28,929	37,516
Number of franchised stores opened	8,022	9,671	9,894	9,064
Number of franchised stores closed by us	(371)	(432)	(666)	(584)
Number of franchised stores closed by franchisees	(206)	(264)	(641)	(714)
Number of franchised stores at the end of the period	**19,954**	**28,929**	**37,516**	**45,282**

With our strong brands and products, the number of our franchised stores increased substantially during the Track Record Period. The number of our franchised stores increased from 19,954 as of December 31, 2021 to 28,929 as of December 31, 2022, 37,516 as of December 31, 2023, and further to 45,282 as of September 30, 2024. The number of franchised store closures were 577, 696, 1,307 and 1,298 in 2021, 2022, 2023 and in nine months ended September 30, 2024, respectively, generally in line with the increase of the total number of our franchised stores over the same periods and also attributable to the recent industry slowdown and intensifying market competition.

The following table sets forth a breakdown of the revenue, gross profit and gross profit margin by existing and newly opened franchised stores.

	For the year ended December 31,									For the nine months ended September 30,					
	2021			2022			2023			2023			2024		
	Revenue	Gross Profit	Gross Profit Margin	Revenue	Gross Profit	Gross Profit Margin	Revenue	Gross Profit	Gross Profit Margin	Revenue	Gross Profit	Gross Profit Margin	Revenue	Gross Profit	Gross Profit Margin
	RMB	*RMB*	*%*	*RMB*	*RMB*	*%*	*RMB*	*RMB*	*%*	*RMB*	*RMB* (*unaudited*)	*%*	*RMB*	*RMB*	*%*
	(in thousands, except for percentages)														
Existing franchised stores	7,111,741	2,336,371	32.9	10,055,804	2,994,166	29.8	16,194,026	4,945,299	30.5	12,568,472	3,851,976	30.6	15,465,422	5,134,155	33.2
Newly opened franchised stores	2,919,636	876,557	30.0	3,046,149	815,904	26.8	3,381,281	947,050	28.0	2,290,988	639,380	27.9	2,737,228	833,330	30.4
Total franchised stores	**10,031,377**	**3,212,928**	**32.0**	**13,101,953**	**3,810,070**	**29.1**	**19,575,307**	**5,892,349**	**30.1**	**14,859,460**	**4,491,356**	**30.2**	**18,202,650**	**5,967,485**	**32.8**

Note: During Track Record Period, we also generate a limited portion of revenue from sales at our self-operated stores and various e-commerce retail channels, and from certain goods and equipment sold to some non-franchisee customers, primarily corporate customers operating in the food and beverage industry. For the years ended December 31, 2021, 2022, 2023, and the nine months ended September 30, 2024, revenue from sales at our self-operated stores was RMB82.8 million, RMB72.3 million, RMB107.6 million and RMB38.5 million, respectively. During the same periods, revenue from sales generated through e-commerce retail channels was RMB180.4 million, RMB271.3 million, RMB341.8 million and RMB208.7 million, respectively. During the same periods, revenue from sales generated from those non-franchisee customers was RMB56.4 million, RMB130.0 million, RMB277.7 million and RMB209.8 million, respectively. With respect to sales at our self-operated stores, we generated gross loss of RMB1.9 million and RMB7.3 million for the years ended December 31, 2021 and 2022, and gross profit of RMB8.4 million and RMB5.3 million for the year ended December 31, 2023 and the nine months ended September 30, 2024, respectively, representing gross margin of 7.8% and 13.8%. For the years ended December 31, 2021, 2022, 2023, and the nine months ended September 30, 2024, gross profit for sales generated through e-commerce retail channels was RMB32.2 million, RMB40.8 million, RMB76.6 million and RMB45.8 million, representing gross profit margin of 17.9%, 15.0%, 22.4% and 21.9%, respectively. During the same periods, gross profit for sales generated from those non-franchisee customers was RMB0.6 million, RMB3.3 million, RMB21.7 million and RMB21.8 million, representing gross profit margin of 1.1%, 2.6%, 7.8% and 10.4%, respectively.

In 2021, 2022, 2023 and the nine months ended September 30, 2024, 64.3%, 62.1%, 51.0% and 45.0% of all franchised store closures were ordered by us based on our comprehensive store evaluation system (see "— Store Performance Evaluation System"), respectively, whereas the rest were initiated by franchisees. Our store closure rate in and outside mainland China was 1.7% and 1.6% (excluding the 1.8% and 1.3% franchised stores closed by us) in 2023 and the nine months ended September 30, 2024, respectively, which is significantly lower than industry average in freshly-made drinks industry in the same period, according to CIC.

The following table sets forth the movement of the number of our franchisees in and outside mainland China 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 period	6,366	9,784	13,625	16,784
Number of franchisees onboarded	3,856	4,559	4,286	4,166
Number of franchisees departed through transfer of stores to other franchisees	(166)	(412)	(523)	(554)
Number of franchisees terminated by us	(179)	(176)	(282)	(205)
Number of franchisees who ceased store operations	(93)	(130)	(322)	(411)
Number of franchisees at the end of the period	**9,784**	**13,625**	**16,784**	**19,780**

As our business grows, the number of franchisees joining us increased substantially during the Track Record Period. The number of our franchisees increased from 9,784 as of December 31, 2021 to 13,625 as of December 31, 2022, and further increased to 16,784 as of December 31, 2023 and 19,780 as of September 30, 2024. As of December 31, 2021, 2022 and 2023 and September 30, 2024, the number of franchisees who operate multiple stores was 3,585, 5,382, 7,041 and 8,292, respectively.

Among all terminated franchisees in 2021, 2022, 2023 and the nine months ended September 30, 2024, 37.9%, 57.4%, 46.4% and 47.4% of them transferred their stores to other franchisees, respectively. If the store transfer is to a new franchisee, we apply the same franchisee onboarding standards in approving such transfer. To our knowledge, these franchisees opted to transfer stores to other franchisees primarily due to reasons unrelated to store performance. In 2021, 2022, 2023 and the nine months ended September 30, 2024, 40.9%, 24.5%, 25.0% and 17.5% of the franchisee terminations were ordered by us based on our comprehensive store evaluation system (see "— Store Performance Evaluation System"), respectively. Our franchisee retention rate in and outside mainland China was 97.2%, 97.8%, 96.4% and 96.9% in 2021, 2022, 2023 and the nine months ended September 30, 2024, respectively (or 99.0%, 99.0%, 98.1% and 97.9%, respectively, if franchisees terminated by us are not taken into account), which is significantly higher than industry average in freshly-made drinks industry in the same period, according to CIC. Accordingly, our franchisee turnover rate was 2.8%, 2.2%, 3.6% and 3.1% in 2021, 2022, 2023 and the nine months ended September 30, 2024, respectively (or 1.0%, 1.0%, 1.9% and 2.1%, respectively, if franchisees terminated by us are not taken into account). The number of franchisees terminated by us and those who ceased store operations increased during the Track Record Period mainly as a result of the increases in total number of franchisees. To a lesser extent, the number of franchisees terminated by us and those who ceased store operations increased from 2022 to 2023 also due to (i) our strict enforcement of store evaluation system, in an effort to maintain the quality of our franchised stores while we expand our store network, and (ii) certain franchisees ceasing store operations, reasons for which may include, to our knowledge, personal reasons, commercial reasons (e.g. inability to renew leases for the relevant stores), among others.

We have developed a comprehensive franchisee onboarding process and systematically apply it to all franchisee applications. The key steps of our onboarding process include:

- Franchisee applicants initiate the process by completing the application forms and submitting them to us.

- We conduct interviews to assess the franchisee applicants' qualifications for opening a store.

- Franchisee applicants submit store site proposals to us.

- Upon approval of the franchisee application and the assessment of the proposed store site, we enter into a franchise agreement with the approved franchisee.

- We guide and assist the approved franchisee with the design of store layout and decorations to ensure the consistent brand image of our stores.

- Before a store is open for business, we provide mandatory offline trainings to the franchisees and their store employees. Also, we collect and verify the required licenses and certificates necessary for store opening to ensure their compliance.

The following table sets forth the number of our self-operated stores in and outside mainland China as of the dates indicated.

	As of December 31,			As of September 30,
	2021	2022	2023	2024
Mainland China	44	52	48	19
Outside mainland China	3	2	1	1
Total	**47**	**54**	**49**	**20**

The following table sets forth the movement of the number of our self-operated stores in and outside mainland China during the Track Record Period.

	For the year ended December 31,			For the nine months ended September 30,
	2021	2022	2023	2024
Number of self-operated stores at the beginning of the period	40	47	54	49
Number of self-operated stores opened	13	10	13	4
Number of self-operated stores closed or transferred to franchisees	6	3	18	33
Number of self-operated stores at the end of the period	**47**	**54**	**49**	**20**

During the Track Record Period, we primarily employed a franchise model to grow our store network. We opened a limited number of self-operated stores primarily to gain operating insights and reinforce our brands, which are not intended to be our major revenue stream. The number of self-operated stores closed or transferred increased in 2023 and the nine months ended September 30, 2024 primarily because, as we continue to scale business presence and enhance brand reputation, we are able to effectively grow our store network through the franchise model in relevant markets, and accordingly we decided to close the limited number of self-operated stores, or transfer them to franchisees to benefit from the economies of scale and efficiency of our expansive franchised store network.

Franchise Application

Instead of substantial investments in advertising and marketing, we primarily rely on word-of-mouth referrals to attract a large, growing pool of franchisee candidates, which provides us with the opportunities to identify high-quality franchisees to partner with. In addition, we post our contact information for franchise consultation or inquiries in our stores, on packaging of our drinks products and on our websites, among others, to facilitate our franchisee recruitment. To preserve our brand values and ensure compelling consumer experience, we maintain stringent standards when evaluating franchisee candidates and approving store opening applications. We leverage our past experiences in identifying high-quality franchisee applicants, and our primary considerations in reviewing the franchisee candidates' applications include their adherence to our core values and the quality of their store site proposal. We only approved less than 5% of the large number of franchise applications for *Mixue* in China during the Track Record Period.

Site Selection

Our stores are primarily located at sites with substantial consumer traffic, such as commercial streets, residential districts, school areas, supermarkets, shopping centers, tourist attractions, highway rest areas and industrial parks.

We undertake careful site selection vetting procedures before entering any franchise agreement. The store sites are initially proposed by franchisee applicants, and subsequently vetted and approved by us. The effectiveness of such procedures is ensured by our professional vetting team's extensive experiences and know-how as well as intelligent information analysis. For example, we utilize digital systems and tools to provide assessment for site proposals by analyzing the critical factors of the proposed sites, such as population density, consumer traffic, level of development of the surrounding area, operating performance of our existing stores, density of existing freshly-made drinks stores in the surrounding area, which we may use as reference in our vetting process. We only approve a fraction of the store site proposals we receive from franchisee applicants. Typically, we consider the following criteria when approving sites:

- presence of high-traffic districts such as commercial streets, residential districts, school areas, supermarkets, shopping centers, tourist attractions, highway rest areas and industrial parks;

- the level of development, future potential, and overall prospects of the surrounding areas;

- operating performance of our existing stores and competitors in the surrounding areas; and

- density of our existing stores and competitor stores in the surrounding areas.

We analyze the proposed sites on a case-by-case basis and do not establish any unified protective distance between new and existing stores and competitor stores. For example, we may approve a proposed store site that is 200 meters away from an existing store if there is high consumer traffic and unmet demand for freshly-made drinks at that location, while we may reject a proposed store site that is 2,000 meters away from existing stores if there is insufficient consumer traffic and demand. In our standard practice, franchise agreements do not have operative terms in relation to opening of new franchised stores in close proximity.

Preventing Cannibalization

As we increase the density of our store network, we primarily rely on our systematic approach in site selection to effectively prevent unhealthy competition among our existing and new franchised stores, especially in the business districts where we have a more established presence. Through our site selection vetting process, we assess the potential impact on our surrounding existing stores, among other factors, before making a decision on whether to approve the proposed store sites. The process we follow, as demonstrated earlier, involves utilizing digital systems and tools to evaluate sites with potential. This evaluation is based on a thorough analysis of key elements associated with each proposed location, such as the area's population density, consumer traffic flow, the level of development in the surrounding region, the operational performance of our existing stores, and the concentration of other freshly-made drinks stores in the vicinity. These considerations form an in-depth assessment of the prospective consumer demand at the proposed sites and are instrumental in preventing cannibalization.

Additionally, we implement consistent strategies across supply chain management, store operations, and sales and marketing to preserve unity and a sense of shared purpose within our store network. By doing so, we intend to provide a fair environment and equitable opportunities for growth, allowing our stores to focus on growing their business without the disadvantage of having to compete for limited internal resources.

However, we cannot assure that new stores will not cannibalize the business of our existing stores, see "Risk Factors — Risks Relating to Our Business and Industry — Opening new stores in existing markets may not result in the expected level of growth in our revenue and profit, and our business, financial conditions and results of operations may be materially and adversely affected".

Coping with Competitions

The freshly-made drinks industry in China is highly competitive. We are faced with increasingly intense competition with other leading players in various aspects of our business, including product innovation, product quality, consumer experience as well as consumer acquisition and retention. See "Industry Overview". Our stores may compete with stores of competitive brands nearby, however, the level of competition may be affected by a number of factors including consumer traffic, surrounding environment, transportation convenience, rents, etc., and the optimal distance between our stores and stores of competitive brands varies case by case. The distance between stores and the competing stores may be closer when the stores are located in districts with high consumer traffic, while such distance may be further in districts with low consumer traffic. Therefore, the presence of competitors is considered as one of the various factors that may affect the consumer demand for the proposed store sites, though the decision on whether to approve any proposed store site will be made based on a holistic analysis.

As of September 30, 2024, 57.2% of the total number of our stores in mainland China were situated in third-tier and below cities, reflecting our competitive edge in terms of deep penetration in lower-tier markets. With our highly-digitalized end-to-end supply chain, our household brand and iconic IP, and our interest-aligned franchise model, our stores are well-equipped to thrive in a competitive marketplace.

Store Design

We adopt a standardized store design, store layout and storefront presentation across our store network to build a consistent brand image and provide a consistently satisfactory consumer experience. The majority of our stores are designed with a red and white color theme, with our iconic IP, Snow King, displayed prominently.

Our stores vary in size, typically with an area between 15 and 60 square meters. We have developed various store formats, tailoring to the local community, business environment and consumption scenario, and the classification of our store formats has been evolving over the years due to business development. Our store formats primarily include standard dine-in stores, standard pick-up stores, specially-designed stores, container stores, flagship stores and themed stores. Among our *Mixue* stores in China as of September 30, 2024, standard dine-in stores accounted for 78.1%, standard pick-up stores accounted for 19.8%, specially-designed stores accounted for 1.0%, container stores accounted for 0.9%, flagship stores accounted for 0.1% and themed stores accounted for 0.1%, respectively.

Standard Dine-in Store

Standard Pick-up Store

Flagship Store

Container Store

Themed Store

Specially-designed Store

Training and Development

We endeavor to foster shared success with our franchisee community. Towards this goal, we focus on the effective training and development of our franchisees and their store employees to drive the sustainable growth of our business. To provide the best training results to our franchisees and their store employees, we had more than 260 full-time in-house training professionals as of September 30, 2024. We have designed an advanced training and development system built around our offline training system and our online learning app, *Mixue Academy* app to empower our franchisees across all key aspects of store management and operations.

Offline Training

We provide offline training to franchisees and their store employees, helping them obtain first-hand knowledge and experiences necessary for successful store operations. Our offline trainings provide a comprehensive, standardized set of courses covering all key aspects of store operations, such as drinks preparation, food safety and consumer services. Franchisees and their employees are required to attend training courses and pass certain examinations. For example, before store opening, franchisees and their employees are required to attend a 12-day centralized training and pass examinations. In the nine months ended September 30, 2024, our franchisees and store employees have participated in our offline training sessions over 270,000 times cumulatively. In October 2024, we launched a new campus spanning over 60,000 square meters. Dedicated to offline training, this campus is designed to enhance both the effectiveness and experience of our training programs.

Online Training

Our *Mixue Academy* app offers a wide range of courses in store operations, such as drinks preparation, food safety and consumer services. We offered over 6,700 pre-recorded courses on our *Mixue Academy* app in 2023, and launched over 400 new pre-recorded courses in the nine months ended September 30, 2024. As of the Latest Practicable Date, these new pre-recorded courses had been completed for approximately 2.1 million times.

Online Training

Offline Training

Standardized Store Operations

We have detailed measures and policies in place to guide our franchisees in their day-to-day store operations. Our franchised stores are operated based on a comprehensive set of operating standards and procedures, including uniform methods for drinks preparation, centralized procurement of store supplies and equipment, and consistent pricing. We design these standards and procedures in an easy-to-understand manner to streamline management and execution for franchisees and their employees. For example, as part of our franchising services, we provide our franchisees with smart store solutions, which digitalize and facilitate franchisee applications, daily business and store operations management. See "— Digitalization".

Store Check-in Mechanism

We have established a systematic store check-in mechanism to guide and supervise our store operations and provide feedback for our store performance evaluation. As of September 30, 2024, we deployed a team of 1,585 store operations advisors, who are tasked to provide guidance to facilitate franchisees' store operations and check in the stores assigned to them on a regular basis. We also deploy a separate store supervisor team, which is responsible for performing independent inspections of store operations. The store supervisors primarily conduct onsite spot checks for randomly selected stores. Our store check-in covers various aspects, such as product quality, consumer services, food safety and compliance.

Store Performance Evaluation System

To maintain dynamic, effective supervision of store performance, we closely monitor our store performance and track progress on a regular basis. Our store performance evaluation hinges on feedbacks from our store check-ins. See "— Store Check-in Mechanism". Such evaluation primarily focuses on the following aspects:

- *Consumer satisfaction*. Taking consumer satisfaction as our priority, we monitor the consumer complaints for which the franchised stores are responsible (see "— Responses to Consumer Complaints"), considering the volume and severity of such complaints in evaluating the store performance.

- *Breach of franchise agreements*. If there is any breach of terms and conditions set forth in the franchise agreements, such as violations of operational standards, or failures in following our internal protocols for store-level quality control, the franchisees may be subject to penalties pursuant to the relevant franchise agreements. Taking into account of various factors, such as the nature and frequency of such breaches, we may order to close the stores.

- *Business performance*. If we identify any underperforming franchised stores, we assess the reasons for underperformance and formulate customized, actionable improvement plans (e.g. launch of promotion activities, enhanced training for the store employees, recommendation for alternative store sites in cases where the underperformance is primarily attributable to changed commercial environment of the surrounding area) to address the issues.

Store-Level Quality Control

We prioritize the quality control management of our franchisees and store operations. We uphold our high standards of food safety and quality control at the store level primarily in the following aspects:

- We require all franchisees to strictly follow all applicable laws and regulations related to food quality, safety and hygiene, as well as our internal protocols.

- We provide mandatory food safety training to franchisees and their employees before store opening and throughout the store operations. Our trainings cover insights on relevant food safety regulations and trends, factors influencing food safety, and practical guide to prevent food safety issues at the store level.

- We conduct regular and frequent store check-ins, guide stores to address food safety and quality control issues, and assess and take prompt actions based on check-in results, including temporary store closure and/or termination of franchise agreements. See "— Store Check-in Mechanism". If we identify any systematic food safety risks, we establish task forces to address such risks with specific plans.

- We standardize the reporting procedures for food safety issues and formulate an emergency response mechanism. For example, we organize and hold food safety emergency response drills annually to ensure our emergency responses are fast, efficient and in order.

We have not been subject to any material administrative penalties for product quality and food hygiene and safety issues. According to the relevant laws and regulations in China, franchisees will be liable for food safety and product quality incidents caused by them; for such incidents caused by quality issues of products sold by us to the franchisees, consumers may seek damage against either the franchisees or, except in circumstances otherwise provided by the relevant laws and regulations, us. Pursuant to our agreements with the franchisees, food safety and product quality issues at the store level may lead to breach of franchise agreement, and the franchisees may be subject to penalties. Moreover, we have established a comprehensive food safety management system that covers all key aspects of our business to manage and mitigate risks of food safety issues. To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, there had been no actual or pending legal proceedings related to food safety and product quality incidents brought against us. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, there had not been any food safety and product quality incidents, product recall/returns, and/or complaints, whether related to our franchised stores or self-operated stores, that would have material adverse impact on our overall business operations. Based on the due diligence work conducted, nothing has come to the Joint Sponsors' attention that would cause them to disagree with the Directors' view above.

Responses to Consumer Complaints

To ensure that we are aware of consumer complaints to the extent possible, we (i) established dedicated hotlines and online channels for consumer services, (ii) monitor the comments, posts or reports on press or social media, and (iii) set forth in the standard franchise agreements that franchisees are required to report incidents of consumer complaints to us promptly. To address the consumer complaints that we become aware of, we have established a standard procedure and maintain detailed records thereof, substantially as described below.

After receiving consumer complaints, a work ticket is created to track the processing status. Our consumer service staff will thoroughly understand the nature of the complaints and determine the resolution process accordingly, aiming to resolve the issues promptly. For most of these consumer complaints, the franchised stores in concern will be assigned to handle the issues and take actions as needed. The franchisees and/or their employees must also report the details and resolutions of the issues to us promptly. Our store operations advisors for such stores will be notified and attend to the issues as well. During this process, the store operations advisors and our consumer complaints management department will provide supervision and support as appropriate. To ensure the effectiveness of this mechanism, we check the processing status of the consumer complaints with the responsible parties and assess the quality of responses. We also solicit feedback from consumers on the quality of response to their complaints. In addition, our quality control personnel will review and analyze the records of consumer complaints periodically and take actions to rectify any systematic issues as appropriate.

There had not been any consumer complaints received that would have material adverse impact on the Group's business operations and financial performance during the Track Record Period and up to the Latest Practicable Date.

Compliance Management

To ensure the effectiveness of our franchise business model, we put great emphasis on the compliance management of our franchise network. Prior to store opening, our franchisees are required to obtain all requisite licenses and permits for store operations, including business license and food operation license. To ensure ongoing compliance, we also focus on identifying issues through our periodic store check-in and factor in such results as part of our store performance evaluation. See "— Store Performance Evaluation System".

To prevent and/or address any store-level non-compliance issues and to make sure franchisees' labor practices being compliant, we established a comprehensive set of internal control measures to enhance management of franchisees. Upon receiving reports or publicity alerts of potential non-compliance incidents, we pay immediate attention and will assign relevant personnel to investigate and formulate recommended solutions. For any non-compliance incidents at the franchised stores, franchisees may be subject to penalties in accordance with the franchise agreements or our established protocols.

In particular, for our internal control measures and handling procedures for food safety and product quality issues, see "— Store-level Quality Control". Additionally, to make sure the labor practices at store level are in compliance, we established systematic franchisee management protocols to regulate the franchised stores' labor practices: we enhanced trainings in labor practices, such as trainings for labor-related laws and regulations, which are mandatory for the franchisees; we have included provisions in our franchisee management protocols to require identity check for the store employees; we require each of the store employees to hold valid health certificate and training certificate before being admitted to work in the stores; additionally, our store operations advisors regularly check the identity cards and health certificates of store employees during their store check-in visits to ensure the store employees are qualified to work.

Agreements with Franchisees

We enter into standardized agreements with each of our franchisees to cover the key aspects of the operation of franchised stores, which consist of (i) a franchise agreement, which provides for the key terms with respect to the operations and management of franchised stores and (ii) a framework procurement agreement, which provides for the key terms in relation to the procurements of store supplies and equipment by our franchisees. Our franchise agreements and framework procurement agreements for franchisees in mainland China typically have the following key terms.

Key Terms of Franchise Agreements of Franchisees in Mainland China

- Terms — We enter into franchise agreements with a general term of three or four years. The franchise agreements are renewable upon expiry.

- Fees and deposit — We charge the following fixed fees to our franchisees according to the franchise agreement.

    - *Franchise fee*. We typically charge franchise fees on an annual basis to license and authorize the franchisees to leverage our brand, business model and support to conduct their business. For example, the franchise fees we charge in China vary by tier of cities, typically ranging from RMB7,000 to RMB11,000.

    - *Management fee*. We typically charge our franchisees management fees on an annual basis for daily management, operational guidance and marketing support. The management fees we charge in China are typically RMB4,800 per store per year.

- *Training fee*. We typically charge our franchisees training fees on an annual basis for ongoing training services for franchisees. The training fees we charge in China are typically RMB2,000 per store per year.

Furthermore, our franchisees are typically required to pay a fixed deposit, typically RMB20,000 per store, at the signing of the franchise agreement to ensure their full compliance with the terms set forth in the franchise agreement. Such deposit will be fully refunded to our franchisees upon the expiration (if without renewal) of the franchise agreement if there has not been any breach of the agreement.

- Standardized procurement — Franchisees are required to purchase and use standardized ingredients, packaging materials and equipment, as specified by us. During the Track Record Period, we do not set minimum purchase requirement for our franchisees.

- Intellectual property — Our franchisees are authorized to use our brand, trademarks and other intellectual property rights within the designated premises.

- Brand promotion — We require our franchisees to collaborate with us in implementing standardized advertising and promotional campaigns, and actively engage in executing the marketing strategies we have outlined. The franchise agreements do not have terms in relation to guarantee of franchisees' profits in the event of promotion activities.

- Termination — The franchise agreement may be terminated bilaterally or unilaterally by either party under the circumstances provided in the agreement.

Key Terms of Procurement Agreements with Franchisees in Mainland China

- Order placement — Each of the franchisees shall submit orders via a centralized ordering system to us.

- Shipping — We will arrange delivery of the purchased store supplies and equipment to the franchisee upon receipt of payment.

• Product return	Absent any quality issue, we reserve the right to reject requests for product returns and/or exchanges. If there are quality issues with the goods, franchisees shall submit the return and/or exchange request within 48 hours of receiving the goods. The amount of product return during the Track Record Period was not material. According to CIC, our product return policy is in line with industry practices and standards.
• Payment and credit terms	The franchisees are required to make upfront payment to us in advance of shipping of the purchased store supplies and equipment.

Key Terms and Arrangements with Overseas Franchisees

We typically enter into standardized agreements with our overseas franchisees to cover the key aspects of the operation of franchised stores. The key terms and arrangements vary among different countries. The franchise agreements do not have terms in relation to guarantee of franchisees' profits. Our franchise agreements with overseas franchisees may have the following terms:

• Terms	We enter into franchise agreements with a general term of three years. The franchise agreements are renewable upon expiry.
• Fixed fees and deposit	The fixed fees and deposits we charge to our franchisees may vary among different countries to adapt to different market conditions. For example, we typically charge the following fixed fees to our franchisees in Indonesia and Vietnam according to the franchise agreement. • *Management fee*. The management fees we charge in Indonesia vary among different regions of the country, typically ranging from Rp57,000,000 (approximately US$3,700) to Rp75,000,000 (approximately US$4,900) per store in aggregate for a period of three years. The management fees we charge in Vietnam are typically VND34,800,000 (approximately US$1,400) in aggregate for a period of three years.

- *Training fee*. The training fees we charge are typically Rp3,000,000 (approximately US$200) per store in Indonesia and VND6,800,000 (approximately US$280) per store in Vietnam, in aggregate for a period of three years.

- *Franchise fee*. We currently do not charge a standalone franchise fee in Indonesia. In Vietnam, we typically charge franchise fees of VND46,800,000 (approximately US$1,900) per store in aggregate for a period of three years.

Furthermore, our franchisees are typically required to pay a fixed deposit, typically Rp40,000,000 (approximately US$2,600) per store in Indonesia and VND70,000,000 (approximately US$2,900) per store in Vietnam, at the signing of the franchise agreement to ensure their full compliance with the terms set forth in the franchise agreement. Such deposit will be fully refunded to our franchisees upon the expiration (if without renewal) of the franchise agreement if there has not been any breach of the agreement.

- Standardized procurement: Franchisees are required to purchase and use standardized ingredients, packaging materials and equipment, as specified by us. During the Track Record Period, we do not set minimum purchase requirement for our franchisees.

- Intellectual property: Our franchisees are authorized to use our brand, trademarks and other intellectual property rights within the designated premises.

- Brand promotion: We require our franchisees to collaborate with us in implementing standardized advertising and promotional campaigns, and actively engage in executing the marketing strategies we have outlined.

- Termination: The franchise agreements may be terminated bilaterally or unilaterally by either party under the circumstances provided in the agreement.

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any breach of the franchise agreements by our franchisees that had a material and adverse impact on our business operations. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any disputes with franchisees that had a material and adverse impact on our business operations.

Relationship with Franchisees

As of the Latest Practicable Date, to the best of our knowledge, save for those who were our former employees as disclosed herein, the franchisees do not have any other past or present relationships (business, trust, family, financing or otherwise) with the Company or its subsidiaries, their shareholders, directors, supervisors or senior management, or any of their respective associates. During the Track Record Period, certain of our franchisees were our former employees or then-current employees. As of December 31, 2021, 2022 and 2023 and September 30, 2024, we had 8, 11, 13 and 26 franchisees who were our former employees or our then-current employees, respectively. These franchisees operated 31, 33, 24 and 37 franchised stores ("**Related Franchised Stores**", with the rest of our franchised stores referred as "**Independent Franchised Stores**") as of December 31, 2021, 2022 and 2023 and September 30, 2024, respectively. The revenue contribution from these franchisees was immaterial, collectively accounting for 0.14%, 0.09%, 0.06% and 0.08% of our revenue in 2021, 2022, 2023 and the nine months ended September 30, 2024, respectively. When onboarding these franchisees, we applied the same selection criteria and procedures as those for other franchisees. The franchise agreements that we entered into with these franchisees have the same terms and conditions as those in the franchise agreements with other franchisees.

The following table sets forth a breakdown of the revenue, gross profit and gross profit margin generated through our store network by Independent Franchised Stores and Related Franchised Stores.

	For the year ended December 31,									For the nine months ended September 30,					
	2021			2022			2023			2023			2024		
	Revenue	Gross Profit	Gross Profit Margin	Revenue	Gross Profit	Gross Profit Margin	Revenue	Gross Profit	Gross Profit Margin	Revenue	Gross Profit	Gross Profit Margin	Revenue	Gross Profit	Gross Profit Margin
	RMB	*RMB*	*%*	*RMB*	*RMB*	*%*	*RMB*	*RMB*	*%*	*RMB*	*RMB*	*%*	*RMB*	*RMB*	*%*
											(unaudited)				
	(in thousands, except for percentages)														
Independent Franchised Stores	10,017,311	3,208,549	32.0	13,089,808	3,806,688	29.1	19,562,928	5,888,741	30.1	14,850,187	4,488,529	30.2	18,188,862	5,963,128	32.8
Related Franchised Stores	14,066	4,379	31.1	12,145	3,382	27.8	12,379	3,608	29.1	9,273	2,827	30.5	13,788	4,357	31.6
Total	**10,031,377**	**3,212,928**	**32.0**	**13,101,953**	**3,810,070**	**29.1**	**19,575,307**	**5,892,349**	**30.1**	**14,859,460**	**4,491,356**	**30.2**	**18,202,650**	**5,967,485**	**32.8**

As demonstrated in the table above, gross profit margins for the Independent Franchised Stores and Related Franchised Stores were generally consistent during the Track Record Period.

Pricing Policy

We require our franchisees to sell our products at the retail price set by us. We set the prices of store supplies and equipment to our franchisees considering a number of factors, including but not limited to (i) pricing of comparable products by reputable retailers or other suppliers in the market, (ii) procurement and production costs for the relevant products, and (iii) logistics costs and other miscellaneous costs and expenses in providing the store supplies and equipment. We had not experienced material fluctuations in the cost of raw materials, labor, and other operating expenses caused by inflation during the Track Record Period.

OUR SUPPLY CHAIN

Overview

We are the first freshly-made drinks company in China to establish centralized factories. Today, we operate a comprehensive end-to-end supply chain at the largest scale in China's freshly-made drinks industry, according to CIC. Our highly digitalized and expansive supply chain distinguishes us from our peers and enables us to provide our franchisees with a competitive one-stop solution. Over 60% of the ingredients we provide to franchisees are self-produced, the highest in China's freshly-made drinks industry according to CIC, with the core ingredients being 100% self-produced.

- Over the years, we have built a global procurement network that provides us with access to premium resources. Through this network, we procure raw materials, store supplies and equipment from a selected pool of reliable suppliers to ensure the quality and stability of supply.

- With the application of technologies combined with our operational expertise, we have achieved advanced digitalization and intelligized operations throughout our production process. This technology-empowered production process is pivotal to our quality products and highly-efficient operations, which ensures franchisees' satisfaction, and ultimately, a compelling consumer experience.

- To ensure the timely delivery of store supplies and equipment to our vast store network in China, we have also established a highly efficient logistics system that is backboned by a self-operated warehouse system and a dedicated delivery network.

- Our R&D efforts seamlessly combine both application R&D for product tastes and recipes and fundamental R&D for ingredient-related technologies, production techniques, recipes and equipment. This holistic R&D approach leads to our strong research capabilities for core ingredients and ability to continuously offer value-for-money freshly-made drinks for consumers.

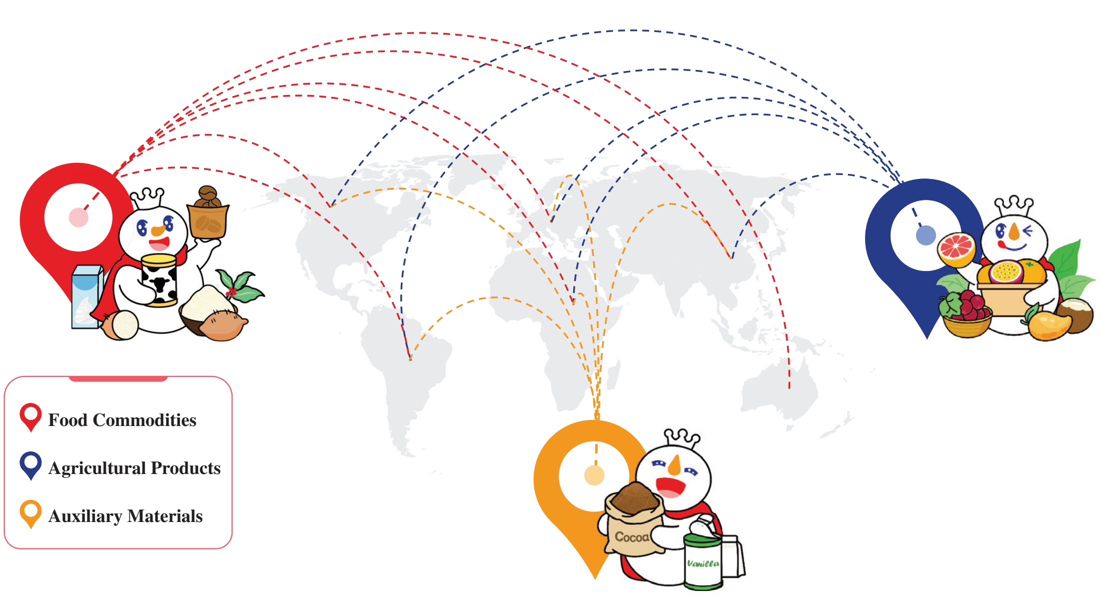
- Last but not least, we maintain and implement robust quality control standards to ensure the consistent high quality of outputs throughout our entire supply chain.

Procurement

Overview

We primarily procure (i) raw materials to support our production, such as food commodities, agricultural products and other auxiliary materials, and (ii) store supplies and equipment to be provided to our stores directly, primarily including packaging materials and store equipment. During the Track Record Period, we sourced raw materials originated from 38 countries across six continents.

Global Procurement Network Spanning 38 Countries across Six Continents



We have established long-term collaborations with premium and reliable suppliers, and this helps ensure the quality, cost-efficiency and stability of our supplies. Our strong brand reputation and vast store network give rise to the stable and sizable consumer demand for our products, therefore we enjoy the bargaining power to secure core raw materials at prices below the industry average. Additionally, we factor in our sales targets during the procurement planning process to further manage our procurement costs.

As we continuously deepen our efforts in enhancing our supply chain capabilities, we have expanded our operations further upwards along the supply chain. With these efforts, we have established collaborative planting bases to ensure the high-quality and stable supplies of key agricultural products that are crucial to the recipes of our freshly-made drinks. For example, we are China's largest lemon purchaser in terms of purchase volume in 2023, according to CIC. In 2023, we procured approximately 115,000 tons of lemons, with the majority sourced from our collaborative planting base situated in Anyue, Sichuan. In certain cases, we engage in discussions regarding procurement plans with fruit suppliers ahead of the farming season, which is expected to lead to secured supplies at favorable procurement terms.

During the Track Record Period, we did not encounter any delay or shortage in the procurement of raw materials, store supplies and equipment that materially affected our business operations.

Procurement Cost Control

To control our procurement costs, we primarily employ the following measures: (i) integrating a variety of supply resources from both domestic and global suppliers, (ii) extending our global procurement network to the origins of raw materials to eliminate intermediary costs, (iii) establishing long-term partnerships with upstream suppliers, and (iv) arranging agreed-upon prices or price ranges with certain suppliers in advance to secure sufficient supplies at reasonable costs.

Some of the raw materials we procure, such as sugar and coffee beans, are inherently susceptible to price fluctuations. However, we do not expect such price fluctuations to have a material and adverse impact on our and our franchisees' operations with the above measures adopted. For risks associated with price fluctuation of raw materials, see "Risk Factors — Risks relating to Our Business and Industry — We face the risk of price fluctuations in some of our raw materials, which could materially and adversely affect our results of operations and financial performance". While the franchise agreements do not have terms in relation to guarantee of franchisees' profits in the event of increase in raw material prices, we generally do not pass short-term increase in costs onto our franchisees.

Procurement Agreements with Suppliers

Our procurement agreements with suppliers typically contain the following key terms.

- *Term*. We typically enter into procurement agreements with terms within one year subject to annual review and renewal or without fixed terms.

- *Product specification*. Detailed specifications for the procured goods are set forth in the procurement agreements.

- *Price*. Pre-determined price of the procured goods is set forth in the procurement agreements. If the market price of the procured goods fluctuates significantly, we may negotiate with the suppliers to reset the price in certain cases.

- *Inspection and acceptance*. The procured goods are subject to our inspection within the specified inspection period upon arrival at our designated place.

- *Delivery.* The delivery method will be separately notified by us for each batch of goods. If the suppliers are responsible for the delivery, they shall deliver the procured goods to our designated place and bear any related logistics costs. If we are responsible for the delivery, we shall arrange pick-up at the suppliers' warehouses and bear related costs.

- *Payment term*. We are generally granted a credit term ranging from seven days to one month.

- *Liabilities*. For defective or unqualified goods, the suppliers shall exchange the goods and bear all expenses incurred. For late delivery of goods, we may negotiate with suppliers for price reduction and have the rights to reject such batch of goods.

- *Termination*. The major termination events include (i) failure to renegotiate the price under significant fluctuations in market price; (ii) material breach of the procurement agreement, and (iii) force majeure.

Collaborative Planting Bases

We collaborate with planting bases to ensure the high-quality and stable supplies of key agricultural products that are crucial to the recipes of our freshly-made drinks. Our collaborative planting bases are located primarily in Sichuan, Chongqing, among other regions. As of September 30, 2024, we had over 120 suppliers in relation to our collaborative planting bases. We select collaborative suppliers after considering various factors, such as the product quality, reputation and history of collaboration with us. The material terms of the arrangement with suppliers in relation to our collaborative planting bases are set forth below.

- *Product specification*. Detailed specifications for the products are set forth in the agreements.

- *Inspection and acceptance*. The products are subject to our inspection within the specified inspection period upon arrival at our designated place.

- *Price*. We and suppliers may agree to pre-determined prices or price adjustment mechanism, as specified in the procurement agreements.

- *Payment term*. We are generally granted a credit term within one month.

- *Liabilities*. For defective or unqualified goods, the suppliers shall be responsible for all damages caused, including but not limited to damages to us and any expenses we incurred therefrom. For late delivery of goods, we may seek damages from the suppliers.

Production

Overview

As of September 30, 2024, our production encompassed the most comprehensive product portfolio at the largest scale in the supply chain of China's freshly-made drinks industry, according to CIC. In 2012, we established our first production plant, being the first company to establish centralized factories in the freshly-made drinks industry in China. Currently, we have five production bases in Henan, Hainan, Guangxi, Chongqing and Anhui, which have a total site area of approximately 0.79 million square meters. At these production bases, our production covers seven categories of ingredients for freshly-made drinks, including products of syrups, milk, tea, coffee, fruit, grains and condiments, with a total annual production capacity of approximately 1.65 million tons.

Our approach to supply chain is focused on leveraging the profound strengths of China manufacturing capabilities, and incorporating world standards in factory construction and production management. As of September 30, 2024, we have built smart factories housing over 60 intelligent production lines, all equipped with advanced automation equipment and digital tools, including ABB's robots and associated automation equipment, Probat's coffee roasters, and Tetra Pak's aseptic high-speed carton filling machines. With the automation and digital tools equipped, the efficiency and capacity of our production facilities had been significantly improved. For example, the production capacity of certain of our syrups production lines had been improved by over ten times from 2019 to 2023 through automation of bottle filling, labeling, packing and various other production process.

Self-production is one of the critical aspects that distinguish us from most of our peers. We usually make the decision to produce specific ingredients in-house to enhance quality and cost efficiency when demand for these ingredients reaches a critical mass and we possess the necessary R&D and production expertise. For example, to elevate the flavor of our drinks and meet consumers' growing demand for health-conscious options, we began producing fresh milk blend bases using our proprietary production techniques, which has allowed us to prepare drinks with a fresher, healthier recipe while achieving a velvety texture and rich, indulgent taste. Additionally, we recently obtained a food production license for liquid milk products, making us the only freshly-made drinks company in China to hold such a license. This milestone has paved the way for in-house fresh milk production and expanded opportunities to refine our product offerings. In the meantime, we continue to strengthen our supply chain along the dairy value chain. In December 2024, we entered into a strategic collaboration with Junlebao, a leading dairy company in China, to jointly establish a Snow King Dairy Farm. Through this collaboration, we expect to further secure priority access to quality raw milk, accentuating our supply chain capabilities and product quality, and receive financial returns as a shareholder. Under this strategic collaboration, we hold the minority equity interests and are entitled to designate a director and appoint the financial officer at Snow King Dairy Farm. In the meantime, Junlebao, which holds the majority equity interests and has controlling power, is responsible for the daily operations. For details, see "Waivers and Exemption — Waiver in Relation to Post-Track Record Period Acquisitions — Background — Investment in Xinxiang Leyuan." We also self-produce certain essential packaging materials and store equipment.

Production Bases

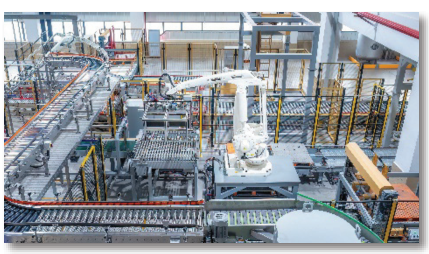
The following chart illustrates our production bases and their key operational information as of September 30, 2024.

Henan Production Base

- Products: ingredients (products of syrups, milk, tea, coffee, fruit, grains and condiments), packaging materials and store equipment
- Site area: ~342,000 square meters
- Annual production capacity: ~1.21 million tons

Hainan Production Base

- Products: ingredients (including products of milk and coffee)
- Site area (including facilities under construction): ~204,000 square meters
- Annual production capacity: ~45,000 tons



Guangxi Production Base

- Products: ingredients (including products of syrups, milk, fruit and condiments)
- Site area: ~100,000 square meters
- Annual production capacity: ~185,000 tons

Chongqing Production Base

- Products: ingredients (including products of fruit and grains)
- Site area: ~122,000 square meters
- Annual production capacity: ~155,000 tons

Anhui Production Base

- Products: ingredients (including fruit products)
- Site area: ~19,000 square meters
- Annual production capacity: ~54,000 tons

Henan production base

Our Henan production base produces all seven categories of ingredients, as well as packaging materials and store equipment. The site area of our Henan production base is approximately 342,000 square meters, and the annual production capacity for ingredients of this production base is approximately 1.21 million tons. The utilization rates of our Henan production base were 55.4%, 58.2%, 50.7% and 48.1% in 2021, 2022, 2023 and the nine months ended September 30, 2024, respectively. The relatively low level of utilization rates in 2023 and the nine months ended September 30, 2024 were primarily due to the expansion or upgrades of production lines during these years/periods, which were still in the ramp-up phase. For example, we launched additional production lines for tea and dairy products, among others, and upgraded our fruit production lines in response to consumers' preference for fresh fruit. Our Henan production base serves as our primary production facility and is our largest production base to date.

Hainan production base

Our Hainan production base primarily produces ingredients such as coconut-based milk products and coffee products. The site area of our Hainan production base (including facilities under construction) is approximately 204,000 square meters, and the annual production capacity for ingredients of this production base is approximately 45,000 tons. The utilization rate of our Hainan production base, of which the operation was launched in the first quarter of 2023, was 33.7% and 49.2% in 2023 and the nine months ended September 30, 2024, respectively. Our Hainan production base leverages the favorable trade policies of Hainan Free Trade Port and is well-positioned to support our international business.

We have commenced construction of new facilities in our Hainan production base in 2023 to expand the production capacity for ingredients such as frozen fruit products, coffee products, syrups and condiments. Such expansion plan is expected to complete in 2025.

Guangxi production base

Our Guangxi production base primarily produces ingredients such as syrups, fruit products and condiments. Strategically located in the southern region of China, our Guangxi production base also has convenient access to many tropical fruits, such as mango and passion fruit. The site area of our Guangxi production base is approximately 100,000 square meters, and the annual production capacity for ingredients of this production base is approximately 185,000 tons. The utilization rate of our Guangxi production base, of which the operation was launched in the third quarter of 2023, was 17.8% and 61.1% in 2023 and the nine months ended September 30, 2024, respectively.

Chongqing production base

Our Chongqing production base primarily produces ingredients such as fruit products and grains. The site area of our Chongqing production base is approximately 122,000 square meters, and the annual production capacity for ingredients of this production base is approximately 155,000 tons. The utilization rates of our Chongqing production base were 100%, 100%, 73.6% and 45.9% in 2021, 2022, 2023 and the nine months ended September 30, 2024, respectively. In 2021 and 2022, our Chongqing production base comprised of fruit production lines for lemon and orange, which have higher utilization rates than the grains production lines we introduced in 2023. Due to this introduction and the following ramp-up, the utilization rates of our Chongqing production base were lower in 2023 and the nine months ended September 30, 2024, than those in 2021 and 2022. The utilization rates in the nine months ended September 30, 2024 were lower than those in 2023 primarily because procurement and processing of lemon and orange usually take place in the fourth quarter of a year, and therefore the production capacity and production volume for these fruits in the nine months ended September 30, 2024 were nil. Our Chongqing production base has factories across multiple locations adjacent to the origins of raw materials, including Anyue and Tongnan, which are deployed and adjusted from time to time based on production plans. In particular, the Anyue factories, focused on the procurement and processing of lemon, are located in the same town of our collaborative planting base. Accordingly, the utilization rate of our Chongqing production base may fluctuate, particularly due to the seasonal nature of processing activities for certain fruits.

Anhui production base

Our Anhui production base primarily produces ingredients such as fruit products. The site area of our Anhui production base is approximately 19,000 square meters, and the annual production capacity for ingredients of this production base is approximately 54,000 tons. The utilization rates of our Anhui production base, of which the operation was launched in the first quarter of 2022, were 49.9%, 57.6% and 65.8% in 2022, 2023 and the nine months ended September 30, 2024, respectively. Our Anhui production base has factories in Chuzhou and Qilitang. In particular, the Qilitang factory, strategically located near strawberry farms, specializes in efficiently handling frozen strawberry products while maintaining product quality.

Production Capacity

The following table sets forth the production capacity, production volumes, and utilization rates for our seven ingredient categories during the years/periods indicated.

	For the year ended December 31,									For the nine months ended September 30,		
	2021			2022			2023			2024		
Products	Production capacity[1]	Production volume	Utilization rate of production capacity[2]	Production capacity[1]	Production volume	Utilization rate of production capacity[2]	Production capacity[1]	Production volume	Utilization rate of production capacity[2]	Production capacity[1]	Production volume	Utilization rate of production capacity[2]
	(in tons, except for percentages)											
Syrups	127,851	75,112	58.7%	255,677	156,486	61.2%	580,209	244,666	42.2%	480,720	223,695	46.5%
Milk Products	76,825	63,879	83.1%	233,837	147,110	62.9%	359,765	198,617	55.2%	337,637	176,747	52.3%
Tea Products[3]	–	–	–	–	–	–	3,856	908	23.5%	3,190	2,131	66.8%
Coffee Products	3,640	848	23.3%	6,087	4,349	71.4%	14,333	8,384	58.5%	11,388	7,213	63.3%
Fruit Products	35,575	30,417	85.5%	101,062	70,658	69.9%	231,509	136,391	58.9%	164,145[4]	81,597[4]	49.7%
Grains Products	11,625	2,699	23.2%	16,101	5,364	33.3%	13,099	6,330	48.3%	18,490	8,271	44.7%
Condiments	65,389	11,529	17.6%	90,309	38,835	43.0%	146,856	80,102	54.5%	109,282	64,683	59.2%

Notes:

(1) The production capacity is calculated based on the daily production capacity of production lines for each of the categories, weighted by days of operation of such production lines during the period indicated.

(2) Utilization rate refers to the percentage of the production volume to the production capacity during the period indicated.

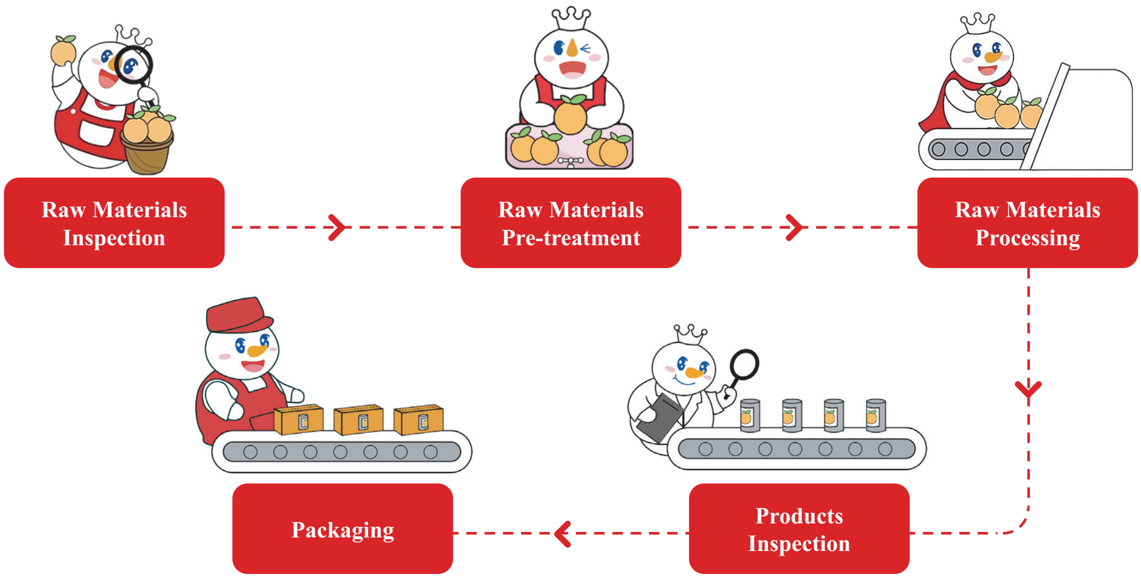
(3) Considering our production priorities, we did not start to produce tea products until 2023.

(4) Procurement and processing of lemon and orange usually takes place in the fourth quarter of a year, and therefore the production capacity and production volume for these fruits in the nine months ended September 30, 2024 were nil. The annual production capacity for these fruits is approximately 130,000 tons.

Fluctuations of our utilization rate of production capacity during the Track Record Period were primarily due to the expansion, planning and optimization of our production capacity. Going forward, we plan to further increase our production capacity to support our business growth. Whether we can successfully implement our expansion plans is subject to conditions and risks commonly associated with large construction and expansion projects. For details, see "Risk Factors — Risks Relating to Our Business and Industry — We face risks in relation to production capacity. Our future success and growth potential are dependent on our ability to successfully implement our production capacity expansion plans and effectively manage our production capacity". We expect to fund our production capacity expansion plans by the net proceeds from the Global Offering and cash generated from our operations. For details of our expansion plans, see "Future Plans and Use of Proceeds".

Production Process

The following chart illustrates the key steps of a typical production process of our key ingredients.



- Raw materials inspection: inspect raw materials according to relevant standards
- Raw materials pre-treatment: thaw, clean or batch the raw materials
- Raw material processing: process the batched raw materials, such as stirring (for fruit products), roasting (for coffee products), boiling (for grains products), or crushing and shaping (for condiments)
- Products inspection: screen and eliminate impurities and check against quality standards
- Packaging: label and pack the products

Logistics

Our self-operated warehouse system and dedicated delivery network are able to support the most extensive store network in China's freshly-made drinks industry. We have gained a competitive edge in managing logistics costs and efficiency, while consistently exceeding industry average in delivery time and quality. By effectively integrating DMS, OMS, WMS, TMS and BMS into our logistics system, we are able to precisely manage each end-of-line delivery through digital tools, which makes us one of the very few players in our industry capable of synchronizing goods flow, information flow, fund flow and logistics flow. See also "— Digitalization".

In 2014, we became the first in China's freshly-made drinks industry to build self-operated warehouse system. As of September 30, 2024, our warehouse system, which is the largest in the industry, comprised of 27 warehouses nationwide, totaling approximately 350,000 square meters. To support our overseas operations, we have established a local warehouse system, supported by seven self-operated warehouses in four countries in Southeast Asia as of September 30, 2024, totaling approximately 69,000 square meters. We continuously invest in and explore automation and intelligent equipment to enhance operational efficiency and expand storage capacity. The measures we have implemented for this purpose include adopting automated vertical storage facilities such as stacker cranes and four-direction shuttle vehicles.

We provide delivery services primarily by collaborating with localized delivery service providers to franchisees in and outside mainland China.

As of September 30, 2024, we had approximately 40 localized delivery service providers in China. These providers work with us in one integrated system, and we implement stringent quality control policies and requirements for these providers to ensure both timely delivery and quality and freshness of our products. For example, we inspect and maintain the hygiene conditions of the delivery vehicles, clean and disinfect the delivery vehicles to ensure quality of our products; we also require installation of temperature monitoring equipment on the cold chain delivery vehicles to monitor and maintain the low temperature for the whole delivery process, preserving the freshness of our products.

Our agreements with localized delivery service providers in and outside mainland China typically contain the following key terms.

- *Term.* The terms of the agreements are generally one year, subject to renewal or extension.

- *Delivery service.* The localized delivery service providers are responsible for providing delivery services for our products, including pick-up, loading, transportation, transfer, delivery, unloading into stores, etc., in accordance with the agreed scope of services and service quality standards.

- *Service fees*. Delivery service fees are typically charged in accordance with service fee standards as mutually agreed, typically based on delivery distance and service requirements.

- *Payment settlement.* The service fees are typically settled on a monthly basis.

- *Deposit.* Upon execution of the service agreements, the localized delivery service providers are typically required to place deposits with us as a performance guarantee, which will be fully refunded upon the expiration of the service agreements if there has been no breach of the agreements.

- *Termination.* The agreements can be terminated by either party with prior notice, or by us upon occurrence of certain events, including, but not limited to, failures of localized delivery service providers to perform certain contractual obligations.

- *Service quality.* To ensure the performance and service quality of our localized delivery service providers, the agreements set out terms such as service standards and quality assessment specifications. We review the key performance indicators, such as intact delivery rate, on a regular basis. If there is any material violation of our operational standards, we are entitled to lower the service fees and impose monetary penalties on our localized delivery service providers as provided in the agreements.

Our delivery network has the broadest geographical coverage and the deepest penetration in lower-tier markets in the industry, spanning 31 provinces, autonomous regions and municipalities, over 300 cities, 1,700 counties and 4,900 towns across mainland China as of September 30, 2024. As of the same date, we were capable of reaching over 90% of the counties in mainland China within 12 hours, and our cold chain logistics covered approximately 97% of our store network in mainland China. Our delivery network has also covered four overseas countries, including over 560 cities, as of September 30, 2024.

The following map illustrates the geographic coverage of our logistics system in mainland China.

For illustrative purpose only, the map (Map Review Number (審圖號): GS(2021)5447) is presented to demonstrate our logistics system in China, which includes mainland China and the regions of Hong Kong, Macau and Taiwan of China for the sake of completeness.

Research and Development

Overview

Our R&D efforts are focused on application R&D for product taste and recipes (i.e. front-end application R&D), as well as fundamental R&D for ingredient-related technologies, production techniques, recipes and equipment (i.e. back-end fundamental R&D). Our key R&D strengths lie in the seamless integration of both application and fundamental R&D, and synergetic R&D capabilities covering our seven ingredient categories, including products of syrups, milk, tea, coffee, fruit, grains and condiments.

Our R&D is led by our dedicated in-house team. As of September 30, 2024, we have 124 employees dedicated in application R&D and fundamental R&D. 31% of these R&D employees have master's or higher degrees. Our R&D staff are dedicated to the R&D for product recipes, ingredients (e.g. products of milk, coffee and tea) and equipment, in order to support the expansion of our store network and to meet consumers' demand. In addition, we encourage our franchisees to provide feedback and suggestions to facilitate our product development.

Application R&D

On the application R&D front, we make upgrades and innovations in our product recipes, taking into account current consumer preferences learned from our broad base of members and followers, store operations, supply chain capabilities, among others. We launched 105 new products in total in the nine months ended September 30, 2024.

The development of our featured *Shake-Shake* "搖搖奶昔" series demonstrates our application R&D capabilities. We innovatively encourage consumers to shake the product in their own way. This creative shaking feature sells itself and becomes hot topics among consumers. Since its launch, *Shake-Shake* has been highly rated and among our best-selling items for years.

Fundamental R&D

On the fundamental R&D front, we spearheaded the industry with multiple technological breakthroughs such as the rapid-cooking technique for tapioca balls, the proprietary innovative production techniques of premium trans-free dairy-based powder and fresh milk blend base, proprietary spray drying method for ice cream powder production and proprietary production methods for oat milk. We also develop equipment such as semi-automatic coffee machines, automated syrup dispensers, water heater and water purifier. Additionally, we collaborate with research institutions. For example, we work with Chinese Academy of Tropical Agricultural Sciences to establish collaborative mango-planting laboratories and with Hainan University to develop high-yield production methods for nata coco.

Supply Chain Quality Control

We have implemented a stringent quality control system to maintain quality and food safety at every step of our supply chain. As of September 30, 2024, we have approximately 290 employees in supply chain quality control functions, among which the managers have an average of approximately 12 years of food safety management and quality assurance related experience.

We have obtained ISO9001 quality management system certification, ISO22000 and FSSC22000 food safety management system certifications, HACCP hazard analysis certification and Halal certifications.

During the Track Record Period and as of the Latest Practicable Date, we had not encountered any product recall or experienced any customer complaints with respect to our product quality that would have material and adverse impact on our overall business operations.

Procurement Quality Control

Before we contract with any suppliers, they shall pass our stringent selection procedures, which include background and qualification checks, sample testing and trial production. Upon arrival of each batch of goods, quality control personnel inspect the protective measures, hygiene conditions, technical standard and safety standard to ensure compliance with our quality and food safety standards. In addition, we regularly evaluate our suppliers by periodic announced and unannounced inspections with respect to the quality and stability of raw materials supplied. To uphold our quality control and food safety standards, we also label the agricultural products procured with information of the source of origins and production bases, allowing for traceability.

Production Quality Control

In addition to complying with relevant laws and regulations regarding food safety, we also exercise strict quality control throughout the entire production process, from raw material inspection, pre-treatment, processing, products inspection to packaging. For example, we design our production plants in accordance with relevant guidelines, and our production plants and equipment are regularly cleaned and maintained by designated personnel with strict standards. All production personnel must undergo hygiene trainings and relevant technical trainings before assuming their roles. We also have a robust risk contingency plan to cope with any food safety issues occurred during the production process.

Warehousing Quality Control

We have established a Warehousing and Logistics Management Guideline with strict quality control measures in the warehousing process. To monitor the implementation of our guidelines in warehouses, the quality control team conducts inspections of products in storage from time to time.

We maintain our warehouses in clean, well-ventilated and organized conditions. Our warehouses typically have room temperature, cool temperature and freezing temperature storage, with daily monitoring of temperature and humidity according to the products' storage requirements.

Delivery Quality Control

We leverage the services of third-party logistics service providers to deliver store supplies and equipment across our vast store network and implement stringent quality control requirements to ensure the promptness and quality of delivery. In particular, we have stringent restrictions and requirements for the type of vehicles to be utilized, we require pre-loading vehicle cleaning to maintain dry and hygienic conditions and implement post-loading vehicle protection measures to prevent rain, moisture and excessive sun exposure.

Inventory Management

We employ a series of measures to manage our inventory turnover and reduce stockpiling and unnecessary procurements, which collectively ensure the cost-effectiveness. To manage our inventories, we make procurement and production plans based on demand forecast and existing inventory, considering safety inventory levels that address unpredictable demand fluctuations. We also improve the efficiency of inventory management through digitalized operations. For example, our WMS system facilitates warehouse cargo management and inventory management, through which we can achieve data-driven management of warehouse operations, enhancing efficiency and accuracy. See "— Digitalization".

Under our franchise model, the franchisees have little incentive to maintain an unreasonably high level of inventory because: (i) franchisees typically make advance payment before the goods and equipment are delivered to them; (ii) they are not subject to minimum purchase requirement; (iii) they may not be able to return the purchased products absent quality issues; and (iv) they can place orders for store supplies frequently and conveniently to fulfill the daily operational needs given our prompt delivery of orders. Additionally, we generally pay attention to the inventory level of the stores (e.g. the store operations advisors checking expiration dates of ingredients and the inventory level during the onsite visits). Therefore, the risk of channel stuffing by our franchisees is low.

MARKETING

We adopt omni-channel marketing strategy, covering both online and offline branding and marketing and leveraging our iconic IP, Snow King. For details of our iconic IP, see "— Our Brands and Products — Our Iconic IP – Snow King".

Online Marketing

Mixue Hashtags | Membership Program | IP Collaboration

Offline Marketing

Online Marketing

Our online marketing campaigns are focused on popularizing and promoting our brand image across various social platforms. For example, Snow King has his own accounts on major social platforms in China to engage with his fans and to capture consumers' mind-shares for *Mixue*. As part of our online marketing campaigns, we create quality content that attracts viewers in various formats, such as social media posts and short videos. For example, as of the Latest Practicable Date, the hashtag #*Mixue* has garnered over 44.4 billion views on Douyin. To boost our marketing effectiveness, we launched co-branding and IP collaboration campaigns for Snow King with a variety of popular brands and IPs, such as Luo Tianyi and Eggy Party. With our channel resources and rich contents, we have been able to launch a series of impactful marketing campaigns and induce fans interactions online.

We have also established membership programs to better understand and engage with our consumers to cultivate brand loyalty. Registration for our membership programs is available through various channels, including our *Mixue* app, our Weixin and Alipay Mini Programs, as well as third-party online delivery platforms. We grant a variety of rewards to our members. Such membership programs allow us to encourage repeat purchases and strengthen the bonding between our brand and members. As of September 30, 2024, *Mixue* had approximately 315 million registered members.

Offline Marketing

Our offline brand marketing meaningfully leverages the physical presence of our extensive store network. We frequently host Snow King parades and encourage consumers to take photos and participate in store activities, creating closer connections with them. Additionally, we organize various marketing events to amplify our brand's visibility. For instance, since 2019, we have hosted various Ice Cream Music Festivals, where we invite consumers to enjoy music and offer our freshly-made drinks while further promoting our iconic IP, Snow King. Our offline marketing initiatives also include inviting consumers to our production base in Henan, a National 4A Industrial Tourist Attraction, where they gain immersive experience about our production process in an open and transparent environment.

Online-Offline Integrated Marketing

With our popularity on social media and extensive store network easily accessible by our consumers, we are able to launch effective online-offline integrated events as part of our marketing efforts. In our online-offline integrated marketing efforts, we executed a "Tanned Snow King" marketing campaign in June 2022. During this campaign, Snow King images, both online and offline, adopted a tanned appearance to promote our new mulberry series products. This campaign resulted in the sale of approximately 22 million cups within the first month of launch. Additionally, in our *Mixue*'s May 20 Couple's Day campaign in 2024, we conducted various online and offline promotion events. On May 20, 2024, the GMV generated through our *Mixue* store network in China increased by 11.4% compared to the same day in the previous week. To support the launch of our new product, *Jasmine Green Milk Tea*, we introduced an innovative online-offline integrated marketing campaign in July 2024. Consumers who sing a verse from the classic Chinese folk song "Jasmine Flower" receive RMB1 off their purchase for a cup of our *Jasmine Green Milk Tea*. This event, which has garnered over 1.3 billion online exposure as of the Latest Practicable Date, adds an engaging element to our new product launch, resulting in the sale of approximately 100 million cups within the first month of its launch.

DIGITALIZATION

Digitalization plays a key role in our operations, enhancing operational efficiency and contributing to our sustainable growth. Our digital infrastructure encompasses integrated digital management systems designed to support various key aspects of our business, including online ordering, store operations, supply chain and corporate management, among others.

Moreover, we directly interact with our consumers through our proprietary *Mixue* app and our Mini Programs on Weixin and Alipay, allowing us to accumulate first-hand consumer insights.

Online Ordering

Consumers can place online orders through various online channels such as our Weixin and Alipay Mini Programs, our *Mixue* app as well as third-party online platforms, such as Meituan and Ele.me. In 2021, 2022, 2023 and the nine months ended September 30, 2024, 46.9%, 47.1%, 45.7% and 47.1% of our online orders were attributable to our Mini Programs and *Mixue* app, respectively.

We enter into agreements with Weixin and Alipay to operate our Mini Programs and enable payment channels therein. Our agreements with Weixin and Alipay typically have the following key terms.

- *Mini Programs and payment services.* With the technology services, such as interfaces, components and functionalities of Mini Programs provided by Weixin and Alipay, consumers can place online orders for products at our stores, make payments through the channels provided by Weixin and Alipay and choose self pickup or delivery services.

- *Service fee.* Technology service fees for Weixin and Alipay are typically charged at fee rates as a percentage of the total transaction amount or a fixed fee as agreed.

- *Payment settlement.* Weixin and Alipay collect consumer payments on our stores' behalf. The service fees are charged and deducted from the payment.

We do not bear the responsibility for Weixin and Alipay for their failure of payment collection from consumers. During the Track Record Period, we were not aware of any material disputes between Weixin and Alipay and consumers in terms of collection of payments via their payment channels.

We also enter into 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. For the franchised stores, we usually enter into agreements on behalf of the franchisees as an authorized representative, so that franchisees do not have to negotiate the terms of agreements with the platforms by themselves. The franchisees would be the contractual parties who are responsible for performing such agreements, where they would receive consumers' payments for orders through the platforms and settle service fees with the platforms. Payments under these agreements between franchisees and the third-party delivery platforms in accordance with the terms set forth in the agreements, and we do not charge franchisees any additional fees for these agreements or the related service and payment arrangements. We usually do not settle any payment with the third-party delivery platforms, nor do we settle any payment with the franchisees with respect to the arrangement with third-party delivery platforms. Additionally, given that we merely act as an authorized representative of the franchisees, we are not subject to liabilities if there are disputes between third-party online delivery platforms and franchisees. The agreements with third-party online delivery platforms typically have the following key terms.

- *Term.* The agreement with third-party online delivery platforms typically has a term of one year, subject to automatic renewal or renewal by mutual agreement.

- *Delivery services.* Third-party online delivery platforms are responsible for arranging delivery personnel and delivering products to consumers.

- *Service fees.* Fees to the third-party delivery online platforms for products displayed on their platforms and delivery services are charged at fixed fee rates of total transaction amount or charged by incremental fees based on total transaction amount, delivery distance and timing.

Consumers will choose the particular stores at which the online orders are placed through *Mixue* app or third-party online delivery platform. The *Mixue* app or third-party online delivery platform will typically suggest the nearest store to the consumer to the extent the consumer permitted the relevant apps to access his/her location. For online orders placed at self-operated stores through our *Mixue* app, the stores can choose to arrange delivery by either the store employees or third-party delivery service providers, depending on circumstances.

For online orders placed at self-operated stores, we may be liable for liabilities arising from food safety issues during the delivery process. We can seek compensation from third-party delivery service providers if consumers claim for damages against us while liabilities shall be borne by such service providers. In 2021, 2022, 2023 and the nine months ended September 30, 2024, the GMV of online orders placed at our self-operated stores in China was RMB31.8 million, RMB34.0 million, RMB41.2 million and RMB23.3 million, accounting for 0.14%, 0.11%, 0.09% and 0.05% of the total GMV, respectively.

To ensure food safety and quality for delivery orders, we require our franchisees to use standardized packaging bags with the closure firmly sealed to avoid the package to be opened or damaged in the delivery process. Consumer complaints involving food safety and quality issues for delivery orders, or any such issues detected during store check-in visits, will draw attention of our store operations advisors, who oversee the store operations. In addition, third-party online delivery platforms that we collaborate with are reputable and have established comprehensive delivery management standards and measures to ensure food safety and quality throughout the delivery process. For any food safety and product quality issues in connection with online orders placed through the third-party delivery platforms, responsibilities and liabilities are typically borne by the franchised stores or the self-operated stores, as the case may be, and/or the third-party delivery platforms, depending on the circumstances. The third-party delivery platforms shall bear the responsibilities and liabilities for any food safety and product quality issues only if such issues shall be solely attributable to the third-party online delivery platforms during the course of delivery. During the Track Record Period, we did not bear any material losses arising from food safety and product quality issues with respect to online orders through third-party online delivery platforms.

In 2021, 2022, 2023 and the nine months ended September 30, 2024, RMB2.3 billion, RMB3.6 billion, RMB6.9 billion and RMB8.3 billion of our total GMV were attributable to *Mixue* app and Mini Programs.

Store Operations Digitalization

Our store operations are streamlined by our smart store solutions, which include digital tools such as *Mixue Housekeeper* system and *Mixue Go* (“蜜雪通”) app.

For franchise management, our smart store solutions cover the key processes from franchise application to daily business operations. Franchisee applicants submit their qualifications and other information online for our review before signing the franchise agreement. Once they are onboarded, our smart store solutions facilitate various aspects of day-to-day operations, allowing franchisees to manage tasks like store supplies and equipment procurement within the system. For store operations management, franchisees can track and analyze their store performance through our smart store solutions, streamlining and digitizing their operations for efficiency and convenience.

Our smart store solutions also help us streamline the management of our store network. We digitalize our store-related work process, such as franchise agreement signing and site selection vetting. We oversee the lifecycle of our stores and accumulate invaluable know-how in site selection and store performance evaluation, among others.

Supply Chain Digitalization

We employ digital systems to manage our supply chain across key aspects, such as procurement, production, logistics, and inventory management.

- *Procurement.* Our SRM system handles supplier bidding, purchase orders, payments, returns and exchanges seamlessly. It optimizes our procurement procedures by accurately recording purchase orders, logistics notifications and financial settlement details, playing a pivotal role in monitoring and managing our suppliers and procurement processes.

- *Production.* Our digital systems that facilitate production primarily include MES, LMS and EMS.

  o Our MES system focuses on enhancing product quality stability, expanding production capacity, and establishing standardized production management processes.

  o Our LMS system, through the integration of intelligent equipment using IoT technology, streamlines our production with functions such as automated information collection and electronic dashboard management.

  o Our EMS system utilizes smart meters and leverages IoT technology to enable real-time information collection for factory utilities such as water, electricity, and gas. It automatically analyzes data, generates alerts, and reduces wastage, thereby facilitating transparent energy data management.

- *Logistics*. We integrate DMS, OMS, WMS, TMS and BMS into our logistics system to precisely manage each end-of-line delivery through digital tools.

  o The main functions of our DMS system include store-end ordering management, returns management, promotions management, among others. Through the application of the DMS system, we can achieve comprehensive management of store orders throughout the entire cycle.

  o The main functions of our OMS system include managing processes for upstream and downstream orders (such as order distribution and invoice printing). Through the application of the OMS system, we can achieve real-time global visibility of our inventory, and facilitating data circulation among the supply chain and various other business systems.

  o The main functions of our WMS system include warehouse cargo management and inventory management. Through the application of the WMS system, we can achieve digital management of warehouse operations, enhancing efficiency and accuracy.

- o The main functions of our TMS system include vehicle management, route planning, order management, and distribution management. By using the TMS system, we gain control over delivery nodes and information visibility, which support our operations effectively.

- o The main functions of our BMS system, the financial system for our supply chain, include billing management, accounts receivable management, accounts payable management, among others. Through the application of the BMS system, we can achieve digitalization of billing and settlement for our supply chain, integrating with our company-wide financial system.

- *Inventory Management.* Leveraging our digital systems, we dynamically analyze store sales and manage our procurement and production accordingly to optimize the inventory level in our supply chain.

Corporate Administration Digitalization

At the corporate level, we set up various digital systems to optimize our internal management, such as our financial management system, collaborative work system, business data analysis system, and training management system. At the store level, our store operations advisors can leverage the intelligent system to streamline their store check-in tasks. For example, store operations advisors can take photos and leave digital records, which are then submitted electronically. This process enhances standardization and improves overall efficiency.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Overview

Our ESG Subject Areas, Policies and Strategy

To achieve the vision of building respectable brands lasting for centuries, we attach high importance to critical matters of building future-proof business operations, which are also the key pillars of our ESG strategies. We identify our key ESG subject areas by a comprehensive materiality assessment, including: (i) frame the scope of ESG subject areas by distributing questionnaires to stakeholders, (ii) assess and prioritize the ESG subject areas primarily by considering the subject areas' impact on us as well as the stakeholders' view on their importance, and (iii) identify the key ESG subject areas through review and analysis by our management and external consultants. The key ESG subject areas we identify include, but not limited to, food safety and product quality, fresh and healthy products, occupational health and safety, and business ethics.

As a socially and environmentally responsible company, we further extend the reach of our initiatives and encourage our suppliers, franchisees and their store employees and consumers to join our efforts in sustainable development. For example, we adopt ESG policies on packaging and delivery by third-party delivery platforms, which are focused on sustainable packaging and food safety governance. For consumer orders placed on third-party delivery platforms, we require our franchisees to use standardized packaging bags with the closure firmly sealed, to avoid the package to be opened or damaged in the delivery process, to ensure food safety and quality for delivery orders; consumer complaints involving food safety and quality issues for delivery orders, or any such issues detected during store check-in visits, will draw attention of our store operations advisors, who oversee the store operations; moreover, to reduce consumables, we adopt recyclable and degradable materials for packaging materials that we sell to the stores. In terms of ESG policies on delivery, we only collaborate with third-party online delivery platforms that are reputable and have established comprehensive delivery management standards and measures to ensure food safety and quality throughout the delivery process.

We have proactively published our 2023 ESG report and continued to review and strengthen our practices in creating job opportunities, empowering farmers, promoting green development and advocating for social welfare.

Our ESG Governance Structure

Our Board bears the overarching responsibility for (i) our ESG strategies and objectives, (ii) the identification, assessment, and management of ESG-related issues (including risks to our business), and (iii) evaluation of progress made against ESG-related objectives, taking our overall business into consideration. We have established an ESG Committee to review and assess our ESG-related strategies, systems, work plans and risk management approaches. Our ESG Committee is chaired by Mr. Zhang Hongchao, our founder and chairman of the Board, with Mr. Zhang Hongfu, our co-founder and chief executive officer, as the vice chairman. The ESG Committee shall report to the Board regularly and on occasion as deemed appropriate, assisting the Board in carrying out their overarching responsibility for ESG matters.

To better implement our ESG strategies, we have also established an ESG Working Group, led by leaders of our various business functions, to formulate ESG-related work plans and risk management approaches, and to supervise the execution thereof. Our business departments are generally responsible for execution of ESG-related strategies and objectives.

In addition, we have engaged a reputable consulting firm to assist us in conducting a comprehensive ESG diagnosis on our business operations, as well as developing relevant ESG principles and actionable plan according to their review.

Environment

Green Supply Chain

Together with our suppliers, franchisees and other business partners along our value chain, we have implemented measures to reduce our energy and water consumptions, to lower greenhouse gas emissions and to manage our resources in the fields of procurement, production, logistics and R&D.

Green Procurements

We select and manage our suppliers with rigorous procedures, such as qualification checks and periodic inspections (see "— Our Supply Chain — Supply Chain Quality Control — Procurement Quality Control"). In assessing suppliers, we consider their sustainability practices and records, in areas such as environmental management, resources usage, sewage discharge and relevant certifications. 65% of our top 20 suppliers in 2023 were under ISO14001 certification. We cooperate with suppliers who are at the forefront of sustainability with robust ESG policies. For example, one of our largest suppliers has one of the lowest on-farm carbon footprints in the world. It has published climate roadmaps that take it towards an ambition to achieve carbon neutrality by 2050. One of our top dairy products suppliers has published climate plans with an aim to significantly reduce greenhouse gas emissions by 2030 and produce net climate-neutral dairy by no later than 2050. Additionally, it purchased 100% of key agricultural raw materials from sustainably managed sources in 2023. To promote animal welfare and health, it also requires quarterly reports for each individual dairy farm and ensures that certified veterinarians visit all of its member dairy farmers at least once a year. Moreover, we actively motivate our suppliers to improve their environmental practices. For example, we mandate pesticide residue testing and require inspection reports from the suppliers to monitor and control pesticide usage.

Further moving up along our supply chain, we support farmers with initiatives in sustainable practices. On March 12, 2023, Arbor Day, we launched the *Mixue* Shade Tree Project for coffee farmers in Yunnan, China. We, together with our franchisees, employees and consumers, devoted efforts in planting shade trees for coffee plantations. Such practices help improve biodiversity and thereby extend the economic lifespan of coffee plants. Products from the shade trees can also generate additional income for coffee farmers. This project aims to cover approximately 2.7 million square meters of coffee plantations in Yunnan. Since the launch of this project, 39,500 shade trees have been planted. In addition, to promote green farming practices, we plan to release our company standard for farming and provide relevant technical guidance to farmers.

Green Production

We are a leader in implementing green principles in production. Our primary production base, Henan production base, was named as Green Factory at national level by the Ministry of Industry and Information Technology of the PRC. It has also obtained ISO50001 certification on energy management and FSC certification. Moreover, we are currently upgrading our Guangxi production base with the goal of achieving carbon neutrality by 2025.

1. Energy Saving and Carbon Reduction

We have taken various green initiatives focused on energy saving and carbon reduction in production, including but not limited to the following:

- *Energy management*. We employ digital EMS system to monitor and analyze energy performance in production lines, which helps us optimize our energy usage and management. For our primary production base, we also set up a task force dedicated in green production, and we consider environmental practices when assessing performance of the relevant business departments.

- *Clean energy.* We utilize renewable biomass energy to generate electricity in our production bases, which have relatively high combustion efficiency and energy saving. Additionally, we equipped our primary production base with solar-powered lighting, which is estimated to result in annual electricity savings of approximately 9.9MWh.

- *Clean facilities.* We made green upgrades to our cooling towers in our primary production base that result in an estimated annual electricity savings of approximately 88.1MWh. Additionally, our coffee roasters employ continuous roasting technique, which increases the output per unit of time and therefore is estimated to reduce electricity consumption by approximately 93.6MWh annually, compared with intermittent roasting.

To further promote green energy and reduce carbon emissions, we have commenced to construct a 6.0 MW photovoltaic facility at our Henan production base and a 5.4 MW photovoltaic facility at our Guangxi production base. These facilities are expected to reduce greenhouse gas emissions by over 6,000 tons annually.

2. Wastewater Management

Our factories have also adopted various measures of wastewater management. Specifically, we monitor the wastewater discharge in our factories online on a real-time basis. In addition, we established wastewater recycling systems at our factories. The treated and recycled wastewater is used for road cleaning and other purposes, within the factory areas. This helps us significantly reduce the consumption of tap water throughout our production process of over 180,000 tons in 2023. Additionally, our factories are equipped with rainwater collection system on the ground and rooftops to gather and store rainwater to be recycled. The rainwater collection system is expected to contribute to annual water savings of over 20,000 tons.

3. Production Waste Reduction

We also made efforts to reduce waste in our production. With our smart factories and intelligent production lines, our ingredient production maintained a depletion rate of 0.71% in the nine months ended September 30, 2024, which was significantly below the industry average according to CIC. Additionally, the solid waste overall recovery rate in our primary production base reached 88.0% in 2023.

Green Logistics

We aim to reduce the carbon footprint in the logistics process. By utilizing digital systems such as TMS, we improve the operational efficiency of our logistics by carefully designing the delivery routes and frequency to optimize the utilization of our delivery capacity, which in turn reduces our carbon emissions. See also "— Our Supply Chain — Logistics" for our requirements and policies for delivery service providers in line with our efforts in key ESG subject areas such as food safety. Additionally, 100% of the forklifts used in our production and warehouse logistics are new energy-powered, which is estimated to reduce greenhouse gas emissions by approximately 455 tons annually, compared with using diesel-powered forklifts. We also utilize reusable pallets for transporting goods, therefore reducing waste of disposable pallets which are commonly adopted in the logistics industry. In 2023, we have utilized reusable pallets for approximately 740,000 turns, estimated to have saved approximately 37,000 trees compared with disposable wooden pallets.

For cold storage in our warehouse system, we use first-tier energy-efficient refrigeration equipment and environment-friendly refrigerants with zero ozone depletion potential (ODP). We also install high-speed doors and door seals to minimize air convection and prevent cold loss, further reducing energy consumed in cooling.

Ingredient Waste Reduction

Starting from product development stage, we aim to systematically optimize the ingredient utilization and waste reduction in the drink preparation process. While ensuring the quality and tastes of the drinks, we consciously refine our drinks recipes to increase the cross-utilization of ingredients across various products to reduce ingredient wastes.

Additionally, we have carefully analyzed the shelf lives of relevant ingredients and the expected daily sales volumes of freshly-made drinks made of those ingredients. Through this analysis, we designed the optimal packaging size for ingredients to avoid the use of excessively large ingredient packaging that may lead to waste or raise food safety concerns.

Green Store Operations

Environment-friendly Store Decoration

We employ a modular assembly approach and utilize environment-friendly materials in store decorations as part of our commitment to building environment-friendly stores. Our modular assembly approach facilitates easy assembly, disassembly and recycle, and eliminates onsite dust pollution. For example, prefab wall panels used in modular assembly can be easily recycled through crushing and remelting.

Energy Saving

We implement effective energy control measures throughout store operations. For instance, we require all of our *Mixue* stores in China to equip with LED lighting to reduce electricity consumption.

Sustainable Packaging

We adopt recyclable and degradable materials for our packaging materials to reduce consumables and enhance consumer awareness of environmental protection through labelling. For instance, our green packaging upgrades reduced PE plastics consumption by over 12,700 tons in 2023. We supply straws and bags used in our stores in China, of which 100% are environment-friendly and degradable. Additionally, in August 2023, we donated RMB15 million to Westlake University to support research on biodegradable plastics.

Coffee Grounds Recycling

We consider coffee ground treatment as one of the key aspects of our store-level waste management and launched a project across our *Lucky Cup* store network to encourage consumers to recycle coffee grounds. In this project, we provide recycling buckets for coffee grounds to our stores. Recycled coffee grounds can be repurposed as flower fertilizer or air purifiers.

As advised by our PRC Legal Advisor, our operations are conducted in compliance with PRC environmental protection laws and regulations in all material respects, as of the Latest Practicable Date.

Social

Job Creation and Farmer Empowerment

As the largest freshly-made drinks company in China, we are committed to growing with our communities. We take pride in being a key contributor to local economies by creating job opportunities across the value chain.

In the area of rural revitalization, we strive to enhance well-being for farmers by helping them improve scientific cultivation capabilities, thereby improving quality and increasing productivity. For instance, we offer trainings and assistance in agricultural practices and provide necessary supplies to lemon farmers. We also provide technical guidance to coffee farmers onsite and offer practical toolkits to assist safe and efficient harvest. In addition, we help negotiate favorable terms for farmers to purchase farming supplies.

We promote fair trade with farmers as well. For example, we make an effort to procure lemons directly from farmers and/or plantations to eliminate intermediary costs and reserve value for farmers. For lemon farmers with whom we established long-term relationship, we usually commit to minimum purchase amount and fixed prices to protect their interests.

DE&I, Training and Development

We are committed to protecting employees' rights and dedicated to promoting diversity and equal opportunities in recruitment and retention. We aim to foster an inclusive workplace in which employees can freely explore their potentials, regardless of their background and demographics. As of the Latest Practicable Date, approximately 35% of our franchisees were female, and approximately 69% of our franchisees' store employees were female based on information provided by them.

Moreover, we have an effective training system, including orientation and continuous on-the-job training, to improve the knowledge and skill levels of our employees. To provide proper incentives for employees and assist them in developing their career, we take into account various factors in employee promotions, including alignment with our corporate culture, adherence to business ethics, and work performance. See also "— Employees".

To improve our franchisees' skills and support their continued drive for entrepreneurial success, we provide them with training programs in aspects of food safety management, store management, operations, among others. In the nine months ended September 30, 2024, our franchisees and store employees have participated in our offline training sessions over 270,000 times cumulatively. For details, see "— Our Store Operations — Training and Development".

Occupational Safety

We are committed to strictly complying with applicable laws, regulations and standards in different countries and regions related to workplace safety, providing a safe and healthy workplace for our employees. Our primary production base, Henan production base, has obtained ISO45001 for occupational health.

For our production in particular, we established a series of policies and procedures with respect to health and work safety, and we have a dedicated team led by an experienced manager to comprehensively oversee the health and safety aspects. To strengthen the employees' awareness and knowledge on production safety, we also conduct training sessions on applicable laws and regulations related to workplace safety, production safety procedures, among others.

Green Awareness and Lifestyle

We promote healthy lifestyles by providing freshly-made drinks which offer consumers fresher ingredients and a richer taste within the overall drinks market. Our consumers are also offered with healthy options for freshly-made drinks in sugar level, cup sizes, among others. We have also improved our production techniques and recipes catering to the trend of a healthy lifestyle, such as lowering calories and fat level in our drinks.

We strive to influence and drive stakeholders in our ecosystem to participate in climate action and contribute to a circular economy, starting from details. To maximize the value of packaging materials and reducing waste, we inspire our consumers to transform our designed reusable takeout bags into daily essentials, such as shopping bags and tissue cases. We also demonstrate our green commitment and promote green awareness by utilizing new energy vehicle to host tourists for sightseeing in our Henan production base, a National 4A Industrial Tourist Attraction. In addition, we design posters starring Snow King advocating for environment and health, which we post on major social platforms to arouse consumers' awareness of environmental protection.

Charity Endeavors

Our charity endeavors cover a spectrum of initiatives, ranging from donations to daily assistance for those in need.

- We donated around RMB100 million in areas such as natural disaster relief, education assistance and environmental protection-related scientific research, during the Track Record Period. For example:

  - For natural disaster relief, we donated RMB34.8 million following the flood disaster in Zhengzhou in July 2021, and we donated RMB10.0 million following the typhoon disaster in Beijing and Hebei province in August 2023.

  - For education assistance, our *Mixue* Scholarship Program had contributed more than RMB6.5 million to various universities, supporting 649 students in 2022 and 2023; our donations to the Rural Children's Playground Charity Program have contributed to the construction of playgrounds for 19 schools as of September 30, 2024.

- Leveraging our strong brand influence, we initiated a charity project by printing information about missing children on delivery bags and cup sleeves to help find these children.

- We launched the *Caring Tea* ("愛心茶") campaign, delivering *Mixue* products to sanitation workers. Sanitation workers were eligible to receive three cups of *Freshly-Squeezed Lemonade* per person per month, available at our store network in seven cities. During this campaign, we have provided over 210,000 cups of *Caring Tea* to sanitation workers.

In April 2024, we established the Snow King Foundation ("the Foundation"), a philanthropic initiative committed to education, rural revitalization, environmental sustainability, and disaster relief. Rooted in our entrepreneurial spirit, the Foundation embodies our corporate responsibility and enhances our philanthropic efforts. By leveraging our resources and brand influence, the Foundation supports non-profit organizations and implements impactful projects that promote social wellbeing. Since its inception, the Foundation has undertaken various charitable initiatives. In September 2024, it initiated a planned donation of RMB10 million to the Ding'an County Education Development Foundation over a five-year term to support teaching and student aid. Additionally, in October 2024, the Foundation committed a donation of RMB5 million in a rural revitalization project in Chongqing focusing on technology innovation and industry development relating to lemon cultivation and production.

Governance Practices

Board Governance

We believe that a strong corporate governance system is essential to making decisions that are professional, effective, and aligned with the long-term interest of all stakeholders. Our Directors possess diverse backgrounds and relevant experiences and skills that we deem as necessary to maintain effective, professional and independent operations of our business. Three of our seven Directors are female, and three of the seven Directors are independent non-executive Directors.

Food Safety Governance

Food safety and product quality management has always been our top priority in business operations. We have established a Food Safety Committee, chaired by Mr. Zhang Hongchao, our founder and chairman of the Board, and consisted of our core management. Our Food Safety Committee is tasked to (i) articulate our food safety policy framework, (ii) formulate our food safety strategies and objectives, (iii) design the organizational structure and management mechanism regarding food safety, and (iv) supervise and guide the food safety management across all aspects of our business operations. We regularly evaluate our suppliers by periodic announced and unannounced inspections with respect to the quality and stability of raw materials supplied. In addition, we employ a robust quality control system over operations of our stores, the vast majority of which are managed by our franchisees, ensuring consistent monitoring of food safety and other key aspects throughout the value chain. We have obtained ISO22000, FSSC22000 and HACCP certifications for food safety management. For details, see "— Our Store Operations — Store-Level Quality Control" and "— Our Supply Chain — Supply Chain Quality Control".

Our ESG Metrics, Costs and Targets

The table below sets forth our scope 1 and 2 greenhouse gas emissions, electricity consumptions, municipal water consumptions, use of packaging materials and total consumption of plastics in 2021, 2022 and 2023. We target to continuously reduce greenhouse gas emissions, enhance the efficiency of electricity consumptions and municipal water consumptions, and optimize usage of packaging materials in our operations to fulfill our environmental and social responsibility, taking into account our historical performance and overall business prospects.

	For the year ended December 31,		
	2021	2022	2023
Scope 1 greenhouse gas emissions (tons)	6,272	9,398	4,585
Scope 2 greenhouse gas emissions (tons)	10,762	18,642	38,837
Total electricity consumption (kWh'000)	18,432	32,659	66,071
Total municipal water consumption (tons'000)	905	1,020	1,584
Total use of packaging materials (including cups) (tons)	86,310	132,078	212,583
Total consumption of plastics (tons)	57,057	80,579	159,076

The significant increases in Scope 2 greenhouse gas emissions, electricity consumption, water consumption, use of packaging materials and plastic consumption in 2023 were primarily due to: (i) the expansion of our production facilities and warehouses as a result of our business growth; (ii) the increased complexity of our production process and the demand for cold chain logistics. Additionally, we switched from producing industrial steam in-house (scope 1 greenhouse gas emissions) to purchasing it externally (scope 2 greenhouse gas emissions), resulting in a reduction of scope 1 greenhouse gas emissions and a corresponding increase in scope 2 greenhouse gas emissions.

We plan to initiate the assessment of our scope 3 greenhouse gas emissions once the 2024 data is available. And we have taken measures such as the following as part of the efforts to reduce our scope 3 greenhouse gas emissions:

- *Reducing emissions in the logistics process.* We collaborate with some third-party delivery service providers that have initiated practices for emission reduction, such as the use of new energy vehicles and renewable energy in the logistics process. Some of them also joined international initiatives such as SBTi to achieve net-zero emissions.

- *Reducing emissions in employee travel and commuting*. We encourage our employees to use low-carbon transportation for business travel and commuting, such as ride-sharing and high-speed rail.

- *Reducing emissions in upstream agriculture*. We launched the *Mixue* Shade Tree Project, which focuses on planting shade trees in coffee plantations. The trees planted help absorb greenhouse gas thereby lowering the greenhouse gas emissions associated with upstream agriculture.

Moving forward, as we continuously consider the environmental impact of our business operations on the entire society and throughout the supply chain, we also target to implement a more diverse range of value chain emission reduction initiatives in the future.

Our costs and expenses in connection with ESG matters include, but not limited to, ESG-related expenses for certifications, training and employee compensation, which are integral to our overall business. Our expenses incurred for environmental compliance during the Track Record Period primarily include expenditures in areas such as environmental assessment and monitoring, energy conservation and consumption reduction, EHS (environment, health and safety) personnel allocation and training, and environmental system certification. Our annual expenses incurred for environmental compliance were no more than RMB1.3 million, RMB1.0 million and RMB4.5 million in 2021, 2022 and 2023, respectively.

The following table sets forth our primary ESG targets for our production facilities as of December 31, 2023.

	Target in 2028
Percentage of cardboard packaging materials made from recycled pulp	Increase to 65% from 60.8% in 2023
Electricity consumption per ton of products	Accumulative reduction by 3% from 2023
Municipal water consumption per ton of products	Accumulative reduction by 3% from 2023
Scope 2 greenhouse gas emissions per ton of products	Accumulative reduction by 3% from 2023
Scope 3 greenhouse gas emissions	Reducing emissions in the logistics process, in employee travel and commuting, and in upstream agriculture

Since 2023, 100% of the straws and bags we supply to our stores in China are environment-friendly and degradable. In an effort to promote sustainability in our plastic consumption, we target to continuously supply our stores in China with straws and bags of which 100% are environment-friendly and degradable.

Our ESG Risk Management

Upon identifying ESG-related risks, we implement various internal control measures to address and mitigate such risks. Our risk management focuses on key ESG subject areas such as food safety and business ethics.

Internal Control on Food safety

See "— Governance Practices — Food Safety Governance" for our overall food safety governance practices, and see "— Our Store Operations — Store-Level Quality Control" and "— Our Supply Chain — Supply Chain Quality Control" for details of our internal control measures on food safety and quality control.

Internal Control on Business Ethics

We implemented a comprehensive internal control system on business ethics, which primarily covers anti-corruption, internal audit and whistleblowing.

- Anti-corruption. We require our franchisees and suppliers to make written commitment on eliminating commercial bribery, solicitation of bribes or other problematic business practices during contract negotiation, signing and performance. See also "— Risk management and Internal Control — Anti-Corruption Compliance Measures".

- Internal inspection. Our disciplinary department handles reports of incidents related to business ethics, performs regular and irregular internal audit and inspections and formulates recommended solutions for the relevant issues. Any department receiving the recommended solutions from the disciplinary department must report the rectification status to the disciplinary department promptly.

- Whistleblowing. We mandate all our employees and encourage other third parties to report potential corruption activities to us. All employees who have access to the information reported and who are involved in the subsequent investigation shall keep such information and the identify of whistleblower in strict confidentiality. We prohibit any form of discrimination, retaliation or harassment against whistleblowers who report in good faith, and any discrimination, retaliation or harassment will be subject to disciplinary action, and in serious cases, termination of employment.

COMPETITION

The freshly-made drinks industry in China is highly competitive. In 2023, the top five companies in China's freshly-made drinks market in terms of GMV collectively accounted for approximately 35.0% of market share, and the top five companies in terms of number of cups sold collectively accounted for approximately 54.9% of market share, according to CIC. For the same period, we ranked first in China's freshly-made drinks market with a market share of approximately 11.3% in terms of GMV, or a market share of approximately 32.7% in terms of number of cups sold. We are faced with increasingly intense competition with other leading players in various aspects of our business, including product innovation, product quality, consumer experience as well as consumer acquisition and retention. See "Industry Overview".

In particular, the growth of China's freshly-made drinks market slowed during the nine months ended September 30, 2024, compared to the same period in 2023. This slowdown occurred amidst intensifying market competition. Specifically: (i) leading market players are competing for prime locations, franchisees, and consumers as they continue to expand their store networks; (ii) underperforming stores, particularly those of smaller brands, have struggled to compete with top-performing stores and brands, leading to store closures; and (iii) several market participants have lowered the price of their product offerings in an attempt to capture price-sensitive consumers, further intensifying market competition. In the short term, this industry slowdown has also resulted in a negative impact on our business and results of operations. For example, our individual store performance experienced a decline in the nine months ended September 30, 2024. Our average GMV per store per day decreased from RMB4,416.3 in the nine months ended September 30, 2023 to RMB4,184.4 during the same period in 2024. Over the same periods, average number of cups sold per store decreased from 177,168.5 to 170,721.6, and average number of orders per store per day decreased from 376.1 to 367.0. For further information, see "Summary — Key Operating Data." Nevertheless, as confirmed by CIC, the growth of our total GMV in the nine months ended September 30, 2024 is higher than the majority of the other top five peers in the industry. Despite our industry-leading GMV growth, we have proactively implemented a range of measures to address the intensifying competition. For instance, we are focused on strengthening our supply chain to enhance the "value for money" of our products, sourcing high-quality raw materials from around the world to distinguish our offerings from those in similar price ranges. Additionally, we will further enhance our brand awareness, leveraging our household brand and iconic IP to attract and engage consumers in China and overseas. Furthermore, we are committed to upholding our philosophy of aligning interests with franchisees, fostering a strong and loyal franchisee network by sharing our continued success with them.

Over the medium to long term, with the anticipated growth of China's economy and consumer spending, alongside the projected expansion of the freshly-made drinks market, we believe we are well-positioned to capitalize on industry opportunities as a leading market player and to regain growth momentum across various operating metrics. Specifically, China's freshly-made drinks market remains poised for significant expansion, with an expected CAGR of 17.6% from 2023 to 2028, driven by several compelling factors: (i) in 2023, per capita annual consumption of freshly-made drinks in China was only 22 cups, significantly lower than other markets – 323 cups in the United States, 306 in the European Union and the United Kingdom, and 172 in Japan, (ii) in 2023, per capita annual consumption reached 70 cups in first-tier cities but only 13 cups in third-tier and below cities, underscoring growth opportunities in lower-tier markets, and (iii) over the medium to long term, China's economy and consumer spending are expected to grow steadily, further fueling market expansion. Based on the foregoing and our strong position as a leading player with outperforming business performance amidst the current industry slowdown, we do not expect the intensifying market competition to have a materially adverse impact on our business or results of operations in the medium to long term, and we remain resolute in our commitment to firmly executing our growth strategies as detailed in "— Our Strategies."

We primarily offer mass-market freshly-made drinks (with price per item not higher than RMB10) catering to consumer demands across different city tiers through a broad store network in China, competing with other freshly-made drinks companies. As of September 30, 2024, 57.2% of the total number of our stores in mainland China were situated in third-tier and below cities, reflecting our competitive edge in terms of deep penetration in lower-tier markets. Our stores may compete with stores of competitive brands nearby, however, the level of competition may be affected by a number of factors including consumer traffic, surrounding environment, transportation convenience, rents, etc., and the optimal distance between our stores and stores of competitive brands varies case by case. The distance between stores and the competing stores may be closer when the stores are located in districts with high consumer traffic, while such distance may be further in districts with low consumer traffic. In assessing store site proposals, we analyze the proposed sites on a case-by-case basis and does not establish any unified protective distance between new and existing stores and competitor stores.

If we fail to effectively compete with, or are out-competed by, the other leading players, we may experience a material and adverse impact on our results of operations, financial conditions and business prospects. See "Risk Factors — Risks relating to Our Business and Industry — We operate in a highly competitive market and intensifying competition in China's freshly-made drinks market could materially and adversely impact our market share and profitability if we fail to compete effectively" and "Risk Factors — Risks relating to Our Business and Industry — A recent slowdown in China's freshly-made drinks market amid intensifying competition may adversely impact our business and results of operations".

SEASONALITY

Our business is subject to seasonal fluctuations. For example, during the Track Record Period, we typically had higher sales of cold drinks in summer each year due to hot weather and the increased demands for drinking and cooling. This seasonal fluctuation is common in China's freshly-made drinks industry, according to CIC. For risks associated with this seasonality, see "Risk Factors — Risks Relating to Our Business and Industry — Our product sales and business operations are subject to seasonal fluctuations".

OUR CUSTOMERS

Our customers primarily include the franchisees who operate franchised stores pursuant to the franchise agreements with us. We generated the vast majority of our revenue from the sales of goods and equipment to franchised stores. To a much lesser extent, we also sell our products directly to retail consumers through self-operated stores and e-commerce retail channels. Through e-commerce retail channels, we primarily sell Snow King merchandises and other ancillary products. In addition, we sell certain goods and equipments, primarily ingredients, to some non-franchisee customers, primarily corporate customers operating in food and beverage industry, such as restaurants. These non-franchisee customers procure ingredients from us as they recognize our brands and ingredients and consider such procurement commercially desirable. See "— Our Store Operations" for information about sales generated at our self-operated stores. In 2021, 2022, 2023 and the nine months ended September 30, 2024, revenue from sales generated through e-commerce retail channels was RMB180.4 million, RMB271.3 million, RMB341.8 million and RMB208.7 million, respectively. During the same periods, revenue from sales generated from those non-franchisee customers was RMB56.4 million, RMB130.0 million, RMB277.7 million and RMB209.8 million, respectively.

All of our five largest customers for each year/period during the Track Record Period are our franchisees. In 2021, 2022, 2023 and the nine months ended September 30, 2024, revenue from our five largest customers for each such year/period accounted for 1.9%, 1.4%, 1.1% and 1.0% of our total revenue for the respective years/periods. During the Track Record Period, we were not subject to any material customer concentration risk.

Third-party Payment Arrangements

Historically, some of our franchisees (individually or collectively, the "Relevant Franchisee(s)") settled their payments with our Group through accounts of third-party payors designated by these Relevant Franchisees at their requests (the "Third-Party Payment Arrangement(s)"). During the Track Record Period, third-party payors designated by the Relevant Franchisees primarily included their employees, spouses and other family members, friends, and business partners. Our Directors have confirmed that none of the third-party payors designated by the Relevant Franchisees during the Track Record Period is a connected person of our Group and such designated third-party payors are independent from any of our Group's Directors, senior management and Shareholders. For additional information, see also "Risk Factors — Risks Relating to Our Business and Industry — We are subject to various risks relating to third-party payment arrangements".

In 2021, 2022 and 2023, a total number of 5,595, 3,258, and 179 Relevant Franchisees in China utilized the Third-Party Payment Arrangements to settle payments with us, respectively. During the same periods, the aggregate amount of payments from their designated third-party payors was RMB451.0 million, RMB703.5 million and RMB64.9 million, respectively, representing approximately 4.4%, 5.2% and 0.3% of our total revenue. Throughout the Track Record Period, no individual Relevant Franchisee in China made material contribution to our Group's revenue. To the best of our knowledge, certain franchisees in Indonesia and Vietnam (the "Relevant Overseas Markets") also utilized the Third-Party Payment Arrangements to settle payments with us during the Track Record Period. However, we were unable to ascertain the exact number of such Relevant Franchisees in the Relevant Overseas Markets due to, among others, limited access to payors' information and other practical difficulties in these Relevant Overseas Markets beyond our control. As of November 29, 2023, our Group had ceased all the Third-Party Payment Arrangements in China and the Relevant Overseas Markets.

To the best of our knowledge, the Relevant Franchisees requested to utilize the Third-Party Payment Arrangements to settle payments with us for convenience and flexibility. These Relevant Franchisees commonly opted for settlements through personal accounts held by designated third-party payors, such as their employees, spouses and other family members, friends, and business partners. As confirmed by CIC, it is not uncommon for franchisees to use third-party payors to settle corporate transactions with their suppliers due to convenience and flexibility.

Our Directors confirm that, during the Track Record Period, (i) the Third-Party Payment Arrangements were initiated by the Relevant Franchisees, rather than our Group for the purpose of circumventing any applicable laws and regulations, (ii) our Group did not participate in any other forms of such arrangement, (iii) our Group did not provide any discount, commission, rebate or other benefits to any of the Relevant Franchisees to facilitate or encourage the Third-Party Payment Arrangements, (iv) the pricing and payment terms of the agreements we entered into with the Relevant Franchisees were in line with those of franchisees not involved in the Third-Party Payment Arrangements, (v) all payments received under the Third-Party Payment Arrangements were appropriately recorded following accounting procedures and policies, and (vi) our Group had not been subject to any actual or pending disputes or administrative penalties related to the Third-Party Payment Arrangements during the Track Record Period and up to the Latest Practicable Date.

Our Group engaged in communication with the Relevant Franchisees confirmed to participate in the Third-Party Payment Arrangements both in China and the Relevant Overseas Markets during the Track Record Period, and confirmations have been obtained from substantially all of these Relevant Franchisees (the "Confirmations"), affirming that, among other things: (i) all settlements with our Group were backed by genuine transactions; (ii) settlement amounts were consistent with the relevant transaction amounts; (iii) the funds used for the settlements originated from legitimate sources; (iv) there were no instances of commercial bribery, money laundering, tax evasion, or existing or potential disputes with our Group related to the Third-Party Payment Arrangements; (v) each of the Relevant Franchisees and their designated third-party payors has neither claimed nor will claim any interests regarding payments made to our Group through the Third-Party Payment Arrangements; and (vi) our Group is not bound by any agreement of rights and obligations relating to the Third-Party Payment Arrangements between the Relevant Franchisees and their designated third-party payors, and any associated risks are to be borne by the Relevant Franchisees and their designated third-party payors, not our Group.

In consideration of the above, and on the basis that (i) settlements under the Third-Party Payment Arrangements were supported by genuine transactions, (ii) the Third-Party Payment Arrangements in China are not prohibited by the Civil Code of the PRC (《中華人民共和國民法典》) or other pertinent laws or regulations in China, and (iii) our Group had not been subject to any actual or pending disputes or administrative penalties related to the Third-Party Payment Arrangements in China during the Track Record Period and up to the Latest Practicable Date, our Directors are of the view, as advised by the PRC Legal Advisor, that the Third-Party Payment Arrangements in China do not violate any mandatory provisions of applicable laws or regulations in China. On similar grounds, our Directors are of the view, after consulting with local counsel in the Relevant Overseas Markets, that the Third-Party Payment Arrangements in these Relevant Overseas Markets do not violate any mandatory provisions of applicable local laws or regulations.

Specifically, as per advice from the PRC Legal Advisor and consultations with local counsel in the Relevant Overseas Markets, our Directors are of the view that the Third-Party Payment Arrangements do not constitute circumventions of relevant laws and regulations in China or the Relevant Overseas Markets. This is primarily because the Third-Party Payment Arrangements were initiated by the Relevant Franchisees, rather than our Group, to settle payments for genuine transactions with us for their convenience and flexibility.

In addition, as advised by our PRC Legal Advisor, our Directors are of the view that the risk of the Third-Party Arrangements in China being deemed as constituting the crime of money laundering under Article 191 of the Criminal Law of the PRC (《中華人民共和國刑法》) for the purpose of covering up or concealing the source and nature of proceeds or gains is low. This is primarily due to several factors: (i) settlements under the Third-Party Payment Arrangements were supported by genuine transactions, and we had no intention or incentive to cover up or conceal the source and nature of payments we received under the Third-Party Payment Arrangements, (ii) the Confirmations have been obtained from substantially all of the Relevant Franchisees affirming the legitimacy of funds used in settlements and no instances of money laundering, among other things, (iii) financial institutions that processed settlements under the Third-Party Payment Arrangements in China are required to conduct anti-money laundering checks on all their clients according to the Anti-Money Laundering Law of the PRC (《中華人民共和國反洗錢法》), significantly reducing the associated risks, and (iv) our Group had not been subject to any penalties, sanctions, or investigations related to money laundering due to the Third-Party Payment Arrangements in China during the Track Record Period and up to the Latest Practicable Date. On similar grounds, our Directors are of the view, after consulting with local counsel in the Relevant Overseas Markets, that the risk of the Third-Party Payment Arrangements in these Relevant Overseas Markets being deemed as constituting the crime of money laundering or covering up or concealing the source and nature of proceeds or gains under applicable local laws and regulations is low.

Based on the due diligence work conducted, nothing has come to the Joint Sponsors' attention that would cause them to disagree with the Directors' view above.

Furthermore, our PRC Legal Advisor has advised us that, considering that (i) the Confirmations have been obtained from substantially all of the Relevant Franchisees, and (ii) during the Track Record Period and up to the Latest Practicable Date, we were not requested to refund funds, and to the best of our knowledge, there was no actual or pending dispute or disagreement involving any Third-Party Payment Arrangements, as to the parties who have provided the Confirmations mentioned above, the risk that we are found obligated to return the funds is remote.

We have enhanced our internal control to manage the risks associated with the Third-Party Payment Arrangements, including:

(i) requiring all of our existing franchisees in China and overseas to settle payments with us through their own bank accounts, and no third-party payors would be allowed;

(ii) contractually mandating settlement through franchisees' own bank accounts, which is applicable to any new franchisees or franchise renewals in China and overseas in the future;

(iii) developing and maintaining a whitelist of permitted bank accounts in China, which includes only the bank accounts belonging to individual franchisees or franchisee entities, as applicable, who executed the relevant franchise agreements, upon review by our dedicated finance and internal control teams. In the event a franchisee initiates a payment request, the payment will go through only if the paying account is on our whitelist of permitted bank accounts; and

(iv) implementing internal control measures to ensure franchisees' compliance with our payment settlement requirements such as requiring franchisees to confirm the use of their own bank accounts for payment settlement for each order placed in our system by franchisees in the Relevant Overseas Markets, and assigning dedicated employees to conduct periodic inspections to assess the effectiveness of our internal control system in China and overseas, including rectification of Third-Party Payment Arrangements.

Based on the follow-up review of the implementation of these measures, our Directors are of the view that these measures are effective and adequate in preventing unauthorized Third-Party Payment Arrangements and the associated risks. Going forward, our Directors will continue to oversee the effectiveness of the aforementioned enhanced internal control on the Third-Party Payment Arrangements.

Based on the due diligence conducted by the Joint Sponsors, nothing has come to the Joint Sponsors' attention that would reasonably cause the Joint Sponsors to disagree with the Directors' view on the adequacy and effectiveness of the enhanced internal control measures of the Company with respect to the Third-Party Payment Arrangement.

Based on the foregoing advice from our PRC Legal Advisor and consultations with local counsel in the Relevant Overseas Markets, and considering that (i) payments from designated third-party payors of the Relevant Franchisees in China were immaterial during the Track Record Period, representing approximately 4.4%, 5.2%, and 0.3% of our total revenue in 2021, 2022 and 2023, respectively, (ii) revenue generated outside mainland China was limited during the Track Record Period, constituting 0.5%, 4.0%, and 7.3% of our total revenue in 2021, 2022 and 2023, respectively, (iii) we encountered no material payment collection issues from the Relevant Franchisees up to the Latest Practicable Date after ceasing the Third-Party Payment Arrangements, (iv) we had not experienced any disputes with the Relevant Franchisees up to the Latest Practicable Date after ceasing the Third-Party Payment Arrangements, (v) our liquidity and financial performance had not been materially impacted up to the Latest Practicable Date after ceasing the Third-Party Payment Arrangements with our franchisees in China and overseas, and (vi) we have strengthened internal controls to manage associated risks as detailed above, we believe that the termination of the Third-Party Payment Arrangements in China and the Relevant Overseas Markets did not, nor is expected to, have any material and adverse effect on our business, results of operations and financial conditions.

OUR SUPPLIERS

Our suppliers primarily include the suppliers of raw materials to support our production, such as food commodities, agricultural products and other auxiliary materials. See also "— Our Supply Chain — Procurement". In 2021, 2022, 2023 and the nine months ended September 30, 2024, purchases from our five largest suppliers for each such year/period accounted for 19.3%, 16.6%, 15.2% and 18.3% of total purchases for the respective periods. During the same periods, purchases from our largest supplier for each such year/period accounted for 5.0%, 4.6%, 3.9% and 6.5% of our total purchases, respectively.

Rank	Supplier	Type of items purchased	Background	Year of commencement of business relationship	Purchase amount	Percentage of total purchase
					RMB'000	*%*
For the year ended December 31, 2021						
1 . . .	Supplier A	Food ingredients	A company providing food and beverage products	2015	426,084	5.0
2 . . .	Supplier B	Food ingredients	A company providing food and beverage products	2019	399,567	4.7
3 . . .	Supplier C	Food ingredients	A company headquartered in Netherland that produces dairy products	2017	292,374	3.4
4 . . .	Supplier D	Packaging materials	A company producing food packaging containers	2014	275,242	3.2
5 . . .	Supplier E	Food ingredients	A company providing food and beverage products	2017	257,943	3.0
				Total	**1,651,210**	**19.3**

Rank	Supplier	Type of items purchased	Background	Year of commencement of business relationship	Purchase amount	Percentage of total purchase
					RMB'000	*%*
For the year ended December 31, 2022						
1 . . .	Supplier A	Food ingredients	A company providing food and beverage products	2015	510,452	4.6
2 . . .	Supplier E	Food ingredients	A company providing food and beverage products	2017	422,717	3.8
3 . . .	Supplier C	Food ingredients	A company headquartered in Netherland that produces dairy products	2017	405,578	3.6
4 . . .	Supplier F	Food ingredients	A company providing food and beverage products	2020	264,428	2.4
5 . . .	Supplier D	Packaging materials	A company producing food packaging containers	2014	245,436	2.2
				Total	**1,848,611**	**16.6**

Rank	Supplier	Type of items purchased	Background	Year of commencement of business relationship	Purchase amount	Percentage of total purchase
					RMB'000	*%*
For the year ended December 31, 2023						
1 . . .	Supplier A	Food ingredients	A company providing food and beverage products	2015	678,127	3.9
2 . . .	Supplier G	Food ingredients	A company headquartered in New Zealand that produces dairy products	2020	662,517	3.8
3 . . .	Supplier E	Food ingredients	A company providing food and beverage products	2017	490,105	2.8
4 . . .	Supplier F	Food ingredients	A company providing food and beverage products	2020	457,234	2.7
5 . . .	Supplier D	Packaging materials	A company producing food packaging containers	2014	338,731	2.0
				Total	**2,626,714**	**15.2**

Rank	Supplier	Type of items purchased	Background	Year of commencement of business relationship	Purchase amount	Percentage of total purchase
					RMB'000	*%*
For the nine months ended September 30, 2024						
1 . . .	Supplier H	Commercial buildings	A company engaging real estate development and operation	2020	936,543	6.5
2 . . .	Supplier A	Food ingredients	A company providing food and beverage products	2015	783,923	5.6
3 . . .	Supplier D	Packaging materials	A company producing food packaging containers	2014	322,118	2.2
4 . . .	Supplier I	Food ingredients	A company providing food and beverage products	2016	307,930	2.1
5 . . .	Supplier F	Food ingredients	A company providing food and beverage products	2020	279,484	1.9
				Total	**2,629,998**	**18.3**

During the Track Record Period and up to the Latest Practicable Date, to the knowledge of our Directors, none of our Directors, Supervisors and their respective close associates or any of our Shareholders who held more than 5% of our issued share capital had any interest in our five largest suppliers for each year/period during the Track Record Period.

USER PRIVACY AND DATA SECURITY

In the ordinary course of business, we from time to time collect, store and use certain personal information of our employees, franchisees and their employees, consumers and other individuals (including suppliers and their employees), such as (i) when consumers place online orders through our online applications, such as our *Mixue* app and our Mini Programs on Weixin and Alipay, we may collect their account names, phone numbers, transaction information and other information, and (ii) during the franchisee onboarding process, we collect franchisees' basic information, such as their names, ID numbers, phone numbers, e-mail address and bank account information. All data collected by us in mainland China in the course of our business operations have been stored within mainland China, whereas data collected in other markets (which currently comprises primarily information of local franchisees and employees) is stored and maintained separately outside mainland China in accordance with applicable local laws and regulations across jurisdictions.

In the ordinary course of business, we from time to time collect, store and use certain personal information of consumers by *Mixue* app: When consumers register accounts, place orders or engage in certain other relevant activities through *Mixue* app, we collect such consumers' account names, phone numbers, addresses, transaction information and other information. *Mixue* app is used for placing orders at stores within mainland China. Overseas consumers cannot place orders at stores outside mainland China by using *Mixue* app.

We strictly follow the relevant laws and regulations in collecting the personal information of our employees, franchisees and their employees, consumers and other individuals, and we continuously improve our practices in personal information protection by internal inspections, supervision, review and other measures to ensure maximum protection of personal information. For details on our risks associated with the protection of personal information, see "Risk Factors — Risks Relating to Our Business and Industry — Regulatory requirements regarding data protection and information security are constantly evolving, the changes of which or any data protection and information security incidents may have a material and adverse effect on our business and results of operations".

To ensure proper and sufficient protection for user privacy and data security, we have implemented the following measures in our daily operations.

- We have formed an information security leadership team that exercises general oversight of cybersecurity matters and delegates daily supervision to the information security working group, who assumes the overall responsibility for daily information security, system administration, network administration, database administration and document management.

- We have established comprehensive internal data security and protection protocols, encompassing information security management system, security management organization, personnel security management, system construction, system operation and maintenance, among others.

- We have implemented detailed measures for personal information and privacy protection, including notifying consumers and securing their consent for the collection and use of their personal information.

- We have formulated a series of data protection systems, such as Information Security Work Management System, Data Classification and Grading Management System, Data Security Emergency Plan, Network and Information Security Emergency Response and Reporting System.

- We have taken a series of technical measures, such as data encryption, data backup, access control, and firewall protection, to prevent harmful acts that endanger network information security.

- Our information technology center is responsible for information security training for all personnel, including security awareness training, technical training and management training.

In addition, we make efforts in our cooperation with third parties to strengthen the protection of personal information. For example, we have signed agreements with franchisees to require them to fulfill obligations related to personal information protection, and our third-party suppliers are limited from disclosing relevant data to other third parties without our prior consent, and we impose confidentiality obligations on our third-party suppliers by agreements to limit them from disclosing relevant data to other third parties without our prior consent.

During the Track Record Period and as of the Latest Practicable Date, we had complied with applicable laws and regulations relating to user privacy and data security in material aspects. As of the Latest Practicable Date, we had not received any notification from the relevant authority that the data processed has been determined to be important data or core data. As of the Latest Practicable Date, we had not been involved in any investigation on data processing activities that affects or may affect national security. During the Track Record Period and as of the Latest Practicable Date, we had not been involved in any illegal cross-border transfer of personal data between in and outside mainland China during our daily business operations. Given that legislation and law enforcement in the PRC on user privacy and data security are still evolving, we will closely monitor further regulatory developments and take appropriate measures in a timely manner.

On December 28, 2021, the CAC and other regulatory authorities jointly revised and promulgated the Cybersecurity Review Measures, which became effective on February 15, 2022. The Cybersecurity Review Measures stipulate that (i) CIIO purchasing network products and services and internet platform operators carrying out data processing activities, which affect or may affect national security, are subject to the regulatory scope; (ii) the internet platform operators holding personal information of more than one million users seeking a listing in a foreign country must file for the cybersecurity review; and (iii) where members of the cybersecurity review working mechanism believe that network products and services and data processing activities affect or are likely to affect national security, the Cybersecurity Review Office shall report to the Central Cyberspace Affairs Commission for approval as per procedure, and then conduct a review in accordance with the Cybersecurity Review Measures. We possess over one million users' personal information. As of the Latest Practicable Date, we had not been notified by any authorities of being classified as a CIIO or being involved in any investigations on cybersecurity review made by cybersecurity authorities.

As of the Latest Practicable Date, we had not been subject to any material administrative penalties or other sanctions by any competent regulatory authorities in relation to cybersecurity and data protection, nor had there been material cybersecurity and data protection incidents or infringement upon any third parties, or other legal proceedings, administrative or governmental proceedings, pending or, to the best of our knowledge, threatened against or relating to us. Additionally, we have a comprehensive set of internal policies, procedures and measures regarding user privacy and data security.

In addition, our PRC Legal Advisor and the Joint Sponsors' PRC legal advisor made a telephone consultation on a named basis with the CCRC, which is the competent authority entrusted by the CAC to set up cybersecurity review consultation hotlines. The CCRC confirmed that the term "listing in a foreign country" under the revised Cybersecurity Review Measures does not apply to listings in Hong Kong, and thus the obligation to proactively apply for cybersecurity review by an entity seeking listing in a foreign country shall not be applicable to the proposed Listing.

Based on the aforementioned factors, the Directors and the Company's PRC Legal Advisor believe that (i) during the Track Record Period and as of the Latest Practicable Date, we were in compliance with existing applicable laws and regulations relating to data security, privacy and personal information protection in all material aspects; and (ii) the cybersecurity-related regulations will not have any material and adverse effect on our business operations or the proposed Listing. Based on the due diligence conducted by the Joint Sponsors including, among other things, the review of the Group's relevant internal control measures as disclosed above, and taking into account the result of the telephone consultation by the Company's and the Joint Sponsors' PRC legal advisors with the CCRC, and the view of the PRC Legal Advisor of the Company as disclosed above, nothing has come to the Joint Sponsors' attention that would reasonably cause the Joint Sponsors to disagree with the Company's view above.

PROPERTIES

Our headquarters are located in Zhengzhou, China. We occupy certain properties in China and overseas in connection with our business operations.

As of September 30, 2024, we had no single property with a carrying amount of 15% or more of our total assets, and on this basis, we are not required by Rule 5.01A of the Listing Rules to include in this Prospectus any valuation report. Pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this Prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

Owned Properties

As of the Latest Practicable Date, we owned 140 properties with an aggregate floor area of approximately 598,471 square meters, which is primarily used for office, production and warehousing spaces in China.

Leased Properties

As of the Latest Practicable Date, we leased 54 properties with an aggregate floor area of approximately 321,893 square meters from third parties, mainly for our self-operated stores, office spaces, production and warehousing facilities in China.

As of the Latest Practicable Date, we leased 36 properties with an aggregate floor area of approximately 83,694 square meters from third parties, mainly for our warehousing facilities and office spaces overseas.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we had registered 131 patents, 299 copyrights and 14 domain names in China, and we had registered 3,122 trademarks globally, including 2,758 trademarks in China. For details, see "Appendix IV — Statutory and General Information — Further Information about Our Business — Intellectual Property Rights".

As our brand names are becoming increasingly more recognized among consumers in China and overseas, we believe that protecting our intellectual property rights are of significant importance for our business operations, branding and reputation. We seek to protect our intellectual property rights by registration of patents, trade secret protection and confidentiality agreements executed with core employees and other third parties, among others.

As of the Latest Practicable Date, we did not have any outstanding material proceedings in connection with infringement of intellectual property rights sued by any third party. We were not aware of any threatened material proceedings or claims relating to intellectual property rights against us. However, despite our best efforts, we cannot be certain that third parties will not infringe or misappropriate our intellectual property rights or that we will not be sued for intellectual property infringement. See "Risk Factors — Risks Relating to Our Business and Industry — If we are not able to adequately protect our intellectual properties, or if we are not able to maintain the popularity of our IPs, such as our iconic IP, Snow King, our business will be materially and adversely affected" and "Risk Factors — Risks Relating to Our Business and Industry — We may infringe upon, misappropriate or otherwise violate the intellectual property rights of third parties" for details.

EMPLOYEES

As of September 30, 2024, we had a total number of 6,853 full-time employees. The following tables set forth our full-time employees by functions and geographical locations as of September 30, 2024.

Function	Number of employees	Percentage of total employees
Supply chain	2,988	43.6
Store operations and management	2,296	33.5
General and administration	1,001	14.6
Branding and marketing	323	4.7
Application and fundamental R&D	124	1.8
Digitalization	121	1.8
Total	**6,853**	**100.0**

Location	Number of employees	Percentage of total employees
China	6,384	93.2
Overseas	469	6.8
Total	**6,853**	**100.0**

We believe that our success depends in part on our ability to attract, recruit and retain quality employees. We enter into individual employment contracts and confidentiality agreements with our employees. The employment contracts cover matters such as wages, benefits and grounds for termination. We have formed a labor union to protect our employees' rights and encourage employees to participate in our management decisions.

We provide our employees with opportunities to develop their knowledge and skills. We have an effective training system, including orientation and continuous on-the-job training, to improve the knowledge and skill levels of our workforce. The orientation process for newly joined employees covers subjects such as corporate culture and policies, introduction to our business and daily operation process. Our periodic on-the-job training covers subjects from day-to-day operation to general management skills, in order to enhance their professional capabilities.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, there were no material labor disputes or strikes that would have a material and adverse effect on our business, financial conditions or results of operations.

INSURANCE

Our primary insurance policies include: (i) property insurances covering major business interruptions and accidental loss for our fixed assets and inventories, (ii) employer liability insurance, and (iii) personal accident insurance and health insurance for our key employees. Our Directors believe that our insurance coverage is in line with industry practice and standard business practices of relevant countries. The food safety and product liability issues were not covered by insurances purchased by us, which are consistent with industry practice. Based on the risks involved and internal control measures imposed described (see "— Our Store Operations — Store-Level Quality Control" and "— Our Supply Chain — Supply Chain Quality Control"), we believe that the related potential legal and financial consequences on our Group are not material. For risks associated with the insurance coverage, see "Risk Factors — Risks Relating to Our Business and Industry — Our insurance coverage may not be sufficient, which may have a material and adverse effect on our reputation, results of operations, financial performance and business prospects".

COMPLIANCE AND LEGAL PROCEEDINGS

From time to time, we may encounter a range of legal or administrative claims and proceedings in the regular course of our operations, which may be due to matters such as employment, copyrights, or contract disputes. During the Track Record Period and as of the Latest Practicable Date, we have not been party to any significant legal, arbitral, administrative proceedings, or non-compliance incidents that resulted in administrative penalties, which could, individually or collectively, have a material and adverse impact on our business. Our Directors are of the view that, we had complied, in all material respects, with all relevant laws and regulations during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, we have obtained all requisite licenses, approvals and permits from relevant authorities that are material to our operations.

Leased Properties

Leased Properties with Title Defects

Certain of the properties leased by us have title defects due to various reasons. As of the Latest Practicable Date, for 11 leased properties mainly used for warehousing, office spaces and self-operated stores with an aggregate floor area of approximately 12,263 square meters, accounting for less than 4% of the total gross floor area of our leased properties in the PRC, the lessors with whom we enter into lease agreements did not provide the valid property ownership certificates or authorizations from the property owners for the lessors to sublease the properties, hence we cannot ensure that they have the rights or authorizations to lease or sublease such properties to us. As of the Latest Practicable Date, one leased property used for warehousing with an aggregate floor area of approximately 119 square meters, accounting for approximately 0.04% of the total gross floor area of our leased properties in the PRC, is used in a manner not consistent with the planned residential property usage recorded in the property ownership certificate. The relevant lease agreement might be deemed invalid and unenforceable.

As advised by our PRC Legal Advisor, it is the relevant lessors' responsibility to comply with the relevant requirements, such as to obtain the relevant ownership certificates or authorizations and to ensure the actual usage of the property is compliant with the planned usage of the property and the land. Without ownership certificates or authorizations from the property owners, our use of these leased properties may be affected by third parties' claims or challenges against the lease rights. If the lessors do not have the requisite rights to lease the properties, we may be required to vacate from these properties. Any failure to ensure consistent use of the property with the planned usage of the property and the land may subject the relevant lessors to penalties imposed by the land administrative authorities, construction administrative authorities or planning authorities, and the lease agreements may be deemed invalid and unenforceable in accordance with the relevant laws and regulations. As a tenant, we are not subject to any administrative punishment or penalties under relevant laws and regulations.

As advised by our PRC Legal Advisor, in respect of the inconsistent use of one of our leased properties with the intended purpose contained in the property ownership certificate, we may face challenges from the government authorities regarding our right to continue use the premise. However, during the Track Record Period and as of the Latest Practicable Date, we are not aware of any claim made by the government authority that might affect our current occupation of such leased property.

Nonetheless, even if we are required to vacate from the property under the foregoing circumstances, we would be able to relocate the leased property in a timely manner without incurring significant costs, given that (i) there are alternative properties at comparable rental rates on the market, and (ii) most of our equipment at such leased properties is easy to move, and the relocation process will not have a material and adverse impact on our business and operations. In the unlikely event that we are required to vacate from the aforesaid leased properties, we estimate the total relocation costs to incur for all these properties would not exceed RMB840,000.

During the Track Record Period and up to the Latest Practicable Date, our leases for the leased properties with title defects were not challenged by third parties or relevant authorities that had resulted or involved us as the defendant in disputes, lawsuits or claims in connection with the rights to lease and use such properties occupied by us. After the expiration of these lease agreements, we will evaluate the legal risks associated with their renewal. In light of the nature of the title defects mentioned above, should these issues prevent the continued use of the leased properties, we anticipate being able to promptly locate suitable alternative premises without incurring significant losses. This is made feasible by the limited number of properties affected by title defects, and it is not expected to substantially disrupt our operations. Our Directors are of the opinion that these title defects will not have a materially adverse impact on our business, operations, or financial results.

Lease Registration and Filing

As of the Latest Practicable Date, 50 lease agreements had not been registered and filed with the relevant land and real estate administration bureaus in the PRC because the relevant lessors failed to provide necessary documents for us to register and file the leases with the local government authorities.

As advised by our PRC Legal Advisor, failure to complete the registration and filing of lease agreements will not affect the validity of such leases or result in us being required to vacate the leased properties. However, the relevant government authorities may order us to complete registration or filing formalities and may impose a fine ranging from RMB1,000 to RMB10,000 for each unregistered agreement due to our failure to complete such registration or filing in prescribed period. Based on the number of these properties and the cities where they are located, we believe the likelihood that we will be punished due to failure to register and file all the relevant lease agreements at the same time is very remote.

For risks regarding our leased properties, see "Risk Factors — Risks Relating to Our Business and Industry — We and our franchisees are subject to risks in relation to leased properties".

Internal Control Measures

To prevent the recurrence of inconsistent use of leased properties with the intended purpose contained in the property ownership certificate and/or the failure to complete the registration and filing of lease agreements, we (i) enhance our internal procedural requirements for lease approvals, (ii) mandate verification of the valid property ownership certificates or authorizations from the property owners before execution of any lease agreements to make sure the consistent use of leased properties with the intended purpose contained therein, and (iii) upon the execution of the lease agreements, assist the lessor or other relevant parties with registration and filing of lease agreements.

Social Insurance and Housing Provident Funds

Background

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. In addition, we engaged a third-party human resource agency to pay social insurance and housing provident funds for a small number of our employees during the Track Record Period, which has been rectified in all material respect.

Potential Legal Consequences

The shortfall amount of contributions of social insurance and housing provident funds was RMB7.4 million, RMB12.5 million, RMB5.7 million and RMB7.0 million in 2021, 2022, 2023 and the nine months ended September 30, 2024, respectively. For the shortfall of social insurance, we may be subject to the following legal consequences: (i) to compensate for the shortfall within a prescribed period and to pay a daily overdue charge of 0.05% of the delayed payment amount, and (ii) to pay a fine of one to three times of the overdue amount if such payment is not made within the stipulated period. For the shortfall of housing provident funds, we may be subject to the following legal consequences: (i) to compensate for the shortfall within a prescribed period, and (ii) an application may be made to the courts for compulsory enforcement if the payment is not made within such time limit.

We might be subject to additional contribution, late payment fee and/or penalties imposed by the relevant authorities if the third-party human resource agency failed to pay the social insurance or housing provident funds for the relevant employees in full amount and/or in a timely manner, or if the validity of such arrangements are challenged by relevant authorities. We might also be subject to potential labor disputes arising from such arrangements with the relevant employees.

Latest Status and Remedial Measures

As of the Latest Practicable Date, no administrative action or penalty had been imposed by the relevant regulatory authorities with respect to our social insurance and housing provident fund contributions, nor had we received any order to settle the deficit amount. We had not settled in full the shortfall amount because (i) in order to settle the shortfall amount, we have to adjust the payment basis for the social insurance and housing provident funds, which can only be adjusted and submitted to these authorities in a designated time window, and (ii) certain of our employees were not willing to bear the costs associated with social insurance and housing provident funds strictly in proportion to their salary. As of the Latest Practicable Date, we were not aware of any material complaint filed by any of our employees regarding our social insurance and housing provident fund policy.

Our Directors believe the fact that we had not made social insurance and housing provident funds for some of our employees in full would not have a material and adverse effect on our business and results of operations, considering that:

(i) as of the Latest Practicable Date, we had not received any notification from the relevant PRC authorities requiring us to pay material shortfalls or the penalties with respect to social insurance and housing provident funds;

(ii) we had not been subject to any material administrative penalties during the Track Record Period and up to the Latest Practicable Date;

(iii) we obtained regulatory confirmations through written confirmations or in-person interviews with relevant authorities, which confirm either:

  (a) we had made adequate social insurance and housing fund contributions or did not have shortfall thereof during the Track Record Period in those particular administrative divisions; or

  (b) we had not been subject to any administrative penalties during the Track Record Period in those particular administrative divisions;

  our PRC Legal Advisor is of the view that these governmental authorities are competent to confirm based on their status as authorized governmental entities under applicable laws and regulations;

(iv) we were not aware of any material employee complaints nor were involved in any material labor disputes with our employees with respect to social insurance and housing provident funds;

(v) if the relevant authorities order us to pay the shortfall of social insurance and/or housing provident funds or take rectification measures in accordance with applicable laws and regulations, we will make such payments or make such rectification measures promptly within the specified period;

(vi) the shortfall amount of contributions of social insurance and housing provident funds, which amounted to RMB7.4 million, RMB12.5 million, RMB5.7 million and RMB7.0 million in 2021, 2022, 2023 and the nine months ended September 30, 2024, respectively, was not material during the Track Record Period; and

(vii) as advised by our PRC Legal Advisor, considering the relevant regulatory policies, regulatory confirmations and the facts as mentioned above, in the absence of employees' complaints, the likelihood that we are subject to material administrative penalties due to our failure to make full contribution of social insurance and housing provident funds during the Track Record Period is remote.

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.

We will fully contribute in accordance with the relevant PRC laws and regulations to the extent and as soon as practicable once we receive notification from the relevant government authorities, if any, to require us to make contribution for the shortfall amounts or to amend our policies or practice in this regard, so that we will not receive administrative penalties from the relevant government authorities due to the failure of making the contributions in time. We may not be able to fully contribute upon Listing because (i) in order to fully contribute the social insurance and housing provident funds, we have to adjust the payment basis for the social insurance and housing provident funds, which can only be adjusted and submitted to these authorities in a designated time window, and (ii) certain of our employees are not willing to bear the costs associated with social insurance and housing provident funds strictly in proportion to their salary. In an effort to make full contributions to the extent and as soon as practicable, we plan to communicate with our employees with a view to seeking their understanding and cooperation in complying with the applicable payment base, which requires additional contributions from them. Additionally, if the relevant authorities order us to fully contribute the social insurance and/or housing provident funds going forward, we undertake to make full contributions and/ or make such rectification measures promptly within the specified period.

We have taken the following rectification and internal control enhancement measures relating to social insurance and housing provident funds contributions:

- We have designated our human resources center to monitor the reporting and contributions of social insurance and housing provident funds.

- Our human resources center has formulated a series of policies to guide the day-to-day practices of social insurance and housing provident funds contributions.

- We record and monitor the status of social insurance and housing provident funds contributions for our employees on a monthly basis to enable effective management and enhanced internal control.

- We will consult our PRC legal counsel on a regular basis for advice on relevant PRC laws and regulations to keep us abreast of relevant regulatory developments.

- We will actively communicate with relevant social insurance and housing fund local authorities on a regular basis to ensure we have the most updated information about the relevant laws and regulations concerning social insurance and housing fund and to understand their latest requirements and interpretation of relevant rules and regulations.

- If the relevant authorities order us to pay the shortfall of social insurance and/or housing provident funds or take any rectification measures in accordance with applicable laws and regulations, we undertake to make such payments or take such rectification measures in accordance with their guidance in a timely manner.

See also "Risk Factors — Risks Relating to Our Business and Industry — We may be required to pay the shortfall amount of contributions of social insurance and housing provident funds and are subject to late payment fees and fines imposed by relevant governmental authorities".

RISK MANAGEMENT AND INTERNAL CONTROL

We have developed and implemented risk management policies and internal control measures in relation to our business operations, financial reporting and general compliance. To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Listing, we have adopted and will adopt, among other things, the following risk management measures.

- We design a comprehensive set of policies to identify, analyze, manage and monitor various risks. We periodically assess and update our risk management policies.

- Our Board is responsible for overseeing the overall risk management and internal control. Our Audit Committee is authorized to review and evaluate our financial control, risk management and internal control system. See "Directors, Supervisors and Senior Management — Board Committees — Audit Committee" for the composition of the Audit Committee and the qualifications and experience of them.

- We will adopt various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to conflict of interest management, connected transactions and information disclosure.

- We will continue to organize training sessions for our Directors and senior management with respect to the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong.

Anti-Corruption Compliance Measures

A robust collection of anti-corruption policies and procedures plays a crucial role in upholding the integrity of our quality control, supply chain management, and franchisee management, among others. For example, we unequivocally forbid the acceptance of gifts, discounts, kickbacks, and any supplementary benefits, which encompass but are not restricted to travel and other forms of entertainment, both directly and indirectly. We have also established a whistle-blower program, wherein we encourage our employees, franchisees and other third parties to report instances of bribery directly to our disciplinary department.

LICENSES AND REGULATORY APPROVALS

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 Licenses	Number of Licenses	Issuing Authority	Expiry Dates*
Record-filing for Commercial Franchise . . .	2	Department of Commerce of Henan Province	Valid without an expiry date
Food Production License . . .	6	Administration for market regulation/administrative approval service bureau at the place of registration	2025.12.22-2028.10.12
Food Operation License . . .	34	Administration for market regulation/other competent government authorities with relevant functions and powers at the place of registration	2025.03.29-2030.01.13
Record-filing for the Sale of Prepackaged Food Only . .	11	Administration for market regulation/other competent government authorities with relevant functions and powers at the place of registration	Valid without an expiry date
National Industrial Products Production License	6	Administration for market regulation at the place of registration	2027.06.23-2029.04.28
Value-added Telecommunications Services Operation License	4	Henan Communications Administration	2026.01.13-2026.11.02

Notes:

* Earliest and latest expiry dates for such type of licenses.

BOARD OF DIRECTORS

The Board consists of seven Directors, including four executive Directors and three independent non-executive Directors. Pursuant to the Articles of Association, our Directors are elected and appointed by our Shareholders at a Shareholders' meeting for a term of three years, which is renewable upon re-election and re-appointment.

The following table sets forth the key information about our Directors:

Name	Age	Position/Title	Time of Joining our Group	Date of Appointment as a Director	Responsibilities
Executive Directors					
Mr. Zhang Hongchao (張紅超)	48	Chairman of the Board and executive Director	1997	April 30, 2008	In charge of our strategies and corporate culture
Mr. Zhang Hongfu (張紅甫)	40	Executive Director and chief executive officer	2007	January 7, 2019	In charge of our overall operations and management as well as leading our senior management team
Ms. Cai Weimiao (蔡衛淼)	36	Executive Director and head of front-end[1] supply chain	2008	December 18, 2023	In charge of the procurement of store supplies and equipment, logistics, front-end application R&D and the quality control of the above matters
Ms. Zhao Hongguo (趙紅果)	36	Executive Director and head of back-end[2] supply chain	2013	December 18, 2023	In charge of the procurement of raw materials, production, back-end fundamental R&D and the quality control of the above matters

Name	Age	Position/Title	Time of Joining our Group	Date of Appointment as a Director	Responsibilities
Independent Non-executive Directors					
Ms. Poon Philana Wai Yin (潘慧妍)	57	Independent non-executive Director	December 18, 2023	December 18, 2023	Responsible for providing independent opinion and judgment to the Board
Mr. Chu Gary Hsi (朱璽)	65	Independent non-executive Director	December 18, 2023	December 18, 2023	Responsible for providing independent opinion and judgment to the Board
Mr. Huang Sidney Xuande (黃宣德)	59	Independent non-executive Director	December 18, 2023	December 18, 2023	Responsible for providing independent opinion and judgment to the Board

Notes:

(1) "front-end" generally refers to business activities with the primary focus on aspects such as procurement of store supplies and equipment, logistics, and application R&D for product taste and recipes.

(2) "back-end" generally refers to business activities with the primary focus on aspects such as procurement of raw materials, production, fundamental R&D for ingredient-related technologies, production techniques, recipes and equipment.

Executive Directors

Mr. Zhang Hongchao (張紅超), aged 48, is our founder and chairman of the Board. Mr. Zhang Hongchao is in charge of our strategies and corporate culture.

Mr. Zhang Hongchao has over 27 years of experience in the freshly-made drinks industry. Mr. Zhang Hongchao commenced operations of our business in 1997 and leads our development from a small store named *Coldsnap Shaved Ice* "寒流刨冰" to a leading freshly-made drinks company. Benefiting from his adherence to our core values and long-term development strategies, Mr. Zhang Hongchao led our achievement of a series of significant milestones, including the establishment of our brand name "蜜雪冰城" (Mi Xue Bing Cheng), the introduction of various signature products such as *Fresh Ice Cream* and *Freshly-Squeezed Lemonade*, as well as building our end-to-end supply chain. Along with our development, Mr. Zhang Hongchao has been promoting and shaping our core values of sincere people, genuine hearts and authentic products, as well as a corporate culture rooted in authenticity.

Mr. Zhang Hongchao graduated from Henan University of Economics and Law (formerly known as Henan Economics and Finance College) in June 1998, majoring in secretarial affairs. He is currently pursuing an executive master's degree in business administration at Cheung Kong Graduate School of Business.

Mr. Zhang Hongfu (張紅甫), aged 40, is our co-founder and chief executive officer. Mr. Zhang Hongfu is in charge of our overall operations and management as well as leading our senior management team.

Mr. Zhang Hongfu has over 17 years of experience in the freshly-made drinks industry. Mr. Zhang Hongfu joined us in 2007. Leveraging his successful first-hand experience in operating stores, Mr. Zhang Hongfu formulated a standardized system for store operations and management, which we subsequently rolled out through a franchise model. Along with his long-term leadership and promotion of our business development, Mr. Zhang Hongfu continued to build and solidify our core capabilities covering brand building, store operations, marketing and product management.

Mr. Zhang Hongfu is currently pursuing a doctor's degree in business administration at Cheung Kong Graduate School of Business.

Ms. Cai Weimiao (蔡衛淼), aged 36, is our executive Director and head of front-end supply chain.

Ms. Cai is a homegrown key executive of our Group. Ms. Cai joined us in 2008 as a store employee and she was subsequently promoted to a store manager, during which she accumulated extensive experience in the front lines of our stores through participation in the management and operations of several stores. In 2012, Ms. Cai started to be in charge of the procurement of store supplies and equipment. From 2021 to 2023, Ms. Cai was our head of logistics, playing a key role in the development and enhancement of our supply chain. Since 2023, Ms. Cai, as our head of front-end supply chain, is primarily responsible for the procurement of store supplies and equipment, logistics, front-end application R&D and the quality control of the above matters.

Ms. Zhao Hongguo (趙紅果), aged 36, is our executive Director and head of back-end supply chain.

Ms. Zhao is a homegrown key executive of our Group. Ms. Zhao joined us in 2013 as a store employee and she was subsequently promoted to a store manager, during which she accumulated extensive experience in the front lines of our operations. She participated in the operations of various departments in our Group successively, including finance, administration, procurement and production. Since 2015, Ms. Zhao has been in charge of the procurement of raw materials, production, back-end fundamental R&D and the quality control of the above matters, and playing a key role in the planning and construction of our production bases and the establishment and improvement of our production policies.

In 2023, Ms. Zhao began serving as a representative of the 14th National People's Congress.

Independent Non-executive Directors

Ms. Poon Philana Wai Yin (潘慧妍), aged 57, is our independent non-executive Director. She is primarily responsible for providing independent opinion and judgment to the Board.

With an education background in law, Ms. Poon has around 30 years of post-qualification experience both in-house and in private practice. In 2014, she was named by Asian Legal Business as Hong Kong's In-House Lawyer of the Year. In 2016, she was named by Asian Legal Business as Hong Kong's Woman Lawyer of the Year. In 2017, Ms. Poon and her legal and compliance team in The Hong Kong Jockey Club ("HKJC") was named as In-House Team of the Year (under 50 Lawyers) in Euromoney Legal Media Group's Asian Women in Business Law Awards.

From 2015 to 2020, Ms. Poon was the executive director of legal and compliance of HKJC. She was a member of HKJC's board of management as well as the company secretary of HKJC. From 1998 to 2015, Ms. Poon held various senior positions within the PCCW Group including group general counsel and company secretary. She has a wealth of experience in the telecommunications, media and information technology industries, as well as in the areas of mergers and acquisitions, corporate finance, corporate governance and advising on matters relating to the Listing Rules and the Securities and Futures Ordinance. Before joining PCCW Group, Ms. Poon worked in various law firms from 1992 to 1998, including Lovells and Baker & McKenzie.

Ms. Poon has been an independent non-executive director of Meitu, Inc. (a company listed on the Hong Kong Stock Exchange, stock code: 1357) since June 2024. Ms. Poon was an independent non-executive director of Asia Satellite Telecommunications Holdings Limited ("AsiaSat", a company then listed on the Hong Kong Stock Exchange, stock code: 1135) from March 2018 to September 2019, and is currently a non-executive director of AsiaSat, a position she has held since its privatization in September 2019. She was also an independent non-executive director of Forgame Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 0484) from September 2013 to May 2018, and an independent non-executive director of AZ Electronic Materials S.A. (a company listed on the London Stock Exchange, stock ticker: AZEM) from 2012 to 2014.

Ms. Poon obtained a doctor of law degree from Cornell University in May 1992 and a bachelor's degree in commerce from the University of Toronto in November 1989.

Mr. Chu Gary Hsi (朱璽), aged 65, is our independent non-executive Director. He is primarily responsible for providing independent opinion and judgment to the Board.

Mr. Chu has more than 30 years of experience with pivotal roles played in the consumer sector, especially in the food and beverage and catering industries, as well as in the finance and investment areas. During his almost 20 years services at General Mills, Inc. ("General Mills", a company listed on the New York Stock Exchange, symbol: GIS), Mr. Chu led General Mills' business in Greater China region managing a wide spectrum of brands including Häagen-Dazs, Wanchai Ferry, V.PEARL, Yoplait, Green Giant, Bugles and Trix. In particular, Mr. Chu led the development of global brands like Häagen-Dazs in China, where he subsequently transformed Häagen-Dazs into diversified and omni-channel operations with an extensive store network. Additionally, Mr. Chu promoted the development of local brands such as Wanchai Ferry. With such rich experience in successfully incubating, operating and managing consumer brands in China, Mr. Chu has expertise and insights not only in store operations, channel management, brand building and marketing, but also in supply chain management including the development of centralized factories. Mr. Chu also has in-depth knowledge and extensive experience in mergers and acquisitions and investments.

Mr. Chu joined Tiantu Capital in July 2017 and is currently a managing partner of Tiantu Capital where he is in charge of the mergers, acquisitions and buyout department. Mr. Chu worked in General Mills from 1998 to 2017, joining as its first managing director responsible for launching its business in China, with his last position as General Mills' global senior vice president and its president of Greater China. Before joining General Mills, Mr. Chu worked in Bristol Myers Squibb in China since 1993, having assumed various positions including head of finance and business development with his last position as senior director of sales in China.

Mr. Chu obtained an executive master's degree in business administration from Peking University in July 2010 and a bachelor's degree in finance from Rutgers University in the United States in May 1985. Mr. Chu was qualified as a certified public accountant in the State of Maryland in the United States in June 1990.

Mr. Huang Sidney Xuande (**黃宣德**), aged 59, is our independent non-executive Director. He is primarily responsible for providing independent opinion and judgment to the Board.

Mr. Huang has over 25 years of experience through various positions in a wide range of industries including finance, technology and internet. He is currently a senior advisor of JD.com, Inc. (a company listed on the Nasdaq, symbol: JD, and secondary listed on the Hong Kong Stock Exchange, stock code: 9618) and was its chief financial officer from September 2013 until his retirement in September 2020, including the last three months as an executive coach to his successor.

Prior to joining JD.com, Inc., Mr. Huang had served as the chief financial officer of VanceInfo Technologies Inc. and its successor company, Pactera Technology International Ltd., from July 2006 to September 2013. He was also the co-president of VanceInfo Technologies Inc. from 2011 to 2012, and chief operating officer of VanceInfo Technologies Inc. from 2008 to 2010. Mr. Huang served as chief financial officer at two China-based companies in the technology and internet sectors between August 2004 and March 2006. He was an investment banker at Citigroup Global Markets Inc. in New York from August 2002 to July 2004. He held various positions including audit manager at KPMG LLP from January 1997 to August 2000.

Mr. Huang has been an independent non-executive director of Kuaishou Technology (a company listed on the Hong Kong Stock Exchange, stock code: 1024) since February 2021, an independent non-executive director of Tuya Inc. (a company listed on the New York Stock Exchange, symbol: TUYA, and dual primary listed on the Hong Kong Stock Exchange, stock code: 2391) since July 2022 and an independent director of Yatsen Holding Limited (a company listed on the New York Stock Exchange, symbol: YSG) since November 2020. Mr. Huang was a director of Bitauto Holdings Limited (a company then listed on the New York Stock Exchange and privatized in November 2020) from November 2010 to August 2020.

Mr. Huang is currently a Foundation Fellow at St Antony's College of the University of Oxford where he was an Academic Visitor focusing on geoeconomics from October 2021 to September 2022. He obtained a master's degree in business administration from the J.L. Kellogg School of Management at Northwestern University in the United States in June 2002 and a bachelor's degree in accounting from Bernard M. Baruch College of The City University of New York in the United States in February 1997. Mr. Huang was qualified as a certified public accountant in the State of New York in the United States in October 1999.

SUPERVISORY COMMITTEE

The Supervisory Committee comprises three members. Our Supervisors serve a term of three years and may be re-elected for successive reappointments. The functions and duties of the Supervisory Committee include supervising the performance of duty of the Board and the senior management of our Company and overseeing the financial conditions of our Company.

The following table sets out the key information about our Supervisors:

Name	Age	Position/Title	Time of Joining our Group	Date of Appointment as a Supervisor	Responsibilities
Ms. Cui Haijing (崔海靜)	38	Chairlady of the Supervisory Committee	2009	December 18, 2023	Responsible for monitoring the performance of the Directors and senior management
Ms. Yu Min (于敏)	35	Employee representative Supervisor	2014	June 10, 2021	Responsible for monitoring the performance of the Directors and senior management
Mr. Sun Jiantao (孫建濤)	38	Supervisor	2010	December 18, 2023	Responsible for monitoring the performance of the Directors and senior management

Ms. Cui Haijing (崔海靜), aged 38, is the chairlady of our Supervisory Committee. Ms. Cui is primarily responsible for monitoring the performance of the Directors and senior management. Ms. Cui is also serving as a supervisor in certain subsidiaries of our Group.

Ms. Cui worked as an accounting specialist in Zhengzhou Dannisi Baihuo Co., Ltd. (鄭州丹尼斯百貨有限公司) and Henan Province Fenghe Trading Co., Ltd. (河南省豐和貿易有限公司) consecutively from 2007 to 2009. Ms. Cui joined us in 2009. Ms. Cui held various key positions and is currently one of the department managers of our finance center.

Ms. Cui obtained an associate degree in computerized accounting from Henan University of Animal Husbandry and Economy (formerly known as Henan Higher Commercial College) in July 2007.

Ms. Yu Min (于敏), aged 35, is our employee representative Supervisor. Ms. Yu is primarily responsible for monitoring the performance of the Directors and senior management. Ms. Yu is also serving as a supervisor in certain subsidiaries of our Group.

Ms. Yu served as a remuneration and performance specialist at Beijing Xiaoyu International Investment Co., Ltd. (北京小雨國際投資有限公司) from 2012 to 2014. Ms. Yu joined us in 2014 and has been primarily responsible for our remuneration and performance review, employment relationship and recruitment management matters. She is currently one of the department managers of our human resources center.

Ms. Yu obtained an associate degree in human resources management from Haikou University of Economics in June 2012.

Mr. Sun Jiantao (孫建濤), aged 38, is our Supervisor. Mr. Sun is primarily responsible for monitoring the performance of the Directors and senior management.

Mr. Sun joined us in 2010 and had been responsible for matters including business development and human resources. From 2016 to 2023, Mr. Sun held various key positions in our Group, responsible for business expansion of *Mixue* in Southwest China and Southeast Asia as well as *Lucky Cup*. Currently, Mr. Sun is our head of operations of *Mixue* in Southeast Asia.

SENIOR MANAGEMENT

The following table sets forth the key information about our senior management.

Name	Age	Position/Title	Time of Joining our Group	Date of Appointment as a Senior Management	Responsibilities
Mr. Zhang Hongfu (張紅甫)	40	Executive Director and chief executive officer	2007	December 11, 2017	In charge of our overall operations and management as well as leading our senior management team
Ms. Cai Weimiao (蔡衛淼)	36	Executive Director and head of front-end supply chain	2008	December 28, 2023	In charge of the procurement of store supplies and equipment, logistics, front-end application R&D and the quality control of the above matters
Ms. Zhao Hongguo (趙紅果)	36	Executive Director and head of back-end supply chain	2013	December 28, 2023	In charge of the procurement of raw materials, production, back-end fundamental R&D and the quality control of the above matters
Mr. Shi Peng (時朋)	37	Head of operations of *Mixue* in China	2003	December 28, 2023	In charge of the operations of *Mixue* in China
Mr. Zhang Yuan (張淵)	34	Chief financial officer	2023	February 11, 2023	In charge of the overall financial management and capital operations of our Group

For the biographical details of Mr. Zhang Hongfu (張紅甫), see "— Board of Directors — Executive Directors".

For the biographical details of Ms. Cai Weimiao (蔡衛淼), see "— Board of Directors — Executive Directors".

For the biographical details of Ms. Zhao Hongguo (趙紅果), see "— Board of Directors — Executive Directors".

Mr. Shi Peng (時朋), aged 37, is our head of operations of *Mixue* in China.

Mr. Shi is a homegrown key executive of our Group. Mr. Shi joined us in 2003, when he started to obtain first-hand experience in our store operations, from which he accumulated extensive experience in management of stores and franchisees with long-term practice in the front lines. From 2013 to 2018, Mr. Shi was in charge of operations and management of stores and franchisees, and played an active and significant role in the standardization of our operations and management system. Since 2018, Mr. Shi has been holding various key management positions in our Group and is currently responsible for the operations of *Mixue* in China.

Mr. Shi has been serving as the vice president of Henan Chain Store & Franchise Association since August 2022.

Mr. Zhang Yuan (張淵), aged 34, is our chief financial officer. Mr. Zhang Yuan is primarily responsible for the overall financial management and capital operations of our Group. Mr. Zhang Yuan also serves as the chairman of Snow King Foundation.

Mr. Zhang Yuan joined our Group in February 2023, prior to which he worked at various financial institutions, including BofA Securities and Hillhouse Investment.

Mr. Zhang Yuan obtained a master's degree in finance from Tsinghua University in July 2015 and an honorary bachelor's degree in economics from the University of International Business and Economics in June 2013.

GENERAL

Save as disclosed above, none of the Directors, Supervisors or members of senior management of our Company has been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this Prospectus.

Mr. Zhang Hongchao and Mr. Zhang Hongfu are brothers and Mr. Shi Peng is their cousin. Save as disclosed above, none of the Directors, Supervisors or members of the senior management of our Company is related to any other Directors, Supervisors and members of the senior management of our Company.

Save as disclosed herein, to the best knowledge, information and belief of our Directors and Supervisors having made all reasonable inquiries, there was no other matter with respect to the appointment of our Directors or Supervisors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors or Supervisors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

JOINT COMPANY SECRETARIES

Mr. Chen Yixin (陳翊新), aged 32, is our joint company secretary. Mr. Chen is primarily responsible for company secretarial matters of our Group.

Mr. Chen joined our Group in 2021, prior to which he worked at Zhong Lun Law Firm in Beijing from July 2018 to July 2021.

Mr. Chen obtained a postgraduate certificate in law in June 2018 and a bachelor's degree in journalism in June 2015 from China University of Political Science and Law.

Ms. Tang King Yin (鄧景賢) is our joint company secretary. Ms. Tang is a senior manager of corporate services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Ms. Tang has over 10 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies.

Ms. Tang is currently serving as the joint company secretary of four companies listed on the Hong Kong Stock Exchange, namely, Tuya Inc. (stock code: 2391), Changjiu Holdings Limited (stock code: 6959), Qyuns Therapeutics Co., Ltd. (stock code: 2509) and YEAHKA LIMITED (stock code: 9923).

Ms. Tang obtained a master's degree of corporate governance and compliance from the Hong Kong Baptist University in November 2021 and a bachelor's degree in business administration from Hong Kong Shue Yan University in July 2011. Ms. Tang 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.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the relevant PRC laws and regulations and the Corporate Governance Code, our Company has formed three Board committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee.

Audit Committee

We have established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the Corporate Governance Code. The Audit Committee consists of three Directors, namely Mr. Huang Sidney Xuande, Ms. Poon Philana Wai Yin and Mr. Chu Gary Hsi. Mr. Huang Sidney Xuande and Mr. Chu Gary Hsi hold the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. Mr. Huang Sidney Xuande serves as the chairman of the Audit Committee. The primary duties of the Audit Committee include, but not limited to, the following:

- proposing the appointment or change of external auditors to our Board, and monitoring the independence of external auditors and evaluating their performance;
- examining the financial information of our Company and reviewing financial reports and statements of our Company;
- examining the financial reporting system, the risk management and internal control system of our Company, overseeing their rationality, efficiency and implementation and making recommendations to our Board; and
- dealing with other matters that are authorized by our Board.

Nomination Committee

We have established a Nomination Committee with written terms of reference in compliance with paragraph B.3 of the Corporate Governance Code. The Nomination Committee consists of four Directors, namely Mr. Zhang Hongchao, Ms. Poon Philana Wai Yin, Mr. Chu Gary Hsi and Mr. Huang Sidney Xuande. Mr. Zhang Hongchao serves as the chairman of the Nomination Committee. The primary duties of the Nomination Committee include, but not limited to, the following:

- conducting extensive search and providing to our Board suitable candidates for our Directors, chief executive officer and other members of the senior management;
- reviewing the structure, size and composition of our Board at least annually, assist the Board in maintaining a board skills matrix and making recommendations on any proposed changes to our Board;
- researching and developing standards and procedures for the election of our Board members, chief executive officer and members of the senior management, and making recommendations to our Board;
- supporting the Company’s regular evaluation of the Board’s performance; and
- dealing with other matters that are authorized by our Board.

Remuneration Committee

We have established a Remuneration Committee with written terms of reference in compliance with paragraph E.1 of the Corporate Governance Code. The Remuneration Committee consists of three Directors, namely Mr. Chu Gary Hsi, Mr. Huang Sidney Xuande and Mr. Zhang Hongfu. Mr. Chu Gary Hsi serves as the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee include, but not limited to, the following:

- making recommendations to the Board on the Company's policy and structure for all Directors' and senior managements remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

- monitoring the implementation of remuneration system of our Company;

- making recommendations on the remuneration packages of our Directors and senior management; and

- dealing with other matters that are authorized by our Board.

CONFIRMATION FROM OUR DIRECTORS

Rule 8.10 of the Listing Rules

Each of our Directors confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, either directly or indirectly, with our Company's business which would require disclosure under Rule 8.10 of the Listing Rules.

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in December 2023, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his/her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he/she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his/her independence at the time of his/her appointments.

COMPENSATION OF DIRECTORS AND SUPERVISORS

Our Directors and Supervisors receive compensation in the form of fees, salaries, allowances, discretionary bonuses, share-based compensation, retirement benefit scheme contributions and other benefits in kind.

For the years ended December 31, 2021, 2022 and 2023 and the nine months ended September 30, 2024, the aggregate amount of remuneration paid or payable to our Directors amounted to RMB16.0 million, RMB19.7 million, RMB17.4 million and RMB21.0 million, respectively.

For the years ended December 31, 2021, 2022 and 2023 and the nine months ended September 30, 2024, the aggregate amount of remuneration paid or payable to our Supervisors amounted to RMB4.6 million, RMB6.7 million, RMB6.2 million and RMB4.6 million, respectively.

Under the current compensation arrangement, we estimate the total compensation before taxation to be accrued to our Directors and our Supervisors for the year ending December 31, 2025 to be approximately RMB48.0 million.

The total emoluments for the remaining individuals among the five highest paid individuals amounted to RMB15.7 million, RMB19.5 million, RMB16.5 million and RMB9.6 million for the years ended December 31, 2021, 2022 and 2023 and the nine months ended September 30, 2024, respectively.

During the Track Record Period, no remuneration was paid by our Company to, or receivable by, our Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining our Company or as compensation for loss of office in connection with the management positions of our Company or any of our subsidiaries.

During the Track Record Period, none of our Directors or Supervisors waived any remuneration. Save as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors, Supervisors or the five highest paid individuals during the Track Record Period.

CORPORATE GOVERNANCE

Our Company aims to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. To accomplish this, we expect to comply with the Corporate Governance Code set out in Appendix C1 to the Listing Rules after the Listing.

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to the board diversity policy, we seek to achieve board diversity through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural and educational background, and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board.

Our Directors have a balanced mix of knowledge and skills, including overall management and strategic development, finance and accounting and corporate governance in addition to industry experience in consumer industry. We have three independent non-executive Directors with different industry backgrounds, representing more than one-third of the members of our Board. Our Company has evaluated the structure, size and composition of our Board, and is of the opinion that the structure of our Board is reasonable, and the experience and skills of the Directors in various aspects and fields can enable our Company to maintain a high standard of operations.

Besides, we particularly recognize the importance of gender diversity. We have taken, and will continue to take, steps to promote gender diversity at all levels of our Company, including but without limitation to our Board and senior management levels. Going forward, we will continue to work to enhance gender diversity of our Board when selecting and recommending suitable candidates for Board appointments. Our Company also intends to promote gender diversity at the mid to senior level so that our Company can maintain a balanced gender ratio at different levels. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our board diversity policy.

Our Nomination Committee is responsible for ensuring the diversity of our Board members. After the Listing, our Nomination Committee will examine the board diversity policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the board diversity policy on an annual basis.

COMPLIANCE ADVISOR

We have appointed Somerley Capital Limited as our Compliance Advisor pursuant to Rules 3A.19 and 3A.23 of the Listing Rules. The Compliance Advisor will provide us with guidance and advice as to compliance with the Listing Rules and other applicable laws, rules, codes and guidelines. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Advisor will advise our Company in certain circumstances including:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues, sales or transfers of treasury shares and share repurchases;

(c) where we propose to use the proceeds from the Global Offering in a manner different from that detailed in this Prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this Prospectus; and

(d) where the Stock Exchange makes an inquiry 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.

Pursuant to Rule 3A.24 of the Listing Rules, the Compliance Advisor will, on a timely basis, inform our Company of any amendment or supplement to the Listing Rules that are announced by the Stock Exchange. The Compliance Advisor will also inform our Company of any new or amended law, regulation or code in Hong Kong applicable to us, and advise us on the applicable requirements under the Listing Rules and laws and regulations.

The term of the appointment will commence on the Listing Date and is expected to end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a "**Cornerstone Investment Agreement**", and together the "**Cornerstone Investment Agreements**") with the cornerstone investors set out below (each a "**Cornerstone Investor**", and together the "**Cornerstone Investors**"), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe at the Offer Price for a certain number of Offer Shares that may be purchased for an aggregate amount of US$200 million (approximately HK$1,557.77 million) (the "**Cornerstone Placing**"). The calculations in this section, which are based on the exchange rate as disclosed in the section headed "Information about this Prospectus and the Global Offering", are for illustration purpose.

Based on the Offer Price, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 7,692,600 Offer Shares, representing approximately (i) 45.09% of the H Shares offered pursuant to the Global offering (assuming that the Over-allotment Option is not exercised), (ii) 2.04% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised); and (iii) 2.03% of our total issued share capital immediately upon completion of the Global Offering and the full exercise of the Over-allotment Option.

Our Company is of the view that the Cornerstone Placing will help to raise the profile of our Company and to signify that such investors have confidence in our business and prospect. Our Company became acquainted with each of the Cornerstone Investors in the Company's previous financing, the ordinary course of operation through the business network of our Group or through introduction by certain Underwriters in the Global Offering.

Among the Cornerstone Investors, LONG-Z FUND I, LP is a close associate of one of our existing Shareholders. The Stock Exchange has granted a waiver from strict compliance with the requirements under Rule 10.04 and consent under Paragraph 5(2) of Appendix F1 to the Listing Rules to permit H Shares in the International Offering to be placed to these Cornerstone Investors. For further details, please refer to the section headed "Waivers and Exemptions — Waiver and Consent in Relation to Subscription for H Shares by Close Associates of Minority Existing Shareholder as Cornerstone Investor". Save as disclosed above, and to the best knowledge of our Company, each of the Cornerstone Investors (i) is an Independent Third Party; (ii) none of the Cornerstone Investors is accustomed to taking instructions from our Company, the Directors, the Supervisors, chief executive, our Controlling Shareholders, substantial shareholders, existing Shareholders or any of their respective subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Offer Shares; (iii) none of the subscription of the relevant Offer Shares by any of the Cornerstone Investors is directly or indirectly financed by our Company, the Directors, Supervisors, chief executive, our Controlling Shareholders, substantial shareholders, existing Shareholders or any of their respective subsidiaries or their respective close associates; (iv) each Cornerstone Investor will be utilizing their internal resources as their source of funding for the subscription of the Offer Shares; and (v) no approval from other stock exchange is required for each Cornerstone Investor's investment in our Company as described in this section.

The Cornerstone Placing will form part of the International Offering and, save as otherwise obtained consent from the Stock Exchange, the Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respect with the fully paid Shares in issue and will be counted towards the public float of our Company under Rule 8.08 of the Listing Rules. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will become a substantial shareholder of the Company, and the Cornerstone Investors will not have any Board representation in our Company. Other than a guaranteed allocation of the relevant Offer Shares at the Offer Price, the Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements compared with other public Shareholders. There are no side arrangements 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 Global Offering.

The total number of Offer Shares to be subscribed by the Cornerstone Investors may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the paragraph headed "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation" in this Prospectus. The number of Offer Shares to be acquired by each Cornerstone Investor may be reduced on a pro rata basis in accordance with the terms of the Cornerstone Investment Agreement to satisfy the short fall, after taking into account the requirements under Appendix F1 to the Listing Rules as well as the discretion of the Joint Global Coordinators and the Overall Coordinators (for themselves and on behalf of the International Underwriters) to exercise the Over-allotment Option. Further, each of the Cornerstone Investors has agreed that in the event that the requirements under Rule 8.08(3) of the Listing Rules, which stipulates that no more than 50% of the Shares in public hands can be beneficially owned by the three largest public shareholders of the Company, may not be complied with on the Listing Date, the number of the H Shares to be subscribed for by the Cornerstone Investors may be adjusted to ensure compliance with Rule 8.08(3) 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 of our Company to be published on or around February 28, 2025. If there is over-allocation in the International Offering, the settlement of such over-allocation may be effected through delayed delivery of the Offer Shares to be subscribed by all Cornerstone Investors under the Cornerstone Placing. Where delayed delivery takes place, each Cornerstone Investor that may be affected by such delayed delivery has agreed that it shall nevertheless pay for the relevant Offer Shares before the Listing. If there is no over-allocation in the International Offering, delayed delivery will not take place. As such, there will be no deferred settlement of the investment amount for the Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Investment Agreements.

OUR CORNERSTONE INVESTORS

Set out below in the aggregate number of Offer Shares, and the corresponding percentages to the Offer Shares and our Company's total issued share capital under the Cornerstone Placing based on the Offer Price:

			Approximately % of Total Number of Offer Shares		Approximately % of H Shares in issue immediately following the Completion of the Global Offering		Approximately % of total Shares in issue immediately following the Completion of Global Offering	
Name	Investment Amount	Number of Offer Shares (rounded down to nearest whole board lot of 100 H Shares)	Assuming the Over-allotment Option is not Exercised	Assuming the Over-allotment Option is fully Exercised	Assuming the Over-allotment Option is not Exercised	Assuming the Over-allotment Option is fully Exercised	Assuming the Over-allotment Option is not Exercised	Assuming the Over-allotment Option is fully Exercised
	(USD in millions)							
M&G Investments . . .	60	2,307,800	13.53%	11.76%	1.56%	1.53%	0.61%	0.61%
HongShan Growth . . .	60	2,307,800	13.53%	11.76%	1.56%	1.53%	0.61%	0.61%
Persistence Growth Limited	40	1,538,500	9.02%	7.84%	1.04%	1.02%	0.41%	0.41%
HHLR Fund, L.P. . . .	30	1,153,900	6.76%	5.88%	0.78%	0.76%	0.31%	0.30%
Long-Z Fund I, LP . .	10	384,600	2.25%	1.96%	0.26%	0.25%	0.10%	0.10%
Total	**200**	**7,692,600**	**45.09%**	**39.21%**	**5.19%**	**5.10%**	**2.04%**	**2.03%**

The following information about the Cornerstone Investors was provided to our Company by the Cornerstone Investors in relation to the Cornerstone Placing.

M&G Investments

M&G Investments comprises management companies and/or investment managers whose ultimate holding company is M&G plc, an English public limited company, headquartered in London, United Kingdom, which was formed in 2017 through the merger of Prudential plc's UK and Europe savings and insurance operation and M&G, its wholly owned international investment manager. M&G plc listed as an independent company on the London Stock Exchange (LON: MNG) in October 2019 and has £346.1 billion of assets under management (as at 30 June 2024). M&G plc has around 4.6 million customers in the UK, Europe, the Americas and Asia, including individual savers and investors, life insurance policy holders and pension scheme members. Its investment solutions span equities, fixed income, multi asset, cash, private debt, infrastructure and real estate.

The Prudential Assurance Company Limited, together with M&G Asian Fund, M&G (LUX) Asian Fund, M&G Funds (1) Asia Pacific (ex Japan) Equity Fund, M&G China Fund, M&G (Lux) China Fund, M&G (ACS) China Fund and M&G (LUX) Dynamic Allocation Fund which are segregated individual sub-funds of umbrella funds, each being funds managed by M&G Investments, are investing in the Company as one of the Cornerstone Investors.

HongShan Growth

HSG Growth VI Holdco F, Ltd. ("**HongShan Growth**") is a company incorporated in the Cayman Islands with limited liability, which is wholly owned by HongShan Capital Growth Fund VI, L.P. ("**HongShan GVI Fund**"). HongShan GVI Fund is an investment fund whose primary purpose is to make equity investments in private companies. None of the limited partners has more than 30% of the limited partnership interests in HongShan GVI Fund. The general partner of HongShan GVI Fund is HSG Growth VI Management, L.P., whose general partner is HSG Holding Limited, a wholly-owned subsidiary of SNP China Enterprises Limited. Neil Nanpeng Shen is the sole shareholder of SNP China Enterprises Limited.

Persistence Growth Limited

Persistence Growth Limited is a company incorporated under the laws of the Cayman Islands and a controlled subsidiary of Boyu Capital Opportunities Master Fund. Boyu Capital Opportunities Master Fund is an exempted company incorporated under the laws of the Cayman Island and an investment fund managed by Boyu Capital Management (Singapore) Pte. Ltd. ("**Boyu**"). Boyu holds a capital markets services license and is regulated by the Monetary Authority of Singapore. Engaging in fund management business, Boyu provides growth and transformational capital for leading businesses and entrepreneurs in areas that include technology, healthcare, consumer and business services. Boyu is 100% indirectly owned by Boyu Group, LLC, which is in turn ultimately controlled by Mr. Xiaomeng Tong, an Independent Third Party. There is no single investor holding 30% or more interest in Persistence Growth Limited through Boyu Capital Opportunities Master Fund.

HHLR Fund, L.P.

HHLR Fund, L.P. ("**HHLR Fund**") is a limited partnership formed under the laws of the Cayman Islands and is managed by HHLR Advisors, Ltd. ("**HHLRA**"), which is part of the Hillhouse Group. There is no individual limited partner investor who holds an economic interest of 30% or more in HHLR Fund.

HHLRA collaborates with industry-defining enterprises, aiming to establish alignment with sustainable, forward-thinking companies across consumer, healthcare, business services, and industrial sectors. HHLRA manages capital for global institutions, including non-profit foundations, endowments, and pensions.

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 (for purposes of this paragraph, including Hong Kong, Macau and 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. Zhu Yonghua, an Independent Third Party. Only Meituan, which is a company listed on the Stock Exchange (stock code: 03690), holds more than 30% of the interests in Long-Z Fund I, LP indirectly.

CLOSING CONDITIONS

The obligation of each Cornerstone Investor to subscribe for the Offer Shares under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

(i) the Underwriting Agreements 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 Underwriting Agreements having been terminated;

(ii) the Offer Price having been agreed according to the Underwriting Agreements;

(iii) the Stock Exchange having granted the listing of, and permission to deal in, the H Shares (including the Investor Shares 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 H Shares on the Stock Exchange;

(iv) no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or the Cornerstone Investment Agreements and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(v) the respective representations, warranties, undertakings and confirmations of the relevant Cornerstone Investor under the relevant Cornerstone Investment Agreement are and will be accurate and true in all respects and not misleading 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 of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six months from and including the Listing Date (the "**Lock-up Period**"), dispose of any of the Offer Shares they have purchased pursuant to the relevant Cornerstone Investment Agreements, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), Mr. Zhang Hongchao directly and through Qingchun Wuwei, and Mr. Zhang Hongfu directly and through Shiyu Zuxia, will control 41.27% and 41.27% of our total issued share capital, respectively. Please refer to "History, Development and Corporate Structure — Concert Party Agreement". Accordingly, Mr. Zhang Hongchao, Mr. Zhang Hongfu, Qingchun Wuwei and Shiyu Zuxia will be our Controlling Shareholders upon the Listing.

For details of Mr. Zhang Hongchao, Mr. Zhang Hongfu, Qingchun Wuwei and Shiyu Zuxia, see the sections headed "Directors, Supervisors and Senior Management" and "History, Development and Corporate Structure — Employee Shareholding Platforms".

RULE 8.10 OF THE LISTING RULES

As of the Latest Practicable Date, none of our Controlling Shareholders or Directors had any interest in any business which competes or is likely to compete, either directly or indirectly, with our Company's business which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE OF OUR BUSINESS

Having considered the following factors, our Directors are satisfied that we are able to carry out our business independently from our Controlling Shareholders and their respective close associates upon and after the Listing.

Operational Independence

Our Company has full rights to make all decisions on, and to carry out, our own business operations independently. We hold our own operation resources including but not limited to franchisees and suppliers, as well as our own registered patents which can be used for producing our products. We have a team of senior management to operate the business independently from our Controlling Shareholders and their respective close associates. We also have access to third parties independently from, and not connected with, our Controlling Shareholders for sources of suppliers, franchisees and business partners.

Based on the above, our Directors believe that we are operationally independent from our Controlling Shareholders and their respective close associates.

Management Independence

Our management and operational decisions are made by the Board in a collective manner. The Board comprises seven Directors, including four executive Directors and three independent non-executive Directors.

Our Directors have relevant experience to ensure the proper functioning of the Board. We further believe that our Directors and members of the senior management are able to perform their roles in our Company in managing our business independently from our Controlling Shareholders and their respective close associates for the following reasons:

(a) except for Mr. Zhang Hongchao, Mr. Zhang Hongfu and their cousin, Mr. Shi Peng, all other members of the Board and senior management have no other relationship with the Controlling Shareholders and their respective close associates. They have substantial experience in the industry as further described in the section headed "Directors, Supervisors and Senior Management", which will enable them to discharge their duties independently from the Controlling Shareholders;

(b) our independent non-executive Directors have extensive experience in different areas. We believe that they will be able to exercise their independent judgment and will be able to provide impartial opinions in the decision-making process of our Board to protect the interests of our Shareholders;

(c) each of our Directors is aware of his or her fiduciary duties as a director, which requires, among other things, that he or she acts for our Company's best interests and he or she must not allow any conflict between his or her duties as a Director and his or her personal interests; and

(d) where a Board meeting or Shareholders' meeting is held to consider a proposed transaction in which our Directors or Controlling Shareholders or any of their respective close associates have a material interest, the relevant Directors or our Controlling Shareholders and their respective close associates shall abstain from voting on the relevant resolutions and shall not be counted towards the quorum for the voting.

Financial Independence

We have a finance center independent from our Controlling Shareholders and their respective close associates. We have also established an independent financial system to make the decisions based on our own business needs. In addition, we are capable of obtaining financing from third parties without relying on any guarantee or security provided by our Controlling Shareholders and their respective close associates. During the Track Record Period and as of the Latest Practicable Date, we had received the Pre-IPO Investment from third party investors independently. For details of the Pre-IPO Investment, see "History, Development and Corporate Structure". As of the Latest Practicable Date, there were no loans, advances and balances due to or from our Controlling Shareholders or their respective close associates, nor were there any pledges and guarantees provided by and to our Controlling Shareholders or their respective close associates.

CORPORATE GOVERNANCE MEASURES

Our Directors believe that there are adequate corporate governance measures in place to manage the potential conflict of interests between our Controlling Shareholders and our Group and to safeguard the interests of our Shareholders taken as a whole for the following reasons:

- where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of their respective close associates has a material interest, our Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;

- our Group has established internal control mechanisms to identify connected transactions. Upon the Listing, if any transaction is proposed between our Group and our Controlling Shareholders and their respective associates, we will comply with the requirements of the Articles of Association and the Listing Rules, including, where appropriate, the reporting, annual review by the independent non-executive Directors, announcement and independent shareholders' approval;

- our Board consists of a balanced composition of executive Directors and independent non-executive Directors, with independent non-executive Directors representing not less than one-third of our Board to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. Our independent non-executive Directors individually and collectively possess the requisite knowledge and experience to perform their duties. They will review whether there is any conflict of interests between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;

- where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expenses; and

- we have appointed Somerley Capital Limited as our Compliance Advisor, who will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance, and inform us on a timely basis of any amendment or supplement to the Listing Rules or applicable laws and regulations in Hong Kong.

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 Company and our Controlling Shareholders, and to protect our minority Shareholders' interests after the Listing.

This section presents certain information regarding our share capital before and upon completion of the Global Offering.

BEFORE THE COMPLETION OF THE GLOBAL OFFERING

As of the Latest Practicable Date, the issued share capital of our Company was RMB360,000,000, comprising 360,000,000 Unlisted Shares with a nominal value of RMB1.00 each.

UPON THE COMPLETION OF THE GLOBAL OFFERING

Immediately following the completion of the Global Offering and the conversion of certain Unlisted Shares into H Shares, assuming that the Over-allotment Option is not exercised, the issued share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate Percentage of the Total Share Capital of our Company
		(%)
Unlisted Shares in issue	228,735,742	60.66
H Shares to be converted from Unlisted Shares	131,264,258	34.81
H Shares to be issued under the Global Offering	17,059,900	4.52
Total	**377,059,900**	**100.00**

Immediately following the completion of the Global Offering and the conversion of certain Unlisted Shares into H Shares, assuming that the Over-allotment Option is fully exercised, the issued share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate Percentage of the Total Share Capital of our Company
		(%)
Unlisted Shares in issue	228,735,742	60.25
H Shares to be converted from Unlisted Shares	131,264,258	34.58
H Shares to be issued under the Global Offering	19,618,800	5.17
Total	**379,618,800**	**100.00**

We have applied to the Stock Exchange to request the Stock Exchange to exercise its discretion under Rule 8.08(1)(d) of the Listing Rules, and the Stock Exchange has granted our Company a waiver from strict compliance with the requirements of Rule 8.08(1)(a) of the Listing Rules. For details, see "Waivers and Exemption — Waiver in respect of Public Float Requirement".

RANKING

Upon completion of the Global Offering, we would have only one class of Shares. H Shares and Unlisted Shares are all ordinary Shares in the share capital of our Company. However, except for certain qualified domestic institutional investors in the PRC, qualified PRC investors under the Shanghai — Hong Kong Stock Connect or the Shenzhen — Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC. Unlisted Shares and H Shares will rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this Prospectus. All dividends in respect of the H Shares are to be paid by us in Renminbi, Hong Kong dollars or in the form of H Shares.

CONVERSION OF OUR UNLISTED SHARES INTO H SHARES

According to the regulations issued by the CSRC, the holders of our Unlisted Shares may, at their own option, authorize the Company to apply to the CSRC for conversion of their respective Unlisted Shares to H Shares, and such converted Shares may be listed and traded on an overseas stock exchange provided that the required filings with the securities regulatory authorities of the State Council for the conversion, listing and trading of such converted Shares have been completed. Additionally, such conversion, trading and listing shall meet any requirement of internal approval process and in all respects comply with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange. Save as disclosed in this Prospectus and to the best knowledge of our Directors, we are not aware of the intention of such existing Shareholders to convert their Unlisted Shares.

If any of the Unlisted Shares are to be converted, listed and traded as H Shares on the Stock Exchange, the filings with the relevant PRC regulatory authorities, including the CSRC, and the approval of the Stock Exchange are necessary for such conversion. Based on the procedures for the conversion of Unlisted Shares into H Shares as set forth below, we will apply for the listing of all or any portion of the Unlisted Shares on the Stock Exchange as H Shares in advance of any proposed conversion after the Global Offering to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of Shares for entry on the H Share register. As the listing of additional Shares after the Listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our listing in Hong Kong. No class Shareholder voting is required for the conversion of such Shares or the listing and trading of such converted Shares on an overseas stock exchange. Any application for listing of the converted shares on the Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion.

After all the requisite filings have been completed and approvals have been obtained, the relevant Unlisted Shares will be withdrawn from the Unlisted Share register, and our Company will re-register such Shares on the H Share register maintained in Hong Kong and instruct the H Share Registrar to issue H Share certificates. Registration on the H Share register of our Company will be on the conditions that (i) the H Share Registrar lodges with the Stock Exchange a letter confirming the entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates; and (ii) the admission of the H Shares to be traded on the Stock Exchange complies with the Listing Rules and the General Rules of HKSCC and the HKSCC Operational Procedures in force from time to time.

Until the converted Shares are re-registered on the H Share register of our Company, such Shares would not be listed as H Shares. For details of our existing Shareholders' proposed conversion of Unlisted Shares into H Shares, see "History, Development and Corporate Structure — Capitalization".

RESTRICTIONS OF SHARE TRANSFER

Pursuant to the PRC Company Law, our Shares issued prior to the Listing shall not be transferred within one year from the Listing Date.

Shares transferred by our Directors, Supervisors and members of the senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in our Company unless otherwise permitted by applicable laws and regulations. The Shares that the aforementioned persons hold in our Company cannot be transferred within half a year after they leave their positions as Directors, Supervisors and members of the senior management in our Company.

For details of the lock-up undertaking given by our Controlling Shareholders pursuant to Rule 10.07 of the Listing Rules, see the section headed "Underwriting — Underwriting Arrangements and Expenses — Undertakings to the Stock Exchange pursuant to the Listing Rules — Undertakings by the Controlling Shareholders".

GENERAL MANDATE TO (I) ISSUE SHARES AND (II) SELL AND/OR TRANSFER OF TREASURY SHARES AND REPURCHASE MANDATE

Subject to the Global Offering becoming unconditional, our Directors have been granted general unconditional mandates to issue our Shares and sell and/or transfer of treasury shares as well as repurchase our Shares. For further details, see "Appendix IV — Statutory and General Information — Further Information about our Company — Resolutions of our Shareholders".

SHAREHOLDERS' GENERAL MEETING

For details of circumstances under which our Shareholders' general meeting is required, see "Appendix III — Summary of Articles of Association".

So far as our Directors are aware, immediately following the completion of the Global Offering and the conversion of our Unlisted Shares to H Shares assuming the Over-allotment Option is not exercised, the following persons will have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding in the Unlisted Shares/H Shares immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised)	Approximate percentage of shareholding in the total Share capital immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised)
			(%)	*(%)*
Unlisted Shares				
Mr. Zhang Hongchao	Beneficial owner	100,098,196	43.76	26.55
(張紅超)[1]	Interest in controlled corporation	971,993	0.42	0.26
Qingchun Wuwei[1]	Beneficial owner	971,993	0.42	0.26
Mr. Zhang Hongfu	Beneficial owner	100,098,196	43.76	26.55
(張紅甫)[2]	Interest in controlled corporation	971,993	0.42	0.26
Shiyu Zuxia[2]	Beneficial owner	971,993	0.42	0.26
H Shares				
Mr. Zhang Hongchao	Beneficial owner	53,899,028	36.34	14.29
(張紅超)[1]	Interest in controlled corporation	647,994	0.44	0.17
Qingchun Wuwei[1]	Beneficial owner	647,994	0.44	0.17
Mr. Zhang Hongfu	Beneficial owner	53,899,028	36.34	14.29
(張紅甫)[2]	Interest in controlled corporation	647,994	0.44	0.17
Shiyu Zuxia[2]	Beneficial owner	647,994	0.44	0.17

Notes:

(1) Qingchun Wuwei, one of our employee shareholding platforms and a limited partnership established in the PRC, is managed by its general partner, Mr. Zhang Hongchao. As such, Mr. Zhang Hongchao is deemed to be interested in the 971,993 Unlisted Shares and 647,994 H Shares held by Qingchun Wuwei under the SFO.

(2) Shiyu Zuxia, one of our employee shareholding platforms and a limited partnership established in the PRC, is managed by its general partner, Mr. Zhang Hongfu. As such, Mr. Zhang Hongfu, is deemed to be interested in the 971,993 Unlisted Shares and 647,994 H Shares held by Shiyu Zuxia under the SFO.

Save as disclosed above and the section headed "Appendix IV – Statutory and General Information – Further Information about our Directors, Supervisors, Chief Executive and Substantial Shareholders – Interests of the substantial shareholders in other members of our Group", our Directors are not aware of any person who will, immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised), have any interest and/or short position in the Shares or underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company or any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

The following discussion and our analysis should be read in conjunction with our consolidated financial statements included in the Accountants' Report in Appendix I to this Prospectus, together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with IFRSs.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this Prospectus, including but not limited to the sections headed "Risk Factors" and "Business".

For the purposes of this section, unless the context otherwise requires, references to the years of 2021, 2022 and 2023 refer to our fiscal years ended December 31 of such years, respectively.

OVERVIEW

We are a leading freshly-made drinks company. We are committed to providing value-for-money products to consumers, including freshly-made fruit drinks, tea drinks, ice cream and coffee, typically priced around one U.S. dollar (approximately RMB6) per item. We have two major brands – freshly-made tea drinks brand *Mixue* and freshly-made coffee brand *Lucky Cup*. Through a franchise model, we have cultivated a network of over 45,000 stores spanning China and 11 overseas countries (including Indonesia, Vietnam, Malaysia, Thailand, Philippines, Cambodia, Laos, Singapore, Australia, South Korea and Japan) as of September 30, 2024. In 2023 and the nine months ended September 30, 2024, approximately 7.4 billion and 7.1 billion cups of drinks were sold through our store network, respectively. We are the largest freshly-made drinks company both in China and worldwide in terms of number of stores as of September 30, 2024, according to CIC. In terms of number of cups sold in 2023, we are also China's largest, and the world's second largest freshly-made drinks company.

In 2021, 2022, 2023 and the nine months ended September 30, 2024, GMV generated through our store network amounted to approximately RMB22.8 billion, RMB30.7 billion, RMB47.8 billion and RMB44.9 billion, respectively, which makes us the largest freshly-made drinks company in China in 2023, according to CIC. We achieved strong financial performance throughout the Track Record Period, with robust growth, high profitability and ample cash flows on top of a large scale. In 2022, 2023 and the nine months ended September 30, 2024, we recorded revenue of RMB13.6 billion, RMB20.3 billion and RMB18.7 billion, respectively, representing year-over-year growth of 31.2%, 49.6% and 21.2%. Our net profit amounted to RMB2.0 billion, RMB3.2 billion and RMB3.5 billion in 2022, 2023 and the nine months ended September 30, 2024, respectively, growing by 5.3%, 58.3% and 42.3% year-over-year. We have consistently generated net cash flows from operating activities, which totaled RMB1.7 billion, RMB2.4 billion, RMB3.8 billion and RMB5.1 billion in 2021, 2022, 2023 and the nine months ended September 30, 2024, respectively.

BASIS OF PREPARATION

The historical financial information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board.

All IFRSs effective for the accounting period commencing from January 1, 2024, together with the relevant transitional provisions, have been 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 financial assets at fair value through profit or loss and equity investments designated at fair value through other comprehensive income which have been measured at fair value.

The preparation of the historical financial information in conformity with IFRSs requires the use of certain material accounting estimates. It also requires the management to make judgements, estimates and assumptions in the process of applying our Group's accounting policies. Judgements made by the management in the application of IFRSs that have significant effect on the historical financial information and major sources of estimation uncertainty are discussed in Note 3 to the Accountants' Report included in Appendix I to this Prospectus.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business and results of operations are influenced by various general factors that affect overall consumer demands and market conditions for freshly-made drinks. These factors include macroeconomic trends, industry dynamics, and competitive landscape. Any negative change in these conditions may adversely impact our results of operations.

In addition to these general factors, the following specific factors have a more direct impact on our results of operations.

Consumer Demands for Freshly-Made Drinks

Our results of operations are influenced by consumer demands for freshly-made drinks. Continued urbanization in China has been driving population concentration in urban areas, broadening the consumer base for freshly-made drinks and facilitating the industry development. This, coupled with increasing consumer demands for superior product quality and consumer experience, has fueled the growth of the freshly-made drinks market. According to CIC, China's freshly-made drinks market, as measured by GMV, is projected to reach RMB1,163.4 billion by 2028. Within this market, mass-market freshly-made drinks segment is anticipated to experience the highest growth rate, with a CAGR of 22.2% from 2023 to 2028 surpassing the overall CAGR of 17.6% for China's freshly-made drinks market during the same period. The rapid growth is mainly fueled by the increasing penetration of mass-market freshly-made drinks within China's overall drinks market, and the growing consumer preferences for mass-market freshly-made drinks. Internationally, the freshly-made drinks market, as measured by GMV, is forecasted to reach US$1,103.9 billion by 2028, and the freshly-made drinks market in Southeast Asia is projected to reach US$49.5 billion by 2028, with a CAGR of 19.8% from 2023 to 2028. For additional information, see "Industry Overview".

Over the years, we have consistently adhered to the value proposition of offering quality products with value for money. This dedication, married with our brand culture centered around sweetness and love, has enabled us to capture consumers' mind-shares. We are the largest freshly-made drinks company both in China and worldwide in terms of number of stores as of September 30, 2024, according to CIC. In terms of number of cups sold in 2023, we are also China's largest, and the world's second largest freshly-made drinks company. In the fast-growing Southeast Asia market with tremendous potential, *Mixue* has become the largest freshly-made tea drinks brand, in terms of number of stores as of December 31, 2023. Going forward, we will continue to fulfill the increasing consumer demands and capitalize on favorable industry trends and opportunities. These include shifting consumer preferences towards mass-market freshly-made drinks, the ongoing rise in China's urbanization rate, the continued penetration of freshly-made drinks in lower-tier cities, the increase in the chain rate and the market concentration towards well-recognized brands in the freshly-made drinks industry, and the significant expansion potential in overseas markets, particularly in Southeast Asia.

Store Network Expansion and Management

As of December 31, 2021, 2022 and 2023 and September 30, 2024, our store network encompassed 20,001, 28,983, 37,565 and 45,302 stores, respectively, with over 99% of them being franchised stores. As of September 30, 2024, we had over 40,000 stores across 31 provinces, autonomous regions and municipalities in mainland China, and approximately 4,800 stores outside mainland China. Substantially all of our revenue is generated by selling store supplies and equipment to our franchisees. As such, the scale of our store network and our ability to manage it effectively are pivotal to both our revenue growth and operational efficiency.

Under the philosophy of aligning interests with franchisees, we have built a healthy and sustainable franchise model. With this model, we implement standardized management and offer continuous support and empowerment to franchisees through our highly-digitalized operational system to enhance their operational efficiency. Our interest-aligned approach, coupled with our all-round support, has allowed us to attract franchisees and expand our store network throughout the Track Record Period. Going forward, we will continue to expand and improve our ability to manage our store network in and outside mainland China, fostering sustainable growth in revenue and profitability.

Our Supply Chain Capabilities

Our expansive and highly efficient supply chain lays a solid foundation for our operational effectiveness and efficiency, which have a significant impact on our profitability. As the first company to establish centralized factories, we currently operate a comprehensive end-to-end supply chain at the largest scale in China's freshly-made drinks industry, encompassing essential aspects covering procurement, production, logistics, R&D and quality control.

- With respect to procurement, our global procurement network extended to the origins of raw materials, and our large procurement scale enable us to secure many core raw materials at prices below the industry average.

- With respect to production, we leverage the profound strengths of China manufacturing capabilities, and incorporate world standards in factory construction and production management across our five production bases. Benefitting from the cost advantages enabled by our extensive scale and sophisticated and intelligent production management, we choose to selectively self-produce ingredients to optimize quality and cost efficiency.

- With respect to logistics, we have established an effective, digitalized logistics system connecting our factories with our vast store network by deeply integrating the nationwide warehouse system and local delivery services, which has allowed us to gain a competitive edge in managing logistics costs and efficiency.

- With respect to R&D and quality control, we have consistently enhanced cost-effectiveness through constant technological breakthroughs and robust management policies.

In 2021, 2022, 2023 and the nine months ended September 30, 2024, our cost of sales accounted for 68.7%, 71.7%, 70.5% and 67.6% of our total revenue, with the majority incurred in connection with sales of goods. As our consumer base and store network further expand, we are committed to improving economies of scale and leveraging the advantages of our expansive and highly efficient supply chain to further enhance the digitization and management capabilities of all business processes. For example, we will fully utilize leading equipment and robotics, and advanced production management systems to enhance our advanced manufacturing capabilities characterized by automation, digitalization and intelligization. Additionally, we plan to build a more agile and efficient logistics system, as well as enhance R&D and innovation driven by new technologies and new materials. Through these initiatives, we aim to continuously improve the quality and efficiency of our supply chain while effectively managing costs. Further, we will attract consumers and franchisees with value-for-money products, ensuring the sustainable development of our business model.

MATERIAL ACCOUNTING POLICY INFORMATION AND ESTIMATES

Some of our accounting policies require us to apply estimates, assumptions, and complex judgments related to accounting items. These estimates, assumptions and judgments have a significant impact on our financial position and results of operations. Our management continuously evaluates such estimates, assumptions, and judgments based on past experience, industry practices, and expectations of future events that are deemed reasonable under the circumstances. During the Track Record Period, there had not been any material deviation from our management's estimates or assumptions and actual results, and we had not made any material changes to these estimates or assumptions. We do not expect any material changes to these estimates and assumptions in the foreseeable future.

Below are accounting policies that we believe are of critical importance to us or involve the most material estimates, assumptions and judgments used in the preparation of our financial statements. For a better understanding of our financial conditions and results of operations, we have set forth our material accounting policy information and material accounting judgment and estimates in Notes 2.3 and 3 to the Accountants' Report included in Appendix I to this Prospectus.

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 our Group expects to be entitled in exchange for those goods or services. Our Group has concluded that it is acting as a principal in all of its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Our Group primarily generates its revenue from sales of goods and equipment and provision of franchise and related services to franchisees. Further details of our Group's revenue recognition policies are as follows:

(a) Sales of goods and equipment

Revenue from the sale of goods and equipment 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.

(b) Provision of franchise and related services

Under the franchise agreements, our Group provides franchising, management and training services to its franchisees during the franchise period and franchisees pay fixed franchise, management and training fees generally on an annual basis.

During the franchise period, franchisees are granted with franchise rights including trademarks, business model and other management resources. As a result, franchise fee, which is considered as consideration for our Group to provide right to access our Group's intellectual property, is recognized on a straight-line basis over the franchise period if all of the following criteria are met:

- the contract requires, or the customer reasonably expects, that our Group will undertake activities that significantly affect the intellectual property to which the customer has rights;
- the rights granted by the license directly expose the customer to any positive or negative effects of our Group's activities; and
- those activities do not result in the transfer of a good or a service to the customer as those activities occur.

Our Group also provides management and training services to franchisees during the franchise period through which franchisees enjoy benefits such as business operations support and training for themselves and their employees. Revenue from the provision of management and training services is recognized over the franchise period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by our Group.

Inventories

Inventories are stated at the lower of cost and net realizable 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 labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Income Tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the years ended December 31, 2021, 2022 and 2023 and the nine months ended September 30, 2024, taking into consideration interpretations and practices prevailing in the countries in which our Group has established business presence.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the years ended December 31, 2021, 2022 and 2023 and the nine months ended September 30, 2024 between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized 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

- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, 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 recognized for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilized, 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

- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognized 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 utilized.

The carrying amount of deferred tax assets is reviewed at the end of each of the years ended December 31, 2021, 2022 and 2023 and the nine months ended September 30, 2024 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 utilized. Unrecognized deferred tax assets are reassessed at the end of each of the years ended December 31, 2021, 2022 and 2023 and the nine months ended September 30, 2024 and are recognized 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 realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each of the years ended December 31, 2021, 2022 and 2023 and the nine months ended September 30, 2024.

Deferred tax assets and deferred tax liabilities are offset if and only if our 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 realize 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.

Property, Plant and Equipment and Depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statements of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is 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, our Group recognizes 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**
	(%)
Buildings	2.38-4.75
Leasehold improvements	20.00-50.00
Machinery	9.50-19.00
Motor vehicles	23.75
Furniture and fixtures	19.00-31.67

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 the statements of profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress mainly represents buildings and machinery under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

IMPACTS OF COVID-19

During the Track Record Period, our business and results of operations were impacted by the COVID-19 pandemic. For example, normal store operations were disrupted amidst the pandemic, due to reduced consumer traffic and temporary store closures.

Despite the difficulties posed by COVID-19, we steadfastly adhered to our philosophy of aligning interest with franchisees, collaborating closely with them to navigate these challenging times. In early 2022, to better support our franchisees, we announced the waiver of one-year franchise fees for all existing *Mixue* franchisees in China by the end of 2021. Subsequently during the same year, we lowered our sales prices by an average of 15% for 69 store supplies and equipment items sold to our franchisees, the sales of which accounted for 23.1% of our total revenue in 2022. These business decisions showcased our commitment to upholding our mission and fostering long-term growth alongside the success of our valued franchisees.

In response to the pandemic challenges, we took decisive actions to support our employees. For instance, we raised overall compensation levels for our employees in the second half of 2022. This decision not only demonstrated our appreciation for their dedication but also aimed to provide better support for them and their families during uncertain times. Despite increased cost and operating expenses (including selling and distribution, administrative, and research and development expenses), we are nonetheless committed to fostering a supportive work environment, ensuring stability and boosting morale within our workforce, which we believe would contribute to our long-term growth.

While we experienced temporary fluctuations in store performance throughout the COVID-19 pandemic, we nonetheless achieved strong financial performance throughout the Track Record Period, with robust growth, high profitability and ample cash flows on top of a large scale. Our revenue increased from RMB10.4 billion in 2021 to RMB13.6 billion in 2022, and further to RMB20.3 billion in 2023. Our net profit amounted RMB1.9 billion, RMB2.0 billion and RMB3.2 billion in 2021, 2022, and 2023, respectively. We have consistently generated net cash flows from operating activities, which totaled RMB1.7 billion, RMB2.4 billion, and RMB3.8 billion in 2021, 2022, and 2023, respectively. In addition, our store performance rebounded post-pandemic, with average GMV per store increasing from RMB1,251.6 thousand in 2022 to RMB1,438.0 thousand in 2023, surpassing the level of RMB1,401.8 thousand in 2021. Based on the foregoing, our Directors are of the view that the COVID-19 pandemic had not materially and adversely affected our business operations and financial performance during the Track Record Period and up to the Latest Practicable Date.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth a summary of our consolidated statements of profit or loss 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)			
	(in thousands, except for percentages)									
Revenue	10,350,986	100.0	13,575,577	100.0	20,302,465	100.0	15,393,328	100.0	18,659,671	100.0
Cost of sales	(7,107,124)	(68.7)	(9,728,740)	(71.7)	(14,303,498)	(70.5)	(10,817,689)	(70.3)	(12,619,249)	(67.6)
Gross profit	**3,243,862**	**31.3**	**3,846,837**	**28.3**	**5,998,967**	**29.5**	**4,575,639**	**29.7**	**6,040,422**	**32.4**
Other income and gains (net)	135,181	1.3	127,915	0.9	247,632	1.2	149,624	1.0	135,507	0.7
Selling and distribution expenses	(405,766)	(3.9)	(774,431)	(5.7)	(1,318,588)	(6.5)	(992,934)	(6.5)	(1,097,090)	(5.9)
Administrative expenses	(374,665)	(3.6)	(496,506)	(3.6)	(610,622)	(3.0)	(429,811)	(2.8)	(433,470)	(2.3)
Research and development expenses	(17,151)	(0.2)	(32,304)	(0.2)	(85,000)	(0.4)	(51,343)	(0.3)	(64,805)	(0.3)
Finance costs	(5,973)	(0.1)	(9,190)	(0.1)	(14,697)	(0.1)	(11,037)	(0.1)	(5,479)	(0.1)
(Impairment losses)/reversal of impairment losses on financial assets	(1,787)	(0.0)	(4,098)	(0.0)	1,638	0.1	4,480	0.1	(3,524)	(0.0)
Impairment of property, plant and equipment	(14,827)	(0.1)	–	–	(65,524)	(0.3)	(59,999)	(0.4)	–	–
Share of (losses)/profits of an associate	–	–	(180)	(0.0)	196	0.0	36	0.0	(3,016)	(0.0)
Profit before tax	**2,558,874**	**24.7**	**2,658,043**	**19.6**	**4,154,002**	**20.5**	**3,184,655**	**20.7**	**4,568,545**	**24.5**
Income tax expense	(646,932)	(6.2)	(644,952)	(4.8)	(967,397)	(4.8)	(731,876)	(4.8)	(1,077,573)	(5.8)
Profit for the year/period	**1,911,942**	**18.5**	**2,013,091**	**14.8**	**3,186,605**	**15.7**	**2,452,779**	**15.9**	**3,490,972**	**18.7**
Profit attributable to:										
Owners of the parent	1,910,361	18.5	1,996,715	14.7	3,137,341	15.5	2,400,853	15.6	3,486,065	18.7
Non-controlling interests	1,581	0.0	16,376	0.1	49,264	0.2	51,926	0.3	4,907	0.0

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

The following table sets forth the breakdown of our revenue by the nature of products and services, in an absolute amount 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)			
	(in thousands, except for percentages)									
Sales of goods and equipment[1]										
Sales of goods	9,457,660	91.4	12,551,043	92.5	19,160,210	94.4	14,504,715	94.3	17,595,055	94.3
Sales of equipment	696,944	6.7	748,387	5.5	736,537	3.6	604,842	3.9	621,256	3.3
Subtotal	**10,154,604**	**98.1**	**13,299,430**	**98.0**	**19,896,747**	**98.0**	**15,109,557**	**98.2**	**18,216,311**	**97.6**
Franchise and related services	**196,382**	**1.9**	**276,147**	**2.0**	**405,718**	**2.0**	**283,771**	**1.8**	**443,360**	**2.4**
Total	**10,350,986**	**100.0**	**13,575,577**	**100.0**	**20,302,465**	**100.0**	**15,393,328**	**100.0**	**18,659,671**	**100.0**

Note:

(1) For a detailed discussion of the composition of revenue from sales of goods and equipment, see "— Sales of Goods and Equipment" below. For the years ended December 31, 2021, 2022 and 2023 and the nine months ended September 30, 2024, revenue from sales generated through e-commerce retail channels was RMB180.4 million, RMB271.3 million, RMB341.8 million and RMB208.7 million, respectively. During the same periods, revenue from sales generated from those non-franchisee customers was RMB56.4 million, RMB130.0 million, RMB277.7 million and RMB209.8 million, respectively. For the years ended December 31, 2021, 2022 and 2023 and the nine months ended September 30, 2024, gross profit for sales generated through e-commerce retail channels was RMB32.2 million, RMB40.8 million, RMB76.6 million and RMB45.8 million, representing gross profit margin of 17.9%, 15.0%, 22.4% and 21.9%, respectively. During the same periods, gross profit for sales generated from those non-franchisee customers was RMB0.6 million, RMB3.3 million, RMB21.7 million and RMB21.8 million, representing gross profit margin of 1.1%, 2.6%, 7.8% and 10.4%, respectively.

Sales of goods and equipment. Substantially all of our revenue is generated from sales of goods and equipment, primarily comprising amounts received from our franchisees for store supplies and equipment we provided to them. Specifically:

(i) *Sales of goods*. Revenue from sales of goods is predominantly generated by selling store supplies to our franchisees in the ordinary course of business, including ingredients, such as products of syrups, milk, tea, coffee, fruit, grains and condiments, as well as packaging materials. Additionally, we also generate a limited portion of revenue from sales at our self-operated stores and various e-commerce retail channels, and from certain goods sold to some non-franchisee customers, primarily corporate customers operating in the food and beverage industry.

(ii) *Sales of equipment*. Revenue from sales of equipment is mainly generated by selling store equipment, such as refrigerators, ice cream makers, ice makers and coffee machines to our franchisees.

Franchise and related services. Revenue from franchise and related services consists primarily of fixed franchise fees, management fees and training fees, that we charge our franchisees on an annual basis without regard to their operational results.

In terms of geographic coverage, we generate revenue mainly from our vast store network in mainland China. As of September 30, 2024, we established a growing presence in and outside mainland China. The following table sets out a breakdown of our revenue by geographical locations, in an absolute amount 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)			
	(in thousands, except for percentages)									
Mainland China	10,300,917	99.5	13,034,937	96.0	18,815,533	92.7	14,222,007	92.4	17,707,309	94.9
Outside mainland China	50,069	0.5	540,640	4.0	1,486,932	7.3	1,171,321	7.6	952,362	5.1
Total	**10,350,986**	**100.0**	**13,575,577**	**100.0**	**20,302,465**	**100.0**	**15,393,328**	**100.0**	**18,659,671**	**100.0**

Cost of Sales

The following table sets forth a breakdown of our cost of sales by the nature of products and services, in an absolute amount and as a percentage of our total cost of sales, 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)			
	(in thousands, except for percentages)									
Sales of goods and equipment										
Sales of goods	6,483,793	91.2	9,060,836	93.2	13,652,209	95.4	10,295,459	95.2	12,044,122	95.5
Sales of equipment	567,373	8.0	607,746	6.2	568,377	4.0	467,333	4.3	497,738	3.9
Subtotal	**7,051,166**	**99.2**	**9,668,582**	**99.4**	**14,220,586**	**99.4**	**10,762,792**	**99.5**	**12,541,860**	**99.4**
Franchise and related services	**55,958**	**0.8**	**60,158**	**0.6**	**82,912**	**0.6**	**54,897**	**0.5**	**77,389**	**0.6**
Total	**7,107,124**	**100.0**	**9,728,740**	**100.0**	**14,303,498**	**100.0**	**10,817,689**	**100.0**	**12,619,249**	**100.0**

Our cost associated with sales of goods and equipment primarily stems from (i) procuring and processing raw materials (such as food commodities, agricultural products and other auxiliary materials), packaging materials and store equipment, as well as (ii) delivering store supplies and equipment to stores. Our cost of franchise and related services mainly represents labor and other costs associated with training services and store design services provided to our franchisees.

The following table sets out a breakdown of our cost of sales by nature, in an absolute amount and as a percentage of our total cost of sales, 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)			
	(in thousands, except for percentages)									
Raw materials cost	6,543,635	92.1	8,994,004	92.4	13,228,583	92.5	10,063,586	93.0	11,477,761	91.0
Transportation expenses	233,706	3.3	289,531	3.0	435,653	3.0	334,415	3.1	418,635	3.3
Employee compensation	127,810	1.8	173,726	1.8	233,927	1.6	175,394	1.6	236,302	1.9
Depreciation and amortization	35,568	0.5	57,512	0.6	75,268	0.5	61,927	0.6	86,549	0.7
Others[(1)]	166,405	2.3	213,967	2.2	330,067	2.4	182,367	1.7	400,002	3.1
Total	**7,107,124**	**100.0**	**9,728,740**	**100.0**	**14,303,498**	**100.0**	**10,817,689**	**100.0**	**12,619,249**	**100.0**

Note:

(1) Including other tax expenses, utilities, and depreciation of right-of-use assets and rental and property management fees.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our cost for sales of goods on our profit for the periods indicated, assuming all other factors affecting our profitability had remained unchanged. Our actual results may differ from this hypothetical illustration depending on the actual fluctuations, if any, in our cost for sales of goods and other related items.

	-2%	+2%
	(RMB in thousands)	
Change in profit for the year		
Year ended December 31, 2021	96,868	(96,868)
Year ended December 31, 2022	137,181	(137,181)
Year ended December 31, 2023	209,425	(209,425)
Nine months ended September 30, 2024	184,034	(184,034)

Gross Profit and Gross Profit Margin

As a result of the foregoing, we recorded gross profit of RMB3,243.9 million, RMB3,846.8 million, RMB5,999.0 million, RMB4,575.6 million and RMB6,040.4 million in 2021, 2022, 2023 and the nine months ended September 30, 2023 and 2024, respectively, representing gross profit margin of 31.3%, 28.3%, 29.5%, 29.7% and 32.4%, respectively, during the same periods.

The following table sets forth a breakdown of our gross profit and gross profit margin by the nature of products and 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*	*%*
							(unaudited)			
	(in thousands, except for percentages)									
Sales of goods and equipment										
Sales of goods	2,973,867	31.4	3,490,207	27.8	5,508,001	28.7	4,209,256	29.0	5,550,933	31.5
Sales of equipment	129,571	18.6	140,641	18.8	168,160	22.8	137,509	22.7	123,518	19.9
Subtotal	**3,103,438**	**30.6**	**3,630,848**	**27.3**	**5,676,161**	**28.5**	**4,346,765**	**28.8**	**5,674,451**	**31.2**
Franchise and related services	**140,424**	**71.5**	**215,989**	**78.2**	**322,806**	**79.6**	**228,874**	**80.7**	**365,971**	**82.5**
Total	**3,243,862**	**31.3**	**3,846,837**	**28.3**	**5,998,967**	**29.5**	**4,575,639**	**29.7**	**6,040,422**	**32.4**

During the Track Record Period, the gross profit margin profiles varied in and outside mainland China primarily due to different market conditions across various markets. The following table sets out a breakdown of gross profit and gross profit margin by geographical locations 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*	*%*
							(unaudited)			
	(in thousands, except for percentages)									
Mainland China	3,223,345	31.3	3,614,312	27.7	5,402,693	28.7	4,071,554	28.6	5,664,364	32.0
Outside mainland China	20,517	41.0	232,525	43.0	596,274	40.1	504,085	43.0	376,058	39.5
Total	**3,243,862**	**31.3**	**3,846,837**	**28.3**	**5,998,967**	**29.5**	**4,575,639**	**29.7**	**6,040,422**	**32.4**

Other Income and Gains (Net)

Our other income and gains (net) consist of (i) government grants, representing subsidies and benefits from local governments in China (usually subject to assessment and changes in policies, and therefore are not recurring in nature), which are primarily related to our income, and are awarded as a form of recognition for our contributions to local economic growth in accordance with relevant supportive policies, (ii) interest income on bank deposits, (iii) investment income on financial assets at fair value through profit or loss, mainly representing income generated from wealth management products, (iv) loss or gain on disposal of items of property, plant and equipment (net), (v) foreign exchange differences (net), (vi) donations for charitable causes, and (vii) others.

The following table sets forth the breakdown of our income and gains (net) for the periods indicated.

	For the year ended December 31,			For the nine months ended September 30,	
	2021	2022	2023	2023	2024
				(unaudited)	
	(RMB in thousands)				
Other income and gains (net)					
Government grants	79,441	46,890	115,821	68,004	22,468
Interest income	38,221	44,322	53,801	36,781	77,339
Investment income on financial assets at fair value through profit or loss	25,999	25,644	53,333	44,113	28,102
(Loss)/gain on disposal of items of property, plant and equipment (net)	(1,156)	(303)	198	444	(4,937)
Foreign exchange differences (net)	(994)	(163)	31,963	12,594	(3,139)
Donations	(35,464)	(11,461)	(41,152)	(38,703)	(10,097)
Others	29,134	22,986	33,668	26,391	25,771
Total	**135,181**	**127,915**	**247,632**	**149,624**	**135,507**

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of (i) employee compensation, representing salaries, benefits, and share-based compensation for our sales personnel, including primarily our store operations advisors, (ii) branding and promotion expenses related to our marketing, branding and promotion activities, (iii) transportation expenses, representing expenses related to shipping store supplies and equipment from our production bases to warehouses and across warehouses, (iv) travel and office expenses incurred by our sales personnel, (v) depreciation of right-of-use assets and property management fees primarily related to our leased warehouses, and (vi) other miscellaneous selling and distribution expenses, including primarily third-party service fees related to our online orders, as well as depreciation and amortization expenses related to our self-operated warehouses.

The following table sets forth a breakdown of our selling and distribution expenses, in an absolute amount and as a percentage of our total selling and distribution expenses, 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)			
	(in thousands, except for percentages)									
Employee compensation	167,304	41.2	366,113	47.3	542,952	41.2	413,410	41.6	411,608	37.5
Branding and promotion expenses	53,184	13.1	69,922	9.0	246,356	18.7	182,243	18.4	168,576	15.4
Transportation expenses	70,957	17.5	122,054	15.8	188,912	14.3	145,752	14.7	194,519	17.7
Travel and office expenses	47,039	11.6	87,596	11.3	141,429	10.7	94,560	9.5	126,064	11.5
Depreciation of right-of-use assets and property management fees	39,458	9.7	93,245	12.0	127,548	9.7	95,790	9.6	104,185	9.5
Others	27,824	6.9	35,501	4.6	71,391	5.4	61,179	6.2	92,138	8.4
Total	**405,766**	**100.0**	**774,431**	**100.0**	**1,318,588**	**100.0**	**992,934**	**100.0**	**1,097,090**	**100.0**

As a percentage of our total revenue, our selling and distribution expenses rose from 3.9% in 2021 to 5.7% in 2022 and 6.5% in 2023. This rise was primarily driven by the increase in employee compensation, the major component of our selling and distribution expenses, which was mainly attributed to the expansion of our sales personnel headcount over time to support our growing business and the increase in compensation levels for our sales personnel, effective from the second half of 2022. To a lesser extent, this was also attributed to the rise in our branding and promotion expenses during the period to enhance our brand name and iconic IP. Specifically, we increased our investment in online promotional efforts, expanded the distribution of offline promotional materials, and intensified the frequency and scale of offline marketing activities to increase brand awareness. For a detailed discussion of our omni-channel marketing strategy and specific branding and marketing initiatives and campaigns, see "Business — Marketing". Our selling and distribution expenses as a percentage of our total revenue decreased from 6.5% in the nine months ended September 30, 2023 to 5.9% during the same period in 2024, primarily driven by our ongoing efforts to enhance the efficiency of our selling and distribution functions. Further information about the movement of our selling and distribution expenses during the Track Record Period is set forth in "— Period-to-Period Comparison of Results of Operations".

Administrative Expenses

Our administrative expenses primarily consist of (i) employee compensation, representing salaries, benefits, and share-based compensation for our administrative staff, (ii) professional and IT service fees, representing costs associated with IT and software services, management and business consulting services, and other professional service fees, (iii) depreciation and amortization expenses relating to our self-owned office space and equipment, (iv) travel and office expenses incurred by our administrative staff, (v) depreciation of right-of-use assets and property management fees primarily related to our leased office space, (vi) listing expenses relating to the Global Offering, and (vii) other miscellaneous administrative expenses.

The following table sets forth a breakdown of our administrative expenses, in an absolute amount and as a percentage of our total administrative expenses, 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)			
	(in thousands, except for percentages)									
Employee compensation	232,947	62.2	277,739	55.9	329,475	54.0	233,005	54.2	219,088	50.5
Professional and IT service fees	46,745	12.5	85,226	17.2	89,807	14.7	63,623	14.8	52,761	12.2
Depreciation and amortization expenses	28,249	7.5	40,594	8.2	49,664	8.0	35,151	8.2	54,122	12.5
Travel and office expenses	19,357	5.2	23,088	4.7	48,090	7.9	36,117	8.4	30,058	6.9
Depreciation of right-of-use assets and property management fees	14,159	3.8	19,310	3.9	29,066	4.8	20,337	4.7	21,642	5.0
Listing expenses	–	–	–	–	10,900	1.8	6,726	1.6	9,179	2.1
Others	33,208	8.8	50,549	10.1	53,620	8.8	34,852	8.1	46,620	10.8
Total	**374,665**	**100.0**	**496,506**	**100.0**	**610,622**	**100.0**	**429,811**	**100.0**	**433,470**	**100.0**

Research and Development Expenses

Our research and development expenses consist primarily of (i) employee compensation, representing salaries, benefits, and share-based compensation for our research and development staff, (ii) consumable items, which represent raw materials and products utilized and depleted throughout the research and development process, and (iii) other miscellaneous research and development expenses.

The following table sets forth the breakdown of our research and development expenses, in an absolute amount and as a percentage of total research and development expenses, 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)			
	(in thousands, except for percentages)									
Employee compensation	12,716	74.1	22,695	70.3	61,892	72.8	36,498	71.1	46,948	72.4
Consumable items	3,077	17.9	7,301	22.6	14,488	17.0	8,125	15.8	11,261	17.4
Others	1,358	8.0	2,308	7.1	8,620	10.2	6,720	13.1	6,596	10.2
Total	**17,151**	**100.0**	**32,304**	**100.0**	**85,000**	**100.0**	**51,343**	**100.0**	**64,805**	**100.0**

Finance Costs

Our finance costs consist of interest expenses on bank borrowings, and lease liabilities. We recorded finance costs of RMB6.0 million, RMB9.2 million, RMB14.7 million, RMB11.0 million and RMB5.5 million in 2021, 2022, 2023 and the nine months ended September 30, 2023 and 2024, respectively.

(Impairment Losses)/Reversal of Impairment Losses on Financial Assets

Our impairment losses or reversal of impairment losses on financial assets represent the expected credit losses or reversal of the expected credit losses on our trade receivables and other receivables. For details, see Note 2.3 to the Accountants' Report included in Appendix I to this Prospectus. We recorded impairment losses on financial assets of RMB1.8 million, RMB4.1 million and RMB3.5 million in 2021, 2022 and the nine months ended September 30, 2024, respectively, and reversal of impairment losses on financial assets of RMB1.6 million and RMB4.5 million in 2023 and the nine months ended September 30, 2023, respectively.

Share of (Losses)/Profits of an Associate

Our share of losses or profits of an associate relates to our investment in an associate primarily engaged in food distribution. For details, see Note 17 to the Accountants' Report included in Appendix I to this Prospectus. We recorded share of losses of an associate in the amount of nil, RMB180 thousand and RMB3.0 million in 2021, 2022 and the nine months ended September 30, 2024, respectively, and share of profits of an associate in the amount of RMB196 thousand and RMB36 thousand in 2023 and the nine months ended September 30, 2023, respectively. The movement of share of losses or profits of an associate during the Track Record Period was primarily attributed to the business performance and financial results of the associate.

Income Tax Expense

Income tax expense primarily represents income tax payable by us in accordance with the EIT Law and its corresponding implementation regulations. This income tax expense comprises both current income tax and deferred income tax.

Entities located in the PRC are subject to a statutory income tax rate of 25.0%. During the Track Record Period, certain subsidiaries within our Group were eligible for preferential income tax rates pursuant to the relevant tax regulations. For instance, during the Track Record Period, specific entities within our Group benefited from an EIT rate of 15% under preferential EIT policies for enterprises established and engaged in encouraged industries in the West Region or the Hainan Free Trade Port, and some of our Group's entities were engaged in agricultural product pre-treatment and eligible for relevant tax exemptions.

We recorded income tax expense of RMB646.9 million, RMB645.0 million, RMB967.4 million, RMB731.9 million and RMB1,077.6 million in 2021, 2022, 2023 and the nine months ended September 30, 2023 and 2024, respectively, and our effective tax rate (calculated as income tax expense divided by profit before tax) was 25.3%, 24.3%, 23.3%, 23.0% and 23.6%, respectively, for the same periods.

During the Track Record Period and as of the Latest Practicable Date, we did not have any disputes or unresolved tax issues with the relevant tax authorities.

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 21.2% from RMB15,393.3 million in the nine months ended September 30, 2023 to RMB18,659.7 million during the same period in 2024. Such increase was attributed primarily to increased revenue generated from sales of goods and equipment, and to a lesser extent, from franchise and related services.

- ***Sales of goods and equipment.*** Revenue from sales of goods and equipment increased by 20.6% from RMB15,109.6 million in the nine months ended September 30, 2023 to RMB18,216.3 million during the same period in 2024. The increase was primarily fueled by the expansion of our store network.

- ***Franchise and related services.*** Revenue from franchise and related services increased by 56.2% from RMB283.8 million in the nine months ended September 30, 2023 to RMB443.4 million during the same period in 2024, primarily driven by our store network expansion. This revenue increase from franchise and related services in the nine months ended September 30, 2024 was also due to the relatively low base in the same period of 2023, attributable primarily to the impact from our prior franchise fee waiver to support our franchisees during the COVID-19 pandemic.

Our revenue generated outside mainland China decreased from RMB1,171.3 million in the nine months ended September 30, 2023 to RMB952.4 million during the same period in 2024, mainly resulting from a slowdown in sales of goods and equipment to franchisees outside mainland China. This was primarily due to a high base in the nine months ended September 30, 2023, driven by a rebound in consumer demand in our overseas markets following the pandemic, and a higher number of newly opened stores during that period which increased demand for initial store supplies and equipment. Additionally, the decrease was also attributable to our ongoing efforts to optimize our supply chain and store network outside mainland China.

Cost of sales

Our cost of sales rose by 16.7% from RMB10,817.7 million in the nine months ended September 30, 2023 to RMB12,619.2 million during the same period in 2024, which was primarily driven by the increased raw materials cost. Our raw materials cost increased by 14.1% from RMB10,063.6 million in the nine months ended September 30, 2023 to RMB11,477.8 million during the same period in 2024, mainly due to the increased procurement and production volumes to support our growing store network in and outside mainland China.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 32.0% from RMB4,575.6 million in the nine months ended September 30, 2023 to RMB6,040.4 million during the same period in 2024. Our gross profit margin increased from 29.7% in the nine months ended September 30, 2023 to 32.4% during the same period in 2024.

The increase in our overall gross profit margin was primarily driven by the increase in the gross profit margin for sales of goods and equipment. In particular, the gross profit margin for sales of goods, which was the most significant contributor to our revenue during the Track Record Period, increased from 29.0% in the nine months ended September 30, 2023 to 31.5% during the same period in 2024, primarily attributed to enhanced supply chain efficiency as well as decreased purchase cost for certain raw materials.

The gross profit margin of our franchise and related services improved from 80.7% in the nine months ended September 30, 2023 to 82.5% during the same period in 2024, primarily due to enhanced economies of scale as our franchised store network continued to expand with limited incremental costs incurred for our franchise and related services.

Other income and gains (net)

Our other income and gains (net) decreased by 9.4% from RMB149.6 million in the nine months ended September 30, 2023 to RMB135.5 million during the same period in 2024. This was primarily due to the decreases in (i) government grants of RMB45.5 million as the timing of receiving such subsidies is usually uncertain, resulting in fluctuations in the amounts, and (ii) investment income on financial assets at fair value through profit or loss of RMB16.0 million, mainly due to a reduced average investment in wealth management products in the nine months ended September 30, 2024, partially offset by the rise in interest income of RMB40.6 million in line with our increasing cash and deposit balances.

Selling and distribution expenses

Our selling and distribution expenses increased by 10.5% from RMB992.9 million in the nine months ended September 30, 2023 to RMB1,097.1 million during the same period in 2024. This was mainly driven by the increases in (i) transportation expenses of RMB48.8 million, primarily attributed to increased sales volume, (ii) travel and office expenses of RMB31.5 million mainly due to our business expansion, and (iii) other selling and distribution expenses of RMB31.0 million.

Administrative expenses

Our administrative expenses increased by 0.9% from RMB429.8 million in the nine months ended September 30, 2023 to RMB433.5 million during the same period in 2024. This was mainly driven by the increases in (i) depreciation and amortization expenses of RMB19.0 million primarily because a number of construction projects relating to our office building and facilities were completed and put into use in 2024, and (ii) other administrative expenses of RMB11.8 million, primarily due to property tax for our new office building.

Research and development expenses

Our research and development expenses increased by 26.2% from RMB51.3 million in the nine months ended September 30, 2023 to RMB64.8 million during the same period in 2024, mainly attributed to a rise in employee compensation of RMB10.5 million, primarily due to the expansion of our research and development staff headcount as part of our continued digitalization efforts.

Finance costs

Our finance costs decreased by 50.4% from RMB11.0 million in the nine months ended September 30, 2023 to RMB5.5 million during the same period in 2024, primarily attributed to the decreases in interest on bank borrowings and interest on lease liabilities of RMB2.8 million and RMB2.7 million, respectively.

Reversal of impairment losses/(impairment losses) on financial assets

We recorded reversal of impairment losses on financial assets of RMB4.5 million in the nine months ended September 30, 2023, compared to impairment losses on financial assets of RMB3.5 million during the same period in 2024, which was attributed to reassessment of the expected credit losses of trade receivables and other receivables.

Share of profits/(losses) of an associate

We recorded share of profits of an associate in the amount of RMB36 thousand in the nine months ended September 30, 2023, as compared to share of losses of an associate in the amount of RMB3.0 million during the same period in 2024, due to the loss recorded by our investee for the nine months ended September 30, 2024.

Income tax expense

Our income tax expense increased by 47.2% from RMB731.9 million in the nine months ended September 30, 2023 to RMB1,077.6 million during the same period in 2024, primarily due to our increased profit before tax.

Profit for the period

As a result of the foregoing, our profit for the period increased by 42.3% from RMB2,452.8 million in the nine months ended September 30, 2023 to RMB3,491.0 million during the same period in 2024.

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Revenue

Our revenue increased by 49.6% from RMB13,575.6 million in 2022 to RMB20,302.5 million in 2023. Such increase was attributed primarily to increased revenue generated from sales of goods and equipment, and to a lesser extent, from franchise and related services.

- ***Sales of goods and equipment***. Revenue from sales of goods and equipment increased by 49.6% from RMB13,299.4 million in 2022 to RMB19,896.7 million in 2023. The increase was primarily fueled by the expansion of our store network in and outside mainland China. The number of our stores increased from 28,983 as of December 31, 2022 to 37,565 as of December 31, 2023.

- ***Franchise and related services***. Revenue from franchise and related services increased by 46.9% from RMB276.1 million in 2022 to RMB405.7 million in 2023, primarily driven by our store network expansion in and outside mainland China.

In 2023, our revenue experienced growth both in and outside mainland China. In particular, our revenue generated outside mainland China increased from RMB540.6 million in 2022 to RMB1,486.9 million in 2023, mainly driven by our store network expansion. The number of our stores outside mainland China increased from 1,795 as of December 31, 2022 to 4,331 as of December 31, 2023. Consequently, our revenue generated outside mainland China accounted for 7.3% of the total revenue in 2023, increasing from 4.0% in 2022.

Cost of sales

Our cost of sales rose by 47.0% from RMB9,728.7 million in 2022 to RMB14,303.5 million in 2023, which was primarily driven by the increased raw materials cost. Our raw materials cost increased by 47.1% from RMB8,994.0 million in 2022 to RMB13,228.6 million in 2023, mainly due to the increased procurement and production volumes to support our growing store network in and outside mainland China.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 55.9% from RMB3,846.8 million in 2022 to RMB5,999.0 million in 2023. Our gross profit margin increased from 28.3% in 2022 to 29.5% in 2023.

The increase in our overall gross profit margin was primarily driven by the increase in the gross profit margin for sales of goods and equipment. In particular, the gross profit margin for sales of goods, which was the most significant contributor to our revenue during the Track Record Period, increased from 27.8% in 2022 to 28.7% in 2023, primarily attributed to decreased purchase costs for certain of our raw materials as our business continued to scale.

The gross profit margin of our franchise and related services improved from 78.2% in 2022 to 79.6% in 2023, primarily due to enhanced economies of scale as our franchised store network continued to expand with limited incremental costs incurred for our franchise and related services.

Other income and gains (net)

Our other income and gains (net) increased by 93.6% from RMB127.9 million in 2022 to RMB247.6 million in 2023. This was primarily due to the increases in (i) government grants of RMB68.9 million attributed mainly to our eligibility for additional subsidies and benefits under relevant local policies as our business continues to scale, as well as the receipt and recognition of previously delayed subsidies and benefits, (ii) foreign exchange differences (net) of RMB32.1 million due to fluctuations in foreign exchange rates, and (iii) investment income on financial assets at fair value through profit or loss of RMB27.7 million, mainly representing income generated from our investments in wealth management products.

Selling and distribution expenses

Our selling and distribution expenses increased by 70.3% from RMB774.4 million in 2022 to RMB1,318.6 million in 2023. This increase was mainly driven by a rise in (i) employee compensation of RMB176.8 million primarily due to the expansion of our sales personnel headcount to support our growing business, as well as the increase in compensation levels for our sales personnel effective from the second half of 2022, and (ii) branding and promotion expenses of RMB176.4 million to enhance our brand name and iconic IP. To a lesser extent, the increased selling and distribution expenses were also attributed to the increases in transportation expenses, and travel and office expenses of RMB66.9 million and RMB53.8 million, respectively, which were generally in line with our business growth.

Administrative expenses

Our administrative expenses increased by 23.0% from RMB496.5 million in 2022 to RMB610.6 million in 2023. This increase was mainly driven by a rise in (i) employee compensation of RMB51.7 million primarily due to the increase in compensation levels for our administrative staff effective from the second half of 2022, (ii) travel and office expenses of RMB25.0 million primarily due to increased business trips of our administrative staff post-pandemic and also in line with our overall business expansion, (iii) listing expenses of RMB10.9 million relating to the Global Offering, (iv) depreciation of right-of-use assets and property management fees of RMB9.8 million, and (v) depreciation and amortization expenses of RMB9.1 million.

Research and development expenses

Our research and development expenses increased by 163.1% from RMB32.3 million in 2022 to RMB85.0 million in 2023, mainly due to our continued efforts to optimize and diversify our product offerings and improve consumer experience. Specifically, the increase was mainly driven by a rise in employee compensation of RMB39.2 million due to the expansion of our research and development staff headcount, as well as the increase in compensation levels for our research and development staff effective from the second half of 2022.

Finance costs

Our finance costs increased by 59.9% from RMB9.2 million in 2022 to RMB14.7 million in 2023. The increase was primarily attributed to the rise in interests on bank borrowings of RMB4.0 million mainly due to our additional bank loans.

(Impairment losses)/reversal of impairment losses on financial assets

We recorded impairment losses on financial assets of RMB4.1 million in 2022, compared to reversal of impairment losses on financial assets of RMB1.6 million in 2023, which was attributed to reassessment of the expected credit losses of trade receivables and other receivables.

Impairment of property, plant and equipment

We recorded impairment of property, plant and equipment in the amount of nil in 2022, compared to RMB65.5 million in 2023. This impairment resulted from the optimization of our production lines and equipment as we strategically decided to suspend the production of RTD drinks. We initiated exploration of opportunities in RTD drinks production and sales in June 2021. Subsequently, in September 2023, we decided to suspend this business. Throughout the duration of operations, revenue from the sales of RTD drinks was minimal, accounting for less than 0.1% of our total revenue in each of the years ended December 31, 2021, 2022 and 2023.

Share of (losses)/profits of an associate

We recorded share of losses of an associate in the amount of RMB180 thousand in 2022, compared to share of profits of an associate in the amount of RMB196 thousand in 2023, due to the improved business performance and financial results of the associate.

Income tax expense

Our income tax expense increased from RMB645.0 million in 2022 to RMB967.4 million in 2023, primarily due to our increased profit before tax.

Profit for the year

As a result of the foregoing, our profit for the period increased by 58.3% from RMB2,013.1 million in 2022 to RMB3,186.6 million in 2023.

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Revenue

Our revenue increased by 31.2% from RMB10,351.0 million in 2021 to RMB13,575.6 million in 2022. Such increase was attributed primarily to the increase in revenue generated from sales of goods and equipment, and to a lesser extent, from franchise and related services.

- ***Sales of goods and equipment***. Revenue from sales of goods and equipment increased by 31.0% from RMB10,154.6 million in 2021 to RMB13,299.4 million in 2022. The increase was primarily fueled by the expansion of our store network in and outside mainland China. The number of our stores increased from 20,001 as of December 31, 2021 to 28,983 as of December 31, 2022. The increase in revenue from sales of goods and equipment was partially offset by (i) the disruptions from the COVID-19 pandemic to the normal operations of our stores, and (ii) our reduction of prices by an average of 15% for 69 store supplies and equipment items sold to our franchisees to ease the impacts from the COVID-19 pandemic in 2022, the sales of which accounted for 23.1% of our total revenue in 2022.

- ***Franchise and related services***. Revenue from franchise and related services increased by 40.6% from RMB196.4 million in 2021 to RMB276.1 million in 2022, primarily driven by our store network expansion in and outside mainland China. The increase in revenue from franchise and related services was partially offset by our decision announced in early 2022 to waive one-year franchise fees for all existing *Mixue* franchisees in China by the end of 2021.

For a detailed discussion regarding the impact of the COVID-19 pandemic on our business and results of operations, see "— Impacts of COVID-19".

In 2022, our revenue experienced growth both in and outside mainland China. In particular, our revenue generated outside mainland China increased from RMB50.1 million in 2021 to RMB540.6 million in 2022, mainly driven by our store network expansion. The number of our stores outside mainland China increased from 270 as of December 31, 2021, to 1,795 as of December 31, 2022. Consequently, our revenue generated outside mainland China accounted for 4.0% of the total revenue in 2022, increasing from 0.5% in 2021.

Cost of sales

Our cost of sales rose by 36.9% from RMB7,107.1 million in 2021 to RMB9,728.7 million in 2022, which was primarily driven by the increased raw materials cost. Our raw materials cost increased by 37.4% from RMB6,543.6 million in 2021 to RMB8,994.0 million in 2022, mainly due to the increased procurement and production volumes to support our growing store network in and outside mainland China.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 18.6% from RMB3,243.9 million in 2021 to RMB3,846.8 million in 2022. Our gross profit margin was 31.3% in 2021 and 28.3% in 2022, respectively.

The decline in our overall gross profit margin was due to the decrease in the gross profit margin for sales of goods, which was the most significant contributor to our revenue during the Track Record Period. The gross profit margin for sales of goods narrowed from 31.4% in 2021 to 27.8% in 2022. This decrease was primarily attributed to (i) increased purchase costs resulting from fluctuations in market prices for certain of our raw materials, and (ii) our reduction of prices by an average of 15% for 69 store supplies and equipment items sold to our franchisees to ease the impacts from the COVID-19 pandemic in 2022, the sales of which accounted for 23.1% of our total revenue in 2022. For a detailed discussion regarding the impact of the COVID-19 pandemic on our business and results of operations, see "— Impacts of COVID-19".

The gross profit margin of our franchise and related services improved from 71.5% in 2021 to 78.2% in 2022, primarily due to enhanced economies of scale as our franchised store network continued to expand with limited incremental costs incurred for our franchise and related services. The increase in the gross profit margin for our franchise and related services was partially offset by our decision announced in early 2022 to waive one-year franchise fees for all existing *Mixue* franchisees in China by the end of 2021.

Other income and gains (net)

Our other income and gains (net) decreased by 5.4% from RMB135.2 million in 2021 to RMB127.9 million in 2022, primarily due to the decrease in government grants from RMB79.4 million in 2021 to RMB46.9 million in 2022. This decline in government grants was primarily because there were delays in the approval process within relevant local governments amid the COVID-19 pandemic, impacting the timing of our receipt and recognition of subsidies and benefits.

Selling and distribution expenses

Our selling and distribution expenses increased by 90.9% from RMB405.8 million in 2021 to RMB774.4 million in 2022. This increase was mainly driven by a rise in employee compensation of RMB198.8 million due to the expansion of our sales personnel headcount to support our growing business, and the increase in compensation levels for our sales personnel. In particular, we increased our overall employee compensation level in the second half of 2022, including that of our sales personnel, to support our employees during the pandemic. Consequently, selling and distribution expenses experienced a substantial increase during the same year. To a lesser extent, the increased selling and distribution expenses were also attributed to the increases in depreciation of right-of-use assets and property management fees, transportation expenses, and travel and office expenses of RMB53.8 million, RMB51.1 million and RMB40.6 million, respectively, which were generally in line with our business expansion.

Administrative expenses

Our administrative expenses increased by 32.5% from RMB374.7 million in 2021 to RMB496.5 million in 2022. This increase was mainly driven by a rise in (i) employee compensation of RMB44.8 million due to the expansion of our administrative staff headcount to support our business expansion, and the increase in compensation levels for our administrative staff effective from the second half of 2022, and (ii) professional and IT service fees of RMB38.5 million, primarily due to the increase in fees for IT and software services, and management and business consulting services to support our continued business expansion.

Research and development expenses

Our research and development expenses increased by 88.4% from RMB17.2 million in 2021 to RMB32.3 million in 2022, mainly due to our continued efforts to optimize and diversify our product offerings and improve consumer experience. Specifically, the increase was mainly due to a rise in (i) employee compensation of RMB10.0 million due to the expansion of our research and development staff headcount, and the increase in compensation levels for our research and development staff effective from the second half of 2022, and (ii) consumable items of RMB4.2 million utilized and depleted throughout the research and development process.

Finance costs

Our finance costs increased by 53.9% from RMB6.0 million in 2021 to RMB9.2 million in 2022. The increase was primarily attributed to the rise in interests on bank borrowings of RMB2.1 million due to our additional bank loans.

Impairment losses on financial assets

We recorded impairment losses on financial assets of RMB1.8 million and RMB4.1 million in 2021 and 2022, respectively. The rise in our impairment losses on financial assets was attributed to the increased expected credit losses on our trade receivables and other receivables.

Impairment of property, plant and equipment

We recorded impairment of property, plant and equipment in the amount of RMB14.8 million in 2021 and nil in 2022, respectively. In 2021, the new production facility in our Henan production base commenced operations. Consequently, we recorded a provision for impairment loss on legacy production facility and equipment that were phased out.

Share of losses of an associate

We recorded share of losses of an associate in the amount of nil and RMB180 thousand in 2021 and 2022, respectively, as the associate was still ramping up its business.

Income tax expense

Our income tax expense remained stable at RMB646.9 million in 2021 and RMB645.0 million in 2022, respectively.

Profit for the year

As a result of the foregoing, our profit for the year increased by 5.3% from RMB1,911.9 million in 2021 to RMB2,013.1 million in 2022.

DISCUSSION OF CERTAIN KEY ITEMS FROM OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets forth the selected information from our consolidated statements of financial position as of the dates indicated, which have been extracted from our consolidated financial statements included in Appendix I to this Prospectus.

	As of December 31,			As of September 30,
	2021	2022	2023	2024
	(RMB in thousands)			
Total non-current assets	2,242,617	3,389,291	5,445,381	7,113,433
Total current assets	5,073,766	6,556,065	9,148,185	11,506,900
Total assets	**7,316,383**	**9,945,356**	**14,593,566**	**18,620,333**
Total non-current liabilities	67,495	127,436	263,788	234,876
Total current liabilities	1,706,178	2,338,653	3,734,313	4,289,251
Total liabilities	**1,773,673**	**2,466,089**	**3,998,101**	**4,524,127**
Net assets	**5,542,710**	**7,479,267**	**10,595,465**	**14,096,206**
Share capital	360,000	360,000	360,000	360,000
Reserves	5,177,351	7,094,297	10,146,993	13,641,298
Non-controlling interests	5,359	24,970	88,472	94,908
Total equity	**5,542,710**	**7,479,267**	**10,595,465**	**14,096,206**

The following table sets forth our current assets and current liabilities as of the dates indicated.

	As of December 31,			As of September 30,	As of December 31,
	2021	2022	2023	2024	2024
					(unaudited)
	(RMB in thousands)				
Current assets					
Inventories	1,251,915	1,541,156	2,231,714	1,839,769	2,215,352
Trade receivables	2,030	15,410	28,473	21,506	25,624
Prepayments, other receivables and other assets	181,892	304,539	404,428	490,867	512,505
Financial assets at fair value through profit or loss	900,237	1,865,676	746,046	2,842,603	3,491,643
Restricted cash and time deposits	61,865	65,146	115,620	331,759	1,315,804
Cash and cash equivalents	2,675,827	2,764,138	5,621,904	5,980,396	4,335,123
Total current assets	**5,073,766**	**6,556,065**	**9,148,185**	**11,506,900**	**11,896,051**

	As of December 31,			As of September 30,	As of December 31,
	2021	2022	2023	2024	2024
					(unaudited)
	(RMB in thousands)				
Current liabilities					
Trade payables	596,681	881,806	1,316,780	1,604,693	1,767,263
Other payables and accruals	600,753	910,196	1,571,615	1,762,109	2,043,625
Contract liabilities	305,817	198,305	259,271	410,767	359,636
Interest-bearing bank and other borrowings	30,030	140,088	259,748	4,536	–
Lease liabilities	50,321	78,813	72,065	50,689	52,004
Tax payables	122,576	129,445	254,834	456,457	294,310
Total current liabilities	**1,706,178**	**2,338,653**	**3,734,313**	**4,289,251**	**4,516,838**
Net current assets	**3,367,588**	**4,217,412**	**5,413,872**	**7,217,649**	**7,379,213**

Our net current assets increased from RMB7,217.6 million as of September 30, 2024 to RMB7,379.2 million as of December 31, 2024, primarily due to the increases in (i) restricted cash and time deposits of RMB984.0 million, (ii) financial assets at fair value through profit or loss of RMB649.0 million, and (iii) inventories of RMB375.6 million. The increase in our net current assets was partially offset by (i) a decrease in cash and cash equivalents of RMB1,645.3 million, and (ii) an increase in other payables and accruals of RMB281.5 million.

Our net current assets increased from RMB5,413.9 million as of December 31, 2023 to RMB7,217.6 million as of September 30, 2024, primarily due to (i) the increases in financial assets at fair value through profit or loss of RMB2,096.6 million and cash and cash equivalents of RMB358.5 million, and (ii) the decrease in interest-bearing bank and other borrowings of RMB255.2 million, which was partially offset by the increase in trade payables of RMB287.9 million.

Our net current assets increased from RMB4,217.4 million as of December 31, 2022 to RMB5,413.9 million as of December 31, 2023, primarily due to the increases in (i) cash and cash equivalents of RMB2,857.8 million, and (ii) inventories of RMB690.6 million. The increase in our net current assets was partially offset by (i) a decrease in financial assets at fair value through profit or loss of RMB1,119.6 million, (ii) an increase in other payables and accruals of RMB661.4 million, and (iii) an increase in trade payables of RMB435.0 million.

Our net current assets increased from RMB3,367.6 million as of December 31, 2021 to RMB4,217.4 million as of December 31, 2022, primarily due to the increases in (i) financial assets at fair value through profit or loss of RMB965.4 million, (ii) inventories of RMB289.2 million, and (iii) prepayments, other receivables and other assets of RMB122.6 million.

Inventories

Our inventories primarily consist of (i) finished goods, mainly representing ingredients for the in-store preparation of our freshly-made drinks, as well as packaging materials, (ii) raw materials, such as food commodities, agricultural products and other auxiliary materials and (iii) work in progress, mainly representing ingredients in process.

The following table sets forth a summary of our inventory balances as of the dates indicated.

	As of December 31,			As of September 30,
	2021	2022	2023	2024
	(RMB in thousands)			
Finished goods	699,806	1,001,747	1,278,341	1,274,087
Raw materials	555,119	513,808	899,048	591,312
Work in progress	827	28,387	89,645	38,179
Subtotal	**1,255,752**	**1,543,942**	**2,267,034**	**1,903,578**
Provision for impairment of inventories	(3,837)	(2,786)	(35,320)	(63,809)
Total	**1,251,915**	**1,541,156**	**2,231,714**	**1,839,769**

Our inventories increased from RMB1,251.9 million as of December 31, 2021 to RMB1,541.2 million as of December 31, 2022, RMB2,231.7 million as of December 31, 2023, which was generally in line with our business expansion over time. Our inventories subsequently decreased to RMB1,839.8 million as of September 30, 2024, primarily due to the decrease in raw materials of RMB307.7 million. This decline was primarily due to the seasonality of our operations and our efforts to optimize inventory levels for certain raw materials.

Our provision for impairment of inventories increased from RMB2.8 million as of December 31, 2022 to RMB35.3 million as of December 31, 2023, and further to RMB63.8 million as of September 30, 2024. This was primarily because we recorded additional provisions based on the lower of cost or net realizable value for certain slow-moving inventories that are not our core products.

We believe that by maintaining optimal inventory levels, we can meet our franchisees' demand and ensure their satisfaction without compromising our liquidity. To this end, we have put in place a set of policies and procedures to manage our inventories. For details, see "Business — Our Supply Chain — Inventory Management".

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
	(RMB in thousands)			
Within 1 year	1,251,321	1,512,580	2,262,225	1,787,600
Over 1 year	4,431	31,362	4,809	115,978
Provision for impairment of inventories	(3,837)	(2,786)	(35,320)	(63,809)
Total	**1,251,915**	**1,541,156**	**2,231,714**	**1,839,769**

The inventories aged over one year increased from RMB4.8 million as of December 31, 2023 to RMB116.0 million as of September 30, 2024, primarily due to a slowdown in sales of goods and equipment to franchisees outside mainland China. For further details, refer to "— Period-to-Period Comparison of Results of Operations — Nine Months Ended September 30, 2024 Compared to Nine Months Ended September 30, 2023 — Revenue." To a lesser extent, the increase was partially attributable to a shift in the composition of raw materials, with a higher proportion of raw materials having a longer shelf life as of September 30, 2024, compared to December 31, 2023. In response to the increase in aging of inventories mentioned above, our management has made adequate impairment provisions, which increased from RMB35.3 million as of December 31, 2023 to RMB63.8 million as of September 30, 2024.

The following table sets forth inventories turnover days for the periods indicated.

	For the year ended December 31,			For the nine months ended September 30,
	2021	2022	2023	2024
Inventories turnover days[(1)]	42.7	52.4	48.1	43.6

Note:

(1) Inventories 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, 2024 is 270 days.

Our inventories turnover days increased from 42.7 days in 2021 to 52.4 days in 2022 primarily due to the slower sell-through of inventories during the COVID-19 pandemic in 2022 which negatively impacted our consumer demands. Subsequently, our inventories turnover days decreased to 48.1 days in 2023, mainly driven by the recovery in consumer demands post-pandemic. Subsequently, our inventories turnover days decreased to 43.6 days in the nine months ended September 30, 2024, generally in line with our decreased inventory level.

As of December 31, 2024, RMB1,604.3 million, or 87.2% of our inventories outstanding as of September 30, 2024 had been subsequently sold or utilized.

Trade Receivables

During the Track Record Period, we recorded an immaterial amount of trade receivables, which totaled RMB2.0 million, RMB15.4 million, RMB28.5 million and RMB21.5 million as of December 31, 2021, 2022 and 2023 and September 30, 2024, respectively. These trade receivables primarily represented outstanding amounts due from some corporate customers, to which we supplied certain goods and equipment in accordance with specific credit periods during the Track Record Period.

Prepayments, Other Receivables and Other Assets

Prepayments, other receivables and other assets consist of (i) prepayments made by us in relation to our raw materials procurements, (ii) deposits and other receivables, primarily consisting of deposits for our leased properties, and tax refunds on exports related to our overseas business, and to a much lesser extent, funds in transit related to sales of goods and equipment to franchisees that have been paid but not yet settled through the banking system, (iii) recoverable value-added tax ("VAT"), and (iv) other assets, including deferred expenses and prepaid taxes. Under the PRC tax law, input VAT on purchases can be deducted from output VAT payable. Our recoverable VAT as of a specified date is the difference between output VAT and deductible input VAT.

The following table sets forth the details of our prepayments, other receivables and other assets as of the dates indicated.

	As of December 31,			As of September 30,
	2021	**2022**	**2023**	**2024**
	(RMB in thousands)			
Prepayments	110,723	131,998	108,002	111,260
Deposits and other receivables	26,785	57,948	27,132	99,846
Recoverable VAT	26,987	85,570	216,147	244,413
Other assets	23,383	37,422	54,862	38,374
	187,878	**312,938**	**406,143**	**493,893**
Impairment allowance	(5,986)	(8,399)	(1,715)	(3,026)
Total	**181,892**	**304,539**	**404,428**	**490,867**

Our prepayments, other receivables and other assets increased from RMB181.9 million as of December 31, 2021 to RMB304.5 million as of December 31, 2022. The increase was primarily due to the increases in (i) recoverable VAT of RMB58.6 million, (ii) deposits and other receivables of RMB31.2 million, resulting from a rise in VAT tax rebate on exports as we increased sales of goods and equipment to support our overseas store network expansion, and (iii) prepayments of RMB21.3 million in relation to our raw materials procurements, which was generally in line with our business expansion.

Our prepayments, other receivables and other assets further increased to RMB404.4 million as of December 31, 2023, primarily due to an increase in recoverable VAT of RMB130.6 million. Our recoverable VAT increased from RMB27.0 million as of December 31, 2021 to RMB85.6 million as of December 31, 2022, and further to RMB216.1 million as of December 31, 2023. This rise primarily stems from the expansion of our business, leading to a greater amount of deductible input VAT mainly on raw materials procurement, while output VAT on sales of goods overseas is exempted under relevant tax laws. The increase in 2023 is also attributable to certain production bases beginning production after completing construction in the second half of the year, resulting in a significant amount of deductible input VAT on the procurement of manufacturing facilities that has yet to be utilized.

Our prepayments, other receivables and other assets further increased to RMB490.9 million as of September 30, 2024. The increase was primarily due to the increases in (i) deposits and other receivables of RMB72.7 million, mainly resulting from funds in transit related to sales of goods and equipment to franchisees that have been paid but not yet settled through the banking system, and (ii) recoverable VAT of RMB28.3 million, primarily related to output VAT on sales of goods overseas to be refunded.

As of December 31, 2024, RMB247.4 million, or 50.4% of our prepayments, other receivables and other assets outstanding as of September 30, 2024 had been subsequently settled.

Financial Assets at Fair Value through Profit or Loss

Our financial assets at fair value through profit or loss primarily represent the wealth management products that we acquired. During the Track Record Period, we mainly purchased low-risk wealth management products issued by reputable commercial banks in China, such as China Construction Bank, adhering to our rigorous internal policies and guidelines as detailed below. The assets underlying these wealth management products are typically fixed income investments, such as interbank negotiable certificates of deposit, government bonds, and central bank bills.

Our financial assets at fair value through profit or loss increased from RMB900.2 million as of December 31, 2021 to RMB1,865.7 million as of December 31, 2022, and from RMB746.0 million as of December 31, 2023 to RMB2,842.6 million as of September 30, 2024, primarily due to increased investments aimed at effectively managing the cash flows generated from our operating activities, which was in line with our business expansion and revenue growth.

In particular, our financial assets at fair value through profit or loss increased significantly from December 31, 2023 to September 30, 2024, primarily due to rising net cash flows generated from operating activities, which rose from RMB3,793.9 million in 2023 to RMB5,100.8 million in the nine months ended September 30, 2024. To maximize the use of available cash and generate investment returns, our management allocated additional funds to wealth management products, adhering strictly to our internal policies and guidelines. Accordingly, net cash flows used in investing activities also increased significantly during the same periods. For further information, see "— Liquidity and Capital Resources — Cash Flow Analysis."

Our financial assets at fair value through profit or loss decreased from RMB1,865.7 million as of December 31, 2022 to RMB746.0 million as of December 31, 2023, primarily due to the maturity and redemption of wealth management products.

We have implemented a comprehensive set of internal policies and guidelines to monitor and control investment risks associated with our wealth management product portfolio. Our investment strategy aims to optimize the efficiency of idle funds, generate investment returns for our Shareholders, and minimize investment and financial risks. Guided by this strategy, we typically allocate a portion of our available cash for such investment in wealth management products, after setting aside sufficient funds for working capital purposes and any strategic investments. We primarily invest in wealth management products with high liquidity and security. Specifically, we are only allowed by our internal policies and guidelines to invest in wealth management products that carry low risk labels of R1 or R2 level, although these products may not always be principal-protected. Additionally, under our internal policies, we are required to transact with qualified financial institutions, and shall prioritize the cooperation with reputable commercial banks. The financial institutions we are permitted to transact with must be financially sound, legally compliant, and have robust risk management and control, with no material breaches of laws or contracts in the past three years. Furthermore, the commercial banks we transact with must receive an annual rating of 3 or above from the National Financial Regulatory Administration of the PRC and achieve at least a grade B in the PBOC's annual comprehensive evaluation.

The personnel in our finance center is responsible for proposing, analyzing, and evaluating potential investment opportunities. Any proposals for investments in wealth management products or modifications to our existing investment portfolio must receive approval from our senior management before implementation. Every investment in wealth management products, regardless of its transaction amount, is required to undergo this same internal review and approval procedure. Our finance center closely monitors the performance of our approved investments in wealth management products. With monthly reports received from our finance center, our senior management also oversees the management of such investments on an ongoing basis to minimize our risk exposure. In addition, serving as the supervisory body, our Board is responsible for overseeing and auditing the investment activities, reviewing the approval process for wealth management products, monitoring their actual operations and fund utilization, and evaluating their profit and loss performance. In particular, as our normal practice, our Board pre-approves our investment in wealth management products. Upon completion of the Listing, our investment in wealth management products will be subject to the compliance with Chapter 14 of the Listing Rules.

In light of our rigorous internal policies and procedures pertaining to investments in wealth management products, and considering we had not experienced any material loss from our investment portfolio during the Track Record Period and up to the Latest Practicable Date, our Directors are of the view that our internal control measures pertaining to investments in wealth management products are adequate and effective in monitoring and mitigating associated risks.

Restricted Cash and Time Deposits

Our restricted cash and time deposits consist primarily of deposits for our bank loans and letters of credits, time deposits, and other temporarily restricted cash. Our restricted cash and time deposits amounted to RMB61.9 million, RMB65.1 million, RMB115.6 million and RMB331.8 million as of December 31, 2021, 2022 and 2023 and September 30, 2024, respectively.

Cash and Cash Equivalents

We had cash and cash equivalents of RMB2,675.8 million, RMB2,764.1 million, RMB5,621.9 million and RMB5,980.4 million as of December 31, 2021, 2022 and 2023 and September 30, 2024, respectively. See "— Liquidity and Capital Resources — Cash Flow Analysis".

Trade Payables

Our trade payables primarily represent the amounts payable to raw materials suppliers and other product and service providers. Our trade payables increased from RMB596.7 million as of December 31, 2021 to RMB881.8 million as of December 31, 2022, and further to RMB1,316.8 million as of December 31, 2023 and RMB1,604.7 million as of September 30, 2024, which aligned with our business expansion. To a lesser extent, the increase in our trade payables as of September 30, 2024, was also influenced by seasonality. Our procurement activities are typically more active in the summer, when consumer demand peaks, leading to a higher balance of trade payables as of September 30, 2024.

The following table sets forth the aging analysis of our trade payables based on the invoice date as of the dates indicated.

	As of December 31,			As of September 30,
	2021	2022	2023	2024
	(RMB in thousands)			
Within 1 month	551,991	826,680	1,178,493	1,572,628
1 to 3 months	31,240	49,550	130,038	15,189
3 to 6 months	9,888	3,172	4,904	6,754
6 months to 1 year	2,997	875	2,374	9,337
Over 1 year	565	1,529	971	785
Total	**596,681**	**881,806**	**1,316,780**	**1,604,693**

The following table sets forth our trade payables turnover days for the periods indicated.

	For the year ended December 31,			For the nine months ended September 30,
	2021	2022	2023	2024
Trade payables turnover days [(1)]	23.9	27.7	28.1	31.3

Note:

(1) Trade payables turnover days are based on the 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, 2024 is 270 days.

Our trade payables turnover days increased from 23.9 days in 2021 to 27.7 days in 2022, and further to 28.1 days in 2023, reflecting the credit treatment extended by suppliers as of the respective dates. Our trade payables turnover days further increased to 31.3 days in the nine months ended September 30, 2024, primarily influenced by seasonality.

As of December 31, 2024, RMB1,592.4 million, or 99.2% of our trade payables outstanding as of September 30, 2024 had been subsequently settled.

Other Payables and Accruals

Our other payables and accruals mainly include (i) deposit payables, representing amounts deposited by franchisees pursuant to our franchise agreements, which will be returned to the franchisees upon the fulfillment of the franchise agreements, (ii) payroll and welfare payables relating to employee compensation, (iii) accruals and other payables, primarily for expenses related to construction in progress, and (iv) other tax payables.

The following table sets forth the details of our other payables and accruals as of the dates indicated.

	As of December 31,			As of September 30,
	2021	2022	2023	2024
	(RMB in thousands)			
Current:				
Deposit payables	261,527	466,082	689,513	962,984
Payroll and welfare payables	170,350	256,886	336,072	260,925
Accruals and other payables	132,150	146,435	498,708	424,326
Other tax payables	36,726	40,793	47,322	113,874
	600,753	910,196	1,571,615	1,762,109
Non-current:				
Accruals and other payables	–	–	60,408	58,323
Total	**600,753**	**910,196**	**1,632,023**	**1,820,432**

Our other payables and accruals increased from RMB600.8 million as of December 31, 2021 to RMB910.2 million as of December 31, 2022, primarily due to the increases in (i) deposit payables of RMB204.6 million driven by our franchised store network expansion, and (ii) payroll and welfare payables of RMB86.5 million, which was generally in line with the expansion of our employee headcount, and the increase in compensation levels for our employees.

Our other payables and accruals further increased to RMB1,632.0 million as of December 31, 2023, primarily due to the increases in (i) accruals and other payables of RMB412.7 million as our construction projects advanced, and (ii) deposit payables of RMB223.4 million driven by our franchised store network expansion.

Our other payables and accruals subsequently increased to RMB1,820.4 million as of September 30, 2024, primarily due to the increase in deposit payables of RMB273.5 million, driven by our franchised store network expansion, partially offset by the decreases in (i) payroll and welfare payables of RMB75.1 million, mainly due to 2023 annual bonuses to be settled in early 2024, and (ii) accruals and other payables of RMB74.4 million following the completion of our construction projects.

As of December 31, 2024, RMB290.1 million, or 15.9% of our other payables and accruals outstanding as of September 30, 2024 had been subsequently settled.

Contract Liabilities

Our contract liabilities primarily comprise payments received in advance of revenue recognition from our franchisees for sales of goods and equipment, and franchise and related services. The following table sets forth the details of our contract liabilities as of the dates indicated.

	As of December 31,			As of September 30,
	2021	2022	2023	2024
	(RMB in thousands)			
Current				
Sales of goods and equipment	192,462	74,436	25,711	59,972
Franchise and related services	113,355	123,869	233,560	350,795
	305,817	198,305	259,271	410,767
Non-current				
Franchise and related services	527	6,595	24,975	12,413
Total	**306,344**	**204,900**	**284,246**	**423,180**

Our contract liabilities decreased from RMB306.3 million as of December 31, 2021 to RMB204.9 million as of December 31, 2022, primarily due to declined contract liabilities related to sales of goods and equipment. The decline was primarily due to the increased frequency of supplying our stores in line with the enhanced efficiency of our logistics system. This led to the accelerated fulfillment of our contractual obligations and subsequent revenue recognition.

Our contract liabilities rose to RMB284.2 million as of December 31, 2023, and further increased to RMB423.2 million as of September 30, 2024, primarily due to the increase in contract liabilities associated with franchise and related services. This increase was mainly because we received payments of franchise and related service fees from franchisees with respect to newly opened franchised stores during our network expansion, while revenue associated with these fees were recognized over time throughout the service period.

As of December 31, 2024, RMB200.7 million, or 47.4% of contract liabilities outstanding as of September 30, 2024 had been subsequently settled.

Interest-bearing bank and other borrowings

Our interest-bearing bank and other borrowings represent bank loans from commercial banks in China. Our interest-bearing bank and other borrowings increased from RMB30.0 million as of December 31, 2021 to RMB140.1 million as of December 31, 2022, and further to RMB259.7 million as of December 31, 2023, mainly due to our additional bank loans secured for working capital purposes. Our interest-bearing bank and other borrowings decreased to RMB4.5 million as of September 30, 2024, mainly due to the repayment of our bank loans.

Lease Liabilities

Our lease liabilities pertain to payment obligations for properties leased primarily as our offices and warehouses. The carrying amount of our lease liabilities amounted to RMB112.7 million, RMB141.5 million, RMB126.4 million and RMB88.4 million as of December 31, 2021, 2022 and 2023 and September 30, 2024, respectively.

Tax Payables

We recorded tax payables of RMB122.6 million, RMB129.4 million, RMB254.8 million and RMB456.5 million as of December 31, 2021, 2022 and 2023 and September 30, 2024, respectively.

Property, Plant and Equipment

Our property, plant and equipment consist of construction in progress, buildings, machinery, furniture and fixtures, leasehold improvements, and motor vehicles. The following table sets forth a breakdown of our property, plant and equipment as of the dates indicated.

	As of December 31,			As of September 30,
	2021	2022	2023	2024
	(RMB in thousands)			
Construction in progress	57,139	711,890	616,636	1,826,094
Buildings	546,286	523,864	1,767,634	2,087,712
Machinery	352,551	372,150	860,266	1,115,223
Furniture and fixtures	52,992	59,302	115,975	109,224
Leasehold improvements	16,752	20,473	14,985	7,567
Motor vehicles	7,777	13,407	14,557	10,694
Total	**1,033,497**	**1,701,086**	**3,390,053**	**5,156,514**

The carrying amount of our property, plant and equipment amounted to RMB1,033.5 million, RMB1,701.1 million, RMB3,390.1 million and RMB5,156.5 million as of December 31, 2021, 2022 and 2023 and September 30, 2024, respectively. The increase in the carrying amount of our property, plant and equipment over time was primarily relating to the expansion of our production bases and the addition of our new office buildings to support our business growth.

In particular, our construction in progress increased from RMB57.1 million as of December 31, 2021 to RMB711.9 million as of December 31, 2022, and from RMB616.6 million as of December 31, 2023 to RMB1,826.1 million as of September 30, 2024, primarily attributable to the commencement of construction relating to our production capacity and office space expansion. Our construction in progress decreased from RMB711.9 million as of December 31, 2022 to RMB616.6 million as of December 31, 2023, primarily due to completion of several construction projects.

The carrying amount of our buildings decreased slightly from RMB546.3 million as of December 31, 2021 to RMB523.9 million as of December 31, 2022, primarily due to depreciation during the ordinary course of business. The carrying amount of our buildings subsequently increased to RMB1,767.6 million as of December 31, 2023 and further to RMB2,087.7 million as of September 30, 2024, primarily due to the completion of several construction projects.

The carrying amount of our machinery increased from RMB352.6 million as of December 31, 2021 to RMB372.2 million as of December 31, 2022, and further to RMB860.3 million as of December 31, 2023 and RMB1,115.2 million as of September 30, 2024, which was primarily attributed to the addition of equipment in our production bases.

Right-of-Use Assets

Our right-of-use assets mainly consist of leased warehouses and office premises and land use rights. Our right-of-use assets increased from RMB166.0 million as of December 31, 2021 to RMB445.6 million as of December 31, 2022. This increase primarily resulted from the acquisition of land use rights for several parcels of land in various locations in China, which are intended for the construction of our production bases and warehouses. Our right-of-use assets slightly decreased to RMB427.0 million as of December 31, 2023, and further to RMB378.5 million as of September 30, 2024, primarily due to depreciation in the ordinary course of business.

Other Non-Current Assets

Our other non-current assets mainly consist of (i) prepayments for property, plant and equipment, (ii) prepayments for other intangible assets, including primarily software used to streamline and optimize our business process, and (iii) long-term rental deposit. Our other non-current assets increased from RMB999.0 million as of December 31, 2021 to RMB1,166.2 million as of December 31, 2022, primarily due to an increased amount of prepayments for our new office buildings. Our other non-current assets remained relatively stable at RMB1,177.4 million as of December 31, 2023. Our other non-current assets decreased to RMB144.8 million as of September 30, 2024, primarily due to the decrease in prepayments for our new office buildings, which were reclassified to property, plant and equipment upon their completion and delivery.

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements mainly from cash generated from our business operations, shareholder contributions and bank loans. After the Global Offering, we intend to finance our future capital requirements through cash generated from our business operations, and the net proceeds from the Global Offering. We currently do not anticipate any changes to the availability of financing to fund our operations in the near future. We had cash and cash equivalents of RMB2,675.8 million, RMB2,764.1 million, RMB5,621.9 million and RMB5,980.4 million as of December 31, 2021, 2022 and 2023 and September 30, 2024, respectively.

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
				(unaudited)	
	(RMB in thousands)				
Operating cash flows before movements in working capital	2,643,793	2,816,683	4,408,046	3,357,947	4,828,654
Changes in working capital	(399,544)	228,172	242,767	281,589	1,089,629
Income tax paid	(590,081)	(658,546)	(910,742)	(584,626)	(876,164)
Interest received	38,221	44,322	53,801	36,781	58,635
Net cash flows generated from operating activities	1,692,389	2,430,631	3,793,872	3,091,691	5,100,754
Net cash flows used in investing activities	(1,831,630)	(2,201,861)	(825,344)	(1,997,140)	(4,485,997)
Net cash flows generated from/(used in) financing activities	726,648	(139,261)	(111,319)	(102,786)	(257,162)
Net increase in cash and cash equivalents	**587,407**	**89,509**	**2,857,209**	**991,765**	**357,595**
Cash and cash equivalents at the beginning of the period	2,089,486	2,675,827	2,764,138	2,764,138	5,621,904
Effect of foreign exchange differences (net)	(1,066)	(1,198)	557	3,310	897
Cash and cash equivalents at the end of the period	**2,675,827**	**2,764,138**	**5,621,904**	**3,759,213**	**5,980,396**

Net cash flows generated from operating activities

Net cash flows generated from operating activities in the nine months ended September 30, 2024 was RMB5,100.8 million, which primarily consists of profit before tax of RMB4,568.5 million, adjusted for certain non-cash and non-operating items. Adjustments for such non-cash and non-operating items primarily include (i) depreciation of property, plant and equipment of RMB220.6 million, (ii) interest income of RMB77.3 million, and (iii) depreciation of right-of-use assets of RMB74.4 million. The amount was further adjusted by income tax paid of RMB876.2 million, and changes in working capital, primarily including (a) the decrease in inventories of RMB351.7 million primarily due to the seasonality of our operations and our efforts to optimize inventory levels for certain raw materials, (b) the increase in trade payables of RMB284.7 million in line with our business expansion and also influenced by seasonality, (c) the increase in other payables and accruals of RMB261.2 million, and (d) the increase in contract liabilities of RMB138.9 million due to store network expansion.

Net cash flows generated from operating activities in 2023 was RMB3,793.9 million, which primarily consists of profit before tax of RMB4,154.0 million, adjusted for certain non-cash and non-operating items. Adjustments for such non-cash and non-operating items primarily include (i) depreciation of property, plant and equipment of RMB160.5 million, (ii) depreciation of right-of-use assets of RMB103.5 million, and (iii) impairment of property, plant and equipment of RMB65.5 million. The amount was further adjusted by income tax paid of RMB910.7 million, and changes in working capital, primarily including (a) the increase in inventories of RMB725.8 million as we continued to expand our business, (b) the increase in trade payables of RMB466.1 million in line with our business expansion, (c) the increase in other payables and accruals of RMB343.3 million, and (d) the increase in contract liabilities of RMB79.6 million due to store network expansion.

Net cash flows generated from operating activities in 2022 was RMB2,430.6 million, which consists primarily of profit before tax of RMB2,658.0 million, adjusted for certain non-cash and non-operating items. Adjustments for such non-cash and non-operating items primarily include (i) depreciation of property, plant and equipment of RMB105.3 million, (ii) depreciation of right-of-use assets of RMB75.8 million, and (iii) interest income of RMB44.3 million. The amount was further adjusted by income tax paid of RMB658.5 million, and changes in working capital, primarily including (a) the increase in other payables and accruals of RMB295.3 million, (b) the increase in inventories of RMB291.3 million as we continued to expand our business, (c) the increase in trade payables of RMB286.2 million in line with our business expansion and revenue growth, and (d) the decrease in contract liabilities of RMB101.4 million due to the increased frequency of supplying our stores, supported by the enhanced efficiency of our logistics system.

Net cash flows generated from operating activities in 2021 was RMB1,692.4 million, which consists primarily of profit before tax of RMB2,558.9 million, adjusted for certain non-cash and non-operating items. Adjustments for such non-cash and non-operating items primarily include (i) depreciation of property, plant and equipment of RMB57.2 million, (ii) depreciation of right-of-use assets of RMB42.4 million, and (iii) interest income of RMB38.2 million. The amount was further adjusted by income tax paid of RMB590.1 million, and changes in working capital, primarily including (a) the increase in inventories of RMB842.7 million, (b) the increase in trade payables of RMB261.2 million, (c) the increase in other payables and accruals of RMB194.1 million, and (d) the increase in contract liabilities of RMB131.8 million, all of which were generally in line with our business expansion and revenue growth.

Net cash flows used in investing activities

Net cash flows used in investing activities in the nine months ended September 30, 2024 was RMB4,486.0 million, which consists primarily of (i) purchases of financial assets at fair value through profit or loss of RMB2,503.0 million, (ii) placement of time deposits with original maturity of more than three months when acquired of RMB1,280.0 million, and (iii) purchases of items of property, plant and equipment of RMB1,195.0 million, partially offset by proceeds from disposal of financial assets at fair value through profit or loss of RMB434.5 million.

Net cash flows used in investing activities in 2023 was RMB825.3 million, which consists primarily of (i) purchases of financial assets at fair value through profit or loss of RMB5,161.0 million, (ii) purchases of items of property, plant and equipment of RMB1,685.3 million, and (iii) purchases of other intangible assets of RMB5.4 million, partially offset by proceeds from disposal of financial assets at fair value through profit or loss of RMB6,334.0 million.

Net cash flows used in investing activities in 2022 was RMB2,201.9 million, which consists primarily of (i) purchases of financial assets at fair value through profit or loss of RMB4,336.0 million, (ii) purchases of items of property, plant and equipment of RMB997.3 million, and (iii) purchases of and prepayments for right-of-use assets of RMB253.9 million, partially offset by proceeds from disposal of financial assets at fair value through profit or loss of RMB3,396.2 million.

Net cash flows used in investing activities in 2021 was RMB1,831.6 million, which consists primarily of (i) purchases of financial assets at fair value through profit or loss of RMB2,150.0 million, and (ii) purchases of items of property, plant and equipment of RMB944.5 million, partially offset by proceeds from disposal of financial assets at fair value through profit or loss of RMB1,277.1 million.

Net cash flows generated from/(used in) financing activities

Net cash flows used in financing activities in the nine months ended September 30, 2024 was RMB257.2 million, which consists primarily of (i) repayment of bank loans of RMB259.5 million, (ii) principal portion of lease payments of RMB62.0 million, and (iii) placement of restricted cash of RMB3.7 million, partially offset by proceeds from maturity of restricted cash of RMB72.4 million.

Net cash flows used in financing activities in 2023 was RMB111.3 million, which consists primarily of (i) repayment of bank loans of RMB140.0 million, (ii) dividends paid of RMB100.0 million, and (iii) principal portion of lease payments of RMB99.9 million, partially offset by proceeds from bank loans of RMB259.5 million.

Net cash flows used in financing activities in 2022 was RMB139.3 million, which consists primarily of (i) dividends paid of RMB104.4 million, (ii) principal portion of lease payments of RMB76.4 million, and (iii) increase in restricted cash of RMB63.3 million, partially offset by proceeds from bank loans of RMB140.0 million.

Net cash flows generated from financing activities in 2021 was RMB726.6 million, which consists primarily of proceeds from issuance of shares of RMB1,120.0 million relating to our Pre-IPO Investment, partially offset by dividends paid of RMB404.4 million.

INDEBTEDNESS

The following table sets forth our indebtedness as of the dates indicated.

	As of December 31,			As of September 30,	As of December 31,
	2021	2022	2023	2024	2024
					(unaudited)
	(RMB in thousands)				
Current					
Interest-bearing bank and other borrowings	30,030	140,088	259,748	4,536	–
Lease liabilities	50,321	78,813	72,065	50,689	52,004
Non-current					
Lease liabilities	62,408	62,736	54,360	37,732	40,548
Total	**142,759**	**281,637**	**386,173**	**92,957**	**92,552**

Our interest-bearing bank and other borrowings increased from RMB140.1 million as of December 31, 2022 to RMB259.7 million as of December 31, 2023, primarily due to additional bank loans secured for working capital purposes, such as relating to the procurement of raw materials. Our interest-bearing bank and other borrowings subsequently decreased to RMB4.5 million as of September 30, 2024 and nil as of December 31, 2024, primarily due to the repayment of prior bank loans. As of the Latest Practicable Date, our unutilized bank facilities amounted to RMB3,917.7 million. For further details of our interest-bearing bank and other borrowings and lease liabilities during the Track Record Period, see "— Discussion of Certain Key Items from Our Consolidated Statements of Financial Position". During the Track Record Period and up to the date of this Prospectus, we did not have any material contingent liabilities.

Our Directors confirm that as of the Latest Practicable Date, the agreements under our borrowings did not contain any covenant that would have a material and adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. Our Directors further confirm that we had no defaults in bank and other borrowings, nor did we breach any covenants (that were not waived) during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that during the Track Record Period and up to the Latest Practicable Date, we did not experience any difficulties in obtaining credit facilities, or withdrawal of facilities or requests for early repayment.

Save as otherwise disclosed under sections headed "— Indebtedness" and "— Contractual Obligations", as of December 31, 2024, being the latest practicable date for determining our indebtedness, we did not have any material bank overdrafts, loans and other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, other recognized lease liabilities, guarantees or other material contingent liabilities. Our Directors confirm that there were no material changes in our indebtedness since December 31, 2024 and up to the date of this Prospectus.

CAPITAL EXPENDITURES AND LONG-TERM INVESTMENTS

The following table sets forth our capital expenditures and long-term investments for the periods indicated.

	For the year ended December 31,			For the nine months ended September 30,	
	2021	2022	2023	2023	2024
				(unaudited)	
			(RMB in thousands)		
Capital expenditures					
Purchases of items of property, plant and equipment	944,523	997,293	1,685,292	1,312,960	1,194,951
Purchases of other intangible assets	7,177	8,723	5,433	10,215	4,623
Purchases of and prepayments for right-of-use assets – land use rights	673	253,943	41	41	870
Subtotal	**952,373**	**1,259,959**	**1,690,766**	**1,323,216**	**1,200,444**
Long-term investments					
Capital injection in an associate	–	3,000	–	–	–
Purchase of equity investments designated at fair value through other comprehensive income	11,400	–	–	–	–
Placement of time deposits with original maturity of more than three months when acquired	–	–	310,056	10,056	1,280,000
Subtotal	**11,400**	**3,000**	**310,056**	**10,056**	**1,280,000**
Total	**963,773**	**1,262,959**	**2,000,822**	**1,333,272**	**2,480,444**

We will continue to make capital expenditures to meet the expected growth of our business and our expansion plan. See "Future Plans and Use of Proceeds — Use of Proceeds". We intend to fund our future capital expenditures with financial resources available to us, including our existing cash and bank balances, cash flows generated from our operating activities, and net proceeds from the Global Offering.

CONTRACTUAL OBLIGATIONS

Capital Commitments

Our capital commitments mainly represent the capital expenditure in respect of the purchases of items of property, plant and equipment contracted for but not provided in the historical financial information. Our capital commitments increased from RMB318.7 million as of December 31, 2021 to RMB635.2 million as of December 31, 2022, and subsequently decreased to RMB580.0 million as of December 31, 2023 and RMB448.3 million as of September 30, 2024, which was in line with the progress made in the construction and completion of our production bases.

KEY FINANCIAL RATIOS

	For the year ended/As of December 31,			For the nine months ended/As of September 30,
	2021	2022	2023	2024
Revenue growth	N/A	31.2%	49.6%	21.2%
Gross profit margin	31.3%	28.3%	29.5%	32.4%
Current ratio[(1)]	3.0	2.8	2.4	2.7
Quick ratio[(2)]	2.2	2.1	1.9	2.3
Gearing ratio[(3)]	0.5%	1.9%	2.5%	0.03%

Notes:

(1) Calculated using current assets divided by current liabilities as of the end of the period.

(2) Calculated using current assets less inventories and divided by current liabilities as of the end of the period.

(3) Calculated using total borrowings divided by total equity as of the end of the period and multiplied by 100%.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. For details of our related party transactions, see Note 38 to the Accountants' Report included in Appendix I to this Prospectus.

Our Directors are of the view that each of the related party transactions set out in Note 38 to the Accountants' Report included in Appendix I to this Prospectus was conducted in the ordinary course of business 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 track record results or cause our historical results to become non-reflective of our future performance.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had 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.

FINANCIAL RISKS DISCLOSURE

Our Group's principal financial instruments comprise financial assets at fair value through profit or loss, cash and cash equivalents and interest-bearing bank and other borrowings. We have various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from our financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk. Our Board of Directors reviews and agrees on policies for managing each of these risks, which are summarized below.

Foreign Currency Risk

Our Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. In addition, our Group has currency exposures from its cash and cash equivalents. The management of our Group considers our Group's exposure to foreign currency risk not significant. For further details of our foreign currency risk, see Note 41 to the Accountants' Report included in Appendix I to this Prospectus.

Interest Rate Risk

Our Group's bank balances, other than short-term and long-term bank deposits, expose to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate. The management of our Group considers our Group's exposure to interest rate risk in respect of bank balances and interest-bearing bank and other borrowings not significant.

Credit Risk

Our Group trades only with recognized and creditworthy third parties. It is our Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the management of our Group considers our Group's exposure to bad debts is not significant.

For further details of our credit risk, see Note 41 to the Accountants' Report included in Appendix I to this Prospectus.

Liquidity Risk

Our Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of our Group to finance the operations and mitigate the effects of fluctuations of cash flows.

For further details of our liquidity risk, see Note 41 to the Accountants' Report included in Appendix I to this Prospectus.

DIVIDENDS

In 2021, 2022 and 2023, our Company declared dividends of RMB104.4 million, RMB104.4 million and RMB100.0 million, respectively, all of which had been paid in full. Our Company did not declare any dividend in the nine months ended September 30, 2024. See Note 12 to the Accountants' Report included in Appendix I to this Prospectus for details.

As of the Latest Practicable Date, we did not have a formal dividend policy or a fixed dividend distribution ratio. PRC laws require that dividends be paid only out of our distributable profits. Distributable profits are our after-tax profits, less appropriations to statutory and other reserves that we are required to make. Pursuant to our Articles of Association, our Board may declare dividends in the future after taking into account our results of operations, financial conditions, cash requirements and availability, and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, applicable PRC laws and approval by our Shareholders.

After the Global Offering, we may declare and pay dividends mainly by cash or by stock that we consider appropriate. Decisions to declare or to pay any dividends in the future, will depend on, among other things, our Company's profitability, operations and development plans, external financing environment, costs of capital, our Company's cash flows and other factors that our Directors may consider relevant. Our ability to distribute dividends in the future also depends on whether we can receive dividends from our subsidiaries.

WORKING CAPITAL SUFFICIENCY

Our Directors are of the opinion, and the Joint Sponsors concur, that, taking into account the financial resources available to our Group, including the estimated net proceeds from the Global Offering and the expected cash flows generated from operating activities, we have sufficient working capital for our present requirements and for the next 12 months from the date of this Prospectus.

DISTRIBUTABLE RESERVES

As of September 30, 2024, our reserves were RMB1,721.0 million, which represented our distributable reserve as of the same date.

PROFIT ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2024

We have prepared the following profit estimate for the year ended December 31, 2024.

Estimated consolidated profit attributable to owners of the parent for the year ended December 31, 2024[1][2]	not less than RMB4.4 billion (equivalent to approximately HK$4.8 billion)

Notes:

(1) The bases on which the above profit estimate has been prepared are summarized in Part A of Appendix IIB to this Prospectus. The Directors have prepared the estimated consolidated profit attributable to owners of the parent for the year ended December 31, 2024 based on the audited consolidated results of our Group for the nine months ended September 30, 2024 and the unaudited consolidated results based on the management accounts of our Group for the three months ended December 31, 2024. The profit estimate has been prepared on a basis consistent in all material respects with our accounting policies, as presently adopted and as set out in Note 2.3 of the Accountants' Report of the Group, the text of which is set out in Appendix I to this Prospectus.

(2) The estimated consolidated profit attributable to owners of the parent is converted into Hong Kong dollars at the exchange rate of HK$1 to RMB0.926. No presentation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

LISTING EXPENSES

Our listing expenses mainly include (i) underwriting-related expenses, such as underwriting fees and commissions, and (ii) non-underwriting-related expenses, comprising professional fees paid to our legal advisors and reporting accountants for their services rendered in relation to the Listing and the Global Offering, and other fees and expenses. Assuming full payment of the discretionary incentive fee, the estimated total listing expenses for the Global Offering are approximately HK$163.7 million, accounting for approximately 4.7% of our gross proceeds. Among such estimated total listing expenses, we expect to pay underwriting-related expenses of HK$69.4 million, professional fees for our legal advisors and reporting accountants of HK$69.9 million and other fees and expenses of HK$24.4 million. An estimated amount of HK$93.2 million for our listing expenses, accounting for approximately 2.7% of our gross proceeds, is expected to be expensed through the statement of profit or loss and an estimated amount of HK$70.5 million is expected to be recognized directly as a deduction from equity upon the Listing. We did not recognize any listing expenses in 2021 and 2022. We recognized listing expenses of RMB10.9 million and RMB9.2 million in 2023 and the nine months ended September 30, 2024, respectively, in our consolidated statements of profit or loss and other comprehensive income.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of the Prospectus, there had been no material adverse change in our financial, operational or trading position, indebtedness, contingent liabilities or prospects since September 30, 2024, being the end date of the periods reported on in the Accountants' Report set out in Appendix I to this Prospectus, and there had 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 Prospectus.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except for the amounts due from related parties as disclosed in this section, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for inclusion in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on the consolidated net tangible assets of our Group attributable to owners of the parent as of September 30, 2024 as if the Global Offering had taken place on September 30, 2024.

The unaudited pro forma statement of adjusted consolidated net tangible assets of our Group has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group to owners of the parent had the Global Offering been completed as of September 30, 2024 or at any future dates.

	Consolidated net tangible assets of the Group attributable to owners of the Company as of September 30, 2024	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets as of September 30, 2024	Unaudited pro forma adjusted consolidated net tangible assets per Share as of September 30, 2024	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an Offer Price of HK$202.50 per Share	13,973,870	3,050,206	17,024,076	45.15	49.04

Notes:

1. The consolidated net tangible assets of our Group attributable to owners of our Company as of September 30, 2024 was equal to the consolidated net assets attributable to owners of our Company as of September 30, 2024 of RMB14,001,298,000 after deducting other intangible assets of RMB27,428,000 set out in the Accountants' Report in Appendix I to this Prospectus.

2. The estimated net proceeds from the Global Offering are based on 17,059,900 Offer Shares at the Offer Prices of HK$202.50 per Offer Share, after deduction of the estimated underwriting commissions and fees and other related expenses (excluding listing expenses of RMB20,079,000 which have been recorded in the consolidated statements of profit or loss). It does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued or repurchased by the Company pursuant to the Company's general mandates.

3. The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated after making the adjustments referred to in the preceding paragraphs and on the basis that 377,059,900 Shares are in issue assuming that 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 Over-allotment Option.

4. For the purpose of this unaudited pro forma adjusted consolidated net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at the rate of RMB1 to HK$1.0861. 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.

5. No other adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of our Group entered into subsequent to September 30, 2024.

Please refer to "Appendix IIA — Unaudited Pro Forma Financial Information" for further details.

FUTURE PLANS

See "Business — Our Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

Based on an Offer Price of HK$202.50 per Offer Share, we estimate that we will receive net proceeds of approximately HK$3,291 million from the Global Offering after deducting the underwriting commissions and other estimated expenses in connection with the Global Offering (assuming the Over-allotment Option is not exercised).

We intend to use the net proceeds we expect to receive from the Global Offering (assuming the Over-allotment Option is not exercised) for the purposes and in the amounts set out below.

- Approximately 66%, or HK$2,172 million, will be used for elevating the breadth and depth of our end-to-end supply chain. See "Business — Our Strategies". In particular:

  o Approximately 45%, or HK$1,481 million, will be used for production capacity expansion in China. The self-production of our store supplies and equipment is one of the critical aspects of our end-to-end supply chain. We believe our strategic and steady investment in production facilities expansion will further strengthen our production capabilities and enable us to effectively meet the growing demand from our consumers. As the planning and optimization of our production capacity take into account factors such as the seasonal demand for and the production line sharing of some ingredients, we typically maintain production capacity redundancy and plan our capacity expansion accordingly. In addition, we normally start the production facilities expansion before our capacity utilization reaching a critical level as the construction of new facilities takes time while the demand for our freshly-made drinks remains continuously strong. According to CIC, China's freshly-made drinks market, as measured by GMV, is projected to reach RMB1,163.4 billion by 2028. Within this market, mass-market freshly-made drinks segment is anticipated to experience the highest growth rate, with a CAGR of 22.2% from 2023 to 2028 surpassing the overall CAGR of 17.6% for China's freshly-made drinks market during the same period. With our leading position in China's freshly-made drinks market, we believe we are able to capture the market trends, and anticipate sufficient consumer demand to support our production capacity expansion.

    In particular, we will build new facilities within our current production bases and upgrade and expand our existing facilities to enhance our production capabilities and efficiency. For instance, we plan to construct new facilities in our Hainan production base dedicated to the production of frozen fruit products, coffee products, syrups and condiments that could offer more diversified ingredient supplies for our drinks, which commenced construction in 2023 and are expected to complete in 2025. These new facilities are expected to add an aggregate planned gross floor area of over 173,000 square meters to our Hainan production base. We plan to allocate approximately HK$467 million (or RMB430 million) in construction of the Hainan new facilities, subject to changes and adjustment based on evolving market conditions, operational performance and business strategies. These new facilities will leverage the favorable trade policies of Hainan Free Trade Port and is well-positioned to support our international business. See "Business — Our Strategies — Solidifying our strong leadership in China's freshly-made drinks industry and pursuing overseas expansion opportunities".

In addition, we plan to add production capacities in other production bases in China to support our growing store network. Particularly, we plan to construct new facilities in our Henan production base to enhance our self-production capabilities for ice cream powder and other milk products produced using our proprietary innovative techniques. The new facilities in our Henan production base are expected to complete by phases in the next two to four years and are estimated to add approximately 80,000 tons of annual production capacity. The expansion of production capacity of ice cream powder and other milk products, which are core ingredients for our freshly-made drinks, is important to support our continuous store network expansion. We also plan to expand our capacity by building new facilities or upgrade our existing facilities for other ingredients, such as products of syrups, tea, fruit and condiments, in other existing production bases such as Guangxi production base, Chongqing production base, and Anhui production base in accordance with the expected increase in demand for our products. In addition, we plan to build ancillary facilities in our Henan production base including office building, R&D building, dormitory, dining facilities, etc. The ancillary facilities will be used to support our production and R&D efforts, considering the current size and the increasing scale over time at Henan production base. Furthermore, we will increase our production capacity in packaging materials and equipment.

o Approximately 9%, or HK$296 million, will be used for maintaining and improving the agility and efficiency of our logistics system in China. We will upgrade our existing warehouses and further expand our warehouse system, which will enlarge our storage capacity, broaden geographic coverage, increase cool temperature and freezing temperature storage, and improve delivery efficiency. We also plan to enhance our delivery capabilities with a cold chain focus. A more distributed and advanced logistics system will increase the connectivity between our factories and store network, accelerate the flow of goods, and better safeguard the quality and freshness of our products.

- o Approximately 12%, or HK$395 million, will be used for establishing our international supply chain platform to support the expansion of our overseas business (see "Business — Our Strategies — Further strengthening infrastructure and operational systems to fulfill our vision to build brands lasting for centuries"). In particular, we plan to establish a multi-functional supply chain center in Southeast Asia. With our position being the largest freshly-made tea drinks brand in Southeast Asia market and our continued focus on cultivating this market, establishing a local supply chain center with production capabilities will be important to support our growing local presence. For example, the local production facilities can leverage our existing raw materials procurement in Southeast Asia such as tropical fruits for cost management, and allow ingredients to reach our Southeast Asia store network more efficiently compared to shipping from our China production bases. The new supply chain center is expected to be at a location to offer effective support for countries where we have strong operations, while considering other factors such as cost and labor supply. The capabilities and functions of the center include (i) local production capabilities for ingredients such as fruit products and condiments, with a special focus on using locally procured raw materials, (ii) R&D center, (iii) digitalized supply chain operations, and (iv) training facilities. The center will improve our local production capabilities and cost efficiency, enable us to adapt to overseas consumer demand and market trends, and effectively support our globalization strategies. However, as of the Latest Practicable Date, we do not have any definite plan for funding any particular new production base overseas with the net proceeds of the Global Offering.

- Approximately 12%, or HK$395 million, will be used for brand and IP building and marketing. Leveraging our extensive online and offline presence, we will further enhance our brand equity and raise our brand awareness through conducting multi-dimensional and omni-channel branding and marketing activities centered on our household brand and iconic IP. In particular:

  - o Approximately 7%, or HK$230 million, will be used for further cultivation of our brand IP. We will continue to exploit Snow King's cultural potential and enhance consumers' recognition of our brand and IP. Particularly, we will expand Snow King's content matrix through curating additional high-quality contents in diverse formats including but not limited to animated series, movies and featured merchandise, and continue to launch IP collaboration with various leading brands to expand our brand influence.

  - o Approximately 5%, or HK$165 million, will be used for our omni-channel marketing efforts. We plan to continue to invest in the marketing materials for our expansive store network, conduct extensive products-related marketing events, and sponsor various events to extend our brand influence.

- Approximately 12%, or HK$395 million, will be used for advancing our digitalization and intelligization efforts across business processes. In particular:

  - o To empower our franchisees and enhance our store operating efficiency, we will further refine our smart store solutions, including self-developing multi-functional point-of-sale devices which can be integrated into our store operations. In addition, we will invest in a production digitalization program which includes digital production and equipment maintenance system, digital engineering planning, and digital logistics system. Furthermore, we will procure various software for our front-end operations such as consumer management system and intelligent supply chain management system, middle-office and back-office functions, and corresponding hardware.

- Approximately 10%, or HK$329 million, will be used for working capital and other general corporate purposes.

To carry out our business plans described above, we intend to use the net proceeds from the Global Offering, our cash resources on hand and future operating cash flow. The following table sets forth a breakdown of the net proceeds from the Global Offering and the timeframe for implementing our major business plans. See "Business — Our Strategies".

	Percentage of total net proceeds	**Net proceeds to be used in**				
		2025	**2026**	**2027**	**2028**	**Total**
		(HK$ in million)				
Enhancing our end-to-end supply chain	66%	955	717	303	197	2,172
China	*54%*	*876*	*527*	*208*	*166*	*1,777*
Internationally	*12%*	*79*	*190*	*95*	*31*	*395*
Cultivating our brand and IP	12%	93	85	113	104	395
Advancing our digitalization and intelligization efforts	12%	111	100	94	90	395
Working capital and other general corporate purposes	10%	82	82	82	83	329
Total	**100%**	**1,241**	**984**	**592**	**474**	**3,291**

If the Over-allotment Option is exercised in full, we will receive additional proceeds of approximately HK$508 million. We intend to apply the additional net proceeds to the above uses on a pro rata basis.

If the net proceeds of the Global Offering are not immediately used for the purposes described above, to the extent permitted by the relevant laws and regulations, we will only deposit the unused net proceeds into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions as defined under the Securities and Futures Ordinance in Hong Kong and other relevant laws and regulations in other jurisdictions. We will comply with all disclosure requirements under the Listing Rules if there is any change to the above proposed use of proceeds.

HONG KONG UNDERWRITERS

Merrill Lynch (Asia Pacific) Limited
Goldman Sachs (Asia) L.L.C.
UBS AG Hong Kong Branch
(in alphabetical order of the logos on the important page)

China International Capital Corporation Hong Kong Securities Limited
Huatai Financial Holdings (Hong Kong) Limited
(in alphabetical order)

ICBC International Securities Limited
GF Securities (Hong Kong) Brokerage Limited
CMB International Capital 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 Company expects the International Offering to be fully underwritten by the International Underwriters.

The Global Offering comprises the Hong Kong Public Offering of initially 1,706,000 Hong Kong Offer Shares and the International Offering of initially 15,353,900 International Offer Shares, subject, in each case, to reallocation on the basis as described in "Structure of the Global Offering" in this Prospectus as well as to 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 19, 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 Stock Exchange granting approval for the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including the H Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the H Shares to be converted from the Unlisted Shares, 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.

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

If any of the events set out below occur at any time prior to 8:00 a.m. on the Listing Date, the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall have the right by giving a notice to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect:

(a) there shall develop, occur, exist or come into effect:

(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, escalation, mutation or aggravation of diseases, strikes, labour disputes, lock-outs, other industrial actions, fire, explosion, flooding, earthquake, tsunami, volcanic eruption, civil commotion, riots, rebellion, public disorder, acts of war (whether declared or not), 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), economic sanctions, paralysis in government operations, interruptions or delay in transportation) in or affecting Hong Kong, the PRC, the United States, the United Kingdom, Japan, Singapore, the European Union (or any member thereof), Indonesia, Vietnam or any other jurisdiction relevant to the Group (collectively, the "**Relevant Jurisdictions**");

(ii) any change, or any development involving a prospective change, or any event or circumstance 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, 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 Relevant Jurisdictions;

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Tokyo Stock Exchange;

(iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at the U.S. Federal or New York State level or by any other competent authority), London, the PRC, the European Union (or any member thereof) or any 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;

(v) any new law, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing laws, in each case, in or affecting any of the Relevant Jurisdictions;

(vi) the imposition of sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, under any sanction laws, or regulations in, Hong Kong, the PRC or any other Relevant Jurisdiction;

(vii) any change or development involving a prospective change or amendment in or affecting taxes or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the RMB against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the USD 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;

(viii) other than with the prior written consent of the Overall Coordinators and the Joint Sponsors, the issue or requirement to issue by the Company of any supplement or amendment to this Prospectus (or to any other documents issued or used in connection with the contemplated offer and sale of the H Shares) pursuant to the Companies Ordinance or the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Listing Rules or the CSRC Rules (as defined in the Hong Kong Underwriting Agreement) or any requirement or request of the Stock Exchange, the SFC and/or the CSRC;

(ix) any valid demand by creditors for repayment of indebtedness or an 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;

(x) any litigation, dispute, legal action or claim or regulatory or administrative investigation or action being threatened or instigated against any member of the Group or any Director;

(xi) any contravention by any member of the Group or any Director of the Listing Rules or applicable laws;

(xii) any non-compliance of this Prospectus and the CSRC Filings (as defined in the Hong Kong Underwriting Agreement) (or any other documents used in connection with the contemplated offer and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the CSRC Rules or any other applicable laws;

(xiii) any change or prospective change or development, or a materialisation of, any of the risks set out in section headed "Risk Factors" in this Prospectus,

which, individually or in the aggregate, in the sole opinion of the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

(1) has or will have or may have a material adverse change;

(2) has or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering;

(3) makes or will make or is likely to make it inadvisable or inexpedient or impracticable for the Global 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 Offer Related Documents (as defined below); or

(4) has or will have or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying 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 Overall Coordinators that:

(i) any statement contained in any of the Offering Documents and/or in 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 (collectively, the "**Offer Related Documents**") (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Offer Related Documents (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions;

(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 any of the Offer Related Documents;

(iii) there is a material 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 any of the Controlling Shareholders in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;

(iv) there is an event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties pursuant to the indemnities given by any of them in the Hong Kong Underwriting Agreement or the International Underwriting Agreement;

(v) there is any material adverse change;

(vi) there is a breach of any of the obligations imposed on the Company or the Controlling Shareholders by the Hong Kong Underwriting Agreement or the International Underwriting Agreement (including any amendment thereto), as applicable;

(vii) approval by the Stock Exchange of the listing of, and permission to deal in, the H Shares to be issued or sold (including any additional H Shares that may be sold pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;

(viii) any expert (other than the Joint Sponsors) specified in this Prospectus, whose consent is required for the issue of this Prospectus with the inclusion of its reports, letters or opinions and references to its name included in the form and context in which it respectively appears, has withdrawn its consent to being named in this Prospectus or to the issue of any of the Hong Kong Public Offering documents;

(ix) the Company withdraws any of the Offer Related Documents 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;

(xi) the chairman, the chief executive officer of the Company or any the executive Directors as named in this Prospectus is vacating his or her office;

(xii) any Director or any member of the Group's senior management as named in this Prospectus being charged with an indictable offense or 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 of any 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 that it intends to commence any such investigation or take any such action;

(xiii) there is an order or petition for the winding-up 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 material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or

(xiv) a material portion of the orders placed or confirmed in the bookbuilding process, or of the investment commitments made by any cornerstone investors under the cornerstone investment agreements, have been withdrawn, terminated or cancelled.

Undertakings to the Stock Exchange pursuant to the Listing Rules

(A) Undertakings by the Company

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that it will not exercise its power to issue any further Shares, or securities convertible into Shares (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except (a) pursuant to the Global Offering (including the Over-allotment Option); or (b) under any of the circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and the Company that, 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:

(a) in the period commencing on the date by reference to which disclosure of its shareholdings in the Company is made in this Prospectus and ending on the date which is six months from the Listing Date (the "First Six-Month Period"), either directly or indirectly, 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 securities of the Company in respect of which it is shown by this Prospectus to be the beneficial owner; and

(b) in the period of six months from the expiry of the First Six-Month Period, either directly or indirectly, 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 securities referred to in paragraph (a) 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, within the period commencing on the date by reference to which disclosure of its shareholding in the Company is made in this Prospectus and ending on the date which is 12 months from the Listing Date, it will and will procure that the relevant registered holder(s) will:

(i) when it pledges or charges any securities of the Company beneficially owned by it in favour 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 of the Listing Rules, immediately inform the Company of such pledge or charge together with the number of securities so pledged or charged; and

(ii) when it receives indications, either verbal or written, from the pledgee or chargee of any securities of the Company that any of the pledged or charged securities will be disposed of, immediately inform the Company of such indications.

The Company will inform the Stock Exchange as soon as it has been informed of the matters referred to in paragraphs (i) and (ii) above by any of the Controlling Shareholders and subject to the then applicable requirements of the Listing Rules disclose such matters by way of an announcement.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

(A) Undertakings by the Company

Pursuant to the Hong Kong Underwriting Agreement, except for the issue, offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"), the Company has undertaken to each of the Joint Sponsors, the sponsor-overall coordinators, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries not to, without the prior consent of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) or unless in compliance with the requirements of the Listing Rules:

(i) offer, allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, 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 create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, or repurchase, either directly or indirectly, conditionally or unconditionally, any legal or beneficial interest in any Shares or other equity 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 other equity securities of the Company or any shares or other equity securities of such other member of the Group, as applicable or any interest in any of the foregoing), or deposit any Shares or other equity securities of the Company, as applicable, with a depositary in connection with the issue of depositary receipts;

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other equity securities of the Company, 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 other equity securities of the Company or any interest in any of the foregoing);

(iii) enter into any transaction with the same economic effect as any transaction specified in paragraphs (i) or (ii) above; or

(iv) offer to or contract to or agree to or announce any intention to effect any transaction specified in paragraphs (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in paragraphs (i), (ii) or (iii) above is to be settled by delivery of Shares or other equity securities of the Company, or in cash or otherwise (whether or not the issue of such Shares or equity securities will be completed within the First Six-Month Period).

In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), the Company shall not enter into any of the transactions specified in paragraphs (i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction such that any Controlling Shareholder, directly or indirectly, would cease to be a controlling shareholder (within the meaning defined in the Listing Rules) of the Company.

(B) Undertakings by the Controlling Shareholders

Pursuant to the Hong Kong Underwriting Agreement, each of the Controlling Shareholders has undertaken to each of the Company, the Joint Sponsors, the sponsor-overall coordinators, 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 (for themselves and on behalf of the Hong Kong Underwriters) or unless in compliance with the requirements of the Listing Rules:

(i) it 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 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 with a depositary in connection with the issue of depositary receipts;

(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 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);

(c) enter into any transaction with the same economic effect as any transaction specified in paragraphs (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraphs (a), (b) or (c) above is to be settled by delivery of Shares or other securities of the Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);

(ii) it will not, during the Second Six-Month Period, enter into any of the transactions specified in paragraphs (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it will cease to be a controlling shareholder (as the term is defined in the Listing Rules) of the Company;

(iii) until the expiry of the Second Six-Month period, in the event that it enters into any of the transactions specified in paragraphs (a), (b) or (c) above or offer to or agrees to or announce 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; and

(iv) at any time during after the date of the Hong Kong Underwriting Agreement up to and including the date falling 12 months after the Listing Date, it will:

(a) if and when it or the relevant registered holder(s) pledges or charges any Shares or other securities of the Company beneficially owned by it in favour of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong), immediately inform the Company, the Joint Sponsors and the Overall Coordinators in writing of such pledge or charge together with the number of Shares or other securities (or interests therein) of the Company so pledged or charged; and

(b) if and when it or the relevant registered holder(s) receives indications, either verbal or written, from any such pledgee or chargee that any of such pledged or charged Shares or other securities (or interests therein) of the Company will be disposed of, immediately inform the Company, the Joint Sponsors and the Overall Coordinators in writing of such indications.

The Company has undertaken to the Overall Coordinators and the Joint Sponsors that it shall, upon receiving such information in writing from any of the Controlling Shareholders, as soon as practicable and if required pursuant to the Listing Rules, notify the Stock Exchange and make a public disclosure in relation to such information by way of an announcement.

Hong Kong Underwriters' Interests in the Company

Save for their respective obligations under the Hong Kong Underwriting Agreement, as of the Latest Practicable Date, none of the Hong Kong Underwriters was interested, legally or beneficially, directly or indirectly, in any H 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 H Shares or any securities of any member of the Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Company's H 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 expects to enter into the International Underwriting Agreement with, among others, the Overall Coordinators and the International Underwriters on or around Thursday, February 27, 2025. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of 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 "Structure of the Global Offering — The International Offering".

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 2,558,900 H Shares, representing approximately 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price, to cover over-allocations in the International Offering, if any. See "Structure of the Global Offering — Over-allotment Option".

Commissions and Expenses

The Underwriters will receive an underwriting commission (the "**Underwriting Commission**") of 1.1% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option), out of which they will pay any sub-underwriting commissions and other fees.

The Underwriters may receive a discretionary incentive fee (the "**Discretionary Fee**") of up to 0.9% of the aggregate Offer Price of all the Offer Shares to be issued by the Company under the Global Offering (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option).

As of the date of this Prospectus, the allocation of a portion of the Underwriting Commission remains subject to the Company's discretion. Accordingly, the unallocated portion of the Underwriting Commission will be regarded as discretionary fees for the purpose of the Listing Rules. The ratio of the fixed fee and discretionary fee (as classified under and for the purpose of Rule 3A.34 of the Listing Rules) payable by the Company to all syndicate members (both before and after the exercise of the Over-allotment Option, if any) is expected to be approximately 0.91%:1.09%, or approximately 45:55 (assuming the Discretionary Fee will be paid in full).

For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the relevant International Underwriters.

The aggregate underwriting commissions payable to the Underwriters in relation to the Global Offering (assuming the full payment of the discretionary incentive fee and the exercise of the Over-allotment Option in full) will be approximately HK$79.5 million.

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$174.1 million (assuming the full payment of the discretionary incentive fee and the exercise of the Over-allotment Option in full) and will be paid by the Company.

Indemnity

The Company has agreed to indemnify the Hong Kong Underwriters 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 by the Company of the Hong Kong Underwriting Agreement.

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, loan financing, 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 our assets, securities and/or instruments 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.

In relation to the H Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the H Shares (which financing may be secured by the H Shares) in the Global Offering, proprietary trading in the H 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 H 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 H Shares, which may have a negative impact on the trading price of the H 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 H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H 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 H 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 H Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in "Structure of the Global Offering". Such activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of the price of the H 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:

- 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

- 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, loan financing and other services to the Company and certain 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 the Offer Shares in the Global Offering.

THE GLOBAL OFFERING

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

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

17,059,900 Offer Shares will initially be made available under the Global Offering comprising:

- the Hong Kong Public Offering of initially 1,706,000 Offer Shares (subject to reallocation) in Hong Kong as described in "— The Hong Kong Public Offering" below; and

- the International Offering of initially 15,353,900 Offer Shares (subject to reallocation and the Over-allotment Option) (i) in the United States solely to QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration 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 "— 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 4.52% of the enlarged issued share capital of the Company immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 5.17% of the enlarged issued share capital of the Company 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.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

The Company is initially offering 1,706,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering. 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 0.45% of the enlarged issued share capital of the Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, 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 "— 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 into two pools: pool A and pool B, with any odd board lots being allocated to Pool A. 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.

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. 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 853,000 Hong Kong Offer Shares (being 50% of the Hong Kong Offer Shares initially available under the Hong Kong Public Offering) is liable to be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation under the Listing Rules. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares to be offered in the Global Offering if certain prescribed total demand levels in the Hong Kong Public Offering are reached. 1,706,000 Offer Shares are initially available in the Hong Kong Public Offering, representing approximately 10.0% of the Offer Shares initially available for subscription under the Global Offering; and in the event of full subscription or over-subscription of the International Offer Shares, the Overall Coordinators shall apply a clawback mechanism following the closing of the application lists on the following basis, subject to the allocation basis as stated in Chapter 4.14 under the Guide for New Listing Applicants published by the Stock Exchange:

- If the Hong Kong Public Offering is not fully subscribed for, the Overall Coordinators (for themselves and on behalf of the Underwriters) have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Overall Coordinators deem appropriate, and the Allocation Cap as defined in and stated under Chapter 4.14 under the Guide for New Listing Applicants published by the Stock Exchange will not be triggered;

- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 5,118,000 Offer Shares, representing approximately 30% of the Offer Shares initially available under the Global Offering;

- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 6,824,000 Offer Shares, representing approximately 40% of the Offer Shares initially available under the Global Offering; and

- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more than the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International

Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 8,530,000 Offer Shares, representing approximately 50% of the Offer Shares initially available under the Global Offering.

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.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may be reallocated as between these offerings at the discretion of the Overall Coordinators (for themselves and on behalf of the Underwriters) in accordance with Chapter 4.14 of the Guide for New Listing Applicants published by the Stock Exchange and paragraph 4.2 of Practice Note 18 of the Listing Rules. Subject to the foregoing paragraph, the Overall Coordinators may in their discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

In accordance with Chapter 4.14 under the Guide for New Listing Applicants published by the Stock Exchange, if (i) the International Offering is not fully subscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offering is fully subscribed or oversubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed with the number of Offer Shares validly applied for in the Hong Kong Public Offering representing less than 15 times of the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, the Overall Coordinators have the authority to reallocate International Offer Shares originally included in the International Offering to the Hong Kong Public Offering in such number as they deem appropriate, provided that the total number of Offer Shares available under the Hong Kong Public Offering following such reallocation shall be not more than 3,412,000 Offer Shares (representing 20% of the total number of Offer Shares under the Global Offering).

Details of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the results announcement of the Global Offering, which is expected to be published on Friday, February 28, 2025.

Where the International Offer Shares are undersubscribed, if the Hong Kong Offer Shares are also undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this Prospectus and the Underwriting Agreements.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him/her that he/she and any person(s) for whose benefit he/she 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/she has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application (subject to application channel), the Offer Price 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$20,454.22 for one board lot of 100 Offer Shares.

THE INTERNATIONAL OFFERING

Number of Offer Shares initially offered

The International Offering will consist of an initial offering of 15,353,900 Offer Shares offered by the Company (subject to reallocation and the Over-allotment Option), representing approximately 90% of the total number of Offer Shares initially available under the Global Offering. 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 4.07% of the enlarged issued share capital of the Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is 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 sizeable 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 subsection 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 H Shares and/or hold or sell its H Shares after the Listing. Such allocation is intended to result in a distribution of the H 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 (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 or sold pursuant to the International Offering may change as a result of the clawback arrangement described in "— The Hong Kong Public Offering — Reallocation" above, the exercise of 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.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, the Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Overall Coordinators (on behalf of 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 2,558,900 H Shares, representing approximately 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 0.67% of the enlarged issued share capital of the Company immediately following the completion of the Global Offering. 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 H 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.

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 H Shares, (b) selling or agreeing to sell the H 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 H Shares, (c) purchasing, or agreeing to purchase, the H Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (a) or (b) above, (d) purchasing, or agreeing to purchase, any of the H Shares for the sole purpose of preventing or minimizing any reduction in the market price of the H Shares, (e) selling or agreeing to sell any H 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 clauses (b), (c), (d) or (e) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager (or any person acting for it) may, in connection with the stabilizing action, maintain a long position in the H Shares;
- 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;
- 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 H Shares;

- no stabilizing action can be taken to support the price of the H Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on Friday, March 28, 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 H Shares, and therefore the price of the H Shares, could fall;

- the price of the H Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

- 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 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.

Over-Allocation

Following any over-allocation of H Shares in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may cover such over-allocations by exercising the Over-allotment Option in full or in part, using H 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 a combination of these means.

PRICING AND ALLOCATION

Offer Price

The Offer Price will be HK$202.50 per Offer Share unless otherwise announced, as further explained below.

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 as 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.mxbc.com** and **www.hkexnews.hk**, respectively, notices of the reduction, and the cancellation of the Global Offering and relaunch of the offer at the revised number of Offer Shares and/or the revised Offer Price.

The Company will also, as soon as practicable following the decision to make such change, issue a supplemental or new prospectus updating investors of the change in the number of Offer Shares and/or the Offer Price, and giving investors at least three business days to consider the new information. The supplemental or new prospectus should include at least the following: (i) updated Offer Price and market capitalization; (ii) updated listing timetable and underwriting obligations; (iii) updated price/earnings multiple, unaudited pro forma and adjusted net tangible assets; and (iv) updated use of proceeds and confirmation of the working capital adequacy based on the revised estimated proceeds.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. In the absence of any such notice so announced and any such supplemental prospectus or new prospectus so published, the number of Offer Shares and the Offer Price will not be reduced.

If there is any change to the offer size due to change in the number of Offer Shares offered in the Global Offering (other than pursuant to the reallocation mechanism as disclosed in this Prospectus), or change to the Offer Price as stated in this Prospectus, or if the Company becomes aware that there has been a significant change affecting any matter contained in this Prospectus or a significant new matter has arisen, the inclusion of information in respect of which would have been required to be in this Prospectus if it had arisen before this Prospectus was issued, after the issue of this Prospectus and before the commencement of dealings in our H Shares as prescribed under Rule 11.13 of the Listing Rules, we are required to cancel the Global Offering and relaunch the offer with a supplemental prospectus or a new prospectus in FINI.

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 "How to Apply for Hong Kong Offer Shares — B. Publication of Results".

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.

The Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around Thursday, February 27, 2025.

These underwriting arrangements, including the Underwriting Agreements, are summarized in "Underwriting".

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- the Stock Exchange granting approval for the listing of, and permission to deal in, the H Shares to be issued and converted as mentioned in this Prospectus, on the Main Board of the Stock Exchange and such approval not subsequently having been withdrawn or revoked prior to the Listing Date;

- the execution and delivery of the International Underwriting Agreement on or around Thursday, February 27, 2025; and

- 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.

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.mxbc.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 "How to Apply for Hong Kong Offer Shares — D. Despatch/Collection of H Share Certificates and Refund of Application Monies".

In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

H Share certificates for the Offer Shares will only become valid evidence of title at 8:00 a.m. on Monday, March 3, 2025, provided that the Global Offering has become unconditional in all respects at or before that time.

DEALINGS IN THE H SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, March 3, 2025, it is expected that dealings in the H Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, March 3, 2025.

The H Shares will be traded in board lots of 100 H Shares each and the stock code of the H Shares will be 2097.

NOTICE TO CAPITAL MARKET INTERMEDIARIES AND PROSPECTIVE INVESTORS PURSUANT TO PARAGRAPH 21 OF THE SFC CODE OF CONDUCT

Important Notice to CMIs (including private banks and broking companies)

This notice to CMIs (including private banks and broking companies) is a summary of certain obligations the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "Code") imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks and broking companies). Certain CMI may also be acting as the Overall Coordinators for the Global Offering and is subject to additional requirements under the Code.

Prospective investors to whom the allocation of Offer Shares will be subject to restrictions or require prior consent from the Stock Exchange under the Listing Rules and other regulatory requirements or guidance issued by the Stock Exchange from time to time (the "Stock Exchange Requirements") would be considered under the Code as "Restricted Investors". Offer Shares may only be allocated to Restricted Investors in accordance with applicable Stock Exchange Requirements and be made with a view to achieving an open market, an adequate spread of shareholders and the orderly and fair trading of the shares in the secondary market. Prospective investors should provide all information required by the Stock Exchange to be submitted in the Stock Exchange's placee list template or under the Listing Rules and identify any placee categories set out in the template that apply when placing an order. Prospective investors who do not indicate that any of the placee categories apply will be deemed to confirm that none of them apply and represent that they and their respective ultimate beneficial owners are third parties independent from the Company.

CMIs should specifically disclose whether their investor clients are Restricted Investors or fall within any of the other placee categories set out in the Stock Exchange's placee list template or under the Listing Rules when submitting orders for the Offer Shares. In addition, private banks and broking companies should take all reasonable steps to identify whether their investor clients are Restricted Investors or fall within any of the placee categories set out in the Stock Exchange's placee list template or under the Listing Rules and inform the Underwriters accordingly.

CMIs are informed that the marketing and investor targeting strategy for the Global Offering includes institutional investors, long-only investors, sovereign wealth funds, pension funds, hedge funds, corporates, private banks/broking companies, family offices and high net worth individuals, in each case, subject to the applicable Stock Exchange Requirements and the selling restrictions set out in this Prospectus.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should also ensure that investors (and their respective ultimate beneficial owners) procured by them are third parties independent of the Company and that the investors (and their respective ultimate beneficial owners) have the financial capacity to meet all obligations arising from the order and are not financed directly or indirectly by, or accustomed to taking instructions from, the Company, any of its Directors, chief executives, controlling shareholder(s), substantial shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries, or a close associate of any of them (as such terms are defined in the Listing Rules). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Offer Shares (except for omnibus orders where underlying investor information may need to be provided to any Overall Coordinators when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, will result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks and broking companies as the case may be) in the order book and book messages. Proprietary orders may only be allowed subject to the Stock Exchange Requirements.

CMIs (including private banks and broking companies) should not offer any rebates to prospective investors or pass on any rebates provided by the Company. In addition, CMIs (including private banks and broking companies) should not enter into arrangements which may enable any of its investor clients to pay less than the total consideration as specified in this Prospectus for each of the Offer Shares allocated.

The Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Underwriters in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Offer Shares, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Private banks who disclose that they are placing their order other than on a "principal" basis (i.e. they are acting as an agent) should note that such order may be considered to be an omnibus order pursuant to the Code. Private banks should be aware that if any of their group companies is a CMI of the Global Offering, placing an order on a "principal" basis may require the Underwriters to apply the "proprietary orders" requirements of the Code to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks and broking companies) are requested to provide the following underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information will result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of: (a) the name of each underlying investor; (b) a unique identification number for each investor; (c) whether an underlying investor is a "Restricted Investor" (as used in the Code); (d) whether any underlying investor order is a "Proprietary Order" (as used in the Code); (e) whether any underlying investor order is a duplicate order. Underlying investor information in relation to omnibus order should be sent to the Overall Coordinators.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks and broking companies) agree and warrant: (a) to take appropriate steps to safeguard the transmission of such information to any Overall Coordinators; and (b) that they have obtained the necessary consents from the underlying investors to disclose such information to any Overall Coordinators. By submitting an order and providing such information to any Overall Coordinators, each CMI (including private banks and broking companies) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any Overall Coordinators and/or any other third parties as may be required by the Listing Rules and/or the Code, including to the Company, relevant regulators and/or any other third parties as may be required by the Listing Rules and/or the Code, for the purpose of complying with the Listing Rules and/or the Code, during the bookbuilding process for the Global Offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in the Global Offering. The Underwriters may be asked to demonstrate compliance with their obligations under the Code, and may request other CMIs (including private banks and broking companies) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks and broking companies) are required to provide the Overall Coordinators with such evidence within the timeline requested.

Important Notice to Prospective Investors

Prospective investors should be aware that certain intermediaries in the context of the Global Offering of the Offer Shares, including certain Underwriters, are CMIs subject to Paragraph 21 of the Code. This notice to prospective investors is a summary of certain obligations the Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as the Overall Coordinators for the Global Offering and are subject to additional requirements under the Code.

Prospective investors to whom the allocation of Offer Shares will be subject to restrictions or require prior consent from the Stock Exchange under the Stock Exchange Requirements would be considered under the Code as "Restricted Investors". Offer Shares may only be allocated to Restricted Investors in accordance with applicable Stock Exchange Requirements. Prospective investors who are Restricted Investors should specifically disclose whether they are Restricted Investors when placing an order for the Offer Shares. Prospective investors who do not disclose they are Restricted Investors are hereby deemed not to be Restricted Investors and not financed directly or indirectly by, nor accustomed to taking instructions from the Company or the Restricted Investors.

Prospective investors should provide all information required by the Stock Exchange to be submitted in the Stock Exchange's placee list template or under the Listing Rules and identify any placee categories as set out in the template that apply when placing an order. Prospective investors who do not indicate that any of the placee categories apply will be deemed to confirm that none of them apply and represent that they and their respective ultimate beneficial owners are third parties independent from the Company.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). Prospective investors should also ensure, and by placing an order are deemed to confirm, that they (and their respective ultimate beneficial owners) have the financial capacity to meet all obligations arising from the order and are not financed directly or indirectly by, or accustomed to taking instructions from, the Company, any of its Directors, chief executives, controlling shareholder(s), substantial shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries, or a close associate of any of them (as such terms are defined in the Listing Rules). If a prospective investor is an asset management arm affiliated with any Underwriter, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Underwriter or its group company has more than 50% interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the Code and the Listing Rules. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". If a prospective investor is otherwise affiliated with any Underwriter, such that its order may be considered to be a "proprietary order" (pursuant to the Code), such prospective investor should indicate to the relevant Underwriter when placing such order and such orders will be subject to applicable requirements in accordance with the Code and the Listing Rules. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order".

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks and broking companies) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Underwriters and/or any other third parties as may be required by the Listing Rules and/or the Code, including to the Company, the Overall Coordinators, relevant regulators and/or any other third parties as may be required by the Listing Rules and/or the Code, it being understood and agreed that such information shall only be used for the purpose of complying with the Listing Rules and/or the Code, during the bookbuilding process for the Global Offering. Failure to provide such information will result in that order being rejected.

IMPORTANT NOTICE TO INVESTORS OF HONG KONG OFFER SHARES

FULLY ELECTRONIC APPLICATION PROCESS

The Company has 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 the Company's website at www.mxbc.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 **White Form eIPO** service only)*; and
- 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.

Unless permitted by the Listing Rules or a waiver and/or consent has been granted by the Stock Exchange to the Company, 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;
- are a Director, Supervisor or chief executive of the Company and/or a director, supervisor or chief executive of any of its subsidiaries;
- are a close associate (as defined in the Listing Rules) of any of the above persons;
- are a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon the completion of the Global Offering; or
- have been allocated or have applied for or indicated an interest in 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 am on Friday, February 21, 2025 and end at 12:00 noon on Wednesday, February 26, 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
White Form eIPO service	www.eipo.com.hk	Applicants who would like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on Friday, February 21, 2025 until 11:30 a.m. on Wednesday, February 26, 2025 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, February 26, 2025
HKSCC EIPO channel	Your broker or custodian who is a HKSCC Participant will submit electronic application instructions on your behalf through HKSCC's FINI system in accordance with your instruction	Applicants who would not like to receive a physical H 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.

The **White Form eIPO** 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 **White Form eIPO** service, once you complete payment in respect of any application instructions given by you or for your benefit through the **White Form eIPO** 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 **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **White Form eIPO** service, you are deemed to have authorized the **White Form eIPO** Service Provider to apply on the terms and conditions in this Prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

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 **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.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this Prospectus acknowledge that each applicant 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.

3. Information Required to Apply

You must provide the following information with your application:

For Individual/Joint Applicants	For Corporate Applicants
• Full name(s)[2] as shown on your identity document	• Full name(s)[2] as shown on your identity document
• Identity document's issuing country or jurisdiction	• Identity document's issuing country or jurisdiction
• Identity document type, with order of priority:	• Identity document type, with order of priority:
i. HKID card; or	i. LEI registration document; or
ii. National identification document; or	ii. Certificate of incorporation; or
iii. Passport; and	iii. Business registration certificate; or
	iv. Other equivalent document; and
• Identity document number	• Identity document number

Notes:

1. If you are applying through the **White Form eIPO** 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.

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 Hong Kong Offer Shares. 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 applicants on FINI is capped at 4 in accordance with market practice.

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 **HKSCC EIPO** channel, and making an application under a power of attorney, the Company and the Overall Coordinators, as the Company's agent, have discretion to consider whether to accept it on any conditions they 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	:	100 H 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 Offer Price is HK$202.50 per H Share. 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.

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 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 **White Form eIPO** service, you may refer to the table below for the amount payable for the number of H 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	Amount payable(2) on application	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application	No. of Hong Kong Offer Shares applied for	Amount payable(2) on application
	HK$		*HK$*		*HK$*		*HK$*
100	20,454.22	1,000	204,542.21	6,000	1,227,253.28	75,000	15,340,665.93
200	40,908.44	1,500	306,813.32	7,000	1,431,795.49	100,000	20,454,221.26
300	61,362.66	2,000	409,084.43	8,000	1,636,337.70	200,000	40,908,442.50
400	81,816.89	2,500	511,355.53	9,000	1,840,879.91	300,000	61,362,663.76
500	102,271.10	3,000	613,626.63	10,000	2,045,422.13	400,000	81,816,885.00
600	122,725.32	3,500	715,897.74	15,000	3,068,133.19	500,000	102,271,106.26
700	143,179.55	4,000	818,168.86	20,000	4,090,844.26	600,000	122,725,327.50
800	163,633.76	4,500	920,439.96	25,000	5,113,555.31	700,000	143,179,548.76
900	184,087.99	5,000	1,022,711.07	50,000	10,227,110.63	853,000(1)	174,474,507.27

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

(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) and the SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC; and in the case of the AFRC transaction levy, collected by the Stock Exchange on behalf of the AFRC).

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. Applications 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 **White Form eIPO** service, (ii) **HKSCC EIPO** channel, or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **White Form eIPO** service or **HKSCC EIPO** channel, you or the person(s) for whose benefit you have made the application shall not apply for any International Offer Shares.

6. Terms and Conditions of An Application

By applying for Hong Kong Offer Shares through the **White Form eIPO** 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 authorize the Company and/or the Overall Coordinators, as the Company's 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 **White Form eIPO** service (or as the case may be, the agreement you entered into with your broker or custodian), and agree to be bound by them;

(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 H 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 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 directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering (the "**Relevant Persons**"), the H Share Registrar and HKSCC will not be liable for any information and representations not in this Prospectus and any supplement to it;

(vii) 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 the Company, the Relevant Persons, the H Share Registrar, 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;

(viii) 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;

(ix) 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 H 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;

(x) 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;

(xi) 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;

(xii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Articles of Association and laws of any place outside Hong Kong that apply to your application and that neither the Company 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;

(xiii) 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, supervisors, 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, supervisors, 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 H Shares registered in your name or otherwise held by you;

(xiv) warrant that the information you have provided is true and accurate;

(xv) confirm that you understand that the Company 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;

(xvi) agree to accept Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;

(xvii) 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;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the **White Form eIPO** service or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (1) 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 (2) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

B. PUBLICATION OF RESULTS

Results of Allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares through:

Platform		Date/Time
Applying through **White Form eIPO** service or **HKSCC EIPO** channel:		
Website	The designated results of allocation website at **www.iporesults.com.hk** (alternatively: **www.eipo.com.hk/eIPOAllotment**) with a "search by ID" function. The full list of (i) wholly or partially successful applicants using the **White Form eIPO** service and **HKSCC EIPO** channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed on the "Allotment Results" page of the **White Form eIPO** service at **www.iporesults.com.hk** (alternatively: **www.eipo.com.hk/eIPOAllotment**).	24 hours, from 11:00 p.m. on Friday, February 28, 2025 to 12:00 midnight on Thursday, March 6, 2025 (Hong Kong time)
	The Stock Exchange's website at **www.hkexnews.hk** and the Company's website at **www.mxbc.com** which will provide links to the above mentioned websites of the H Share Registrar.	No later than 11:00 p.m. on Friday, February 28, 2025 (Hong Kong time)
Telephone	+852 2862 8555 — the allocation results telephone inquiry line provided by the H Share Registrar	between 9:00 a.m. and 6:00 p.m. from Monday, March 3, 2025 to Thursday, March 6, 2025 (Hong Kong time) on a business day

For those applying through **HKSCC EIPO** channel, you may also check with your broker or custodian from 6:00 p.m. on Thursday, February 27, 2025 (Hong Kong time).

HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m. on Thursday, February 27, 2025 (Hong Kong time) on a 24-hour basis and should report any discrepancies on allotments to HKSCC as soon as practicable.

Allocation Announcement

The Company expects to announce the results of the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Hong Kong Offer Shares on the Stock Exchange's website at **www.hkexnews.hk** and the Company's website at **www.mxbc.com** by no later than 11:00 p.m. on Friday, February 28, 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 the Company or its agents exercise their discretion to reject your application:

The Company, the Overall Coordinators, the H 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 H 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 the Company of that longer period within three weeks of the closing date of the application lists.

4. If:

- you make multiple applications or suspected multiple applications. You may refer to the paragraph headed "— A. Application 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;
- the Company or the Overall Coordinators believe that by accepting your application, it or the Company would violate applicable securities or other laws, rules or regulations.

5. If there is money settlement failure for allotted Offer 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 Hong Kong Offer Shares, the receiving banks will collect the portion of these funds required to settle each HKSCC Participant's actual Hong Kong Offer Share 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 Offer 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 International 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 the Company, the Relevant Persons, the H 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.

D. DESPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

You will receive one H 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 H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application.

H Share certificates will only become valid evidence of title at 8:00 a.m. on Monday, March 3, 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 H Shares prior to the receipt of H Share certificates or the H Share certificates becoming valid evidence of title do so entirely at their own risk.

The right is reserved to retain any H Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

The following sets out the relevant procedures and time:

	White Form eIPO service	HKSCC EIPO channel
Despatch/collection of H Share certificate[1]		
For physical share certificates of equal or over 500,000 Offer Shares issued under your own name	Collection in person from the H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong	H 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 Monday, March 3, 2025 (Hong Kong time), or any other place or date notified by the Company	No action by you is required
	If you are an individual, you must not authorize any other person to collect for you. If you are a corporate applicant, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop.	

1 Except in the event any Bad Weather Signals (as defined below) in force in Hong Kong in the morning on Friday, February 28, 2025 rendering it impossible for the relevant H Share certificates to be dispatched to HKSCC in a timely manner, the Company shall procure the H Share Registrar to arrange for delivery of the supporting documents and H Share certificates in accordance with the contingency arrangements as agreed between them. You may refer to "— E. Bad Weather Arrangements" in this section.

	White Form eIPO service	HKSCC EIPO channel
	Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar. Note: If you do not collect your H 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 physical share certificates of less than 500,000 Offer Shares issued under your own name	Your H Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk Time: Friday, February 28, 2025	
Refund mechanism for surplus application monies paid by you		
Date	Monday, March 3, 2025	Subject to the arrangement between you and your broker or custodian
Responsible party	H Share Registrar	Your broker or custodian
Application monies paid through single bank account	**White Form** e-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	

E. BAD WEATHER ARRANGEMENTS

The Opening and Closing of the Application Lists

The application lists will not open or close on Wednesday, February 26, 2025 if, there is:

- a tropical cyclone warning signal number 8 or above;

- a black rainstorm warning; and/or
- an Extreme Condition,

(collectively, the "**Bad Weather Signals**"), in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, February 26, 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 the Company's website at **www.mxbc.com** of the revised timetable.

If a Bad Weather Signal is hoisted on Friday, February 28, 2025, the H Share Registrar will make appropriate arrangements for the delivery of the H Share certificates to the CCASS Depository's service counter so that they would be available for trading on Monday, March 3, 2025, and for physical H Share certificates of less than 500,000 Offer Shares issued under your own name, despatch will be made by ordinary post when the post office reopens after the Bad Weather Signal is lowered or cancelled (e.g. in the afternoon of Friday, February 28, 2025 or on Monday, March 3, 2025).

If a Bad Weather Signal is hoisted on Monday, March 3, 2025, for physical H Share certificates of over 500,000 Offer Shares issued under your own name, you may collect your H Share certificates from the H Share Registrar's office after the Bad Weather Signal is lowered or cancelled (e.g. in the afternoon of Monday, March 3, 2025 or on Tuesday, March 4, 2025).

Prospective investors should be aware that if they choose to receive physical H Share certificates issued in their own name, there may be a delay in receiving the H Share certificates.

F. ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares on the Stock Exchange and the Company complies with the stock admission requirements of HKSCC, the H 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 H Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants 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 the HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the H 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 H Share Registrar, the receiving banks 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 H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

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 H 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 H 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 H 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 H 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 H 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 **White Form** e-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 H 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 H Shares and identifying any duplicate applications for the H Shares;
- facilitating Hong Kong Offer Shares balloting;
- establishing benefit entitlements of holders of the H Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the H 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 H Share Registrar to discharge their obligations to applicants and holders of the H Shares and/or regulators and/or any other purposes to which applicants and holders of the H Shares may from time to time agree.

4. Transfer of personal data

Personal data held by the Company and the H Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares will be kept confidential but the Company and the H 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 banks and overseas principal share registrar;

- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the H Share Registrar 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 H Share Registrar in connection with their respective business operations;

- 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.

5. Retention of personal data

The Company and the H Share Registrar will keep the personal data of the applicants and holders of Hong Kong Offer Shares for as long as necessary to fulfill the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (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 H 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 H 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 H 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 H Share Registrar for the attention of the privacy compliance officer.

The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF MIXUE GROUP, MERRILL LYNCH (ASIA PACIFIC) LIMITED, GOLDMAN SACHS (ASIA) L.L.C. AND UBS SECURITIES HONG KONG LIMITED *(IN ALPHABETICAL ORDER OF THE LOGOS ON THE IMPORTANT PAGE)*

Introduction

We report on the historical financial information of MIXUE Group (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-83, which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2021, 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-83 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 21 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 preparation set out in note 2.1 to the Historical Financial Information and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2021, 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 preparation set out in note 2.1 to the Historical Financial Information.

Review of Interim Financial Information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and 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 preparation set out in note 2.1 to the Historical Financial Information. 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 inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which contains information about dividends declared or paid by the Company in respect of the Relevant Periods.

Ernst & Young
Certified Public Accountants
Hong Kong
21 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

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2021**	**2022**	**2023**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
REVENUE	*5*	10,350,986	13,575,577	20,302,465	15,393,328	18,659,671
Cost of sales		(7,107,124)	(9,728,740)	(14,303,498)	(10,817,689)	(12,619,249)
Gross profit		3,243,862	3,846,837	5,998,967	4,575,639	6,040,422
Other income and gains (net)	*6*	135,181	127,915	247,632	149,624	135,507
Selling and distribution expenses		(405,766)	(774,431)	(1,318,588)	(992,934)	(1,097,090)
Administrative expenses		(374,665)	(496,506)	(610,622)	(429,811)	(433,470)
Research and development expenses		(17,151)	(32,304)	(85,000)	(51,343)	(64,805)
Finance costs	*8*	(5,973)	(9,190)	(14,697)	(11,037)	(5,479)
(Impairment losses)/reversal of impairment losses on financial assets		(1,787)	(4,098)	1,638	4,480	(3,524)
Impairment of property, plant and equipment		(14,827)	–	(65,524)	(59,999)	–
Share of (losses)/profits of an associate		–	(180)	196	36	(3,016)
PROFIT BEFORE TAX	*7*	2,558,874	2,658,043	4,154,002	3,184,655	4,568,545
Income tax expense	*11*	(646,932)	(644,952)	(967,397)	(731,876)	(1,077,573)
PROFIT FOR THE YEAR/PERIOD		1,911,942	2,013,091	3,186,605	2,452,779	3,490,972
Profit attributable to:						
Owners of the parent		1,910,361	1,996,715	3,137,341	2,400,853	3,486,065
Non-controlling interests		1,581	16,376	49,264	51,926	4,907
		1,911,942	2,013,091	3,186,605	2,452,779	3,490,972
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic (RMB)	*13*	5.32	5.55	8.71	6.67	9.68
Diluted (RMB)	*13*	5.32	5.55	8.71	6.67	9.68

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	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	1,911,942	2,013,091	3,186,605	2,452,779	3,490,972
OTHER COMPREHENSIVE INCOME					
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	(181)	(1,035)	131	1,233	3,159
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	(181)	(1,035)	131	1,233	3,159
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:					
Changes in fair value of equity investments designated at fair value through other comprehensive income	–	–	(940)	(920)	(870)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	–	–	(940)	(920)	(870)
OTHER COMPREHENSIVE INCOME FOR THE YEAR/PERIOD, NET OF TAX	(181)	(1,035)	(809)	313	2,289
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	1,911,761	2,012,056	3,185,796	2,453,092	3,493,261
Attributable to:					
Owners of the parent	1,910,253	1,996,365	3,136,269	2,400,481	3,486,298
Non-controlling interests	1,508	15,691	49,527	52,611	6,963
	1,911,761	2,012,056	3,185,796	2,453,092	3,493,261

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December			As at 30 September
		2021	2022	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	1,033,497	1,701,086	3,390,053	5,156,514
Right-of-use assets	15(a)	166,031	445,560	426,986	378,520
Other intangible assets	16	9,029	20,591	25,624	27,428
Investment in an associate	17	–	2,820	3,016	–
Equity investment designated at fair value through other comprehensive income	18	11,400	11,400	10,460	6,590
Deferred tax assets	30	23,613	41,598	111,889	112,119
Restricted cash and time deposits	24	–	–	300,000	1,287,420
Other non-current assets	19	999,047	1,166,236	1,177,353	144,842
Total non-current assets		2,242,617	3,389,291	5,445,381	7,113,433
CURRENT ASSETS					
Inventories	20	1,251,915	1,541,156	2,231,714	1,839,769
Trade receivables	21	2,030	15,410	28,473	21,506
Prepayments, other receivables and other assets	22	181,892	304,539	404,428	490,867
Financial assets at fair value through profit or loss	23	900,237	1,865,676	746,046	2,842,603
Restricted cash and time deposits	24	61,865	65,146	115,620	331,759
Cash and cash equivalents	24	2,675,827	2,764,138	5,621,904	5,980,396
Total current assets		5,073,766	6,556,065	9,148,185	11,506,900
CURRENT LIABILITIES					
Trade payables	25	596,681	881,806	1,316,780	1,604,693
Other payables and accruals	26	600,753	910,196	1,571,615	1,762,109
Contract liabilities	27	305,817	198,305	259,271	410,767
Interest-bearing bank and other borrowings	29	30,030	140,088	259,748	4,536
Lease liabilities	15(b)	50,321	78,813	72,065	50,689
Tax payables		122,576	129,445	254,834	456,457
Total current liabilities		1,706,178	2,338,653	3,734,313	4,289,251
NET CURRENT ASSETS		3,367,588	4,217,412	5,413,872	7,217,649
TOTAL ASSETS LESS CURRENT LIABILITIES		5,610,205	7,606,703	10,859,253	14,331,082

	Notes	As at 31 December 2021	As at 31 December 2022	As at 31 December 2023	As at 30 September 2024
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT LIABILITIES					
Deferred income	28	2,001	58,024	122,407	124,754
Lease liabilities	15(b)	62,408	62,736	54,360	37,732
Other payables and accruals	26	–	–	60,408	58,323
Deferred tax liabilities	30	2,559	81	1,638	1,654
Contract liabilities	27	527	6,595	24,975	12,413
Total non-current liabilities		67,495	127,436	263,788	234,876
NET ASSETS		5,542,710	7,479,267	10,595,465	14,096,206
EQUITY					
Equity attributable to owners of the parent					
Share capital	31	360,000	360,000	360,000	360,000
Reserves	32	5,177,351	7,094,297	10,146,993	13,641,298
		5,537,351	7,454,297	10,506,993	14,001,298
Non-controlling interests		5,359	24,970	88,472	94,908
Total equity		5,542,710	7,479,267	10,595,465	14,096,206

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to owners of the parent								
	Share capital	Capital reserve*	Statutory reserve*	Equity-settled share-based payment reserve*	Exchange fluctuation reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000 (note 31)	RMB'000 (note 32)	RMB'000 (note 32)	RMB'000 (note 32)	RMB'000 (note 32)	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2021	107,936	1,675,367	–	9,131	(324)	799,363	2,591,473	1,521	2,592,994
Profit for the year	–	–	–	–	–	1,910,361	1,910,361	1,581	1,911,942
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	–	–	–	–	(108)	–	(108)	(73)	(181)
Total comprehensive income for the year	–	–	–	–	(108)	1,910,361	1,910,253	1,508	1,911,761
Issue of shares	5,442	1,114,558	–	–	–	–	1,120,000	–	1,120,000
Acquisition of non-controlling interests	–	(2,529)	–	–	–	–	(2,529)	2,479	(50)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	(1,477)	(1,477)
Equity-settled share-based payment arrangements	–	–	–	22,554	–	–	22,554	–	22,554
Transfer from capital reserve	246,622	(246,622)	–	–	–	–	–	–	–
Transfer from retained profits	–	–	17,297	–	–	(17,297)	–	–	–
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	1,328	1,328
Dividends declared	–	–	–	–	–	(104,400)	(104,400)	–	(104,400)
As at 31 December 2021	360,000	2,540,774	17,297	31,685	(432)	2,588,027	5,537,351	5,359	5,542,710

Year ended 31 December 2022

	Attributable to owners of the parent								
	Share capital	Capital reserve*	Statutory reserve*	Equity-settled share-based payment reserve*	Exchange fluctuation reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 31)	*(note 32)*	*(note 32)*	*(note 32)*	*(note 32)*				
As at 1 January 2022	360,000	2,540,774	17,297	31,685	(432)	2,588,027	5,537,351	5,359	5,542,710
Profit for the year	–	–	–	–	–	1,996,715	1,996,715	16,376	2,013,091
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	–	–	–	–	(350)	–	(350)	(685)	(1,035)
Total comprehensive income for the year	–	–	–	–	(350)	1,996,715	1,996,365	15,691	2,012,056
Equity-settled share-based payment arrangements	–	–	–	24,981	–	–	24,981	–	24,981
Transfer from retained profits	–	–	21,355	–	–	(21,355)	–	–	–
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	3,920	3,920
Dividends declared	–	–	–	–	–	(104,400)	(104,400)	–	(104,400)
As at 31 December 2022	360,000	2,540,774	38,652	56,666	(782)	4,458,987	7,454,297	24,970	7,479,267

Year ended 31 December 2023

	Attributable to owners of the parent									
	Share capital	Capital reserve*	Statutory reserve*	Equity-settled share-based payment reserve*	Fair value reserve of financial assets at fair value through other comprehensive income*	Exchange fluctuation reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 31)	*(note 32)*	*(note 32)*	*(note 32)*	*(note 32)*	*(note 32)*				
As at 1 January 2023	360,000	2,540,774	38,652	56,666	–	(782)	4,458,987	7,454,297	24,970	7,479,267
Profit for the year	–	–	–	–	–	–	3,137,341	3,137,341	49,264	3,186,605
Other comprehensive income for the year:										
Change in fair value of equity investments at fair value through other comprehensive, net of tax	–	–	–	–	(940)	–	–	(940)	–	(940)
Exchange differences on translation of foreign operations	–	–	–	–	–	(132)	–	(132)	263	131
Total comprehensive income for the year	–	–	–	–	(940)	(132)	3,137,341	3,136,269	49,527	3,185,796
Disposal of a subsidiary	–	–	–	–	–	–	–	–	1,379	1,379
Equity-settled share-based payment arrangements	–	–	–	16,427	–	–	–	16,427	–	16,427
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(645)	(645)
Transfer from retained profits	–	–	141,348	–	–	–	(141,348)	–	–	–
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	13,241	13,241
Dividends declared	–	–	–	–	–	–	(100,000)	(100,000)	–	(100,000)
As at 31 December 2023	360,000	2,540,774	180,000	73,093	(940)	(914)	7,354,980	10,506,993	88,472	10,595,465

Nine months ended 30 September 2023

	Attributable to owners of the parent									
	Share capital	Capital reserve	Statutory reserve	Equity-settled share-based payment reserve	Fair value reserve of financial assets at fair value through other comprehensive income	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(note 32)	*(note 32)*	*(note 32)*	*(note 32)*	*(note 32)*				
As at 1 January 2023	360,000	2,540,774	38,652	56,666	–	(782)	4,458,987	7,454,297	24,970	7,479,267
Profit for the period (unaudited)	–	–	–	–	–	–	2,400,853	2,400,853	51,926	2,452,779
Other comprehensive income for the period:										
Change in fair value of equity investments at fair value through other comprehensive, net of tax (unaudited)	–	–	–	–	(920)	–	–	(920)	–	(920)
Exchange differences on translation of foreign operations (unaudited)	–	–	–	–	–	548	–	548	685	1,233
Total comprehensive income for the period (unaudited)	–	–	–	–	(920)	548	2,400,853	2,400,481	52,611	2,453,092
Equity-settled share-based payment arrangements (unaudited)	–	–	–	8,687	–	–	–	8,687	–	8,687
Dividends paid to non-controlling shareholders (unaudited)	–	–	–	–	–	–	–	–	(645)	(645)
Transfer from retained profits (unaudited)	–	–	–	–	–	–	–	–	–	–
Capital contribution from non-controlling interests (unaudited)	–	–	–	–	–	–	–	–	13,241	13,241
Dividends declared (unaudited)	–	–	–	–	–	–	(100,000)	(100,000)	–	(100,000)
As at 30 September 2023 (unaudited)	360,000	2,540,774	38,652	65,353	(920)	(234)	6,759,840	9,763,465	90,177	9,853,642

Nine months ended 30 September 2024

	Attributable to owners of the parent									
	Share capital	Capital reserve*	Statutory reserve*	Equity-settled share-based payment reserve*	Fair value reserve of financial assets at fair value through other comprehensive income*	Exchange fluctuation reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 31)	*(note 32)*	*(note 32)*	*(note 32)*	*(note 32)*	*(note 32)*				
As at 1 January 2024	360,000	2,540,774	180,000	73,093	(940)	(914)	7,354,980	10,506,993	88,472	10,595,465
Profit for the period	–	–	–	–	–	–	3,486,065	3,486,065	4,907	3,490,972
Other comprehensive income for the period:										
Change in fair value of equity investments at fair value through other comprehensive, net of tax	–	–	–	–	(870)	–	–	(870)	–	(870)
Exchange differences on translation of foreign operations	–	–	–	–	–	1,103	–	1,103	2,056	3,159
Total comprehensive income for the period	–	–	–	–	(870)	1,103	3,486,065	3,486,298	6,963	3,493,261
Equity-settled share-based payment arrangements	–	–	–	8,007	–	–	–	8,007	–	8,007
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(527)	(527)
Transfer from retained profits	–	–	–	–	–	–	–	–	–	–
Dividends declared	–	–	–	–	–	–	–	–	–	–
As at 30 September 2024	360,000	2,540,774	180,000	81,100	(1,810)	189	10,841,045	14,001,298	94,908	14,096,206

* These reserve accounts comprise the consolidated reserves of RMB5,177,351,000, RMB7,094,297,000, RMB10,146,993,000 and RMB13,641,298,000 in the consolidated statements of financial position as at 31 December 2021, 2022 and 2023 and 30 September 2024, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Nine months ended 30 September	
	Notes	2021	2022	2023	2023	2024
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax:		2,558,874	2,658,043	4,154,002	3,184,655	4,568,545
Adjustments for:						
Finance costs	*8*	5,973	9,190	14,697	11,037	5,479
Share of losses/(profits) of an associate		–	180	(196)	(36)	3,016
Gain on disposal of a subsidiary		–	–	(1,272)	–	–
Interest income	*6*	(38,221)	(44,322)	(53,801)	(36,781)	(77,339)
Loss/(gain) on disposal of items of property, plant and equipment	*6*	1,156	303	(198)	(444)	4,937
(Gain)/loss on early termination of leases	*15(c)*	(1,248)	3,851	(168)	(158)	(1,005)
Investment income on financial assets at fair value through profit or loss	*6*	(25,999)	(25,644)	(53,333)	(44,113)	(28,102)
Depreciation of property, plant and equipment	*14*	57,239	105,310	160,504	110,108	220,610
Depreciation of right-of-use assets	*15(a)*	42,363	75,782	103,472	78,684	74,364
Amortisation of other intangible assets	*16*	1,197	2,672	3,800	2,860	3,220
Impairment of inventories	*7*	2,297	2,076	32,189	523	40,259
Impairment losses/(reversal of impairment losses) on financial assets	*7*	1,787	4,098	(1,638)	(4,480)	3,524
Impairment of property, plant and equipment	*14*	14,827	–	65,524	59,999	–
Equity-settled share-based payment expenses	*7*	22,554	24,981	16,427	8,687	8,007
Foreign exchange differences (net)	*6*	994	163	(31,963)	(12,594)	3,139
		2,643,793	2,816,683	4,408,046	3,357,947	4,828,654

	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*
(Increase)/decrease in inventories		(842,719)	(291,317)	(725,819)	(834,292)	351,686
Decrease/(increase) in trade receivables		294	(14,114)	(8,955)	(13,975)	3,954
(Increase)/decrease in prepayments, other receivables and other assets		(88,419)	(62,411)	50,804	(8,692)	20,990
(Increase)/decrease in restricted cash		(57,825)	59,969	(14,633)	(14,633)	16,415
(Increase)/decrease in other non-current assets		–	–	(11,986)	–	9,427
Increase in trade payables		261,205	286,160	466,094	735,593	284,677
Increase in other payables and accruals		194,118	295,306	343,320	239,102	261,199
Increase/(decrease) in contract liabilities		131,801	(101,444)	79,559	119,705	138,934
Increase in deferred income		2,001	56,023	64,383	58,781	2,347
Cash generated from operations		2,244,249	3,044,855	4,650,813	3,639,536	5,918,283
Income tax paid		(590,081)	(658,546)	(910,742)	(584,626)	(876,164)
Interest received		38,221	44,322	53,801	36,781	58,635
Net cash flows generated from operating activities		1,692,389	2,430,631	3,793,872	3,091,691	5,100,754
CASH FLOWS USED IN INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment		(944,523)	(997,293)	(1,685,292)	(1,312,960)	(1,194,951)
Proceeds from disposal of items of property, plant and equipment		5,073	893	4,753	1,133	49,846
Purchases of other intangible assets		(7,177)	(8,723)	(5,433)	(10,215)	(4,623)
Purchases of and prepayments for right-of-use assets — land use rights		(673)	(253,943)	(41)	(41)	(870)
Purchases of financial assets at fair value through profit or loss		(2,150,000)	(4,336,000)	(5,161,000)	(5,001,000)	(2,503,000)

	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*
Proceeds from disposal of financial assets at fair value through profit or loss		1,277,070	3,396,205	6,333,963	4,335,999	434,545
Purchase of equity investments designated at fair value through other comprehensive income		(11,400)	–	–	–	–
Placement of time deposits with original maturity of more than three months when acquired		–	–	(310,056)	(10,056)	(1,280,000)
Proceeds from maturity of bank deposits with original maturity of more than three months		–	–	–	–	10,056
Proceeds from disposal of equity investments designated at fair value through other comprehensive income		–	–	–	–	3,000
Capital injection in an associate		–	(3,000)	–	–	–
Proceeds from disposal of a subsidiary		–	–	(2,238)	–	–
Net cash flows used in investing activities		(1,831,630)	(2,201,861)	(825,344)	(1,997,140)	(4,485,997)
CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES						
Proceeds from issuance of shares		1,120,000	–	–	–	–
Proceeds from bank loans and other borrowings		30,000	140,000	259,537	240,000	4,536
Repayment of bank loans and other borrowings		–	(30,000)	(140,000)	(90,000)	(259,537)
Interest paid for interest-bearing bank and other borrowings		(1,143)	(3,220)	(7,118)	(4,957)	(2,451)
Acquisition of non-controlling interests		(50)	–	–	–	–
Principal portion of lease payments		(41,710)	(76,399)	(99,875)	(74,378)	(62,027)
Interest portion of lease payments		(4,800)	(5,912)	(7,456)	(5,976)	(3,239)
Placement of restricted cash		–	(63,250)	(89,035)	(93,321)	(3,735)

		Year ended 31 December			Nine months ended 30 September	
	Notes	**2021**	**2022**	**2023**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Maturity of restricted cash		28,900	–	63,250	13,250	72,409
Dividends paid		(404,400)	(104,400)	(100,000)	(100,000)	–
Dividends paid to non-controlling equity holders		(1,477)	–	(645)	(645)	(527)
Payment of issue expense		–	–	(3,218)	–	(2,591)
Capital contribution from non-controlling interests		1,328	3,920	13,241	13,241	–
Net cash flows from/(used in) financing activities		726,648	(139,261)	(111,319)	(102,786)	(257,162)
NET INCREASE IN CASH AND CASH EQUIVALENTS		587,407	89,509	2,857,209	991,765	357,595
Cash and cash equivalents at beginning of year/period		2,089,486	2,675,827	2,764,138	2,764,138	5,621,904
Effect of foreign exchange differences (net)		(1,066)	(1,198)	557	3,310	897
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		2,675,827	2,764,138	5,621,904	3,759,213	5,980,396
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	*24*	2,737,692	2,829,284	6,037,524	3,929,119	7,599,575
Less: Restricted cash and time deposits	*24*	(61,865)	(65,146)	(415,620)	(169,906)	(1,619,179)
Cash and cash equivalents as stated in the statement of financial position and the consolidated statements of cash flows		2,675,827	2,764,138	5,621,904	3,759,213	5,980,396

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December			As at 30 September
	Notes	2021	2022	2023	2024
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*14*	33,593	34,243	28,207	401,936
Right-of-use assets	*15(a)*	3,876	2,689	3,252	89
Other intangible assets	*16*	768	2,812	2,633	2,393
Investments in subsidiaries	*17*	780,155	973,430	1,103,533	1,477,997
Deferred tax assets		13,381	12,550	18,640	12,957
Restricted cash and time deposits	*24*	–	–	300,000	508,340
Other non-current assets	*19*	302,472	344,322	328,465	659
Total non-current assets		1,134,245	1,370,046	1,784,730	2,404,371
CURRENT ASSETS					
Due from subsidiaries	*38(e)*	347,104	692,825	2,004,299	1,767,486
Prepayments, other receivables and other assets	*22*	7,587	15,857	33,116	25,049
Financial assets at fair value through profit or loss	*23*	361,921	585,197	222,139	1,893,559
Restricted cash and time deposits	*24*	57,795	–	1	150,434
Cash and cash equivalents	*24*	1,503,022	1,009,315	1,397,094	2,433,061
Total current assets		2,277,429	2,303,194	3,656,649	6,269,589
CURRENT LIABILITIES					
Trade payables	*25*	12,689	1,907	1,116	1,125
Due to subsidiaries	*38(f)*	15	15	4,833	2,589,042
Other payables and accruals	*26*	275,887	426,035	633,775	834,855
Contract liabilities	*27*	109,660	103,542	202,186	308,218
Lease liabilities	*15(b)*	1,457	1,537	425	8
Tax payables		4,168	1	20,998	31,799
Total current liabilities		403,876	533,037	863,333	3,765,047
NET CURRENT ASSETS		1,873,553	1,770,157	2,793,316	2,504,542
TOTAL ASSETS LESS CURRENT LIABILITIES		3,007,798	3,140,203	4,578,046	4,908,913
NON-CURRENT LIABILITIES					
Lease liabilities	*15(b)*	1,293	–	1,807	–
Deferred tax liabilities		480	49	1,348	469
Total non-current liabilities		1,773	49	3,155	469
NET ASSETS		3,006,025	3,140,154	4,574,891	4,908,444
EQUITY					
Share capital	*31*	360,000	360,000	360,000	360,000
Reserves	*32(f)*	2,646,025	2,780,154	4,214,891	4,548,444
Total equity		3,006,025	3,140,154	4,574,891	4,908,444

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

MIXUE Group (the "Company") was registered in the People's Republic of China (the "PRC") as a limited liability company on 30 April 2008. The registered office of the Company is located at Room 16004, Hanhaibeijin Business Center, East Wenhua Road, North Third Ring South, Jinshui District, Zhengzhou, China.

During the Relevant Periods, the Company and its subsidiaries (together as the "Group") were involved in the operation of sales of goods and equipment as well as provision of franchise and related services.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies. The particulars of principal subsidiaries are set out below:

Name*	Place and date of incorporation/ registration and place of business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Zhengzhou Baodao Technology Co., Ltd. ("鄭州寶島科技有限公司") (i)	PRC/Mainland China 28 September 2010	RMB100,000,000	100%	–	Sales of products and provision of IT services
Daka International Food Co., Ltd. ("大咖國際食品有限公司") (ii)	PRC/Mainland China 14 March 2013	RMB200,000,000	100%	–	Production
Snow King Smart Supply Chain (Guangdong) Co., Ltd. ("雪王智慧供應鏈(廣東)有限公司") (iii)	PRC/Mainland China 22 June 2018	RMB5,000,000	100%	–	Sales of products
Shangdao Smart Supply Chain Co., Ltd. ("上島智慧供應鏈有限公司") (iii)	PRC/Mainland China 5 July 2018	RMB50,000,000	100%	–	Sales of products
Snow King Smart Supply Chain (Sichuan) Co., Ltd. ("雪王智慧供應鏈(四川)有限公司") (iv)	PRC/Mainland China 23 October 2020	RMB100,000,000	100%	–	Sales of products

The English names of the PRC companies above represent management's best efforts in translating the Chinese names of these companies as no English names have been registered.

Notes:

(i) The statutory financial statements of this company for the year ended 31 December 2022 prepared in accordance with the PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Baker Tilly International LLP. The statutory financial statements of this company for the year ended 31 December 2023 prepared in accordance with the PRC Generally Accepted Accounting Principles ("PRC GAAP") was audited by Henan Tongsheng Accounting Firm Co., Ltd. No audited statutory financial statements of this company have been prepared for the year ended 31 December 2021.

(ii) The statutory financial statements of this company for the year ended 31 December 2021 and 2022 prepared in accordance with the PRC GAAP was audited by Baker Tilly International LLP. The statutory financial statements of this company for the year ended 31 December 2023 prepared in accordance with the PRC Generally Accepted Accounting Principles ("PRC GAAP") was audited by Henan Shihenglianhe LLP.

(iii) No audited statutory financial statements of these companies have been prepared for the years ended 31 December 2021, 2022 and 2023.

(iv) The statutory financial statements of this company for the year ended 31 December 2023 prepared in accordance with the PRC Generally Accepted Accounting Principles ("PRC GAAP") was audited by Henan Tongsheng Accounting Firm Co., Ltd. No audited statutory financial statements of this company have been prepared for the years ended 31 December 2021 and 2022.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB").

All IFRSs effective for the accounting period commencing from 1 January 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.

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and equity investments designated at fair value through other comprehensive income which have been measured at fair value.

Basis of consolidation

The Historical Financial Information include the financial statements of the Group for the Relevant Periods. 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 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 results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective in the Historical Financial Information. The Group intends to apply these new and revised IFRSs, if applicable, when they become effective.

IFRS 18	*Presentation and Disclosure in Financial Statements*[3]
IFRS 19	*Subsidiaries without Public Accountability: Disclosures*[3]
Amendments to IFRS 9 and IFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IAS 21	*Lack of Exchangeability*[1]
Annual Improvements to IFRS Accounting Standards – Volume 11	*Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS7*[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 for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined 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 revised standards are unlikely to have a significant impact on the Group's results of operations and financial position.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION

Investment in an associate

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of an associate is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investment in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associate is included as part of the Group's investment in an associate.

Fair value measurement

The Group measures its certain of wealthy management products and equity investments 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.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the 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 Relevant 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, 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 the statements of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statements of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is an associate of a third entity and the other entity is a joint venture of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statements of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Category	Principal annual rates
	(%)
Buildings	2.38-4.75
Leasehold improvements	20.00-50.00
Machinery	9.50-19.00
Motor vehicles	23.75
Furniture and fixtures	19.00-31.67

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statements of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress mainly represents buildings and machinery under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 3 to 10 years based on the Group's past experiences and different purposes on usages of the software and the authorised period for such uses.

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. When no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is 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:

Warehouses and office premises	1.5-5.0 years
Land use rights	50.0 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 offices 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.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets measured at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, and financial assets included in prepayments, other receivables and other assets.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statements of profit or loss. Dividends are recognised as other income in the statements of 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 other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognised in the statements of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for 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 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

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings and payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings and payables)

After initial recognition, interest-bearing loans and borrowings and payables are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statements of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statements of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statements of 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

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statements of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group has established business presence.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods 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

- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, 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, 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

- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, 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 of the Relevant Periods 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 of the Relevant Periods 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 each of the Relevant Periods.

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 the statement of 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 the statement of 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. The Group has concluded that it is acting as a principal in all of its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

The Group primarily generates its revenue from sales of goods and equipment and provision of franchise and related service to franchisees. Further details of the Group's revenue recognition policies are as follows:

(a) Sales of goods and equipment

Revenue from the sale of goods and equipment 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 and related services

Under the franchise agreements, the Group provides franchising, management and training services to its franchisees during the franchise period and franchisees pay fixed franchising, management and training fees generally on an annual basis.

During the franchise period, franchisees are granted with franchise rights including trademarks, business model and other management resources. As a result, franchise fee, which is considered as consideration for the Group to provide right to access the Group's intellectual property, is recognised on a straight-line basis over the franchise period if all of the following criteria are met:

- the contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the intellectual property to which the customer has rights;
- the rights granted by the licence directly expose the customer to any positive or negative effects of the Group's activities; and
- those activities do not result in the transfer of a good or a service to the customer as those activities occur.

The Group also provides management and training services to the franchisees during the franchise period through which franchisees enjoy benefits such as business operations support and training for themselves and their employees. Revenue from the provision of management and training services is recognised over the franchise period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

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 liabilities

A contract liability is recognised when a payment is received 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, equipment or services to the customer).

Share-based payments

The Company operates a share award arrangement for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group 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 cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

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.

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statements of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the Historical Financial Information 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 each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in the statements of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the 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 the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

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 contained in note 30 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.

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Impairment of non-financial assets (other than goodwill)

The Group assessed whether there were any indicators of impairment for all non-financial assets (including the right-of-use assets) at 31 December 2021, 2022 and 2023 and 30 September 2024. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate to calculate the present value of those cash flows. The carrying amounts of property, plant and equipment, right-of-use assets, other intangible assets, investment in an associate and other non-current assets are set out in notes 14, 15, 16, 17 and 19 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

The Group manages its businesses as a whole by the most senior executive management for the purposes of resource allocation and performance assessment. The Group's chief operating decision maker is the chief executive officer of the Group who reviews the Group's consolidated results of operations for the purpose of making decisions about resource allocation and performance assessment. Accordingly, no reportable segment information is presented.

Geographical information

(i) Revenue from external customers

	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*
Mainland China	10,300,917	13,034,937	18,815,533	14,222,007	17,707,309
Outside mainland China	50,069	540,640	1,486,932	1,171,321	952,362
	10,350,986	13,575,577	20,302,465	15,393,328	18,659,671

Information about major customers

No sales to a single customer accounted for 10% or more of the Group's revenue during the Relevant Periods and the nine months ended 30 September 2023.

5. REVENUE

Revenue represents income from sales of goods and equipment to franchisees, franchise and related services during the Relevant Periods and the nine months ended 30 September 2023.

(i) Disaggregated revenue information

	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*
Revenue from contracts with customers					
Sales of goods and equipment					
Sales of goods	9,457,660	12,551,043	19,160,210	14,504,715	17,595,055
Sales of equipment	696,944	748,387	736,537	604,842	621,256
*Franchise and related services**	196,382	276,147	405,718	283,771	443,360
Total revenue from contracts with customers	10,350,986	13,575,577	20,302,465	15,393,328	18,659,671
Timing of revenue recognition					
Goods and services transferred at a point in time	10,172,851	13,323,540	19,927,974	15,133,164	18,250,823
Services transferred over time	178,135	252,037	374,491	260,164	408,848
Total revenue from contracts with customers	10,350,986	13,575,577	20,302,465	15,393,328	18,659,671

* The franchise and related services fees are fixed with no variable considerations in accordance with the terms of the contract.

The following table illustrates 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 of the Relevant Periods and 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*
Sales of goods and equipment	108,956	192,462	74,436	74,436	25,711
Franchise and related services	65,587	113,355	123,869	119,196	201,317
	174,543	305,817	198,305	193,632	227,028

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sales of goods and equipment

The performance obligation is satisfied when customers take possession of and accept the deliveries in stores or appointed locations. For majority of the sales transactions, customers make advance payment before the goods and equipment and services are delivered to them.

Franchise and related services

The performance obligation is satisfied over time when services are rendered. Generally, franchise and related services contracts are for periods ranging from three or four years. Advances are required for the franchise and related services fee on an annual basis.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at end 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* *(Unaudited)*	*RMB'000*
Amounts expected to be recognised as revenue:					
Within one year	305,817	198,305	259,271	297,594	410,767
After one year	527	6,595	24,975	27,011	12,413
	306,344	204,900	284,246	324,605	423,180

The majority of the amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The Group do not have variable consideration which is constrained.

6. OTHER INCOME AND GAINS (NET)

	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*
Government grants	79,441	46,890	115,821	68,004	22,468
Interest income	38,221	44,322	53,801	36,781	77,339
Investment income on financial assets at fair value through profit or loss:					
– Wealth management products	25,999	25,644	53,333	44,113	28,102
(Loss)/gain on disposal of items of property, plant and equipment (net)	(1,156)	(303)	198	444	(4,937)
Foreign exchange differences (net)	(994)	(163)	31,963	12,594	(3,139)
Donations	(35,464)	(11,461)	(41,152)	(38,703)	(10,097)
Others	29,134	22,986	33,668	26,391	25,771
	135,181	127,915	247,632	149,624	135,507

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Year ended 31 December			Nine months ended 30 September	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Cost of inventories sold*	6,920,242	9,475,817	13,502,499	10,246,309	11,697,354
Transportation expenses	304,663	411,585	624,565	480,167	613,154
Depreciation of property, plant and equipment	57,239	105,310	160,504	110,108	220,610
Depreciation of right-of-use assets	42,363	75,782	103,472	78,684	74,364
Amortisation of other intangible assets	1,197	2,672	3,800	2,860	3,220
Employee benefit expenses (including directors', chief executive's and supervisors' remuneration as set out in note 9):					
Wages and salaries	430,643	649,032	952,416	679,315	783,611
Equity-settled share-based payment expenses	22,554	24,981	16,427	8,687	8,007
Pension scheme contributions, social welfare and other welfare	83,485	146,030	199,403	170,305	160,677
Professional service fees	40,150	69,902	80,552	56,918	38,078
Impairment of inventories	2,297	2,076	32,189	523	40,259
Impairment/(reversal of impairment) of prepayments, other receivables and other assets, net	1,802	3,364	(4,986)	(4,977)	1,311
(Reversal of impairment)/impairment of trade receivables, net	(15)	734	3,348	497	2,213
Expense relating to short-term leases	1,097	5,612	12,921	9,450	13,449
Listing expense	–	–	10,900	6,726	9,179

* The amount of cost of inventories sold as stated herein excludes those included in the depreciation of property, plant and equipment, depreciation of right-of-use assets, impairment of inventories, employee benefit expenses, short-term lease expenses and transportation expenses.

8. 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* *(Unaudited)*	*RMB'000*
Interest on bank borrowings	1,173	3,278	7,241	5,061	2,240
Interest on lease liabilities	4,800	5,912	7,456	5,976	3,239
	5,973	9,190	14,697	11,037	5,479

9. DIRECTORS', CHIEF EXECUTIVES' AND SUPERVISORS' REMUNERATION

The directors' remuneration of each of these directors as recorded in the Relevant Periods and the nine months ended 30 September 2023 is set out below:

	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*
Fees	160	160	200	150	900
Other emoluments:					
Salaries, allowances and benefits in kind	18,381	20,479	20,606	23,206	24,897
Equity-settled share-based payment expenses	1,933	5,555	2,480	2,260	469
Pension scheme contributions	147	179	229	173	216
	20,461	26,213	23,315	25,639	25,582
	20,621	26,373	23,515	25,789	26,482

(a) Independent directors

The fees paid to independent directors during the Relevant Periods and the nine months ended 30 September 2023 were as follows:

	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*
Mr. Li Kai *(note i)*	80	80	100	75	–
Ms. Huang Yanmin *(note i)*	80	80	100	75	–
Mr. Chu Gary Hsi *(note ii)*	–	–	–	–	300
Mr. Huang Sidney Xuande *(note ii)*	–	–	–	–	300
Ms. Poon Philana Wai Yin *(note ii)*	–	–	–	–	300
	160	160	200	150	900

(b) Chief executive, executive directors and supervisors

Details of the emoluments paid or payable to the chief executive, executive directors and supervisors of the Company for their services provided to the Group during the Relevant Periods and the nine months ended 30 September 2023 are as follows:

	Year ended 31 December 2021					
	Fees	Salaries	Allowances and benefits in kind	Pension scheme contributions	Equity-settled share-based payment expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chief executive and executive directors:						
Mr. Zhang Hongchao	–	1,490	5,000	29	950	7,469
Mr. Zhang Hongfu	–	1,500	5,000	29	–	6,529
Ms. Luo Jing	–	856	960	29	–	1,845
Supervisors:						
Mr. Xi Yanhe	–	398	956	23	786	2,163
Ms. Yu Min	–	239	505	12	197	953
Ms. Cai Weimiao	–	517	960	25	–	1,502
	–	5,000	13,381	147	1,933	20,461

	Year ended 31 December 2022					
	Fees	Salaries	Allowances and benefits in kind	Pension scheme contributions	Equity-settled share-based payment expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chief executive and executive directors:						
Mr. Zhang Hongchao	–	1,578	4,101	25	–	5,704
Mr. Zhang Hongfu	–	1,855	4,000	32	4,572	10,459
Ms. Luo Jing	–	1,032	2,329	36	–	3,397
Supervisors:						
Mr. Xi Yanhe	–	897	1,822	32	786	3,537
Ms. Yu Min	–	312	389	23	197	921
Ms. Cai Weimiao	–	693	1,471	31	–	2,195
	–	6,367	14,112	179	5,555	26,213

	Year ended 31 December 2023					
	Fees	Salaries	Allowances and benefits in kind	Pension scheme contributions	Equity-settled share-based payment expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chief executive and executive directors:						
Mr. Zhang Hongchao	–	2,109	4,100	39	–	6,248
Mr. Zhang Hongfu	–	2,052	4,000	38	1,963	8,053
Ms. Luo Jing *(note i)*	–	2,164	289	40	–	2,493
Ms. Cai Weimiao *(note iii)*	–	51	71	2	–	124
Ms. Zhao Hongguo *(note ii)*	–	53	160	1	18	232
Supervisors:						
Mr. Xi Yanhe *(note i)*	–	1,036	289	32	393	1,750
Ms. Yu Min	–	390	396	33	102	921
Ms. Cai Weimiao *(note iii)*	–	1,385	1,929	42	–	3,356
Ms. Cui Haijing *(note ii)*	–	16	19	1	4	40
Mr. Sun Jiantao *(note ii)*	–	61	36	1	–	98
	–	9,317	11,289	229	2,480	23,315

	Nine months ended 30 September 2023 (unaudited)					
	Fees	Salaries	Allowances and benefits in kind	Pension scheme contributions	Equity-settled share-based payment expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chief executive and executive directors:						
Mr. Zhang Hongchao	–	1,606	3,750	28	–	5,384
Mr. Zhang Hongfu	–	1,551	4,896	30	1,963	8,440
Ms. Luo Jing	–	1,855	3,741	33	–	5,629
Supervisors:						
Mr. Xi Yanhe	–	809	1,613	25	238	2,685
Ms. Yu Min	–	304	292	25	59	680
Ms. Cai Weimiao	–	1,176	1,613	32	–	2,821
	–	7,301	15,905	173	2,260	25,639

	Nine months ended 30 September 2024					
	Fees	Salaries	Allowances and benefits in kind	Pension scheme contributions	Equity-settled share-based payment expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chief executive and executive directors:						
Mr. Zhang Hongchao	–	2,508	3,690	35	–	6,233
Mr. Zhang Hongfu	–	2,512	3,000	33	–	5,545
Ms. Cai Weimiao *(note iii)*	–	1,480	1,500	32	–	3,012
Ms. Zhao Hongguo *(note ii)*	–	1,812	4,050	35	335	6,232
Supervisors:						
Ms. Yu Min	–	429	342	25	67	863
Ms. Cui Haijing *(note ii)*	–	436	453	25	67	981
Mr. Sun Jiantao *(note ii)*	–	1,935	750	31	–	2,716
	–	11,112	13,785	216	469	25,582

(note i) Mr. Li Kai, Ms. Huang Yanmin, Ms. Luo Jing and Mr. Xi Yanhe resigned on 18 December 2023.

(note ii) Mr. Chu Gary Hsi, Mr. Huang Sidney Xuande, Ms. Poon Philana Wai Yin, Ms. Zhao Hongguo, Ms. Cui Haijing and Mr. Sun Jiantao were appointed on 18 December 2023.

(note iii) Ms. Cai Weimiao was re-designated as the executive director from the Supervisor on 18 December 2023.

The fair value of the share award arrangement, which has been recognised in the consolidated statements of profit or loss over the vesting period, was determined as at the date of grant and the amounts included in the consolidated statements of profit or loss for each of the Relevant Periods and the nine months ended 30 September 2023 are included in the above chief executive's, executive directors' and supervisors' remuneration disclosures.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods and the nine months ended 30 September 2023.

10. FIVE HIGHEST PAID EMPLOYEES

The five individuals with the highest emoluments in the Group during the Relevant Periods and the nine months ended 30 September 2023 include 2, 2, 2, 3 and 3 directors, respectively, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining 3, 3, 3, 2 and 2 highest paid employees who are neither a director nor chief executive of the Company for the Relevant Periods and 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* *(Unaudited)*	*RMB'000*
Salaries, allowances and benefits in kind	14,656	18,437	15,935	11,266	9,509
Equity-settled share based payment expenses	983	983	492	–	–
Pension scheme contributions	87	96	113	54	57
	15,726	19,516	16,540	11,320	9,566

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
				(Unaudited)	
Nil to HK$3,000,000	–	–	–	–	–
HK$3,000,001 to HK$4,000,000	–	–	1	–	1
HK$4,000,001 to HK$5,000,000	–	–	–	–	–
HK$5,000,001 to HK$6,000,000	1	–	–	–	–
HK$6,000,001 to HK$7,000,000	2	–	–	2	1
HK$7,000,001 to HK$8,000,000	–	3	2	–	–
	3	3	3	2	2

11. INCOME TAX

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.

PRC corporate income tax

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the EIT rate of the Group's PRC subsidiaries is 25% unless subject to tax exemption set out below.

Certain subsidiaries that are engaged in the "Encouraged Industries in the Western Region" and eligible for the preferential EIT rate of 15%.

Certain subsidiaries that are domiciled and operate in Hainan Free Trade Port which meet the criteria of "more than 60% of the revenue generated from core business" are eligible for the preferential EIT rate of 15%.

Certain subsidiaries are engaged in agricultural product pre-treatment and eligible for relevant tax exemptions.

HK profit tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Relevant Periods and the nine months ended 30 September 2023, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Others

Subsidiaries incorporated in other countries are subject to the respective applicable corporate income tax rates of the countries where they are resident. Domestic statutory corporate income tax rate in Indonesia was 22% during the Relevant Periods and the nine months ended 30 September 2023. The income tax rates applicable to subsidiaries in Vietnam was 20% during the Relevant Periods and 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*
Current income tax	644,796	665,415	1,036,131	802,773	1,077,787
Deferred income tax *(note 30)*	2,136	(20,463)	(68,734)	(70,897)	(214)
	646,932	644,952	967,397	731,876	1,077,573

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate 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* *(Unaudited)*	*RMB'000*
Profit before tax	2,558,874	2,658,043	4,154,002	3,184,655	4,568,545
Tax at the PRC EIT rate of 25%	639,719	664,511	1,038,501	796,164	1,142,136
Effect of different tax rate	(18,562)	(39,417)	(72,345)	(62,066)	(93,988)
Adjustments in respect of current tax of previous years	1,982	7,538	3,168	3,168	6,721
Expenses not deductible for tax	22,179	14,233	8,371	4,726	6,102
Research and development super deduction	(1,640)	(4,595)	(6,807)	(4,194)	(5,243)
Tax losses and deductible temporary differences not recognised	3,258	2,682	6,802	4,319	22,945
Tax losses utilised from previous periods	(4)	–	(10,293)	(10,241)	(1,100)
	646,932	644,952	967,397	731,876	1,077,573

12. DIVIDENDS

	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*
Dividends declared by the Company	104,400	104,400	100,000	100,000	–

On 18 November 2021, the Company's shareholders approved the 2021 profit distribution plan at an annual general meeting, pursuant to which a dividend of RMB0.29 for every share of the Company's 360,000,000 shares, in an aggregate amount of RMB104,400,000, was paid in November and December 2021 to shareholders of the Company.

On 20 June 2022, the Company's shareholders approved the 2022 profit distribution plan at an annual general meeting, pursuant to which a dividend of RMB0.29 for every share of the Company's 360,000,000 shares, in an aggregate amount of RMB104,400,000, was paid in June 2022 to shareholders of the Company.

On 27 February 2023, the Company's shareholders approved the 2023 profit distribution plan at an annual general meeting, pursuant to which a dividend of approximate to RMB0.28 for every share of the Company's 360,000,000 shares, in an aggregate amount of RMB100,000,000, was paid in March 2023 to shareholders of the Company.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the years or periods attributable to owners of the parent, and the weighted average numbers of ordinary shares of 359,092,971, 360,000,000, 360,000,000, 360,000,000, and 360,000,000 during the Relevant Periods and nine months ended 30 September 2023, respectively.

	Year ended 31 December			Nine months ended 30 September	
	2021	2022	2023	2023	2024
				(Unaudited)	
Earnings					
Profit attributable to owners of the parent (RMB'000)	1,910,361	1,996,715	3,137,341	2,400,853	3,486,065
Shares					
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	359,092,971	360,000,000	360,000,000	360,000,000	360,000,000

The Group has no dilutive potential ordinary shares and accordingly, the diluted earnings per share for the Relevant Periods and nine months ended 30 September 2023 were the same as the basic earnings per share, respectively.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Leasehold improvements	Machinery	Motor vehicles	Furniture and fixtures	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2021							
At 1 January 2021:							
Cost	183,092	14,375	84,686	6,864	16,663	148,300	453,980
Accumulated depreciation and impairment	(1,538)	(4,367)	(15,552)	(3,510)	(5,591)	–	(30,558)
Net carrying amount	181,554	10,008	69,134	3,354	11,072	148,300	423,422
At 1 January 2021, net of accumulated depreciation and impairment	181,554	10,008	69,134	3,354	11,072	148,300	423,422
Additions	33,586	11,464	309,809	6,847	22,632	301,587	685,925
Depreciation provided during the year	(15,733)	(7,608)	(21,921)	(2,089)	(9,888)	–	(57,239)
Disposals	–	(590)	(2,787)	(292)	(115)	–	(3,784)
Transfers	346,879	3,478	12,907	–	29,484	(392,748)	–
Impairment	–	–	(14,591)	(43)	(193)	–	(14,827)
At 31 December 2021, net of accumulated depreciation and impairment	546,286	16,752	352,551	7,777	52,992	57,139	1,033,497
At 31 December 2021:							
Cost	563,557	28,727	400,254	12,871	68,232	57,139	1,130,780
Accumulated depreciation and impairment	(17,271)	(11,975)	(47,703)	(5,094)	(15,240)	–	(97,283)
Net carrying amount	546,286	16,752	352,551	7,777	52,992	57,139	1,033,497
31 December 2022							
At 1 January 2022:							
Cost	563,557	28,727	400,254	12,871	68,232	57,139	1,130,780
Accumulated depreciation and impairment	(17,271)	(11,975)	(47,703)	(5,094)	(15,240)	–	(97,283)
Net carrying amount	546,286	16,752	352,551	7,777	52,992	57,139	1,033,497
At 1 January 2022, net of accumulated depreciation and impairment	546,286	16,752	352,551	7,777	52,992	57,139	1,033,497
Additions	445	16,374	23,146	9,152	28,341	700,543	778,001
Depreciation provided during the year	(24,001)	(12,653)	(42,541)	(3,336)	(22,779)	–	(105,310)
Disposals	(76)	–	(1,369)	(186)	(26)	–	(1,657)
Transfers	1,210	–	40,363	–	774	(45,792)	(3,445)
At 31 December 2022, net of accumulated depreciation and impairment	523,864	20,473	372,150	13,407	59,302	711,890	1,701,086
At 31 December 2022:							
Cost	565,133	45,101	460,387	21,561	96,790	711,890	1,900,862
Accumulated depreciation and impairment	(41,269)	(24,628)	(88,237)	(8,154)	(37,488)	–	(199,776)
Net carrying amount	523,864	20,473	372,150	13,407	59,302	711,890	1,701,086

	Buildings	Leasehold improvements	Machinery	Motor vehicles	Furniture and fixtures	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2023							
At 1 January 2023:							
Cost	565,133	45,101	460,387	21,561	96,790	711,890	1,900,862
Accumulated depreciation and impairment	(41,269)	(24,628)	(88,237)	(8,154)	(37,488)	–	(199,776)
Net carrying amount	523,864	20,473	372,150	13,407	59,302	711,890	1,701,086
At 1 January 2023, net of accumulated depreciation and impairment	523,864	20,473	372,150	13,407	59,302	711,890	1,701,086
Additions	41,465	8,814	70,311	5,195	19,941	1,778,715	1,924,441
Depreciation provided during the year	(44,062)	(18,296)	(61,646)	(4,260)	(32,240)	–	(160,504)
Disposals	–	(2,418)	(1,520)	(17)	(600)	–	(4,555)
Disposal of a subsidiary	–	(491)	(1,071)	(9)	(101)	–	(1,672)
Transfers	1,246,367	6,903	482,042	241	69,673	(1,808,445)	(3,219)
Impairment	–	–	–	–	–	(65,524)	(65,524)
At 31 December 2023, net of accumulated depreciation and impairment	1,767,634	14,985	860,266	14,557	115,975	616,636	3,390,053
At 31 December 2023:							
Cost	1,852,965	56,596	1,010,148	26,970	185,702	682,160	3,814,541
Accumulated depreciation and impairment	(85,331)	(41,611)	(149,882)	(12,413)	(69,727)	(65,524)	(424,488)
Net carrying amount	1,767,634	14,985	860,266	14,557	115,975	616,636	3,390,053

	Buildings	Leasehold improvements	Machinery	Motor vehicles	Furniture and fixtures	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
30 September 2024							
At 1 January 2024:							
Cost	1,852,965	56,596	1,010,148	26,970	185,702	682,160	3,814,541
Accumulated depreciation and impairment	(85,331)	(41,611)	(149,882)	(12,413)	(69,727)	(65,524)	(424,488)
Net carrying amount	1,767,634	14,985	860,266	14,557	115,975	616,636	3,390,053
At 1 January 2024, net of accumulated depreciation and impairment	1,767,634	14,985	860,266	14,557	115,975	616,636	3,390,053
Additions	56,383	13,623	106,336	384	16,423	1,851,732	2,044,881
Depreciation provided during the period	(75,938)	(28,125)	(79,016)	(2,552)	(34,979)	–	(220,610)
Disposals	(87)	(731)	(23,101)	(1,970)	(975)	(27,919)	(54,783)
Transfers	339,720	7,815	250,738	275	12,780	(614,355)	(3,027)
At 30 September 2024, net of accumulated depreciation and impairment	2,087,712	7,567	1,115,223	10,694	109,224	1,826,094	5,156,514
At 30 September 2024:							
Cost	2,248,981	76,516	1,337,223	22,671	208,959	1,891,618	5,785,968
Accumulated depreciation and impairment	(161,269)	(68,949)	(222,000)	(11,977)	(99,735)	(65,524)	(629,454)
Net carrying amount	2,087,712	7,567	1,115,223	10,694	109,224	1,826,094	5,156,514

Company

	Buildings	Leasehold improvements	Machinery	Motor vehicles	Furniture and fixtures	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2021						
At 1 January 2021:						
Cost	–	4,933	189	1,026	1,563	7,711
Accumulated depreciation and impairment	–	(1,422)	(128)	(885)	(917)	(3,352)
Net carrying amount	–	3,511	61	141	646	4,359
At 1 January 2021, net of accumulated depreciation and impairment	–	3,511	61	141	646	4,359
Additions	27,426	1,414	21	813	4,063	33,737
Depreciation provided during the year	(733)	(2,369)	(21)	(242)	(922)	(4,287)
Disposals	–	(176)	(11)	(8)	(21)	(216)
At 31 December 2021, net of accumulated depreciation and impairment	26,693	2,380	50	704	3,766	33,593
At 31 December 2021:						
Cost	27,426	6,171	193	1,679	5,508	40,977
Accumulated depreciation and impairment	(733)	(3,791)	(143)	(975)	(1,742)	(7,384)
Net carrying amount	26,693	2,380	50	704	3,766	33,593
31 December 2022						
At 1 January 2022:						
Cost	27,426	6,171	193	1,679	5,508	40,977
Accumulated depreciation and impairment	(733)	(3,791)	(143)	(975)	(1,742)	(7,384)
Net carrying amount	26,693	2,380	50	704	3,766	33,593
At 1 January 2022, net of accumulated depreciation and impairment	26,693	2,380	50	704	3,766	33,593
Additions	445	5,755	17	810	1,463	8,490
Depreciation provided during the year	(1,310)	(4,516)	(18)	(241)	(1,727)	(7,812)
Disposals	–	–	(16)	–	(12)	(28)
At 31 December 2022, net of accumulated depreciation and impairment	25,828	3,619	33	1,273	3,490	34,243
At 31 December 2022:						
Cost	27,871	10,972	87	2,489	6,863	48,282
Accumulated depreciation and impairment	(2,043)	(7,353)	(54)	(1,216)	(3,373)	(14,039)
Net carrying amount	25,828	3,619	33	1,273	3,490	34,243

	Buildings	Leasehold improvements	Machinery	Motor vehicles	Furniture and fixtures	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2023						
At 1 January 2023:						
Cost	27,871	10,972	87	2,489	6,863	48,282
Accumulated depreciation and impairment	(2,043)	(7,353)	(54)	(1,216)	(3,373)	(14,039)
Net carrying amount	25,828	3,619	33	1,273	3,490	34,243
At 1 January 2023, net of accumulated depreciation and impairment	25,828	3,619	33	1,273	3,490	34,243
Additions	–	31	25	–	1,273	1,329
Depreciation provided during the year	(1,347)	(3,538)	(11)	(385)	(2,058)	(7,339)
Disposals	–	–	–	(8)	(18)	(26)
At 31 December 2023, net of accumulated depreciation and impairment	24,481	112	47	880	2,687	28,207
At 31 December 2023:						
Cost	27,871	11,003	112	2,329	7,983	49,298
Accumulated depreciation and impairment	(3,390)	(10,891)	(65)	(1,449)	(5,296)	(21,091)
Net carrying amount	24,481	112	47	880	2,687	28,207

	Buildings	Leasehold improvements	Machinery	Motor vehicles	Furniture and fixtures	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
30 September 2024							
At 1 January 2024:							
Cost	27,871	11,003	112	2,329	7,983	–	49,298
Accumulated depreciation and impairment	(3,390)	(10,891)	(65)	(1,449)	(5,296)	–	(21,091)
Net carrying amount	24,481	112	47	880	2,687	–	28,207
At 1 January 2024, net of accumulated depreciation and impairment	24,481	112	47	880	2,687	–	28,207
Additions	–	8,628	49	–	528	374,017	383,222
Depreciation provided during the period	(993)	(6,817)	(14)	(289)	(1,331)	–	(9,444)
Disposals	–	–	–	–	(49)	–	(49)
At 30 September 2024, net of accumulated depreciation and impairment	23,488	1,923	82	591	1,835	374,017	401,936
At 30 September 2024:							
Cost	27,871	19,631	161	2,329	8,016	374,017	432,025
Accumulated depreciation and impairment	(4,383)	(17,708)	(79)	(1,738)	(6,181)	–	(30,089)
Net carrying amount	23,488	1,923	82	591	1,835	374,017	401,936

15. LEASES

The Group as a lessee

The Group has lease contracts for items of warehouses and office premises used in its operations. Lump sum payments were made upfront to acquire the land use rights with periods of 50 years, and no ongoing payments will be made under the terms of these land use rights. Leases of warehouses and office premises generally have lease terms between 1.5 years and 5 years.

(a) Right-of-use assets

Group

The carrying amounts of right-of-use assets and the movements during the Relevant Periods are as follows:

	Warehouses and office premises	Land use rights	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2021	68,142	33,046	101,188
Additions	94,962	12,493	107,455
Depreciation charge	(41,486)	(877)	(42,363)
Termination	(249)	–	(249)
As at 31 December 2021 and 1 January 2022	121,369	44,662	166,031
Additions	125,534	253,943	379,477
Depreciation charge	(71,628)	(4,154)	(75,782)
Termination	(24,166)	–	(24,166)
As at 31 December 2022 and 1 January 2023	151,109	294,451	445,560
Additions	94,100	41	94,141
Disposal of a subsidiary	(720)	–	(720)
Depreciation charge	(98,268)	(5,204)	(103,472)
Termination	(8,523)	–	(8,523)
As at 31 December 2023 and 1 January 2024	137,698	289,288	426,986
Additions	47,409	870	48,279
Disposal of a subsidiary	–	–	–
Depreciation charge	(69,806)	(4,558)	(74,364)
Termination	(22,381)	–	(22,381)
As at 30 September 2024	92,920	285,600	378,520

Company

The carrying amounts of right-of-use assets and the movements during the Relevant Periods are as follows:

	Warehouses and office premises
	RMB'000
As at 1 January 2021	5,888
Additions	71
Depreciation charge	(2,083)
As at 31 December 2021 and 1 January 2022	3,876
Additions	878
Depreciation charge	(2,065)
As at 31 December 2022 and 1 January 2023	2,689
Additions	2,508
Depreciation charge	(1,945)
As at 31 December 2023 and 1 January 2024	3,252
Additions	137
Depreciation charge	(999)
Termination	(2,301)
As at 30 September 2024	89

(b) Lease liabilities

Group

The carrying amount of lease liabilities and the movements during the Relevant Periods are as follows:

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	60,974	112,729	141,549	126,425
New leases	94,962	125,534	94,100	47,409
Disposal of a subsidiary	–	–	(658)	–
Accretion of interest recognised during the year/period	4,800	5,912	7,456	3,239
Payments	(46,510)	(82,311)	(107,331)	(65,266)
Termination	(1,497)	(20,315)	(8,691)	(23,386)
At end of year/period	112,729	141,549	126,425	88,421
Analysed into:				
Current portion	50,321	78,813	72,065	50,689
Non-current portion	62,408	62,736	54,360	37,732

Company

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	4,449	2,750	1,537	2,232
New leases	71	878	2,508	137
Accretion of interest recognised during the year/period	195	115	147	1
Payments	(1,965)	(2,206)	(1,960)	(130)
Termination	–	–	–	(2,232)
At end of year/period	2,750	1,537	2,232	8
Analysed into:				
Current portion	1,457	1,537	425	8
Non-current portion	1,293	–	1,807	–

The maturity analysis of lease liabilities is disclosed in note 41 to the Historical Financial Information.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

Group

	Years ended 31 December			Nine months ended 30 September	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Interest on lease liabilities	4,800	5,912	7,456	5,976	3,239
Depreciation charge of right-of-use assets	42,363	75,782	103,472	78,684	74,364
(Gain)/loss on early termination of leases	(1,248)	3,851	(168)	(158)	(1,005)
Expense relating to short-term leases	1,097	5,612	12,921	9,450	13,449
Total amount recognised in profit or loss	47,012	91,157	123,681	93,952	90,047

Company

	Years ended 31 December			Nine months ended 30 September	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Interest on lease liabilities	195	115	147	121	1
Depreciation charge of right-of-use assets	2,083	2,065	1,945	1,486	999
Loss on early termination of leases	–	–	–	–	69
Expense relating to short-term leases	–	11	164	45	415
Total amount recognised in profit or loss	2,278	2,191	2,256	1,652	1,484

(d) The total cash outflows for leases are disclosed in note 34(c) to the Historical Financial Information.

16. OTHER INTANGIBLE ASSETS

Group

	Software
	RMB'000
31 December 2021	
At 1 January 2021:	
Cost	5,857
Accumulated amortisation	(1,387)
Net carrying amount	4,470
Cost at 1 January 2021, net of accumulated amortisation	4,470
Additions	5,756
Amortisation provided during the year	(1,197)
At 31 December 2021, net of accumulated amortisation	9,029
At 31 December 2021:	
Cost	11,613
Accumulated amortisation	(2,584)
Net carrying amount	9,029

	Software
	RMB'000
31 December 2022	
Cost at 1 January 2022, net of accumulated amortisation	9,029
Additions	10,790
Transfers	3,445
Amortisation provided during the year	(2,672)
Disposal	(1)
At 31 December 2022, net of accumulated amortisation	20,591
At 31 December 2022:	
Cost	25,837
Accumulated amortisation	(5,246)
Net carrying amount	20,591
31 December 2023	
At 1 January 2023:	
Cost	25,837
Accumulated amortisation	(5,246)
Net carrying amount	20,591
Cost at 1 January 2023, net of accumulated amortisation	20,591
Additions	5,614
Transfer	3,219
Amortisation provided during the year	(3,800)
At 31 December 2023, net of accumulated amortisation	25,624
At 31 December 2023:	
Cost	34,670
Accumulated amortisation	(9,046)
Net carrying amount	25,624
30 September 2024	
At 1 January 2024:	
Cost	34,670
Accumulated amortisation	(9,046)
Net carrying amount	25,624
Cost at 1 January 2024, net of accumulated amortisation	25,624
Additions	1,997
Transfer	3,027
Amortisation provided during the period	(3,220)
At 30 September 2024, net of accumulated amortisation	27,428
At 30 September 2024:	
Cost	39,694
Accumulated amortisation	(12,266)
Net carrying amount	27,428

Company

	Software
	RMB'000
31 December 2021	
At 1 January 2021:	
Cost	594
Accumulated amortisation	(27)
Net carrying amount	567
Cost at 1 January 2021, net of accumulated amortisation	567
Additions	284
Amortisation provided during the year	(83)
At 31 December 2021, net of accumulated amortisation	768
At 31 December 2021:	
Cost	878
Accumulated amortisation	(110)
Net carrying amount	768
31 December 2022	
At 1 January 2022:	
Cost	878
Accumulated amortisation	(110)
Net carrying amount	768
Cost at 1 January 2022, net of accumulated amortisation	768
Additions	2,185
Amortisation provided during the year	(141)
At 31 December 2022, net of accumulated amortisation	2,812
At 31 December 2022:	
Cost	3,063
Accumulated amortisation	(251)
Net carrying amount	2,812
31 December 2023	
At 1 January 2023:	
Cost	3,063
Accumulated amortisation	(251)
Net carrying amount	2,812
Cost at 1 January 2023, net of accumulated amortisation	2,812
Additions	135
Amortisation provided during the year	(314)
At 31 December 2023, net of accumulated amortisation	2,633
At 31 December 2023:	
Cost	3,198
Accumulated amortisation	(565)
Net carrying amount	2,633

	Software
	RMB'000
30 September 2024	
At 1 January 2024:	
Cost	3,198
Accumulated amortisation	(565)
Net carrying amount	2,633
Cost at 1 January 2024, net of accumulated amortisation	2,633
Additions	–
Amortisation provided during the period	(240)
At 30 September 2024, net of accumulated amortization	2,393
At 30 September 2024:	
Cost	3,198
Accumulated amortisation	(805)
Net carrying amount	2,393

17. INVESTMENT IN AN ASSOCIATE/INVESTMENTS IN SUBSIDIARIES

Group

Investment in an associate

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Share of net assets	2,820	3,016	–

In April 2022, the Group acquired 30% equity interest in Henan Jizhuangxiang Catering Management Co., Ltd. ("Henan Jizhuangxiang"), a domestic company with principle activity of food-selling, at a cash consideration of RMB3,000,000. As the voting power of Henan Jizhuangxiang is determined by subscribed capital contribution under its articles of association, the Group has the power to participate in the financial and operating policy decisions and therefore can exercise significant influence over Henan Jizhuangxiang.

The following table illustrates the aggregate financial information of the Group's associate that is not individually material:

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Share of the associate's (losses)/profits for the year/period	(180)	196	(3,016)
Share of the associate's total comprehensive (losses)/income	(180)	196	(3,016)
Aggregate carrying amount of the Group's investments in the associate	2,820	3,016	–

Company

Investments in subsidiaries

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Daka International Food Co., Ltd. ("大咖國際食品有限公司")	259,982	264,617	266,503	267,743
Zhengzhou Baodao Technology Co., Ltd. ("鄭州寶島科技有限公司")	111,454	112,781	112,934	113,102
Snow King Smart Supply Chain (Sichuan) Co., Ltd. ("雪王智慧供應鏈(四川)有限公司")	100,000	100,131	100,437	100,504
Chongqing Snow King Agriculture Co., Ltd. ("重慶雪王農業有限公司")	70,000	100,000	100,677	101,570
Daka International Enterprise Management Co., Ltd. ("大咖國際企業管理有限公司")	41,810	100,000	100,000	300,000
MIXUE International Enterprise Management Co., Ltd. ("蜜雪國際企業管理有限公司")	–	60,000	100,380	100,596
Shangdao Smart Supply Chain Co., Ltd. ("上島智慧供應鏈有限公司")	53,276	54,300	55,115	55,584
Others	143,633	181,601	267,487	438,898
	780,155	973,430	1,103,533	1,477,997

18. EQUITY INVESTMENT DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity investment designated at fair value through other comprehensive income				
Unlisted equity investment, at fair value				
Guangdong Huicha Catering Management Co., Ltd.	11,400	11,400	10,460	6,590

The above equity investment was irrevocably designated at fair value through other comprehensive income as the Group considers this investment to be strategic in nature.

19. OTHER NON-CURRENT ASSETS

Group

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments for property, plant and equipment	996,799	1,166,055	1,165,367	139,657
Prepayments for other intangible assets	2,248	181	–	2,626
Long-term rental deposit	–	–	11,986	2,559
	999,047	1,166,236	1,177,353	144,842

Company

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments for property, plant and equipment	302,472	344,322	328,465	657
Long-term bank deposit	–	–	–	2
	302,472	344,322	328,465	659

20. INVENTORIES

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	555,119	513,808	899,048	591,312
Finished goods	699,806	1,001,747	1,278,341	1,274,087
Work in progress	827	28,387	89,645	38,179
	1,255,752	1,543,942	2,267,034	1,903,578
Provision for impairment of inventories	(3,837)	(2,786)	(35,320)	(63,809)
Total	1,251,915	1,541,156	2,231,714	1,839,769

During the Relevant Periods, the impairment of inventories recognised in cost of sales amounted to RMB2,297,000, RMB2,076,000, RMB32,189,000 and RMB40,259,000, respectively.

21. TRADE RECEIVABLES

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	2,199	16,313	32,191	22,576
Impairment	(169)	(903)	(3,718)	(1,070)
Total	2,030	15,410	28,473	21,506

Amount due from the related parties included in the Group's trade receivables are nil, RMB7,000, nil and RMB37,000 as at 31 December 2021, 2022 and 2023 and 30 September 2024, respectively, which are recoverable within one year.

Advance payment is normally required for the sale to franchisees. For certain non-franchisee corporate customers, credit period are granted generally one month and 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. In view of the aforementioned and the fact that the Group's trade receivables relate to various diversified customers, there is no significant concentration of credit risk. 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 31 December 2021, 2022 and 2023 and 30 September 2024, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	2,000	15,240	28,473	21,506
1 to 2 years	30	164	–	–
2 to 3 years	–	6	–	–
Total	2,030	15,410	28,473	21,506

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	188	169	903	3,718
Impairment loss, net	(15)	734	3,348	2,213
Amount written off as uncollectible	(4)	–	(533)	(4,861)
At end of year/period	169	903	3,718	1,070

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. The Group considers the characteristics of the shared credit risk and the aging of the trade receivables to measure the expected credit losses. Majority of the receivables were neither past due nor impaired and relate to diversified customers.

To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Forward-looking information was also incorporated. The expected credit loss rates were 7.69%, 5.54%, 11.55% and 4.74% as at 31 December 2021, 2022 and 2023 and 30 September 2024, respectively.

22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

Group

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	110,723	131,998	108,002	111,260
Deposits and other receivables	26,785	57,948	27,132	99,846
Recoverable VAT	26,987	85,570	216,147	244,413
Other assets	23,383	37,422	54,862	38,374
	187,878	312,938	406,143	493,893
Impairment allowance	(5,986)	(8,399)	(1,715)	(3,026)
	181,892	304,539	404,428	490,867

Amount due to the related parties included in the Group's prepayments, other receivables and other assets are RMB289,000, RMB707,000, RMB288,000 and RMB788,000 as at 31 December 2021, 2022 and 2023 and 30 September 2024, respectively, which are recoverable within one year.

Company

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	1,368	3,984	2,867	8,659
Deposits and other receivables	312	768	3,768	11,048
Recoverable VAT	1,487	1,169	19,786	4
Other assets	4,499	10,134	6,697	7,156
	7,666	16,055	33,118	26,867
Impairment allowance	(79)	(198)	(2)	(1,818)
	7,587	15,857	33,116	25,049

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Wealth management products	900,237	1,865,676	746,046	2,842,603

The wealth management products include structured deposits.

Company

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Wealth management products	361,921	585,197	222,139	1,893,559

24. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND TIME DEPOSITS

Group

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Cash and cash equivalents	2,675,827	2,764,138	5,621,904	5,980,396
Time deposits mature within one year	–	–	10,056	311,284
Restricted cash	61,865	65,146	105,564	20,475
	2,737,692	2,829,284	5,737,524	6,312,155
Non-current				
Time deposits mature over one year	–	–	300,000	1,287,420
Denominated in:				
RMB	2,724,724	2,725,303	5,805,181	7,401,639
USD	1,914	20,579	39,693	91,401
HKD	–	–	156	2,670
VND	5,376	55,090	26,668	49,748
IDR	5,678	28,312	153,457	1,729
THB	–	–	5,437	16,619
MYR	–	–	6,932	35,769
	2,737,692	2,829,284	6,037,524	7,599,575

The RMB is not freely convertible into other currencies, however, under Regulations on the Foreign Exchange Control of the PRC and the Administrative Regulations on Settlements, Sales and Payments in Foreign Exchange, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Company

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Cash and cash equivalents	1,503,022	1,009,315	1,397,094	2,433,061
Time deposits mature within one year	–	–	–	150,433
Restricted cash	57,795	–	1	1
	1,560,817	1,009,315	1,397,095	2,583,495
Non-current				
Time deposits mature over one year	–	–	300,000	508,340
Denominated in:				
RMB	1,560,817	1,009,315	1,697,095	3,091,835

25. TRADE PAYABLES

An ageing analysis of the trade payables as at 31 December 2021, 2022 and 2023 and 30 September 2024, based on the invoice date, is as follows:

Group

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	551,991	826,680	1,178,493	1,572,628
1 to 3 months	31,240	49,550	130,038	15,189
3 to 6 months	9,888	3,172	4,904	6,754
6 months to 1 year	2,997	875	2,374	9,337
Over 1 year	565	1,529	971	785
	596,681	881,806	1,316,780	1,604,693

Trade payables are non-interest-bearing and normally settled on terms of within 30 days. Amounts due to a related party included in the Group's trade payables are nil, nil, RMB1,694,000 and RMB2,813,000 as at 31 December 2021, 2022 and 2023 and 30 September 2024, respectively.

Company

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	12,541	1,825	1,116	1,125
1 to 3 months	–	20	–	–
3 to 6 months	121	50	–	–
6 months to 1 year	27	12	–	–
	12,689	1,907	1,116	1,125

26. OTHER PAYABLES AND ACCRUALS

Group

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current:				
Payroll and welfare payable	170,350	256,886	336,072	260,925
Deposit payable	261,527	466,082	689,513	962,984
Accruals and other payables	132,150	146,435	498,708	424,326
Other tax payable	36,726	40,793	47,322	113,874
	600,753	910,196	1,571,615	1,762,109
Non-current:				
Accrual and other payables	–	–	60,408	58,323

Deposit payables arise from payments from franchisees according to the franchise agreements. Accruals and other payables mainly represent payables for property, plant and equipment.

Amounts due to related parties included in the Group's other payables and accruals are RMB4,641,000, RMB26,000, RMB157,000 and RMB204,000 as at 31 December 2021, 2022 and 2023 and 30 September 2024, respectively.

Except for payables for property, plant and equipment, other payables and accruals were non-interest-bearing and repayable on demand.

Company

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payroll and welfare payable	34,214	46,471	67,964	48,600
Deposit payable	236,761	375,592	553,350	764,056
Accruals and other payables	3,572	1,817	10,817	13,112
Other tax payable	1,340	2,155	1,644	9,087
	275,887	426,035	633,775	834,855

27. CONTRACT LIABILITIES

Group

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current:				
Sales of goods and equipment	192,462	74,436	25,711	59,972
Franchise and related services	113,355	123,869	233,560	350,795
	305,817	198,305	259,271	410,767
Non-current:				
Franchise and related services	527	6,595	24,975	12,413

Company

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current:				
Franchise and related services	109,660	103,542	202,186	308,218

Contract liabilities of the Group mainly arise from the advance payments received from franchisees for goods and equipment and deferred upfront franchise and related services fees from franchised stores.

28. DEFERRED INCOME

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Government grants	2,001	58,024	122,407	124,754

Movements in government grants of the Group during the Relevant Periods are as follows:

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	–	2,001	58,024	122,407
Government grants received	2,010	56,691	67,175	7,480
Credited to the consolidated statements of profit or loss during the year/period	(9)	(668)	(2,792)	(5,133)
At end of year/period	2,001	58,024	122,407	124,754

The Group received government grants related to capital expenditure incurred for property, plant and equipment. The amounts are deferred and amortised over the estimated useful lives of the respective assets.

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 31 December 2021		
	Effective interest rate	Maturity	RMB'000
	(%)		
Current			
Bank loans – unsecured	4.00	2022	30,030
			30,030

	Note	As at 31 December 2022		
		Effective interest rate	Maturity	RMB'000
		(%)		
Current				
Bank loans – secured	*(i)*	3.10	2023	50,000
Bank loans – unsecured		3.50	2023	90,088
				140,088

	As at 31 December 2023		
	Effective interest rate	Maturity	RMB'000
	(%)		
Current			
Bank loans – unsecured	2.80%-3.00%	2024	240,211
Other borrowings – unsecured	\	2024	19,537
			259,748

	As at 30 September 2024		
	Effective interest rate	Maturity	RMB'000
	(%)		
Current			
Other borrowings – secured	\	2024	4,536
			4,536

(i) Certain bank loan amounting to RMB50,000,000 was secured by the Group's restricted bank deposits amounting to RMB50,000,000 as of 31 December 2022.

30. DEFERRED TAX

The movements in deferred tax assets during the Relevant Periods are as follows:

	Impairment of assets	Unrealised gains arising from intra-group transactions	Losses available for offsetting against future taxable profits	Government grants received not yet recognised as income	Unrealised losses from financial assets at fair value through profit or loss	Lease liabilities	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	2,873	9,080	11,237	–	–	4,426	–	27,616
Deferred tax credited/(charged) to the consolidated statements of profit or loss during the year . . .	1,589	2,938	(4,604)	500	–	10,212	–	10,635
Gross deferred tax assets at 31 December 2021	4,462	12,018	6,633	500	–	14,638	–	38,251

	Impairment of assets	Unrealised gains arising from intra-group transactions	Losses available for offsetting against future taxable profits	Government grants received not yet recognised as income	Unrealised losses from financial assets at fair value through profit or loss	Lease liabilities	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	4,462	12,018	6,633	500	–	14,638	–	38,251
Deferred tax credited to the consolidated statements of profit or loss during the year	1,057	314	2,013	14,006	595	7,551	–	25,536
Gross deferred tax assets at 31 December 2022	5,519	12,332	8,646	14,506	595	22,189	–	63,787
At 1 January 2023	5,519	12,332	8,646	14,506	595	22,189	–	63,787
Deferred tax credited/(charged) to the consolidated statements of profit or loss during the year	19,808	21,380	14,957	11,322	(595)	74	5,582	72,528
Gross deferred tax assets at 31 December 2023	25,327	33,712	23,603	25,828	–	22,263	5,582	136,315
At 1 January 2024	25,327	33,712	23,603	25,828	–	22,263	5,582	136,315
Deferred tax credited/(charged) to the consolidated statements of profit or loss during the period	7,913	(2,052)	(1,611)	97	–	(1,409)	(4,942)	(2,004)
Gross deferred tax assets at 30 September 2024	33,240	31,660	21,992	25,925	–	20,854	640	134,311

As at 31 December 2021, 2022 and 2023 and 30 September 2024, deferred tax assets have not been recognised in respect of tax losses of RMB54,027,000, RMB73,768,000, RMB47,176,000 and RMB130,880,000 arising in Mainland China, respectively, which will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of the tax losses and deductible temporary differences as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses and deductible temporary differences can be utilised.

The movements in deferred tax liabilities during the Relevant Periods are as follows:

	Right-of-use assets	Unrealised gains from financial assets at fair value through profit or loss	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2021	4,426	–	4,426
Deferred tax charged to the consolidated statement of profit or loss during the year	10,212	2,559	12,771
Gross deferred tax liabilities at 31 December 2021	14,638	2,559	17,197

	Right-of-use assets	Unrealised gains from financial assets at fair value through profit or loss	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2022	14,638	2,559	17,197
Deferred tax (charged)/credited to the consolidated statement of profit or loss during the year	7,551	(2,478)	5,073
Gross deferred tax liabilities at 31 December 2022	22,189	81	22,270
At 1 January 2023	22,189	81	22,270
Deferred tax charged to the consolidated statement of profit or loss during the year	2,007	1,787	3,794
Gross deferred tax liabilities at 31 December 2023	24,196	1,868	26,064
At 1 January 2024	24,196	1,868	26,064
Deferred tax charged to the consolidated statement of profit or loss during the period	(2,073)	(145)	(2,218)
Gross deferred tax liabilities at 30 September 2024	22,123	1,723	23,846

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statements of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	23,613	41,598	111,889	112,119
Net deferred tax liabilities recognised in the consolidated statement of financial position	2,559	81	1,638	1,654

31. SHARE CAPITAL

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Issued and fully paid:				
Ordinary shares	360,000	360,000	360,000	360,000

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital
		RMB'000
At 1 January 2021	107,936,491	107,936
Issue of shares	5,442,176	5,442
Transfer from capital reserve*	246,621,333	246,622
At 31 December 2021, 2022 and 2023 and 30 September 2024	360,000,000	360,000

* As approved in the extraordinary general meeting held on 6 February 2021, the Company has transferred capital reserve of RMB246,621,333 to share capital with a nominal value of RMB1 per share.

32. RESERVES

The amounts of the Group's reserves and the movements therein are presented in the consolidated statements of changes in equity in the Historical Financial Information.

(a) Statutory reserve

In accordance with the Company Law of the PRC, companies registered in the PRC are required to allocate 10% of the statutory after tax profits to the statutory reserve until the cumulative total of the reserve reaches 50% of the companies registered capital. Subject to approval from the relevant PRC authorities, the statutory reserve may be used to offset any accumulated losses or increase the registered capital of the companies. The statutory reserve is not available for dividend distribution to equity holders of the PRC subsidiaries.

(b) Capital reserve

The capital reserve represents (i) the excess of capital contributions from the equity holders of the Company over the share capital; (ii) the acquisition of minority interest of the Group's subsidiaries and (iii) the conversion into a joint stock company with limited liability underwent in 2020. Details of the movement in capital reserve are set out in the consolidated statements of changes in equity of the Historical Financial Information.

(c) Equity-settled share-based payment reserve

The equity-settled share-based payment reserve comprises the fair value of equity-settled share-based payment granted, as further explained in note 33.

(d) Fair value reserve of financial assets at fair value through other comprehensive income

The fair value reserve of financial assets at fair value through other comprehensive income compromises the cumulative loss of equity investment designed as fair value through other comprehensive income, as further explained in Note 18.

(e) Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial information of entities of which the functional currency is not RMB.

(f) Reserve movement of the Company

Year ended 31 December 2021

	Capital reserve	Statutory reserve	Equity-settled share-based payment reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	1,698,452	–	9,131	(1,482)	1,706,101
Profit for the year	–	–	–	153,834	153,834
Total comprehensive income for the year	–	–	–	153,834	153,834
Issue of shares	1,114,558	–	–	–	1,114,558
Equity-settled share-based payment arrangements	–	–	22,554	–	22,554
Transfer from capital reserves	(246,622)	–	–	–	(246,622)
Transfer from retained profits	–	17,297	–	(17,297)	–
Dividend	–	–	–	(104,400)	(104,400)
At 31 December 2021	2,566,388	17,297	31,685	30,655	2,646,025

Year ended 31 December 2022

	Capital reserve	Statutory reserve	Equity-settled share-based payment reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	2,566,388	17,297	31,685	30,655	2,646,025
Profit for the year	–	–	–	213,548	213,548
Total comprehensive income for the year	–	–	–	213,548	213,548
Equity-settled share-based payment arrangements	–	–	24,981	–	24,981
Transfer from retained profits	–	21,355	–	(21,355)	–
Dividend	–	–	–	(104,400)	(104,400)
At 31 December 2022	2,566,388	38,652	56,666	118,448	2,780,154

Year ended 31 December 2023

	Capital reserve	Statutory reserve	Equity-settled share-based payment reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	2,566,388	38,652	56,666	118,448	2,780,154
Profit for the year	–	–	–	1,518,310	1,518,310
Total comprehensive income for the year	–	–	–	1,518,310	1,518,310
Equity-settled share-based payment arrangements	–	–	16,427	–	16,427
Transfer from retained profits	–	141,348	–	(141,348)	–
Dividend	–	–	–	(100,000)	(100,000)
At 31 December 2023	2,566,388	180,000	73,093	1,395,410	4,214,891

Nine months ended 30 September 2023

	Capital reserve	Statutory reserve	Equity-settled share-based payment reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	2,566,388	38,652	56,666	118,448	2,780,154
Profit for the period (unaudited)	–	–	–	(5,913)	(5,913)
Total comprehensive income for the period (unaudited)	–	–	–	(5,913)	(5,913)
Equity-settled share-based payment arrangements (unaudited)	–	–	8,687	–	8,687
Dividend (unaudited)	–	–	–	(100,000)	(100,000)
At 30 September 2023 (unaudited)	2,566,388	38,652	65,353	12,535	2,682,928

Nine months ended 30 September 2024

	Capital reserve	Statutory reserve	Equity-settled share-based payment reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2024	2,566,388	180,000	73,093	1,395,410	4,214,891
Profit for the period	–	–	–	325,546	325,546
Total comprehensive income for the period	–	–	–	325,546	325,546
Equity-settled share-based payment arrangements	–	–	8,007	–	8,007
At 30 September 2024	2,566,388	180,000	81,100	1,720,956	4,548,444

33. SHARE BASED PAYMENT

The following equity-settled share-based payment was outstanding under the defined Scheme during the year/period:

	Weighted average exercise price	Number of shares
	RMB per share	*'000*
At 1 January 2021	19.60	569
Granted	19.60	5
Vested	19.60	(5)
Forfeited	19.60	(5)
At 31 December 2021	19.60	564
At 1 January 2022	19.60	564
Granted	19.60	28
Vested	19.60	(13)
Forfeited	19.60	(28)
At 31 December 2022	19.60	551
At 1 January 2023	19.60	551
Granted	19.60	15
Vested	19.60	(5)
Forfeited	19.60	(5)
At 31 December 2023	19.60	556
At 1 January 2024	19.60	556
Granted	–	–
Vested	–	–
Forfeited	–	–
At 30 September 2024	19.60	556

The fair value of equity-settled share-based payment granted was estimated as at the date of grant using recent transaction price, taking into account the terms and conditions upon which the shares were granted.

34. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transaction

During the Relevant Periods and the nine months ended 30 September 2023, the Group had non-cash additions to right-of-use assets of RMB94,962,000, RMB125,534,000, RMB94,100,000, RMB79,783,000 and RMB47,409,000 and lease liabilities of RMB94,962,000, RMB125,534,000, RMB94,100,000, RMB79,783,000 and RMB47,409,000, respectively, in respect of lease agreements.

(b) Changes in liabilities arising from financing activities

Year ended 31 December 2021

	Bank and other borrowings	Lease liabilities
	RMB'000	*RMB'000*
At 1 January 2021	–	60,974
Changes from financing cash flows	30,000	(46,510)
Interest accrued	30	–
New leases	–	94,962
Accretion of interest recognised during the year	–	4,800
Termination of lease contracts	–	(1,497)
At 31 December 2021	30,030	112,729

Year ended 31 December 2022

	Bank and other borrowings	Lease liabilities
	RMB'000	*RMB'000*
At 1 January 2022	30,030	112,729
Changes from financing cash flows	109,970	(82,311)
Interest accrued	88	–
New leases	–	125,534
Accretion of interest recognised during the year	–	5,912
Termination of lease contracts	–	(20,315)
At 31 December 2022	140,088	141,549

Year ended 31 December 2023

	Bank and other borrowings	Lease liabilities
	RMB'000	*RMB'000*
At 1 January 2023	140,088	141,549
Changes from financing cash flows	112,419	(107,331)
Interest accrued	7,241	–
New leases	–	94,100
Accretion of interest recognised during the year	–	7,456
Disposal of a subsidiary	–	(658)
Termination of lease contracts	–	(8,691)
At 31 December 2023	259,748	126,425

Nine months ended 30 September 2023

	Bank and other borrowings	Lease liabilities
	RMB'000 *(unaudited)*	*RMB'000* *(unaudited)*
At 1 January 2023	140,088	141,549
Changes from financing cash flows	149,912	(80,354)
Interest accrued	192	–
New leases	–	79,783
Accretion of interest recognised during the period	–	5,976
Termination of lease contracts	–	(7,593)
At 30 September 2023	290,192	139,361

Nine months ended 30 September 2024

	Bank and other borrowings	Lease liabilities
	RMB'000	*RMB'000*
At 1 January 2024	259,748	126,425
Changes from financing cash flows	(257,452)	(65,266)
Interest accrued	2,240	–
New leases	–	47,409
Accretion of interest recognised during the period	–	3,239
Disposal of a subsidiary	–	–
Termination of lease contracts	–	(23,386)
At 30 September 2024	4,536	88,421

(c) Total cash outflows for leases

The total cash outflows for leases included in the consolidated statements of cash flows 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* *(Unaudited)*	*RMB'000*
Within operating activities	1,097	5,612	12,921	9,450	13,449
Within investing activities	673	253,943	41	41	870
Within financing activities	46,510	82,311	107,331	80,354	65,266
	48,280	341,866	120,293	89,845	79,585

35. CONTINGENT LIABILITIES

As at 31 December 2021, 2022 and 2023 and 30 September 2024, neither the Group nor the Company had any significant contingent liabilities.

36. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank and other borrowings are included in notes 29 to the Historical Financial Information.

37. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for purchase of property, plant and equipment	318,721	635,237	574,038	442,324
Capital contributions payable to a joint venture	–	–	6,000	6,000
	318,721	635,237	580,038	448,324

38. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the Relevant Periods and nine months ended 30 September 2023:

(a) Transactions with related parties:

	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*
Sales of products and services to related parties					
Key management personnel	589	–	–	–	–
Other related parties	53	119	109	49	127

	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*
Purchases of products and services from related parties					
An associate	–	2,767	21,839	17,068	27,957
Key management personnel	–	–	–	–	178
Other related parties	–	–	37	37	44
Lease from related parties					
Key management personnel	5,266	497	1,855	1,625	849

(b) Other transactions with related parties:

	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*
Expense					
Key management personnel	458	–	–	–	20
Other					
Key management personnel	150	–	–	–	–

Other transaction refers to the transfer of store from a shareholder of the Company in 2021 for an amount of RMB150,000.

(c) Outstanding balances with related parties:

Amounts due from related parties:

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade related:				
An associate	–	454	–	–
Other related parties	–	10	78	46
Key management personnel and those closely related to them	289	250	210	779
	289	714	288	825

Amounts due to related parties:

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade related:				
An associate	–	–	1,694	2,659
Key management personnel and those closely related to them	4,641	26	157	358
	4,641	26	1,851	3,017

Amounts due from related parties were unsecured, interest-free and repayable on credit terms, and amounts due to a related party were unsecured, interest-free and repayable on demand.

(d) Compensation of key management personnel of the Group:

	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*
Salaries, allowances and benefits in kind	18,381	20,479	24,015	25,552	34,406
Pension scheme contributions	147	179	269	209	273
Equity-settled share-based payment expenses	1,933	5,555	2,480	2,260	469
Total compensation paid to key management personnel	20,461	26,213	26,764	28,021	35,148

Further details of directors' and the chief executive's emoluments are included in note 9 to the Historical Financial Information.

(e) Due from subsidiaries

As at 31 December 2021, 2022 and 2023 and 30 September 2024, amounts due from subsidiaries are all trade in nature, unsecured, interest free and repayable on demand. The carrying amounts of balances with subsidiaries approximate their fair values and are denominated in RMB.

(f) Due to subsidiaries

As at 31 December 2021, 2022 and 2023 and 30 September 2024, amounts due from subsidiaries are mainly cash pooling payable, and are unsecured, interest free and repayable on demand. The carrying amounts of balances with subsidiaries approximate their fair values and are denominated in RMB.

39. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at 31 December 2021, 2022 and 2023 and 30 September 2024 are as follows:

31 December 2021

Financial assets	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		
	Mandatorily	Equity investment	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity investments designated at fair value through other comprehensive income	–	11,400	–	11,400
Financial assets at fair value through profit or loss	900,237	–	–	900,237
Trade receivables	–	–	2,030	2,030
Financial assets included in prepayments, other receivables and other assets	–	–	20,799	20,799
Restricted cash	–	–	61,865	61,865
Cash and cash equivalents	–	–	2,675,827	2,675,827
	900,237	11,400	2,760,521	3,672,158

Financial liabilities	Financial liabilities at amortised cost
	RMB'000
Trade payables	596,681
Financial liabilities included in other payables and accruals	393,677
Interest-bearing bank and other borrowings	30,030
	1,020,388

31 December 2022

Financial assets	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		
	Mandatorily	Equity investment	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity investments designated at fair value through other comprehensive income	–	11,400	–	11,400
Financial assets at fair value through profit or loss	1,865,676	–	–	1,865,676
Trade receivables	–	–	15,410	15,410
Financial assets included in prepayments, other receivables and other assets	–	–	49,549	49,549
Restricted cash	–	–	65,146	65,146
Cash and cash equivalents	–	–	2,764,138	2,764,138
	1,865,676	11,400	2,894,243	4,771,319

Financial liabilities	Financial liabilities at amortised cost
	RMB'000
Trade payables	881,806
Financial liabilities included in other payables and accruals	612,517
Interest-bearing bank and other borrowings	140,088
	1,634,411

31 December 2023

Financial assets	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		
	Mandatorily	Equity investment	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity investments designated at fair value through other comprehensive income	–	10,460	–	10,460
Financial assets at fair value through profit or loss	746,046	–	–	746,046
Trade receivables	–	–	28,473	28,473
Financial assets included in prepayments, other receivables and other assets	–	–	25,417	25,417
Restricted cash	–	–	105,564	105,564
Time deposits	–	–	310,056	310,056
Financial assets included in other non current assets	–	–	11,986	11,986
Cash and cash equivalents	–	–	5,621,904	5,621,904
	746,046	10,460	6,103,400	6,859,906

Financial liabilities	Financial liabilities at amortised cost
	RMB'000
Trade payables	1,316,780
Financial liabilities included in other payables and accruals	1,248,629
Interest-bearing bank and other borrowings	259,748
	2,825,157

30 September 2024

Financial assets	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		
	Mandatorily	Equity investment	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity investments designated at fair value through other comprehensive income	–	6,590	–	6,590
Financial assets at fair value through profit or loss	2,842,603	–	–	2,842,603
Trade receivables	–	–	21,506	21,506
Financial assets included in prepayments, other receivables and other assets	–	–	96,820	96,820
Restricted cash	–	–	20,475	20,475
Time deposits	–	–	1,598,704	1,598,704
Financial assets included in other non current assets	–	–	2,559	2,559
Cash and cash equivalents	–	–	5,980,396	5,980,396
	2,842,603	6,590	7,720,460	10,569,653

Financial liabilities	Financial liabilities at amortised cost
	RMB'000
Trade payables	1,604,693
Financial liabilities included in other payables and accruals	1,445,633
Interest-bearing bank and other borrowings	4,536
	3,054,862

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, current portion of restricted cash and time deposits, trade receivables, financial assets included in prepayments, other receivables and other assets, interest-bearing bank and other borrowings, trade payables, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments. Management has also assessed the fair value of non-current portion of restricted cash and time deposits approximate to its carrying amount.

The Group's finance center is responsible for determining the policies and procedures for the fair value management of financial instruments. The finance center reports directly to the chief financial officer and the board of directors. At each reporting date, the finance center 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. The valuation process and results are discussed with the board of directors for annual financial reporting.

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.

For the fair value of the unlisted equity investments at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

Financial assets at fair value through profit or loss of the Group represented wealth management products with banks in Mainland China. For the structured deposits, the fair value are based on expected cash flow from implied yield, for other wealth management products, the fair value were based on the quoted net assets value per unit and the discount factor for lack of marketability.

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:

			Range of inputs			
Description	**Valuation technique**	**Unobservable inputs**	**31 December 2022**	**31 December 2023**	**30 September 2024**	**Sensitivity of fair value to the input**
Equity investments designated at fair value through other comprehensive income	Income approach	Perpetual Growth rate	2.00%	2.00%	2.00%	31 December 2022: 10 basepoint increase/ decrease in multiple would result in increase/decrease in fair value by RMB80,000 and RMB70,000, respectively. 31 December 2023: 10 basepoint increase/ decrease in multiple would result in increase/decrease in fair value by RMB70,000 and RMB70,000, respectively. 30 September 2024: 10 basepoint increase/ decrease in multiple would result in increase/decrease in fair value by RMB40,000 and RMB50,000, respectively.
		Discount rate	12.66%	12.44%	13.01%	31 December 2022: 10 basepoint increase/ decrease in multiple would result in decrease/increase in fair value by RMB130,000 and RMB140,000, respectively. 31 December 2023: 10 basepoint increase/ decrease in multiple would result in decrease/increase in fair value by RMB110,000 and RMB110,000, respectively. 30 September 2024: 10 basepoint increase/ decrease in multiple would result in decrease/increase in fair value by RMB60,000 and RMB70,000, respectively.

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			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2021				
Equity investments designated at fair value through other comprehensive income	–	11,400	–	11,400
Financial assets at fair value through profit or loss	271,268	628,969	–	900,237
	271,268	640,369	–	911,637
As at 31 December 2022				
Equity investments designated at fair value through other comprehensive income	–	–	11,400	11,400
Financial assets at fair value through profit or loss	1,366,698	498,978	–	1,865,676
	1,366,698	498,978	11,400	1,877,076
As at 31 December 2023				
Equity investments designated at fair value through other comprehensive income	–	–	10,460	10,460
Financial assets at fair value through profit or loss	675,824	70,222	–	746,046
	675,824	70,222	10,460	756,506
As at 30 September 2024				
Equity investments designated at fair value through other comprehensive income	–	–	6,590	6,590
Financial assets at fair value through profit or loss	335,352	2,507,251	–	2,842,603
	335,352	2,507,251	6,590	2,849,193

The movements in fair value measurements within Level 3 during the Relevant Periods are as follows:

	As at 31 December	As at 31 December	As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Equity investments designated at fair value through other comprehensive income			
At the beginning of year/period	–	11,400	10,460
Transfer from Level 2 to Level 3	11,400	–	–
Capital redemption	–	–	(3,000)
Total loss recognised in other comprehensive income	–	(940)	(870)
At end of year/period	11,400	10,460	6,590

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers out of Level 3 for financial assets. The fair values of equity investments designated at fair value through other comprehensive income, which were acquired in 2021 has been estimated using a recent transaction price based on assumptions that are not supported by observable market prices or rates. In 2022, RMB11,400,000 was transferred from Level 2 into Level 3, and the fair value has been estimated using the income approach thereafter.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise financial assets at fair value through profit or loss, cash and cash equivalent and interest-bearing bank and other borrowings. 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, interest rate risk, credit risk and liquidity risk. The management of the Company reviews and agrees policies for managing each of these risks and they are summarised below.

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. In addition, the Group has currency exposures mainly from its cash and cash equivalent, trade receivables and trade payables.

The following table details the Group's sensitivity to a 1% increase and decrease in the relevant foreign currencies against the functional currency. The sensitivity analysis includes only outstanding monetary items denominated in a foreign currency and adjusts their translation at 31 December 2021, 2022 and 2023 and 30 September 2024 for a 1% change in foreign currency rates.

	As at 31 December			As at 30 September
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
If USD weakens against RMB	(43)	(505)	(527)	(901)
If USD strengthens against RMB	43	505	527	901
If RMB weakens against IDR	192	1,399	1,683	142
If RMB strengthens against IDR	(192)	(1,399)	(1,683)	(142)
If USD weakens against VND	24	291	353	173
If USD strengthens against VND	(24)	(291)	(353)	(173)
If RMB weakens against MYR	–	(48)	158	47
If RMB strengthens against MYR	–	48	(158)	(47)

Interest rate risk

The Group's bank balances, other than short-term and long-term bank deposits which are at fixed interest rate, expose to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate. The management of the Company consider the Group's exposure to interest rate risk in respect of bank balances and interest-bearing bank and other borrowings is not significant.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the management of the Company consider the Group's exposure to bad debts is not significant.

Maximum exposure and staging as at 31 December 2021, 2022 and 2023 and 30 September 2024

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 staging classification as at 31 December 2021, 2022 and 2023 and 30 September 2024. The amounts presented are gross carrying amounts for financial assets.

31 December 2021	**12-month ECLs**	**Lifetime ECLs**			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	2,199	2,199
Financial assets included in prepayments, other receivables and other assets					
– Normal**	25,086	–	–	–	25,086
– Doubtful**	–	–	1,699	–	1,699
Restricted cash and time deposits					
– Not yet past due	61,865	–	–	–	61,865
Cash and cash equivalents					
– Not yet past due	2,675,827	–	–	–	2,675,827
	2,762,778	–	1,699	2,199	2,766,676

31 December 2022	**12-month ECLs**	**Lifetime ECLs**			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	16,313	16,313
Financial assets included in prepayments, other receivables and other assets					
– Normal**	56,249	–	–	–	56,249
– Doubtful**	–	–	1,699	–	1,699
Restricted cash and time deposits					
– Not yet past due	65,146	–	–	–	65,146
Cash and cash equivalents					
– Not yet past due	2,764,138	–	–	–	2,764,138
	2,885,533	–	1,699	16,313	2,903,545

31 December 2023	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	32,191	32,191
Financial assets included in prepayments, other receivables and other assets					
– Normal**	27,132	–	–	–	27,132
Restricted cash and time deposits					
– Not yet past due	415,620	–	–	–	415,620
Other non-current assets					
– Not yet past due	11,986	–	–	–	11,986
Cash and cash equivalents					
– Not yet past due	5,621,904	–	–	–	5,621,904
	6,076,642	–	–	32,191	6,108,833

30 September 2024	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	22,576	22,576
Financial assets included in prepayments, other receivables and other assets					
– Normal**	99,846	–	–	–	99,846
Restricted cash and time deposits					
– Not yet past due	1,619,179	–	–	–	1,619,179
Other non-current assets					
– Not yet past due	2,559	–	–	–	2,559
Cash and cash equivalents					
– Not yet past due	5,980,396	–	–	–	5,980,396
	7,701,980	–	–	22,576	7,724,556

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 to the Historical Financial Information.

** 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".

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalent deemed adequate by management of the Group to finance the operations and mitigate the effects of fluctuations of cash flows.

The maturity profile of the Group's financial liabilities as at 31 December 2021, 2022 and 2023 and 30 September 2024, based on the contractual undiscounted payments, is as follows:

31 December 2021	Within 1 year	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	596,681	–	596,681
Financial liabilities included in other payables and accruals	393,677	–	393,677
Interest-bearing bank and other borrowings	30,073	–	30,073
Lease liabilities	54,095	65,520	119,615
	1,074,526	65,520	1,140,046

31 December 2022	Within 1 year	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	881,806	–	881,806
Financial liabilities included in other payables and accruals	612,517	–	612,517
Interest-bearing bank and other borrowings	142,036	–	142,036
Lease liabilities	84,196	64,365	148,561
	1,720,555	64,365	1,784,920

31 December 2023	Within 1 year	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	1,316,780	–	1,316,780
Financial liabilities included in other payables and accruals	1,188,221	60,408	1,248,629
Interest-bearing bank and other borrowings	261,744	–	261,744
Lease liabilities	76,745	56,420	133,165
	2,843,490	116,828	2,960,318

30 September 2024	Within 1 year	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	1,604,693	–	1,604,693
Financial liabilities included in other payables and accruals	1,387,310	58,323	1,445,633
Interest-bearing bank and other borrowings	4,536	–	4,536
Lease liabilities	52,777	38,385	91,162
	3,049,316	96,708	3,146,024

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 equity holders' 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 equity holders, return capital to equity holders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using debt-to-asset ratio, which is total liabilities divided by total assets. The ratios as at 31 December 2021, 2022 and 2023 and 30 September 2024 were as follows:

	As at 31 December			As at 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	7,316,383	9,945,356	14,593,566	18,620,333
Total liabilities	1,773,673	2,466,089	3,998,101	4,524,127
Debt-to-asset ratio	24.2%	24.8%	27.4%	24.3%

42. EVENTS AFTER THE RELEVANT PERIODS

There were no significant events after the end of the Relevant Periods that require additional disclosure or adjustments.

43. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies comprising the Group in respect of any period subsequent to 30 September 2024.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this Document, and is included herein for information purpose only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this document and the Accountants' Report set out in Appendix I to this document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 Preparation of 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 parent 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 purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group to owners of the parent had the Global Offering been completed as at 30 September 2024 or at 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**	**Unaudited pro forma adjusted consolidated net tangible assets as at 30 September 2024**	**Unaudited pro forma adjusted consolidated net tangible assets per Share as at 30 September 2024**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an Offer Price of HK$202.50 per Share.	13,973,870	3,050,206	17,024,076	45.15	49.04

Notes:

1. The consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2024 was equal to the consolidated net assets attributable to owners of the Company as at 30 September 2024 of RMB14,001,298,000 after deducting of other intangible assets of RMB27,428,000 set out in the Accountants' Report in Appendix I to this prospectus.

2. The estimated net proceeds from the Global Offering are based on 17,059,900 Offer Shares at the Offer Prices of HK$202.50 per Offer Share, after deduction of the estimated underwriting commissions and fees and other related expenses (excluding listing expenses of RMB20,079,000 which have been recorded in the consolidated statements of profit or loss). It does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued or repurchased by the Company pursuant to the Company's general mandates.

3. The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated after making the adjustments referred to in the preceding paragraphs and on the basis that 377,059,900 Shares are in issue assuming that 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 Over-allotment Option.

4. For the purpose of this unaudited pro forma adjusted consolidated net tangible assets, the balances stated in RMB are converted into HK$ at the rate of RMB1 to HK$1.0861. 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.

5. No other adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2024.

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the Directors of MIXUE Group

We have completed our assurance engagement to report on the compilation of pro forma financial information of MIXUE Group (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 IIA-1 to IIA-2 of the prospectus dated 21 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 Part A of Appendix IIA 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 ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality management

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 or 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
21 February 2025

A. BASES

The Directors have prepared the estimate consolidated profit attributable to the owners of the parent for the year ended 31 December 2024 based on the audited consolidated results of 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 estimate has been prepared on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the Accountant's Report, the text of which is set out in Appendix I to this prospectus.

B. PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2024

We have prepared the following profit estimate for the year ended 31 December 2024.

Estimated consolidated profit attributable to owners of the parent for the year ended 31 December 2024[1]	Not less than RMB4.4 billion (equivalent to approximately HK$4.8 billion)

(1) The estimated consolidated profit attributable to owners of the parent is converted into Hong Kong dollars at the exchange rate of HK$1 to RMB0.926. No presentation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

C. LETTER FROM THE REPORTING ACCOUNTANT

The following is the text of a letter received from Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

EY安永

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

21 February 2025

The Board of Directors
MIXUE Group
Merrill Lynch (Asia Pacific) Limited
Goldman Sachs (Asia) L.L.C.
UBS Securities Hong Kong Limited
(in alphabetical order)

Dear Sirs,

MIXUE Group (the "Company")

Profit estimate for year ended 31 December 2024

We refer to the estimate of the consolidated profit attributable to the owners of the parent for the year ended 31 December 2024 ("the Profit Estimate") set forth in the section headed "Summary" in the prospectus of the Company dated 21 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 management

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*, which requires the firm to design, implement and operate a system of quality control 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 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 IIB 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 21 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 following is the text of a letter prepared for inclusion in the Prospectus (as defined below) by the Joint Sponsors, in connection with the estimate of the consolidated profit attributable to the owners of the parent for the year ended December 31, 2024.

February 21, 2025

The Directors
MIXUE Group

Dear Sirs,

We refer to the estimate of the consolidated profit attributable to the owners of the parent 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 21, 2025 (the "**Prospectus**").

The Profit Estimate, for which you as the Directors of the Company (the "**Directors**") are solely responsible, has been prepared based on the audited consolidated results of 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 as set out in the Part A of Appendix IIB to the Prospectus upon which the Profit Estimate has been made. We have also considered the letter dated February 21, 2025 addressed to you and us from Ernst & Young 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 Ernst & Young, we are of the opinion that the Profit Estimate, for which you as Directors are solely responsible, has been made after due and careful enquiry.

(*in alphabetical order of the logos on the important page*)

<table>
<tr>
<td>Yours faithfully,
For and on behalf of
Merrill Lynch (Asia Pacific) Limited
David Cheng
Managing Director</td>
<td>Yours faithfully,
For and on behalf of
Goldman Sachs (Asia) L.L.C.
Iain Drayton
Managing Director</td>
<td>Yours faithfully,
For and on behalf of
UBS Securities Hong Kong Limited
Johnson Ngie
Managing Director</td>
</tr>
</table>

The main purpose of this Appendix is to provide potential investors with an overview of the Articles of Association of the Company, and therefore it may not contain all the information that is important for potential investors.

1 DIRECTORS AND BOARD OF DIRECTORS

(1) Power to Allot and Issue Shares

The Articles of Association does not contain clauses that authorize the Board of Directors to allocate or issue shares. The Board of Directors shall formulate plans for capital, issuance of bonds or other securities and listing, which are subject to approval by the general shareholders' meeting. Any allotment or issue of shares shall be in accordance with the procedures stipulated in applicable laws, administrative regulations and supervision rules.

(2) Power to Dispose Assets of Our Company or Any Subsidiary

The Board of Directors shall determine the authority of external investment, acquisition and sale of assets, asset mortgage, external guarantee matters, entrusted financial management, major transaction, connected transactions, and establish strict review and decision-making procedures; major investment projects shall be reviewed by relevant experts and professionals and reported to the general meeting for approval.

(3) Compensation or Payments for Loss of Office

Any Director may be removed by the general meeting before the expiration of his/her term of office, but such removal shall not prejudice his/her claim for damages under any contract.

(4) Loans to Directors

There are no provisions in the Articles of Association relating to loans to directors.

(5) Giving of Financial Assistance to Purchase the Shares of the Company or Shares of Any Subsidiary

The Company or its subsidiaries shall not provide gifts, loans, guarantees or other financial aids for others to obtain the shares of the company or the parent company thereof unless it carries out an employee stock ownership plan.

For the benefits of the company, the company may, upon a resolution by the general meeting or by the board of directors under the articles of association or the authorization of the general meeting, provide financial aids for others to obtain the shares of the company or the parent company thereof, provided that the total accumulative amount of the financial aids shall not exceed 10% of the total issued share capital. A resolution by the board of directors shall be adopted by two thirds of all the directors.

(6) Disclosure of Interest in Contracts with the Company or Any Subsidiaries

Directors shall not conclude any contract or engage in any transaction with the Company either in violation of the Articles of Association.

Where any Director directly or indirectly concludes a contract or conducts a transaction with the Company, he/she shall report the matters relating to the conclusion of the contract or transaction to the Board of Directors or the general meeting, which shall be subject to the resolution of the Board of Directors or the general meeting according to the Articles of Association.

(7) Remuneration

The appointment and removal of the members of the Board of Directors, as well as their remuneration and payment methods, shall be adopted by the general meeting by ordinary resolution.

(8) Retirement, Appointment, Removal

The Company shall have a board of directors which shall be accountable to the general meeting. The Board shall consist of seven directors and shall have one chairman, including at least three independent non-executive directors being no less than one-third of the directors of the Company.

Directors shall be elected or replaced by the shareholders' general meeting, and may be removed by the shareholders' general meeting before the expiry of their terms of office. The removal shall become effective on the day when the resolution is made. Where a director is removed prior to the expiration of term of office without any justifiable reason, the director may require the Company to make compensation. The term of office of the directors shall be 3 years, and the directors may be re-elected and re-appointed.

The term of office of the Directors shall commence from the date of their appointment until the expiry of the term of the current session of the Board. If the term of office of a director expires but re-election is not made responsively, the said director shall continue fulfilling the duties as director pursuant to laws, administrative regulations, departmental rules, the listing rules of the stock exchange of the place where the shares of the Company are listed and the Articles of Association until a new director is elected.

The directors of the Company are natural persons, and none of the following persons shall serve as our Director:

i a person who has no civil capacity or has limited civil capacity;

ii a person who has been sentenced to a term of imprisonment for any of the following crimes and five years have not elapsed since the date on which execution of the sentence was completed: embezzlement, bribery, conversion of property, misappropriation of property, or sabotaging the socialist economic order, or has been deprived of his/her political rights as a result of a criminal conviction; If he/she is pronounced for suspension of sentence, a two-year period has not elapsed since the expiration of the suspension of sentence;

iii a person who has served as a director, the factory chief, or the general manager of an insolvent and liquidated company or enterprise and is held personally liable for such bankruptcy, and three years have not elapsed since the date when the bankruptcy and liquidation of the company or enterprise are completed;

iv a person who has served as the legal representative of a company or enterprise whose business license was revoked or which is ordered to close down due to any violation of law, and is held personally liable for the revocation, and three years have not elapsed since the date when the revocation occurs or the order for closure;

v a person who has been listed as a dishonest person subject to enforcement by the people's court due to his/her failure to pay off a relatively large sum of debt, which was not paid at maturity;

vi a person who has been banned from entering the securities market by the China Securities Regulatory Commission and such term has not expired;

vii other contents as prescribed by laws, administrative regulations, departmental rules, regulatory documents, supervisory rules of the place where the shares of the Company are listed, or by relevant supervisory authorities.

Election or appointment of a director which violates the aforesaid provisions shall be void. A director who encounters the circumstance set out in the above paragraph during his/her term of office shall be dismissed by the Company.

(9) Borrowing Powers

The Board of Directors shall be entitled to develop proposals for our Company to issue bonds and to list its shares. Except for the circumstance where the general meeting authorizes the board of directors to make resolutions on the bond issues, such bond issues or listing of shares must be approved by the general meeting.

2 ALTERATIONS TO CONSTITUTIONAL DOCUMENTS

The Company shall amend the Articles of Association under any of the following circumstances:

(1) After the amendments are made to the PRC Company Law or relevant laws, administrative regulations and securities regulatory rules of the place where the shares of the Company are listed, the provisions of the Articles of Association are in conflict with the amended laws or administrative regulations;

(2) there is a change in the Company's situation, which is inconsistent with the matters recorded in the Articles of Association;

(3) the shareholders' general meeting decides to amend the Articles of Association.

The amendments to the Articles of Association adopted by the shareholders' general meeting shall be submitted to the competent authorities for approval if they are subject to approval by the competent authorities. If there is any change relating to the registered particulars of the Company, application shall be made for registration of the changes in accordance with the laws.

3 VARIATION OF RIGHTS OF EXISTING SHARES OR CLASSES OF SHARES

There are no provisions in the Articles of Association relating to variation of rights of existing shares or classes of shares.

4 SPECIAL RESOLUTIONS – MAJORITIES REQUIRED

Resolutions of the general meeting are divided into ordinary resolutions and special resolutions.

An ordinary resolutions shall be passed by votes representing more than half of the voting rights represented by the shareholders (including proxies) present at the meeting.

A special resolution shall be passed by votes representing at least two-thirds of the voting rights represented by the shareholders (including proxies) present at the meeting.

The following matters shall be approved by ordinary resolutions at a general meeting:

(1) work reports of the Board and the Supervisory Committee;

(2) profit distribution plans and loss recovery plans formulated by the Board;

(3) appointment and removal of members of the Board and members of the Supervisory Committee who are not employee representatives (including removal of any directors before the expiry of their term of office, provided that such removal shall not prejudice the claim of such director for damages under any contract), and their remuneration and method of payment for them;

(4) annual reports of the Company;

(5) engagement and dismissal of an accounting firm providing regular audit service to the Company and determination of its remuneration;

(6) matters other than those required by the laws, administrative regulations, the listing rules of the stock exchange of the place where the shares of the Company are listed or the Articles of Association to be adopted by special resolution.

The following matters shall be approved by special resolutions at a general meeting:

(1) increase or reduction of the registered capital of the Company;

(2) division, split, merger, dissolution, and liquidation of the Company;

(3) amendments to the Articles of Association;

(4) purchase or disposal of material assets or provision of external guarantee by the Company within 1 year with an amount exceeding 30% of the latest audited total assets of the Company;

(5) share incentive scheme;

(6) other matters stipulated by laws, administrative regulations, departmental rules, the listing rules of the stock exchange of the place where the Company's shares are listed or the Articles of Association, and other matters considered by the general meeting, by way of ordinary resolution, to have a material impact on the Company and need to be approved by special resolution.

5 VOTING RIGHTS (GENERALLY AND ON A POLL)

Shareholders (including proxy) shall exercise their voting rights according to the number of voting shares they represent, and each share shall have one vote.

Shareholders attending the general meeting shall express one of the following opinions on the proposal submitted for voting: affirmative, negative or abstention. Where any ballot is not completed in full, is completed incorrectly or unintelligibly, or has no vote recorded, the voter shall be deemed to have waived his/her voting rights and the voting result for his/her shares shall be deemed as an "abstention".

If the securities regulatory rules in the place where the shares of the Company are listed require any shareholder to waive his/her voting right with respect to a matter to be resolved or restrict any shareholder to vote for or against any matter to be resolved, no votes cast by such shareholder or his/her proxy shall be counted in the event of any violation of such regulations or restrictions.

6 REQUIREMENTS FOR ANNUAL GENERAL MEETINGS

General meetings are divided into annual general meetings and extraordinary general meetings. The annual general meeting shall be convened once in each accounting year within six months after the end of the previous accounting year.

7 ACCOUNTS AND AUDIT

(1) Financial and Accounting Policies

The Company shall establish its financial and accounting system in accordance with the laws, administrative regulations and the requirements of the relevant state authorities.

The Company shall not establish other accounting books except for the statutory accounting books. The assets of the Company shall not be deposited in any account opened in the name of any individual.

(2) Appointment and Dismissal of Accountants

The Company employs an independent accounting firm that complies with relevant national regulations and regulatory provisions of the place where shares of the Company are listed to conduct accounting statement audit, net asset verification and other related consulting services. The employment period is one year, and can be renewed.

The employment of accounting firms by the Company to provide regular auditing services must be decided by the general meeting, and the Board of Directors shall not appoint accounting firms before the decision of the general meeting.

The Company shall guarantee to provide the accounting firm it employs with true and complete accounting vouchers, accounting books, financial and accounting reports and other accounting materials, and shall not refuse, conceal or make false statements.

The Company shall notify the accounting firm 30 days in advance when dismissing or no longer renewing the accounting firm. The accounting firm shall be allowed to state its opinions when the general meeting votes on dismissing the accounting firm. If the accounting firm proposes to resign, it shall explain to the general meeting whether the Company has any improper situation.

8 NOTICE OF MEETINGS AND BUSINESS TO BE CONDUCTED THEREAT

The Company shall convene an extraordinary general meeting within 2 months from the date of occurrence of any of the following circumstances:

(1) the number of directors is less than the quorum stipulated in the PRC Company Law or less than two-thirds of the number specified in the Articles of Association;

(2) when the unrecovered losses of the Company amount to one-third of the total amount of its share capital;

(3) when shareholders individually or jointly holding 10% or more of the Company's voting shares so request in writing;

(4) when deemed necessary by the Board;

(5) when proposed by the Supervisory Committee;

(6) other circumstances stipulated by laws, administrative regulations, departmental rules, regulatory rules of the place where the Company's shares are listed or the Articles of Association.

General meetings shall be summoned by the Board in accordance with the laws, except as otherwise provided by laws and regulations or the Articles of Association.

The independent non-executive Directors are entitled to propose to the Board to convene an extraordinary general meeting. The Board shall, in accordance with the laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association, give a written reply on whether or not to convene the extraordinary general meeting within 10 days after receiving the proposal from the independent non-executive Directors. If the Board agrees to convene the extraordinary general meeting, a notice of such meeting shall be issued within 5 days after the resolution of the Board is passed. If the Board does not agree to convene the extraordinary general meeting, it shall explain the reasons and make an announcement.

The Supervisory Committee shall have the right to propose to the Board to convene an extraordinary general meeting in writing. The Board shall, in accordance with the laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association, give a written reply on whether to convene the extraordinary general meeting or not within 10 days after receipt of the proposal. If the Board agrees to convene the extraordinary general meeting, a notice of such meeting shall be issued within 5 days after the resolution of the Board is passed. Any change to the original proposal in the notice is subject to the consent of the Supervisory Committee. If the Board does not agree to convene the extraordinary general meeting, or fails to give a reply within 10 days of receipt of the proposal, it is deemed that the Board is unable to perform or fails to perform its duty to convene a shareholders' general meeting, and the Supervisory Committee may convene and preside over the meeting on its own.

Shareholders individually or jointly holding 10% or more of the Company's voting shares shall have the right to request the Board of Directors in writing to convene an extraordinary general meeting and add proposals to the meeting agenda. The Board shall, in accordance with the laws, administrative regulations, the securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association, give a written reply on whether to convene the extraordinary general meeting or not within 10 days after receipt of the written proposal. If the Board agrees to convene the extraordinary general meeting, a notice of such meeting shall be issued within five days after the resolution of the Board is passed. Any change to the original request made in the notice shall be subject to the consent of the relevant shareholders. If the Board does not agree to convene an extraordinary general meeting or does not reply within 10 days upon receipt of the proposal, the shareholders individually or jointly holding 10% or more of the Company's shares shall have the right to propose to the Supervisory Committee to convene an extraordinary general meeting and add proposals to the meeting agenda, and such proposal shall be made in writing. If the Supervisory Committee agrees to convene the extraordinary general meeting, it shall issue a notice of general meeting within 5 days upon receipt of the request. Any changes to the original request in the notice shall be approved by the relevant shareholders. If the Supervisory Committee fails to issue the notice of the general meeting within the prescribed period, it shall be deemed that the Supervisory Committee will not convene and preside over the general meeting, and shareholders individually or jointly holding 10% or more of the Company's shares for 90 days or more consecutively may summon and preside over the meeting by themselves.

When the Company convenes a general meeting, the Board, the Supervisory Committee and shareholders individually or jointly holding 1% or more of the Company's shares shall have the right to submit proposals to the Company.

Shareholders individually or jointly holding 1% or more of the Company's shares may submit ad hoc proposals in writing to the convener 10 days before a general meeting is convened. The hoc proposal shall contain a clear topic for discussion and specific matters for resolution. The convener shall, within 2 days upon receipt of the proposal, issue a supplementary notice of the general meeting by way of announcement which shall contain the contents of the provisional proposal, and submit the hoc proposal to the general meeting for deliberation, unless the hoc proposal is in violation of any law, administrative regulation or the Articles of Association or fails to fall into the scope of functions of the general meeting. The Company shall not raise the shareholding proportion of the shareholder who brings forward any hoc proposal.

Except as provided in the preceding paragraph, the convener shall not amend the proposals set out in the notice of the general meeting or add any new proposals after issuing the notice of the general meeting.

The convenor shall notify the shareholders by way of announcement at least 21 days prior to the annual general meeting (excluding the day on which the day on which the meeting is convened), and shall notify the shareholders by way of announcement at least 15 days prior to the date of the extraordinary general meeting (excluding the day on which the meeting is convened). If laws, regulations and securities regulatory authority of the place where the Company's shares are listed stipulate otherwise, such provisions shall prevail.

9 TRANSFER OF SHARES

Shares issued by the Company prior to the public offering of shares shall not be transferred within one year from the date on which the Company's shares are listed and traded on the stock exchange.

Directors, supervisors and senior management of the Company shall declare to the Company their shareholdings in the Company and any changes thereof, and shall not transfer more than 25% of the total number of shares of the Company held by them each year during their terms of office as determined when they assume the posts; the shares of the Company held by them shall not be transferred within one year from the date on which the shares of the Company are listed and traded. The above personnel shall not transfer the shares of the Company held by them within half a year after they leave the Company.

Where the shares are pledged within the time limit for restricted transfer as provided for by laws and administrative regulations, the pledgee may not exercise the pledge right within such restricted period.

If there are other restrictions on transfer of overseas listed shares imposed by relevant provisions of the securities regulatory authority of the place where the shares of the Company are listed, such provisions shall prevail.

10 POWER OF THE COMPANY TO PURCHASE ITS OWN SHARES

The Company shall not buy back its shares, except under one of the following circumstances provided that it does not violate laws, regulations, the provisions of the securities regulatory authority of the place where the shares of the Company are listed, the Hong Kong Listing Rules, and the Articles of Association:

(1) reducing the registered capital of the Company;

(2) merging with another company that holds shares in the Company;

(3) using shares for employee stock ownership plan or share incentives;

(4) shareholders who object to resolutions of the general meeting on merger or division of the Company requesting the Company to buy back their shares;

(5) to use the shares for conversion of corporate bonds issued by the Company which are convertible into shares;

(6) where it is necessary for the Company to preserve its value and shareholders' interest;

(7) other circumstances as permitted by the laws, administrative regulations, and the regulatory rules of the place where the shares of the Company are listed.

The Company may repurchase its shares through public centralised trading or other methods recognized by laws, administrative regulations, the China Securities Regulatory Commission and the stock exchange where the Company's shares are listed. The repurchase of its shares by the Company under the circumstances set out in items (3), (5) and (6) above shall be conducted through public centralised trading.

Where the Company repurchases its shares under the circumstances set out in items (1) and (2) above, a resolution shall be passed at the general meeting of the Company. Where the Company repurchases its shares under the circumstances set out in items (3), (5) and (6) above, a resolution shall be passed at a Board meeting attended by more than two-thirds of the directors, according to the Articles of Association or the general meeting.

Where the Company repurchases its shares under the circumstances set out in item (1) above, such shares shall be cancelled within 10 days from the date of repurchase; where the Company repurchases its shares under the circumstances set out in items (2) and (4), such shares shall be transferred or cancelled within 6 months; where the Company repurchases its shares under the circumstances set out in items (3), (5) and (6), the total number of shares held by the Company shall not exceed 10% of the total issued shares of the Company, and such shares shall be transferred or cancelled within 3 years.

If laws, administrative regulations, departmental rules, regulatory documents, and relevant provisions of the securities regulatory authority of the place where the shares of the Company are listed, the Hong Kong Listing Rules otherwise stipulate matters related to the aforesaid share repurchase, such provisions shall prevail.

11 POWER OF ANY SUBSIDIARY OF OUR COMPANY TO OWN SHARES IN ITS PARENT

Any subsidiary controlled by the Company shall not acquire the shares of the Company. In case any subsidiary controlled by the Company holds the shares of the Company due to the merger of the company, exercise of pledge right or other reasons, it shall not exercise the voting right corresponding to the shares it holds and timely dispose of the relevant shares of the Company.

12 DIVIDENDS AND OTHER METHODS OF DISTRIBUTION

The Company values reasonable investment returns for investors while balancing sustainable development, and the profit distribution policy should maintain continuity and stability. The Company can distribute profits in the form of cash, stock, or a combination of both, with the principle preference given to cash dividends. Profit to be distributed must not exceed the scope of accumulated distributable profits and should not impair the Company's ability to sustain its operations.

The annual profit distribution proposal is drafted by the Board of Directors based on the Company's profitability, capital supply, and demand conditions. After approval by the Board, it is submitted to the general meeting for review.

Based on the Company's profitability and capital needs, the Board of Directors may propose interim profit distribution or special profit distribution, which requires approval from the general meeting.

The Company's profit distribution policy will remain consistent and stable. If adjustments to the profit distribution policy are required due to significant changes in the external business environment or the Company's own operating conditions, such adjustments must be approved by the Board of Directors and then submitted to the general meeting for approval.

13 PROXIES

All shareholders registered on the record date or their proxies are entitled to attend the general meeting, and shall exercise their voting rights in accordance with the relevant laws, regulations, the listing rules of the stock exchange of the place where the Company's shares are listed and the Articles of Association (unless the shareholder waives its voting right in respect of a specific matter in accordance with relevant regulations, for example, that the shareholder holds a substantial interest in a specific transaction or arrangement being voted on).

Individual shareholders who attend the meeting in person shall produce their identity cards or other effective document or proof of identity and stock account card. Proxies of individual shareholders shall produce their valid identity cards and the power of attorney of the shareholder.

Shareholder that is a legal person shall be represented at the meeting by its legal representative or a proxy appointed by the legal representative (which will be regarded as if the legal person shareholder was present in person). If a legal representative attends the meeting, he/she should produce his/her identity card, valid proof that he/she is a legal representative; if a proxy attends the meeting, the proxy should produce his/her identity card, written power of attorney or form to authorize representative issued by the legal representative of the shareholder that is a legal person.

If the shareholder is a recognized clearing house as defined in the relevant ordinances enacted from time to time under the laws of Hong Kong (or its nominee), the shareholder may authorize the corporate representative(s) or one or more persons as it thinks fit to act as its representative(s) at any shareholders' general meeting; however, if more than one person are so authorized, the power of attorney shall specify the number and class of shares in respect of which each such person is authorized, and shall be executed by the authorized person of the recognized clearing house. The person so authorized may attend the meeting on behalf of the recognized clearing house (or its nominee) (without being required to present share certificate, notarized authorization and/or further evidence to prove that he/she is duly authorized) to exercise the rights equivalent to those of other shareholders under the law (including the rights to speak and vote) as if he/she was an individual shareholder of the Company.

The proxy form shall contain a statement that in the absence of instructions from the shareholder the proxy may vote as he/she thinks fit.

If the proxy form for voting is signed by a person authorized by the principal, the power of attorney or other authorization documents shall be notarized. The notarized power of attorney or other authorization documents, and the proxy form for voting shall be placed at the domicile of the Company or at such other place as specified in the notice convening the meeting.

14 CALLS ON SHARES AND FORFEITURE OF SHARES

There are no provisions in the Articles of Association relating to calls on shares and forfeiture of shares.

15 INSPECTION OF REGISTER OF MEMBERS

The Company shall establish a register of shareholders in accordance with the certificates provided by the securities registration institution. The register of shareholders shall be sufficient evidence of the shareholders' shareholdings in the Company. Shareholders enjoy rights and assume obligations according to the types of shares they hold. Shareholders holding the same kind of shares shall enjoy the same rights and undertake the same obligations.

The Hong Kong branch of register of shareholders is available for inspection by shareholders, but the Company may be permitted to suspend the registration of shareholders on terms equivalent to section 632 of the Companies Ordinance. If laws, administrative regulations, departmental rules, regulatory documents and relevant stock exchange or regulatory authority of the place where the Company's shares are listed contain provisions on the suspension period of the registration of share transfer, such provisions shall prevail.

When the Company convenes a general meeting, distributes dividends, conducts liquidation or engages in other activities that require the confirmation of the identity of shareholders, the Board or the convener of the general meeting shall determine the record date. Shareholders whose names appear on the register of shareholders after the close of trading on the record date shall be the shareholders entitled to relevant interests.

16 QUORUM FOR MEETINGS AND SEPARATE CLASS MEETINGS

There are no provisions in the Articles of Association relating to quorum for general meetings and separate class meetings.

17 RIGHTS OF THE MINORITIES IN RELATION TO FRAUD OR OPPRESSION THEREOF

If Directors or senior management personnel violate laws, administrative regulations, or the provisions of the Articles of Association while performing their duties, causing losses to our Company, shareholders who individually or jointly hold more than 1% of our Company's shares for more than 180 consecutive days have the right to request in writing that the Supervisory Committee file a lawsuit with the people's court; If the Supervisory Committee violates laws, administrative regulations, or the provisions of the Articles of Association while performing its duties, causing losses to our Company, the aforementioned shareholders may request in writing that the Board of Directors file a lawsuit with the people's court. If the Supervisory Committee or the Board of Directors refuses to file a lawsuit after receiving a written request from the shareholders specified above, or fails to file a lawsuit within 30 days from the date of receiving the request, or if the situation is urgent and the failure to file a lawsuit immediately will cause irreparable damage to our Company's interests, the shareholders specified above have the right to directly file a lawsuit in their own name to the people's court for the benefit of our Company. If another person infringes on the legitimate rights and interests of our Company and causes losses to our Company, shareholders who individually or jointly hold more than 1% of our Company's shares for more than 180 consecutive days may file a lawsuit with the people's court in accordance with the above provisions.

If Directors or senior management personnel violate laws, administrative regulations, or the provisions of the Articles of Association and harm the interests of shareholders, shareholders may file a lawsuit with the people's court.

If shareholders of the Company abuse their Shareholder rights and cause losses to our Company or other shareholders, they shall bear compensation liability in accordance with the law. If a Company's shareholders abuse the independent status of our Company's legal person and the limited liability of shareholders, evade debts, and seriously harm the interests of our Company's creditors, they shall bear joint and several liability for our Company's debts. Where a shareholder commits any of the above acts by using two or more companies under its control, each company shall be jointly and severally liable for the debts of any company.

The controlling shareholders and actual controllers of our Company shall not use their affiliated relationships to harm the interests of our Company. Those who violate regulations and cause losses to our Company shall be liable for compensation. Where any controlling shareholder or actual controller of the Company instructs any Director or senior executive to carry out any act damaging the interests of the Company or the shareholders, it shall bear joint and several liability with the Director or senior executive. The controlling shareholders and actual controllers of our Company have a fiduciary obligation towards our Company and the general public shareholders of our Company. The controlling shareholder shall strictly exercise the rights of the investor in accordance with the law. The controlling shareholder shall not use profit distribution, asset restructuring, external investment, fund occupation, loan guarantee, etc. to harm the legitimate rights and interests of our Company and the general public shareholders of our Company, and shall not use their controlling position to harm the interests of our Company and the general public shareholders of our Company.

18 PROCEDURES ON LIQUIDATION

The Company shall be dissolved for the following reasons:

(1) the term of its operations as is stipulated in the Articles of Association has expired or events of dissolution specified in the Articles of Association have occurred;

(2) the shareholders' general meeting resolves to dissolve the Company;

(3) dissolution is necessary due to merger or division of the Company;

(4) the Company's business licence is revoked, the Company is ordered to close down or be revoked in accordance with the law;

(5) the people's court dissolves the Company according to the PRC Company Law.

Where the Company is dissolved pursuant to items (1), (2), (4) and (5) above, it shall be liquidated. The Directors, who are the liquidation obligors of the Company, shall form a liquidation committee to carry out liquidation within 15 days from the date of occurrence of the cause of dissolution. The liquidation committee shall be composed of directors or persons determined by the shareholders' general meeting. If a liquidation committee is not established within the time limit or fails to carry out the liquidation after its formation, any interested party may apply to the people's court to designate relevant personnel to form a liquidation committee to carry out liquidation.

The liquidation committee shall notify creditors within 10 days from the date of its establishment, and publish an announcement in the designated newspapers and periodicals or on the National Enterprise Credit Information Publicity System and in the manner required by the stock exchange of the place where the Company's shares are listed within 60 days.

If the liquidation committee discovers that the Company's assets are insufficient to repay its debts after cleaning up the Company's assets and preparing a balance sheet and an inventory of assets, it shall apply to the people's court for insolvency liquidation in accordance with the law.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report which shall be submitted to the shareholders' general meeting or the people's court for confirmation, and shall submit the same to the company registration authority, and apply for cancellation of the company's registration.

19 ANY OTHER PROVISIONS MATERIAL TO THE COMPANY OR THE SHAREHOLDERS THEREOF

(1) General Provisions

Our Company is a permanently existing joint stock limited company.

All the assets of the Company are divided into shares of equal value. The shareholders are responsible for the Company to the extent of their subscribed shares, and the Company is responsible for the Company's debts with all its assets.

The Articles of Association shall, from the date on which they take effect, be the legally binding document that regulates the organization and activities of the Company and the relationship of rights and obligations as between the Company and the shareholders and among the shareholders, and shall be legally binding on the Company, the shareholders, the directors, the supervisors and senior officers. Based on the Articles of Association, any shareholder may bring a lawsuit against another shareholder, a director, a supervisor, a general manager or any other senior officer. Any shareholder may bring a lawsuit against the Company, and the Company may bring a lawsuit against any shareholder, director, supervisor, general manager or any other senior officer.

(2) Capital Increase and Capital Reduction

The Company may, based on its business and development needs and in accordance with the laws, regulations and the securities regulatory rules of the place where the Company's shares are listed, increase its capital in the following ways, subject to separate resolutions of the shareholders' general meeting:

i Public offering of shares;

ii Non-public issuance of shares;

iii distributing bonus shares to its existing shareholders;

iv Conversion of capital reserve into share capital;

v other means as is stipulated by laws, administrative regulations, or as approved by relevant regulatory authorities such as the securities regulatory authority of the State Council and the regulatory authority of the place where the Company's shares are listed.

The Company may reduce its registered capital. When the Company needs to reduce its registered capital, it must prepare a balance sheet and an inventory of assets.

The Company shall reduce its registered capital in accordance with the procedures stipulated in the PRC Company Law and other relevant regulations as well as the Articles of Association.

(3) Shareholders

Shareholders of the Company shall enjoy the following rights:

i to receive dividends and other distributions in proportion to the number of shares held;

ii to request to convene, summon, preside over, attend or appoint a proxy to attend shareholders' general meetings in accordance with the laws, and to exercise the corresponding rights to vote;

iii to supervise the operation of the Company, making suggestions or inquiries;

iv to transfer, give or pledge the shares held by them in accordance with the laws, administrative regulations and the Articles of Association;

v to review and copy the Articles of Association, the register of members, minutes of general meetings, resolutions of the Board meetings, resolutions of the Supervisory Committee meetings and financial and accounting reports;

vi in the event of the termination or liquidation of the Company, to participate in the distribution of remaining assets of the Company in proportion to the number of shares held;

vii to request the Company to buy back the shares of shareholders objecting to resolutions of the general meeting concerning merger or division of the Company;

viii other rights stipulated by laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed or the Articles of Association.

Shareholders of the Company shall assume the following obligations:

i to abide by laws, administrative regulations and the Articles of Association;

ii to pay subscription monies according to the number of shares subscribed and the method of subscription;

iii not to make divestment unless under the circumstances stipulated by laws and regulations;

iv not to abuse the rights of shareholders to damage the interests of the Company or that of other shareholders; not to abuse the independent status of the Company as a legal person and the limited liability of shareholders to damage the interests of the creditors of the Company;

v other obligations imposed by laws, administrative regulations, departmental rules, regulatory documents and listing rules of the stock exchange of the place where the Company's shares are listed and the Articles of Association.

(4) Board of Directors

The Board shall exercise the following powers:

i to summon general meetings and report its work to the general meetings;

ii to implement the resolutions of the general meeting;

iii to decide on the Company's business plans and investment plans;

iv to formulate the Company's profit distribution plans and loss recovery plans;

v to formulate proposals for the increase or reduction of the Company's registered capital, the issue of bonds or other securities and listing plans;

vi to formulate plans for material acquisitions, purchase of shares of the Company or merger, division, dissolution and change of corporate form of the Company;

vii to decide on the Company's external investment, acquisition and disposal of assets, pledge of assets, external guarantees, entrusted wealth management, connected transactions, external loans and other matters within the scope authorized by the general meeting;

viii to decide on the establishment of the Company's internal management bodies;

ix to decide on appointment or removal of the Company's general manager and secretary of Board of Directors and their remuneration, appointment or removal of the Company's deputy general manager, chief financial officer and other senior management based on the nomination of the general manager and their remuneration, rewards and punishments;

x to formulate the basic management system of the Company;

xi to formulate proposals for any amendment to the Articles of Association;

xii to manage the information disclosure of the Company;

xiii to propose to the general meeting the appointment or replacement of the accounting firm that audits the Company;

xiv to listen to the work report of the general manager of the Company and inspect his/her work of the general manager;

xv to examine and approve transactions requiring decisions of the Board (including, without limitation, transactions subject to disclosure and connected transactions) in accordance with the regulatory rules of the place where the Company's shares are listed;

xvi other functions and powers conferred by laws, administrative regulations, departmental rules, listing rules of the stock exchange of the place where the Company's shares are listed, the Articles of Association or the general meeting.

Matters beyond the scope of authorization of the general meeting shall be submitted to the general meeting for consideration.

(5) Duties of Directors

Directors shall abide by laws, administrative regulations, departmental rules, listing rules of the stock exchange where the Company's shares are listed and the Articles of Association, take measures to avoid the conflict between their own interests and those of the Company and may not seek any improper interests by taking advantage of their powers and shall owe the following fiduciary duties to the Company:

i Directors shall not abuse their authority by accepting bribes or other illegal income, and shall not embezzle the Company's property;

ii Directors shall not misappropriate the Company's funds;

iii Directors shall not deposit Company's assets into accounts held in their own names or in the name of any other individual;

iv Directors shall not, in violation of the Articles of Association, conclude any contract or engage in any transaction with the Company;

v Directors shall not use the advantages provided by their own positions to pursue business opportunities that belong to the Company either for their own account or for the account of any other person, except in any of the following circumstances: (a) reporting to the Board of Directors or the general meeting and obtaining approval through resolutions by the Board of Directors or the general meeting as stipulated in the Articles of Association; (b) according to laws, administrative regulations, or the Articles of Association, the Company shall not utilize such business opportunity;

vi Directors shall not engage in business of the same kind as that of the Company either for themselves or on behalf of others, without reporting to the Board of Directors or the general meeting and obtaining approval through resolutions by the Board of Directors or the general meeting as stipulated in the Articles of Association;

vii Directors shall not accept commissions paid by others for transactions conducted with the Company as their own;

viii Directors shall not disclose confidential Company's information without authorization;

ix Directors shall not abuse their connected relationships to damage the Company's interests;

x Directors shall have other fiduciary obligations stipulated in laws, administrative regulations, departmental rules and the Articles of Association.

Any income obtained by a director in violation of above provisions shall belong to the Company; if losses are caused to the Company, the director shall be liable for compensation.

Directors shall abide by laws, administrative regulations and the Articles of Association, exercise the reasonable care that shall be generally possessed by a manager for the best interests of the Company when performing their duties and have the following diligent obligations to the Company:

i Directors shall prudently, earnestly and diligently exercise the powers the Company grants to them to ensure that the Company conducts its commercial activities in a manner that complies with the requirements of state laws, administrative regulations and state economic policies, and that the Company's commercial activities do not go beyond the scope of the business activities stipulated in the Company's business license;

ii Directors shall treat all shareholders fairly;

iii Directors shall maintain a timely awareness of the operation and management of the Company;

iv Directors shall sign written statements confirming the regular reports of the Company, and ensure that the information disclosed by the Company is true, accurate and complete;

v Directors shall provide accurate information and materials to the Supervisory Committee and shall not obstruct the Supervisory Committee or individual supervisors from performing its or their duties;

vi Directors shall have other obligations of diligence stipulated in laws, administrative regulations, departmental rules, the Articles of Association and regulatory rules in the place where shares of the Company are listed.

The fiduciary duties of a director owed to the Company and shareholders shall not be relieved after the termination of his or her term of office and shall remain effective for 3 years after the effectiveness of resignation or expiration of his or her term of office. After the effectiveness of the resignation of a director or the expiration of his or her term of office, his or her obligation to keep in confidence the trade secrets of the Company shall survive the termination of his or her term of office, and such director shall not conduct any business the same as or similar to that of the Company by making use of the key technology of the Company. The continuation period of the other obligations shall be determined in accordance with the principle of fairness, taking into account of the lapse between the occurrence of relevant event and his or her departure and the circumstance and condition under which his or her relation with the Company is terminated.

Any director who violates laws, administrative regulations, departmental rules, regulatory rules for the securities of the place where shares of the Company are listed or the Articles of Association in performing his/her duties and thereby causes losses to the Company shall be liable for compensation.

(6) Independent Non-executive Director

The Board of Directors should have more than 1/3 of independent non-executive Directors, and the total number of independent non-executive Directors should not be less than three.

(7) Supervisory Committee

The Company shall have a Supervisory Committee. The Supervisory Committee shall consist of three Supervisors and shall have one chairman. The chairman of the Supervisory Committee shall be elected by more than half of all Supervisors.

The Supervisory Committee shall include shareholders' representatives and an appropriate number of employees' representatives; the ratio of employees' representative therein shall not be less than one-third. The shareholders' representatives shall be elected or removed by the general meeting. The employees' representatives shall be elected or removed by the Company's employees via an employees' representative congress or employees' congress or other forms of democratic election.

The Supervisory Committee exercises the following powers:

i to review the regular reports of the Company prepared by the Board, and to provide written review opinions;

ii to examine the financial affairs of the Company;

iii to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, administrative regulations, the Articles of Association or the resolutions of the shareholders' general meetings;

iv to demand rectification from a Director or senior management when the acts of such persons are detrimental to the interests of the Company;

v to propose the convening of extraordinary general meetings and to summon and preside over general meetings when the Board fails to perform the duty of summoning and presiding over general meetings under the PRC Company Law;

vi to submit proposals to the general meeting;

vii to negotiate with or initiate litigation against the directors on behalf of the Company, or to initiate proceedings against directors and senior management in accordance with the PRC Company Law;

viii to check financial reports, business reports, profit distribution plans and other financial documents to be submitted to shareholders' general meetings by the Board of Directors and, if questions arise, to commission certified public accountants and certified auditors in the Company's name to assist in verification of doubtful documents, with the expenses being borne by the Company;

ix to investigate any irregularities identified in the operation of the Company; if necessary, to engage professional institutions such as accounting firms and law firms to assist its work at the expense of the Company;

x to demand the directors or senior executives to submit reports on the performance of their duties;

xi to exercise other powers conferred by laws, administrative regulations, departmental rules, and the listing rules of the stock exchange of the place where the Company's shares are listed or the Articles of Association.

Resolutions of the Supervisory Committee shall be passed by more than half of the supervisors.

(8) General Manager

The Company shall have one general manager who shall be appointed or dismissed by the Board of Directors.

The general manager shall be accountable to the Board and exercise the following powers:

i to be in charge of the production, operation and management of the Company, organize the implementation of the resolutions of the Board and report to the Board;

ii to organize the implementation of the Company's annual business plan and investment plan;

iii to draft plans for the establishment of the Company's internal management bodies;

iv to draft the basic management system of the Company;

v to formulate the specific rules and regulations of the Company;

vi to propose to the Board to appoint or dismiss deputy general managers, chief financial officer and other senior management of the Company;

vii to appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board;

viii to exercise other powers conferred by the Articles of Association or the Board.

The general manager is to attend board meetings.

(9) Reserves

In distributing its current-year after-tax profits, the Company shall allocate 10% of its profit to its statutory reserve fund.

Allocations to the Company's statutory reserve fund may be waived once the cumulative amount of funds therein accounts for more than 50% of the Company's registered capital.

Where the statutory reserve fund is not sufficient to cover any loss made by the Company in the previous year, the current year's profit shall be used to cover such loss before any allocation is made to the statutory reserve fund pursuant to the preceding paragraph.

After an allocation to the statutory reserve fund has been made from the after-tax profit of the Company, and subject to the adoption of a resolution by the general meeting, an allocation may be made to the discretionary reserve fund.

After the Company has covered its losses and made allocations to the reserve funds, any remaining profit shall be distributed to the shareholders in proportion to their respective shareholdings.

Where the Company, in violation of the preceding paragraph, distributes profits to the shareholders, the profits so distributed must be returned to the Company by the shareholders.

Profits shall not be distributed to shares held by the Company itself.

Company reserve funds shall be used to cover Company's losses, expand production and operations, or converted to increase the Company's registered capital. Where the reserve is used for making up losses, the discretionary reserve and statutory reserve shall be firstly used. If losses still cannot be made up, the capital reserve can be used according to the relevant provisions.

After converting statutory reserve funds into registered capital, the remaining balance of the statutory reserve funds shall be no less than 25% of the Company's registered capital prior to the conversion.

FURTHER INFORMATION ABOUT OUR COMPANY

Incorporation of our Company

Our Company was established as a limited liability company in the PRC on April 30, 2008 and was converted into a joint stock limited company on December 17, 2020 under the laws of the PRC. As of the Latest Practicable Date, the registered share capital of our Company is RMB360,000,000.

Our registered place of business in Hong Kong is at Room 1912, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong. We have been registered as a non-Hong Kong Company under Part 16 of the Companies Ordinance and Ms. Tang King Yin (鄧景賢) will be our authorized representative for the acceptance of service of process and notices in Hong Kong.

As our Company was established in the PRC, we are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and our Articles of Association is set out in "Regulatory Overview" and Appendix III to this Prospectus, respectively.

Changes in the Share Capital of our Company

Save as disclosed in the section headed "History, Development and Corporate Structure — Major Shareholding Changes of our Company", there has been no other alteration in the share capital of our Company during the two years immediately preceding the date of this Prospectus.

Changes in the Share Capital of our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in the Accountants' Report in Appendix I to this Prospectus.

The following sets out the changes in the share capital of the Company's subsidiaries during the two years immediately preceding the date of this Prospectus:

- On March 2, 2023, Henan Snow King Beverage Co., Ltd. (河南雪王飲料有限公司) was established as a limited liability company in the PRC with an initial registered capital of RMB10 million;

- On March 7, 2023, Henan Kazika Catering Management Co., Ltd. (河南卡茲卡餐飲管理有限公司) was established as a limited liability company in the PRC with an initial registered capital of RMB8 million;

- On March 10, 2023, Mixue International Business Management Co., Ltd. acquired 60% of share capital of MIXUE (Thailand) Co., Ltd. and on July 24, 2023, MIXUE (Thailand) Co., Ltd. increased its registered share capital from 4 million Thai Baht to 120 million Thai Baht;

- On April 11, 2023, Henan Kazika Supply Chain Co., Ltd. (河南卡茲卡供應鏈有限公司) was established as a limited liability company in the PRC with an initial registered capital of RMB1 million;

- On May 22, 2023, Henan Snow King Commercial Co., Ltd. (河南雪王商貿有限公司) increased its registered capital from RMB3 million to RMB20 million;

- On May 29, 2023, Mixue Malaysia Sdn. Bhd. increased its registered share capital from 1,000 Malaysian Ringgit to 5.3 million Malaysian Ringgit;

- On July 11, 2023, Songbingbing Supply Chain (Jiangsu) Co., Ltd. (送冰冰供應鏈(江蘇)有限公司) was established as a limited liability company in the PRC with an initial registered capital of RMB10 million;

- On July 26, 2023, Songbingbing Supply Chain (Henan) Co., Ltd. (送冰冰供應鏈(河南)有限公司) was established as a limited liability company in the PRC with an initial registered capital of RMB5 million; and

- On January 8, 2024, Snow King Smart Supply Chain (Zhengzhou) Co., Ltd. (雪王智慧供應鏈(鄭州)有限公司) was established as a limited liability company in the PRC with an initial registered capital of RMB10 million.

- On March 28, 2024, Snow King Investment (Hainan) Co., Ltd. (雪王投資(海南)有限公司) was established as a limited liability company in the PRC with an initial registered capital of RMB80 million.

- On April 1, 2024, Henan Snow King Beverage Co., Ltd. (河南雪王飲料有限公司) increased its registered capital from RMB10 million to RMB12.8 million.

- On April 26, 2024, Daka International Agricultural Technology (Guangxi) Co., Ltd. (大咖國際農業科技(廣西)有限公司) was established as a limited liability company in the PRC with an initial registered capital of RMB20 million.

- On May 3, 2024, Snow King (Hong Kong) Investment Management Limited was incorporated in Hong Kong was an authorized share capital of HK$10,000.

- On June 3, 2024, Daka International Food (Hainan) Co., Ltd. (大咖國際食品(海南)有限公司) increased its registered capital from RMB50 million to RMB200 million.

- On June 7, 2024, Snow King Smart Supply Chain (Hainan) Co., Ltd. (雪王智慧供應鏈(海南)有限公司) was established as a limited liability company in the PRC with an initial registered capital of RMB10 million.

- On June 19, 2024, Daka International Food (Guangxi) Co., Ltd. (大咖國際食品(廣西)有限公司) increased its registered capital from RMB50 million to RMB100 million.

- On June 28, 2024, Snow King Smart Supply Chain (Guangxi) Co., Ltd. (雪王智慧供應鏈(廣西)有限公司) was established as a limited liability company in the PRC with an initial registered capital of RMB10 million.

- On July 15, 2024, Daka International Enterprise Management Co., Ltd. (大咖國際企業管理有限公司) increased its registered capital from RMB100 million to RMB300 million.

- On August 30, 2024, Snow King (Singapore) PTE. LTD. was incorporated in Singapore was an authorized share capital of US$1.4 million.

- On June 28, 2024, Guangxi Snow King Enterprise Management Co., Ltd. (廣西雪王企業管理有限公司) was established as a limited liability company in the PRC with an initial registered capital of RMB10 million.

- On November 14, 2024, Snow King Aizhihui Technology Co., Ltd. (雪王愛智慧科技(鄭州)有限公司) was established as a limited liability company in the PRC with an initial registered capital of RMB50 million.

- On November 29, 2024, Snow King Smart Supply Chain (Xinjiang) Co., Ltd. (雪王智慧供應鏈(新疆)有限公司) was established as a limited liability company in the PRC with an initial registered capital of RMB10 million.

- On December 23, 2024, Snow King Aidongman Culture (Beijing) Co., Ltd. (雪王愛動漫文化(北京)有限公司) was established as a limited liability company in the PRC with an initial registered capital of RMB60 million.

Save as disclosed above, there had been no other alterations of share capital of our subsidiaries within the two years preceding the date of this Prospectus.

Resolutions of our Shareholders

Pursuant to the resolutions passed at a duly convened general meeting of our Shareholders on December 29, 2023, it was resolved, among others, and the following was approved:

(a) the issue of H Shares with a nominal value of RMB1.00 each and the listing of such H Shares on the Stock Exchange;

(b) the number of H Shares to be issued pursuant to the Global Offering, and the grant to the underwriters (or their representatives) of the Over-allotment Option of not more than 15% of the number of H Shares issued pursuant to the Global Offering;

(c) conditional upon the completion of the Global Offering, 131,264,258 Unlisted Shares held by certain existing Shareholders will be converted into H Shares;

(d) subject to the completion of the Global Offering, the Articles of Association have been approved and adopted, which shall become effective on the Listing Date, and our Board has been authorized to amend the Articles of Association to the extent necessary in accordance with any comments from the relevant regulatory authorities; and

(e) our Board has been authorized to handle all relevant matters relating to, among other things, the implementation of issuance of H Shares and the Listing.

Pursuant to the resolutions passed at the extraordinary general meeting of our Shareholders on February 17, 2025, it was resolved, among others:

(a) the granting of a general mandate to the Board to (i) allot and issue Shares, and (ii) sell and/or transfer Shares out of treasury that are held as treasury shares, at any time within a period up to the date of the conclusion of the next annual general meeting of the Shareholders or the date on which the Shareholders pass a resolution to revoke or change such mandate, whichever is earlier, upon such terms and conditions and for such purposes as the Board in their absolute discretion deem fit, provided that, the number of Shares to be issued, or to be sold and/or transferred out of treasury that are held as treasury shares shall not exceed 20% of the number of Shares in issue as of the Listing Date; and

(b) the granting of a general mandate to the Board to repurchase Shares issued on the Stock Exchange with an aggregate number of not exceeding 10% of the number of the total issued H Shares as of the Listing Date.

Explanatory Statement on Repurchase of Our Own Securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this Prospectus concerning the repurchase of our own securities.

(a) Reasons for repurchase

The Board considered that the repurchase of the Shares would be beneficial to and in the best interests of the Company and its Shareholders as a whole. It can strengthen the investors' confidence in the Company and promote a positive effect on maintaining the Company's reputation in the capital market. Such repurchases will only be made when the Board believes that such repurchases will benefit the Company and its Shareholder as a whole.

(b) Exercise of the general mandate to repurchase Shares

Subject to the passing of the special resolution approving the grant of the general mandate to repurchase Shares at annual general meetings, the Board will be granted general mandate to repurchase Shares until the end of the relevant period. The general mandate to repurchase Shares would expire on the earlier of:

(i) the conclusion of the next annual general meeting of the Company of which time it shall lapse unless, by special resolutions passed at that meeting, the authority is renewed, either conditionally or subject to conditions;

(ii) the revocation or variation of the mandate under the resolution by a special resolution at the next general meeting of the Company; or

(iii) the revocation or variation of the mandate under the resolution by a special resolution at any general meeting of the Company.

Furthermore, we need to complete registration and approval procedures with relevant government authorities for the actual grant of the repurchase mandate to the Board, as applicable. The exercise in full of the general mandate to repurchase H Shares would result in a maximum of 10% of the H Shares in issue as of the Listing Date being repurchased by the Company during the relevant period.

(c) Source of funds

In repurchasing its Shares, the Company intends to apply funds from the Company's internal resources (which may include surplus funds and retained profits) legally available for such purpose in accordance with the Articles of Association and the applicable laws, rules and regulations of the PRC.

The Company is empowered by its Articles of Association to repurchase its Shares. Any shares to be repurchased will be cancelled or kept as treasury shares if allowed by the Articles of Association and applicable laws and regulations. Any repurchases by the Company may only be made out of either the funds of the Company that would otherwise be available for dividend or distribution or out of the proceeds of a new issue of shares made for such purpose. The Company may not purchase securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(d) 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 one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of 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 issuer 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.

(e) Close associates and core connected persons

None of our Directors or, to the best of their knowledge having made all reasonable inquiries, any of their close associates have a present intention, in the event the general mandate to repurchase Shares 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 general mandate to repurchase Shares is approved.

A listed company shall not knowingly purchase its shares on the Stock Exchange from a core connected person (namely a director, supervisor, 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.

(f) Status of repurchased Shares

In accordance with the Articles of Association, the Listing Rules and any other applicable laws and regulations, following a repurchase of the H Shares, the Company may cancel any repurchased Shares 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.

(g) 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 general mandate to repurchase Shares.

(h) General

To the best knowledge of the Directors, neither the explanatory statement contained herein nor the proposed share repurchase has unusual features.

If the general mandate to repurchase Shares were to be carried out in full at any time, there may be a material and 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 general mandate to repurchase Shares to such an extent as would have a material and adverse effect on our working capital or gearing position.

Our Directors will exercise the general mandate to repurchase Shares in accordance with the Listing Rules and the applicable laws in the PRC.

FURTHER INFORMATION ABOUT OUR BUSINESS

Summary of Material Contracts

The following contracts (not being contract entered into in the ordinary course of business) was entered into by our Group within the two years preceding the date of this Prospectus and is or may be material:

(a) the cornerstone investment agreement dated February 18, 2025 entered into among our Company, M&G Asian Fund, M&G (LUX) Asian Fund, M&G Funds (1) Asia Pacific (ex Japan) Equity Fund, M&G China Fund, M&G (Lux) China Fund, M&G (ACS) China Fund, The Prudential Assurance Company Limited, M&G (LUX) Dynamic Allocation Fund, Merrill Lynch (Asia Pacific) 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 Huatai Financial Holdings (Hong Kong) Limited, pursuant to which M&G Asian Fund, M&G (LUX) Asian Fund, M&G Funds (1) Asia Pacific (ex Japan) Equity Fund, M&G China Fund, M&G (Lux) China Fund, M&G (ACS) China Fund, The Prudential Assurance Company Limited and M&G (LUX) Dynamic Allocation Fund agreed to subscribe for H Shares at the Offer Price in the aggregate amount of Hong Kong dollar equivalent of US$60 million;

(b) the cornerstone investment agreement dated February 18, 2025 entered into among our Company, HSG Growth VI Holdco F, Ltd., Merrill Lynch (Asia Pacific) 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 Huatai Financial Holdings (Hong Kong) Limited, pursuant to which HSG Growth VI Holdco F, Ltd. agreed to subscribe for H Shares at the Offer Price in the aggregate amount of Hong Kong dollar equivalent of US$60 million;

(c) the cornerstone investment agreement dated February 18, 2025 entered into among our Company, Persistence Growth Limited, Merrill Lynch (Asia Pacific) 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 Huatai Financial Holdings (Hong Kong) Limited, pursuant to which Persistence Growth Limited agreed to subscribe for H Shares at the Offer Price in the aggregate amount of Hong Kong dollar equivalent of US$40 million;

(d) the cornerstone investment agreement dated February 18, 2025 entered into among our Company, HHLR Fund, L.P., Merrill Lynch (Asia Pacific) 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 Huatai Financial Holdings (Hong Kong) Limited, pursuant to which HHLR Fund, L.P. agreed to subscribe for H Shares at the Offer Price in the aggregate amount of Hong Kong dollar equivalent of US$30 million;

(e) the cornerstone investment agreement dated February 18, 2025 entered into among our Company, Long-Z Fund I, LP, Merrill Lynch (Asia Pacific) 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 Huatai Financial Holdings (Hong Kong) Limited, pursuant to which Long-Z Fund I, LP agreed to subscribe for H Shares at the Offer Price in the aggregate amount of Hong Kong dollar equivalent of US$10 million; and

(f) the Hong Kong Underwriting Agreement.

Intellectual Property Rights

As of the Latest Practicable Date, our Group has registered, or has applied for the registration of the following intellectual property rights which were material to our Group's business.

Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark Registered	Owner	Registration Number	Place of Registration
1.	蜜雪冰城	Company	6008188	PRC
2.		Company	58901147	PRC
3.	蜜雪冰城	Company	58884647	PRC
4.		Company	58892663	PRC
5.	蜜雪冰城	Company	58892657	PRC
6.		Company	58882961	PRC
7.	蜜雪冰城	Company	58898777	PRC
8.		Company	58907048	PRC
9.	蜜雪冰城	Company	58910620	PRC
10.	MIXUE	Company	IDM000971719	Indonesia
11.		Company	IDM000787495	Indonesia
12.	MIXUE	Company	384655	Vietnam
13.		Company	382488	Vietnam
14.	蜜雪冰城 始于1997·冰淇淋与茶	Company	306434000	Hong Kong
15.	MIXUE SINCE 1997·ICE CREAM&TEA	Company	306433993	Hong Kong

No.	Trademark Registered	Owner	Registration Number	Place of Registration
16.	蜜雪冰城 始于1997·冰淇淋与茶	Company	306436738	Hong Kong
17.	MIXUE SINCE 1997·ICE CREAM & TEA	Company	306436747	Hong Kong
18.	mixue	Company	70449504	PRC
19.		Company	72019042	PRC
20.		Company	72679197	PRC
21.	雪王驾到	Company	73290942	PRC
22.	MIXUE	Company	DID2023051142	Indonesia

Patents

As of the Latest Practicable Date, we are the owner of the following material patents, details of which are as follows:

No.	Patent description	Registered Owner	Place of Registration
1.	A kind of splicing siding (一種拼接護牆板)	Company	PRC
2.	An adjustable expansion screw (一種可調節的膨脹螺絲)	Company	PRC
3.	Liquid filling system for tea shops (茶飲店液體灌裝系統)	Company	PRC
4.	An automatic logistics cargo pallet disassembly conveyor system (一種物流貨物自動拆垛傳送系統)	Company	PRC
5.	An automatic logistics cargo pallet disassembly machine and disassembly conveyor system (一種物流貨物自動拆垛機及拆垛傳送系統)	Company	PRC

Copyrights

As of the Latest Practicable Date, our Group owned the following copyrights which we consider to be material to our business:

No.	Copyright Name	Registered Owner	Place of Registration
1.	Mixue Snow King Series 1 (蜜雪雪王系列1)	Company	PRC
2.	The Legend of Snow King (雪王駕到)	Company	PRC
3.	Three Dimensional Snow King (三維雪王)	Company	PRC
4.	Snow King Character Collection (雪王角色合集)	Company	PRC
5.	History of Mixue Brand Development (蜜雪品牌發展史)	Company	PRC
6.	Mi Xue Bing Cheng 2023 Theme Song Animation Movie (蜜雪冰城2023版主題曲動畫片)	Company	PRC

Domain Names

As of the Latest Practicable Date, we had registered the following internet domain names which we consider to be or may be material to our business:

No.	Domain Name	Registered Owner	Expiry Date
1.	mxbc.com	Company	March 5, 2025
2.	mxbc.net	Company	March 12, 2026

Save as disclosed above, as of the Latest Practicable Date, there were no other intellectual property rights which are or may be material to our business.

FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS, CHIEF EXECUTIVE AND SUBSTANTIAL SHAREHOLDERS

Interests of our Directors, Supervisors and chief executive in the Company and our associated corporations

Save as disclosed in the section headed "Substantial Shareholders" and below, immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), so far as our Directors are aware, none of our Directors, Supervisors and chief executive has any interests and short positions in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) (i) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or (ii) which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (iii) which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules:

Name	Capacity/Nature of interest	Description of Shares	Number of Shares	Approximate percentage of shareholding in the Unlisted Shares/H Shares immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised)	Approximate percentage of shareholding in the total Share capital immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised)
				(%)	*(%)*
Ms. Cai Weimiao (蔡衛淼)	Beneficial owner	Unlisted Shares	381,024	0.17	0.10
		H Shares	254,016	0.17	0.07
Mr. Sun Jiantao (孫建濤)	Beneficial owner	Unlisted Shares	1,905,121	0.83	0.51
		H Shares	1,270,080	0.86	0.34

Interests of the substantial shareholders in the Shares

Save as disclosed in "Substantial Shareholders", immediately following the completion of the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option, our Directors are not aware of any other person (not being a Director, Supervisor or chief executive of our Company) who will have an interest or short position in our Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of our Company.

Interests of the substantial shareholders in other members of our Group

So far as the Directors are aware, the following persons (other than our Company, and any subsidiaries of our Group) are entitled to exercise, or control the exercise of, 10% or more of voting power at the general meetings of other members of our Group:

Name of the subsidiary	Name of shareholder	Percentage of interest in the subsidiary
		(%)
PT Zhisheng Pacific Trading	Hainan Dehui Yuetong Enterprise Management Consulting Co., Ltd. (海南德慧悦通企業管理諮詢有限公司)[1]	49%
MIXUE (Thailand) Co., Ltd.	Hainan Dehui Yuetong Enterprise Management Consulting Co., Ltd. (海南德慧悦通企業管理諮詢有限公司)[1]	39.9975%
MIXUE Malaysia Sdn. Bhd.	Wonderfood City (M) Sdn. Bhd.[2]	40%

Notes:

(1) Hainan Dehui Yuetong Enterprise Management Consulting Co., Ltd. is the minority shareholder of PT Zhisheng Pacific Trading, a subsidiary in Indonesia held by our Company as to 51%, and is also the minority shareholder of MIXUE (Thailand) Co., Ltd., a subsidiary in Thailand held by our Company as to 60%. As of the date of this Prospectus, the ultimate beneficial owners of Hainan Dehui Yuetong Enterprise Management Consulting Co., Ltd. are individuals including Wang Chaoying (王超營), Wang Tao (王濤), Liu Bin (劉賓), Shi Jingsong (石勁松), Liu Jincheng (劉錦程) and Ma Enhui (馬恩會). Each of aforementioned individuals is an Independent Third Party.

(2) Wonderfood City (M) Sdn. Bhd. is the minority shareholder of MIXUE Malaysia Sdn. Bhd., a subsidiary in Malaysia held by our Company as to 60%. As the date of this Prospectus, the ultimate beneficial owners of Wonderfood City (M) Sdn. Bhd. are individuals including Chan Yik Hui, Samuel James Tai Huei and Lim Sin Yin. Each of Chan Yik Hui, Samuel James Tai Huei and Lim Sin Yin is an Independent Third Party.

Particulars of Directors' and Supervisors' Service Contracts

Each of the Directors and Supervisors has entered into a service contract or a letter of appointment with our Company.

Save as disclosed above, we have not entered into, and do not propose to enter into any service contracts with any of our Directors or Supervisors in their respective capacities as Directors or Supervisors (excluding agreements expiring or determinable by any member of our Group within one year without payment of compensation other than statutory compensation).

Remuneration of Directors and Supervisors

Save as disclosed in "Directors, Supervisors and Senior Management" and Note 9 to the Accountants' Report set out in Appendix I to this Prospectus for the three financial years ended December 31, 2021, 2022 and 2023 and the nine months ended September 30, 2024, none of our Directors or Supervisors received other remunerations of benefits in kind from us.

Disclaimers

(a) save as disclosed in the section headed "Substantial Shareholders" and this section, none of our Directors, Supervisors or our chief executive has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers once the H Shares are listed on the Stock Exchange;

(b) save as disclosed in the section headed "Substantial Shareholders", none of our Directors or Supervisors is aware of any person (not being a Director, Supervisor or chief executive of our Company) who will, immediately following the completion of the Global Offering and the conversion of Unlisted Shares into H Shares (without taking into account any H Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is interested, directly or indirectly, in 10% or more of the issued voting shares of any member of our Group;

(c) none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders who own more than 5% of the number of issued shares of our Company have any interests in the five largest customers or the five largest suppliers of our Group for each year/period during the Track Record Period; and

(d) none of our Directors, Supervisors or any of the parties listed in "Qualifications of Experts" of this Appendix is:

    i. interested in our promotion, or in any assets which have been, within two years immediately preceding the date of this Prospectus, acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to any member of our Group; or

    ii. materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to our business.

OTHER INFORMATION

Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries under the laws of the PRC.

Litigation

As of the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against any member of our Group, that would have a material and adverse effect on our Group's results of operations or financial conditions, taken as a whole.

Preliminary Expenses

As of the Latest Practicable Date, our Company has not incurred any material preliminary expenses.

Promoter

The promoters of the Company are all of the 9 then shareholders of our Company as of December 6, 2020 immediately before our conversion into a joint stock limited liability company. Within the two years immediately preceding the date of this Prospectus, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to the promoters in connection with the Global Offering and the related transactions described in this Prospectus.

Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares registered with our Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration of or, if higher, of the fair value of our Shares being sold or transferred.

No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since September 30, 2024 (being the date to which the latest consolidated financial statements of our Group were prepared).

Qualifications of Experts

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given their opinion and/or advice in this Prospectus are as follows:

Name	Qualification
Merrill Lynch (Asia Pacific) Limited *(in alphabetical order of the logos on the important page)*	A licenced corporation under the SFO for type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Goldman Sachs (Asia) L.L.C. *(in alphabetical order of the logos on the important page)*	A licenced corporation under the SFO 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 under the SFO
UBS Securities Hong Kong Limited *(in alphabetical order of the logos on the important page)*	A licenced corporation under the SFO for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 7 (providing automated trading services) of the regulated activities as defined under the SFO
Zhong Lun Law Firm	Legal advisor to our Company as to PRC law
Ernst & Young	Certified Public Accountants Registered Public Interest Entity Auditor
China Insights Industry Consultancy Limited	Independent industry consultant

As of the Latest Practicable Date, none of the experts named above had any shareholding interest in our Company or any of our subsidiaries 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.

Consents of Experts

Each of the experts as referred to "Qualifications of Experts" of this Appendix has given and has not withdrawn their respective written consents to the issue of this Prospectus with the inclusion of their reports and/or letters (as the case may be) and the references to their names included in the form and context in which they are respective included.

Joint Sponsors' Independence

Each of the Joint Sponsors satisfies the independence criteria applicable to the sponsor set out in Rule 3A.07 of the Listing Rules.

Pursuant to the engagement letter entered into between the Company and the Joint Sponsors, the Joint Sponsors' fees payable by us to each of the Joint Sponsors in respect of their services as sponsors in connection with the Listing on the Stock Exchange is US$400,000.

Binding Effect

This Prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

Bilingual Prospectus

The English and Chinese language versions of this Prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

Miscellaneous

(a) except in connection with our A share listing application as disclosed in the section headed "History, Development and Corporate Structure" and the Listing, within the two years preceding the date of this Prospectus: (i) we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash; and (ii) no commissions, discounts, brokerage fee or other special terms have been granted in connection with the issue or sale of any shares of our Company;

(b) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;

(c) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;

(d) there are no arrangements under which future dividends are waived or agreed to be waived;

(e) there are no procedures for the exercise of any right of pre-emption or transferability of subscription rights;

(f) there are no contracts for hire or hire purchase of plant to or by us for a period of over one year which are substantial in relation to our business;

(g) there have been no interruptions in our business which may have or have had a significant effect on our financial position in the last 12 months;

(h) save as disclosed in the section headed "Regulatory Overview", there are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong;

(i) no part of the equity or debt securities of our Company, if any, is currently listed on or dealt in on any stock exchange or trading system, and no such listing or permission to list on any stock exchange other than the Hong Kong Stock Exchange is currently being or agreed to be sought;

(j) our Company has no outstanding convertible debt securities or debentures;

(k) our Company is a joint stock limited company and is subject to the PRC Company Law; and

(l) our Company has adopted a code of conduct regarding Directors' and Supervisors' securities transactions on terms as required under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Hong Kong Listing Rules.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this Prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

(i) a copy of each of the material contracts referred to in "Statutory and General Information — Further Information about our Business — Summary of Material Contract" in Appendix IV to this Prospectus; and

(ii) the written consents referred to in "Statutory and General Information — Other Information — Consents of Experts" in Appendix IV to this Prospectus.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the Stock Exchange's website at **www.hkexnews.hk** and the Company's website at **www.mxbc.com** during a period of 14 days from the date of this Prospectus:

(a) the Articles of Association;

(b) the Accountants' Report from Ernst & Young, the text of which is set out in Appendix I to this Prospectus;

(c) the audited consolidated financial statements of our Group for the years ended December 31, 2021, 2022 and 2023 and the nine months ended September 30, 2024;

(d) the report from Ernst & Young on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix IIA to this Prospectus;

(e) the letters from Ernst & Young and the Joint Sponsors relating to the profit estimate of our Group for the year ended December 31, 2024, the text of which is set out in Appendix IIB to this Prospectus;

(f) the material contracts referred to in "Appendix IV — Statutory and General Information — Further Information about our Business — Summary of Material Contract";

(g) the written consents referred to in "Appendix IV — Statutory and General Information — Other Information — Consents of Experts";

(h) the service contracts and letters of appointment referred to in "Appendix IV — Statutory and General Information — Further Information about our Directors, Supervisors, Chief Executive and Substantial Shareholders — Particulars of Directors' and Supervisors' Service Contracts";

(i) the legal opinions issued by Zhong Lun Law Firm, our PRC Legal Advisor, in respect of, among other things, the general corporate matters and property interests of our Group under the PRC law;

(j) the industry report issued by China Insights Industry Consultancy Limited referred to in "Industry Overview"; and

(k) a copy of the following PRC laws, together with unofficial English translations:

    (i) the PRC Company Law;

    (ii) the PRC Securities Law; and

    (iii) the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies.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