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Application Proof of

Bama Tea Co., Ltd.
八馬茶業股份有限公司
(the “**Company**”)

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

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Bama Tea Co., Ltd. 八馬茶業股份有限公司

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

[REDACTED]

Number of [REDACTED] under the : [REDACTED] H Shares (subject to the
[REDACTED] [REDACTED])
Number of [REDACTED] : [REDACTED] H Shares (subject to
reallocation)
Number of [REDACTED] : [REDACTED] H Shares (subject to
reallocation and the [REDACTED])
Maximum [REDACTED] : HK\$[REDACTED] per H Share, plus
brokerage of 1.0%, SFC transaction
levy of 0.0027%, Stock Exchange
trading fee of 0.00565% and AFRC
transaction levy of 0.00015% (payable
in full on application in Hong Kong
dollars and subject to refund)
Nominal Value : RMB1.00 per H Share
[REDACTED] : [●]

Joint Sponsors, [REDACTED]



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[REDACTED]

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

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SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to [REDACTED] in the [REDACTED]. There are risks associated with any [REDACTED]. Some of the particular risks in [REDACTED] in the [REDACTED] are set out in the section headed “Risk Factors” in this document. You should read that section carefully before you decide to [REDACTED] in the [REDACTED].

OVERVIEW

We are the leading provider of premium tea leaves in China as measured by sales revenue of premium tea leaves for 2024 and the most recognized tea brand in China. We ranked first in China among tea leaf providers in terms of the number of chained specialty stores for tea leaves as of December 31, 2024, and we ranked first in each of China’s premium tea leaf market, Oolong tea leaf market and black tea leaf market in terms of respective sales revenue for 2024. By 2024, we ranked first in China in terms of sales revenue of (i) Tieguanyin (鐵觀音) for over ten consecutive years; (ii) Wuyi Yan Cha for five consecutive years; and (iii) black tea (紅茶) for four consecutive years. According to the 2024 China Customer Satisfaction Index (C-CSI) report released by Chnbrand, our Bama brand ranked first among China’s chained tea leaf brands in terms of brand recognition. Through our nationwide offline store network and comprehensive online sales platforms, we offer high-quality Chinese tea in a product portfolio encompassing all major tea leaf categories in China, including Oolong tea (烏龍茶), dark tea (黑茶), black tea, green tea (綠茶), white tea (白茶) and yellow tea (黃茶), as well as non-tea-leaf products such as tea ware, tea snacks and tea beverages.

China’s tea leaf market size in terms of sales revenue increased from approximately RMB288.9 billion for 2020 to approximately RMB325.8 billion for 2024, representing a CAGR of approximately 3.0%, and is expected to reach approximately RMB407.9 billion for 2029, representing a CAGR of approximately 4.6% from 2024 to 2029. China’s premium tea leaf market has demonstrated a more rapid growth trend as compared to the overall growth of China’s tea leaf market in terms of sales revenue. China’s premium tea leaf market size in terms of sales revenue increased from approximately RMB89.0 billion for 2020 to approximately RMB103.1 billion for 2024, representing a CAGR of approximately 3.7%, and is expected to reach approximately RMB135.3 billion for 2029, representing a CAGR of approximately 5.6% from 2024 to 2029. The total market share of the top five players in China’s premium tea leaf market increased from approximately 5.5% in 2020 to approximately 5.6% in 2024 as the overall tea leaf market size expanded, and it is expected that the top players’ market share will continue to increase. Our market share in terms of sales revenue in China’s premium tea leaf market increased from approximately 1.1% in 2020 to approximately 1.7% in 2024. The premium tea leaf market requires industry expertise, and has relatively high entry barriers. Leveraging our advantages in brand equity, tea-production techniques, product development, scalable operations, channel management, cross-region expansion, supply chain management, digitalized sales platforms, and professional talents, we have been able to achieve the top ranking in China in terms of sales revenue of premium tea leaves.

SUMMARY

The key indicators of our business and results of operations during the Track Record Period are set forth below:

- *Number of offline stores:* The number of our offline stores, including our self-operated stores and franchised stores, increased from 2,613 as of January 1, 2022 to 3,585 as of June 30, 2025, among which the number of franchised stores increased from 2,203 as of January 1, 2022 to 3,341 as of June 30, 2025.
- *Revenue:* Our revenue increased from RMB1,817.5 million for the year ended December 31, 2022 to RMB2,122.3 million for the year ended December 31, 2023, and further increased to RMB2,143.3 million for the year ended December 31, 2024. Our revenue decreased from RMB1,109.8 million for the six months ended June 30, 2024 to RMB1,063.2 million for the six months ended June 30, 2025. In particular, our revenue generated from online channels increased from RMB494.1 million for the year ended December 31, 2022 to RMB622.7 million for the year ended December 31, 2023, and further increased to RMB692.8 million for the year ended December 31, 2024. Our revenue generated from online channels decreased from RMB385.5 million for the six months ended June 30, 2024 to RMB375.9 million for the six months ended June 30, 2025.
- *Net profit:* Our profit and total comprehensive income increased from RMB165.8 million for the year ended December 31, 2022 to RMB205.7 million for the year ended December 31, 2023, and further increased to RMB224.2 million for the year ended December 31, 2024. Our profit and total comprehensive income decreased from RMB146.0 million for the six months ended June 30, 2024 to RMB120.0 million for the six months ended June 30, 2025. Our net profit margin increased from 9.1% for the year ended December 31, 2022 to 9.7% for the year ended December 31, 2023, and further increased to 10.5% for the year ended December 31, 2024. Our net profit margin decreased from 13.2% for the six months ended June 30, 2024 to 11.3% for the six months ended June 30, 2025.

OUR BRANDS AND PRODUCTS

During the Track Record Period and as of the Latest Practicable Date, our product portfolio primarily consists of (i) tea leaf products, which primarily include Oolong tea, black tea, dark tea, white tea and green tea; (ii) tea ware, which primarily includes teapots, teacups and other utensils for making tea; and (iii) tea snacks, which mainly includes nuts, dried fruit and dried meat. During the Track Record Period and as of the Latest Practicable Date, we also offered other tea leaf products such as yellow tea, tea combination set (組合茶), blended tea (拼配茶) and reprocessed tea (再加工茶), and other non-tea-leaf products such as tea beverages, incense sticks (線香) and tea toys (茶寵).

SUMMARY

Our core brand, Bama (八馬), covers a full-range of tea leaf products including all six major types of tea leaves in China. Our Xinjihao (信記號) sub-brand focuses on offering premium aged Pu’er tea (高端年份普洱茶) and our Wanshanhong (萬山紅) sub-brand focuses on offering products that cater to young consumers and female consumers looking for diverse flavors with high quality and affordable pricing. Our Bama brand has been recognized as a “Well-known Trademark of the PRC” (中國馳名商標) since 2010 by the Trademark Office of the State Administration for Industry and Commerce of the PRC (中國國家工商行政管理總局商標局), and our Xinjihao sub-brand has been recognized as a China Time-honored Brand (中華老字號) since 2024 by MOFCOM, the Ministry of Culture and Tourism, State Administration for Market Regulation, China National Intellectual Property Administration and National Cultural Heritage Administration. The table below sets forth a brief introduction of our brand and sub-brands as of the Latest Practicable Date:

Brand/Sub-brand	Launch Time	Main Product Categories	Target Consumers	Sales and Marketing Modes	Typical Price Range ⁽¹⁾
	1997	Full-range tea leaves, tea ware and tea snacks	Commercial professionals and other tea leaf consumers with strong purchase power	Omni-channel sales and marketing covering online and offline channels	Tea-leaf products: RMB727 to RMB240,000 per kg Tea ware: RMB98 to RMB60,000 per unit Tea snacks: RMB88 to RMB499 per unit
	2019	Premium aged Pu’er tea	Sophisticated tea consumers and Pu’er tea lovers	Omni-channel sales and marketing covering online and offline channels	Tea-leaf products: RMB807 to RMB224,087 per kg Tea ware: RMB120 to RMB1,680 per unit
	2024	Black tea with various flavors, flavored tea (調味茶) and substitute tea products ⁽²⁾	Young consumers and female consumers looking for diverse flavors and high cost-effectiveness in products	Sales and marketing mainly on online channels	Tea-leaf products: RMB840 to RMB2,200 per kg

SUMMARY

Notes:

- (1) The typical suggested retail price ranges of our Major Products, which are the products from which we generated an aggregate of over 70% of our revenue for the respective product categories, namely, tea-leaf products, tea ware and tea snacks, in each period during the Track Record Period.
- (2) Substitute tea products refer to beverages that are made in a manner similar to that of tea from edible raw materials such as leaf buds, flowers, fruits, roots and stems.

The following table sets forth a breakdown of our revenue by brand and sub-brand for the periods indicated:

	For the Year Ended December 31						For the Six Months Ended June 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Sales of Products										
Bama	1,605,765	88.3	1,840,250	86.7	1,881,952	87.7	1,000,787	90.1	937,928	88.2
Xinjihao	201,106	11.1	276,215	13.0	233,177	10.9	102,927	9.3	101,064	9.5
Wanshanhong	—	—	—	—	21,488	1.0	2,880	0.3	20,083	1.9
Subtotal	1,806,871	99.4	2,116,465	99.7	2,136,617	99.6	1,106,594	99.7	1,059,075	99.6
Other Revenue										
Gross rentals from investment										
properties	1,014	0.1	1,153	0.1	1,216	0.1	595	0.1	558	0.1
Others ⁽¹⁾	9,655	0.5	4,687	0.2	5,426	0.3	2,612	0.2	3,561	0.3
Total	1,817,540	100.0	2,122,305	100.0	2,143,259	100.0	1,109,801	100.0	1,063,194	100.0

Note:

- (1) Primarily includes the revenue generated from the provision of tea lounge services and franchise fees from franchisees for the license to operate franchised stores under our brand. For the years ended December 31, 2022, 2023 and 2024, and the six months ended June 30, 2024 and 2025, the franchise fees amounted to RMB7.4 million, RMB0.5 million, RMB1.5 million, RMB0.5 million and RMB1.4 million, respectively. For reasons of the fluctuation of our franchise fees, please refer to “Business — Our Sales Network — Our Offline Channels — Franchising Mode — Contracts with Franchisees” in this document.

SUMMARY

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

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Sales of Tea-leaf Products										
Sales of tea leaves	1,571,552	86.5	1,882,524	88.7	1,901,031	88.6	996,002	89.7	958,818	90.2
Sales of Non-tea-leaf Products										
Sales of tea ware	101,819	5.6	115,296	5.4	130,507	6.1	60,929	5.5	61,447	5.7
Sales of tea snacks	94,937	5.2	95,338	4.5	81,206	3.8	35,291	3.2	28,329	2.7
Sales of other products ⁽¹⁾	38,563	2.1	23,307	1.1	23,873	1.1	14,372	1.3	10,481	1.0
Other Revenue										
Gross rentals from investment properties	1,014	0.1	1,153	0.1	1,216	0.1	595	0.1	558	0.1
Others ⁽²⁾	9,655	0.5	4,687	0.2	5,426	0.3	2,612	0.2	3,561	0.3
Total	1,817,540	100.0	2,122,305	100.0	2,143,259	100.0	1,109,801	100.0	1,063,194	100.0

- (1) Other products primarily include liquor manufactured by third parties and derivative products such as tea beverages, incense sticks and tea toys.
- (2) Others primarily include the revenue generated from provision of tea lounge services and franchise fees from franchisees for the license to operate franchised stores under our brand. For the years ended December 31, 2022, 2023 and 2024, and the six months ended June 30, 2024 and 2025, the franchise fees amounted to RMB7.4 million, RMB0.5 million, RMB1.5 million, RMB0.5 million and RMB1.4 million, respectively. For reasons of the fluctuation of our franchise fees, see “Business — Our Sales Network — Our Offline Channels — Franchising Mode — Contracts with Franchisees” in this document.

The following table sets forth the sales volume and average sales price by product category for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,	
	2022		2023		2024		2025	
	Sales Volume ⁽¹⁾	Average Sales Price ⁽²⁾	Sales Volume ⁽¹⁾	Average Sales Price ⁽²⁾	Sales Volume ⁽¹⁾	Average Sales Price ⁽²⁾	Sales Volume ⁽¹⁾	Average Sales Price ⁽²⁾
	kg/unit	RMB per kg/unit	kg/unit	RMB per kg/unit	kg/unit	RMB per kg/unit	kg/unit	RMB per kg/unit
Tea leaves ⁽³⁾	2,256,356	694	2,752,016	680	2,930,399	646	1,452,323	657
Tea ware	2,115,044	48	2,553,466	45	3,541,091	37	1,710,269	36
Tea snacks	1,825,579	52	1,887,556	51	1,810,554	45	668,901	42
Other products ⁽⁴⁾	1,888,544	20	1,521,888	15	1,849,730	13	916,809	11

SUMMARY

Notes:

- (1) The sales volume is denominated in (a) kg for tea leaves; and (b) unit for tea ware, tea snacks and other products, covering, among others, sets, boxes and bags.
- (2) The average sales price is calculated by dividing the revenue generated from the relevant products by the respective sales volume. As our revenue from sales of products consists of direct sales to consumers, sales to franchisees and sales to e-commerce platforms, the average sales prices reflect both retail prices to consumers and wholesale prices to franchisees and e-commerce platforms.
- (3) For the years ended December 31, 2022, 2023 and 2024, and the six months ended June 30, 2025, a small portion of our revenue of tea leaves, which amounted to RMB5.0 million, RMB9.8 million, RMB6.8 million and RMB3.3 million, respectively, was not generated from sales of finished tea-leaf products, primarily including (i) sales of packages, such as gift bags and gift boxes, used by consumers for packaging the tea leaf products; and (ii) sales of miscellaneous items facilitating the sales of tea leaf products at offline stores, such as price tags and display shelf, which were sold to franchisees. The calculation of sales volume and average sales price of tea leaves excluded the revenue and sales volume of these products because they were not finished products of tea leaves.
- (4) Other products primarily include liquor manufactured by third parties and derivative products such as tea beverages, incense sticks and tea toys.

The following table sets forth the suggested retail price range for our Major Products for the periods indicated:

	For the Year Ended December 31,			For the Six Months Ended June 30,
	2022	2023	2024	2025
	RMB per kg/unit	RMB per kg/unit	RMB per kg/unit	RMB per kg/unit
Tea-leaf Products				
Tea leaves ⁽¹⁾	727 to 240,000	727 to 240,000	800 to 168,064	931 to 70,196 ⁽²⁾
Non-tea-leaf Products				
Tea ware ⁽¹⁾	118 to 60,000	128 to 45,000	158 to 6,580	98 to 4,480
Tea snacks ⁽¹⁾	108 to 499	118 to 499	88 to 388	138 to 238

Notes:

- (1) The suggested retail price range is denominated in (a) RMB per kg for tea leaves; and (b) RMB per unit for tea ware and tea snacks.
- (2) The high end of suggested retail prices of our Major Products for the six months ended June 30, 2025 was lower than those for each of the years ended December 31, 2022, 2023 and 2024, mainly because the sales of tea-leaf products with suggested retail prices of over RMB70,196 per kg substantially decreased during the six months ended June 30, 2025. As a result, our Major Products for the six months ended June 30, 2025 did not include such products.

The above suggested retail price ranges of our Major Products during the Track Record Period were in line with industry average of players targeting similar consumers and brand positioning as our Group, according to Frost & Sullivan.

SUMMARY

The following table sets forth our gross profit and gross profit margin by product category for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	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
Sales of Tea-leaf Products										
Sales of tea leaves	887,893	56.5	1,044,765	55.5	1,111,202	58.5	582,250	58.5	560,924	58.5
Sales of Non-tea-leaf Products										
Sales of tea ware	30,583	30.0	27,375	23.7	33,515	25.7	13,462	22.1	13,696	22.3
Sales of tea snacks	27,555	29.0	25,566	26.8	21,091	26.0	8,395	23.8	6,530	23.1
Sales of other products ⁽¹⁾	13,096	34.0	6,642	28.5	6,377	26.7	4,295	29.9	2,492	23.8
Other Revenue										
Gross rentals from investment properties	740	73.0	879	76.2	942	77.5	458	77.0	421	75.5
Others ⁽²⁾	9,648	99.9	4,656	99.3	5,426	100.0	2,612	100.0	3,561	100.0
Total	<u>969,515</u>	<u>53.3</u>	<u>1,109,883</u>	<u>52.3</u>	<u>1,178,553</u>	<u>55.0</u>	<u>611,472</u>	<u>55.1</u>	<u>587,624</u>	<u>55.3</u>

Notes:

- (1) Other products primarily include liquor manufactured by third parties and derivative products such as tea beverages, incense sticks and tea toys.
- (2) Others primarily include the revenue generated from the provision of tea lounge services, which generally did not incur cost of sales during the Track Record Period. In addition, others include franchise fees from franchisees for the license to operate franchised stores under our brand.

OUR SALES NETWORK

We sell our products through both offline channels and online channels. As of the Latest Practicable Date, our offline sales network covered major large and mid-sized cities in all of the provinces in mainland China, and our online sales channels covered all major e-commerce platforms in China. During the Track Record Period, we primarily sold our products through the following channels: (i) self-operated offline stores, where we directly sold products to consumers; (ii) franchisees, which procured products from us and sold our products to consumers at the franchised stores operated and managed by them; (iii) self-operated online stores, where we directly sold products to consumers; and (iv) e-commerce platforms, which procured products from us and sold them to consumers.

SUMMARY

The following table sets forth a breakdown of our revenue by sales channel for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Sales of Products										
Offline channels	1,312,777	72.2	1,493,716	70.4	1,443,776	67.4	721,105	64.9	683,181	64.2
• Direct sales through										
self-operated offline stores	401,047	22.0	421,106	19.8	353,583	16.5	188,746	17.0	160,724	15.1
• Sales to franchisees ⁽¹⁾	911,730	50.2	1,072,610	50.6	1,090,193	50.9	532,359	47.9	522,457	49.1
Sales of Products										
Online channels	494,094	27.2	622,749	29.3	692,841	32.2	385,489	34.8	375,894	35.4
• Direct sales through										
self-operated online stores	387,210	21.3	454,251	21.4	509,189	23.6	285,898	25.8	282,643	26.6
• Direct sales to e-commerce										
platforms	106,884	5.9	168,498	7.9	183,652	8.6	99,591	9.0	93,251	8.8
Other Revenue										
Gross rentals from investment										
properties	1,014	0.1	1,153	0.1	1,216	0.1	595	0.1	558	0.1
Others ⁽²⁾	9,655	0.5	4,687	0.2	5,426	0.3	2,612	0.2	3,561	0.3
Total	1,817,540	100.0	2,122,305	100.0	2,143,259	100.0	1,109,801	100.0	1,063,194	100.0

Notes:

- (1) Represents our sales to whom we entered into agreements for distribution of our products, including (i) directly licensed franchisees; and (ii) regionally licensed franchisees.
- (2) Primarily includes the revenue generated from the provision of tea lounge services and franchise fees from franchisees for the license to operate franchised stores under our brand. For the years ended December 31, 2022, 2023 and 2024, and the six months ended June 30, 2024 and 2025, the franchise fees amounted to RMB7.4 million, RMB0.5 million, RMB1.5 million, RMB0.5 million and RMB1.4 million, respectively. For reasons of the fluctuation of our franchise fees, please refer to “Business — Our Sales Network — Our Offline Channels — Franchising Mode — Contracts with Franchisees” in this document.

SUMMARY

Our offline stores densely covered economically advanced regions such as Southern China and Eastern China to capture the growth opportunities in these regions. The following table sets forth our revenue generated from sales of products through offline channels by geographic regions for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,					
	2022		2023		2024		2024		2025			
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Eastern China	552,971	42.1	636,056	42.6	638,063	44.3	317,508	44.1	306,296	44.8		
Northern China	190,619	14.5	214,221	14.3	196,840	13.6	96,188	13.3	94,195	13.8		
Southern China	292,042	22.2	309,060	20.7	290,897	20.1	146,175	20.3	130,102	19.0		
Central China	121,449	9.3	142,451	9.5	128,205	8.9	67,690	9.4	61,186	9.0		
Northwestern China	75,241	5.7	94,202	6.3	90,057	6.2	43,543	6.0	44,919	6.6		
Southwestern China	47,886	3.6	55,917	3.7	58,329	4.0	30,715	4.3	26,332	3.9		
Northeastern China	32,569	2.5	41,809	2.8	41,170	2.9	19,071	2.6	20,151	2.9		
Others ⁽¹⁾	—	—	—	—	215	*	215	*	—	—		
Total revenue generated from sales of products through offline channels ⁽²⁾⁽³⁾	1,312,777	100.0	1,493,716	100.0	1,443,776	100.0	721,105	100.0	683,181	100.0		

Notes:

* Less than 0.1

- (1) For the year ended December 31, 2024, we sold a small amount of our products to a customer located in Thailand. Others are mainly the revenue from this customer.
- (2) None of our offline stores were located in Hong Kong Special Administrative Region, Macau Special Administrative Region or Taiwan as of the end of each period indicated.
- (3) Offline sales revenue from self-operated offline stores is calculated based on the area where the self-operated offline stores are located; offline sales revenue from franchisees is calculated based on the area where the franchisees are located.

OUR PRODUCTION

As of the Latest Practicable Date, we had two production bases for refinement of tea leaves, namely, our Anxi Production Base, which is located in Anxi County, Fujian Province and mainly engaged in the refinement of Tieguanyin tea leaves and tea combination set, and our Wuyishan Production Base, which is located in Wuyishan City, Fujian Province and mainly engaged in the refinement of Wuyi Yan Cha and black tea leaves. Our production bases are equipped with technologies that enabled the relevant production lines to achieve high level of automation in the production. Our seventh generation intelligent production line at the Wuyishan Production Base is a digital and informationized production line for Wuyi Yan Cha. Our sixth-generation production lines at the Anxi Production Base has been awarded the Grand Prize of China Tea Science and Technology Innovation Competition (中國茶科技創新大賽特等獎).

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PROCUREMENT AND SUPPLIERS

During the Track Record Period, we mainly procured (i) raw materials used for our production which were generally procured from suppliers in the PRC; and (ii) finished products produced by third-party manufacturers according to our requirements and specifications on an OEM basis. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30 2025, purchases from our five largest suppliers in each period during the Track Record Period amounted to RMB201.8 million, RMB252.9 million, RMB264.5 million and RMB127.3 million, accounting for 18.8%, 21.9%, 23.2% and 22.6% of our total purchases, respectively, for the same periods. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30 2025, purchases from our largest supplier amounted to RMB42.1 million, RMB54.3 million, RMB65.8 million and RMB32.1 million, accounting for 3.9%, 4.7%, 5.8% and 5.7%, respectively, of our total purchases, respectively, for the same periods. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30 2025, our aggregate procurement amount of finished products from the Key OEM Manufacturers, namely, the five largest OEM manufacturers in terms of the procurement amount of finished products by our Group for each period during the Track Record Period, amounted to RMB193.2 million, RMB219.3 million, RMB222.3 million and RMB103.1 million, respectively.

We have stringent standards for supplier selection. We have established three product selection standards, namely, they are to be produced by well-known experts, with traditional techniques and/or from the best production regions (名家之作、傳統技藝、黃金產區). Under the masterpieces standard, we procure tea leaves from reputable suppliers, such as the inheritors of the National Intangible Cultural Heritage Project (國家級非物質文化遺產項目), enterprises with a long history in tea production and recognized players in the tea industry, which are produced under our guidance and supervision. Under the traditional techniques standard, we procure tea leaves produced following the traditional techniques with craftsmanship. Under the golden production region standard, we procure tea leaves from major tea production regions. In addition, guided by the concept of “each place nurtures its own fine tea (一方水土養一方好茶)”, we are committed to procuring tea leaf raw materials and finished products from the original plantation areas of the relevant tea leaves recognized by governmental authorities through geographical indication trademarks (地理標誌商標). In addition, our key technology personnel visit famous tea production areas to record the tea plantation status and supervise and guide the production processes of the suppliers to ensure that the raw materials and finished products procured by us are authentic and suitable.

CUSTOMERS

During the Track Record Period, our customers mainly include franchisees, e-commerce platforms and retail consumers through our self-operated online and offline stores. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30 2025, revenue generated from our five largest customers in each period during the Track Record Period amounted to RMB251.7 million, RMB344.9 million, RMB344.3 million and RMB163.8 million, accounting for 13.8%, 16.3%, 16.1% and 15.4%, respectively, of our total revenue,

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respectively, for the same periods. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30 2025, revenue generated from our largest customer amounted to RMB95.0 million, RMB154.8 million, RMB167.4 million and RMB83.0 million, accounting for 5.2%, 7.3%, 7.8% and 7.8%, respectively, of our total revenue, respectively, for the same periods.

After consumers make purchases in our offline stores, they can become our offline store members. In addition, the consumers can register as members through various online channels. The number of our members has exceeded 26.0 million as of Latest Practicable Date. We categorize our offline store members into three tiers, including points members (積分會員), premium members (優享會員) and exclusive members (尊享會員), based on their purchase history and length of membership. The members earn points on their purchases with us to level up their tiers, which allow them to enjoy various benefits. We also utilize the information and insights gained from our interaction with customers through our membership programs to optimize our product offerings and customer services.

OUR COMPETITIVE STRENGTHS

We believe the following strengths have contributed to our success and will continue to differentiate us from our competitors:

- The leading provider of premium tea leaves in China with a fast-growing business and the most recognized tea brand
- Full-range and high-quality product portfolio underpinned by proprietary techniques and constant innovations
- Omni-channel sales network and quality service to support our continuous business development and expansion
- Forward-thinking market deployment and flexible and diversified marketing strategies to expand our customer base
- Robust and efficient business operation supported by high level of digitalization, standardization and stable supply chain
- Empowered by our experienced and visionary management, corporate culture, and highly qualified professional team

OUR BUSINESS STRATEGIES

As a provider of a full range of tea products with an omni-channel sales network and cross-region operations, we intend to continue to abide by our corporate mission and values, provide high-quality tea leaf products, open high-quality stores and actively pursue technological innovations and digitalization. We plan to expand our store coverage to include

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more cities and more areas within cities, improve the integrated brand value of our brand and sub-brands, and gradually achieve our long-term goal of becoming the leading tea company in the world. To achieve these goals, we intend to pursue the following business strategies:

- Continue to expand our production capabilities and enhance our supply chain management
- Further expand and optimize our offline store network and develop online sales channels
- Further broaden our product portfolio and provide consumers with more diversified tea consumption experience
- Continue to implement our multi-brand strategy and tailor our marketing efforts to address consumer needs
- Continue to improve our operational efficiency through upgrading our information technology systems
- Attract more talents and enhance team vitality to drive the continuous and healthy development of our business

SUMMARY OF RISK FACTORS

Our operations involve certain risks and uncertainties, some of which are beyond our control and may affect your decision to [REDACTED] in us and/or the value of your [REDACTED]. See “Risk Factors” for details of our risk factors, which we strongly urge you to read in full before making an [REDACTED] in our H Shares. Some of the major risks we face include:

- Our business development is dependent on market demand for our products. Any decline or slowdown in the economy, consumer spending level or the tea leaf market could have a material adverse effect on our business, financial condition, results of operations and prospects.
- Our brand recognition and reputation are critical to our success. Negative publicity may damage our brand name and reputation, which in turn would have a material adverse effect on our business, financial condition and results of operations.
- We depend on our franchisees for a significant amount of our revenue. If we fail to manage our franchisees properly or if our franchisees’ operations are not successful, our business, financial condition and results of operations could be materially and adversely affected.

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- If any of our products experience quality issues, we may incur a loss of customers and decline in sales, which in turn could materially and adversely affect our business and results of operations.
- If we are not able to source adequate raw materials and finished products from suppliers or fail to maintain good relationships with them, our business, financial condition and results of operations could be materially and adversely affected.
- Fluctuations in prices and changes in the quality of raw materials and finished products could materially and adversely affect our profitability and results of operations.
- If the online platforms we rely on to promote and sell our products experience disruption for any reason, or if our cooperation with these online platforms deteriorates or becomes more costly to maintain or is otherwise terminated for any reason, our business and results of operations may be materially and adversely affected.
- Our sales and marketing strategies, including pricing strategies, may not be able to adapt to the changes in the market trends and consumer preferences in a timely manner, and our sales and marketing activities may not be cost-effective in attracting consumers. If any of the foregoing occurs, our business, financial condition and results of operations could be harmed.
- If we fail to provide high quality customer service at our self-operated offline stores, or fail to guide our franchisees to provide high quality customer service at their franchised stores, our ability to attract and maintain customers and our business and reputation may be adversely affected.
- Any failure to upgrade our existing products or to develop, launch and promote new brands and products to gain market acceptance may adversely affect our business development plans and profitability.

COMPETITION

As of the end of 2024, there are more than 1.6 million tea-related companies involved in tea cultivation, production, and distribution. In 2024, the top 5 market players in China’s tea leaf market in terms of sales revenue of tea leaves only accounted for approximately 2.4% of market share with collective sales revenue of approximately RMB8,201.9 million, demonstrating the highly fragmented competitive landscape for China’s tea leaves market. The size of China’s premium tea leaf market in terms of sales revenue increased from approximately RMB89.0 billion in 2020 to approximately RMB103.1 billion in 2024 with a CAGR of approximately 3.7%. The sales of premium tea leaves are heavily dependent on offline customer experience. It emphasizes interpersonal interactions, including comprehensive product display, tea tasting and immersive tea space experiences. As a result, the offline

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channel accounts for a significant proportion of the premium tea leaf market, increasing from approximately RMB83.8 billion in 2020 to approximately RMB97.5 billion in 2024, representing a CAGR of approximately 3.9% during this period. In the foreseeable future, as China’s economy develops, the disposable incomes will rise, and consumers will be prone to purchasing premium tea leaf products that offer a superior quality and experience. Thus, the offline premium tea leaf segment is projected to increase to approximately RMB128.7 billion at a CAGR of approximately 5.7% from 2024 to 2029. For further details, please refer to “Industry Overview — The Premium Tea Leaf Market in China — Premium Tea Leaf Market by Sales Channel” in this document.

In 2024, we are the largest tea company in China in terms of sales revenue of premium tea leaves and the largest tea company in China in terms of sales revenue of Oolong tea leaves and black tea leaves. We believe by leveraging our advantages in among others, brand value, product portfolio, sales network, market deployment and digitalized operation, we will increase our market shares and capture more opportunities in the business segments that we operate in the future. We believe that we are well-positioned to excel in the competition within our industry. However, some of our current and potential competitors may enjoy several competitive advantages over us, including, but not limited to, more financial resources, longer operating history, and/or more marketing initiatives. We may not be able to effectively compete with them. See the section headed “Risk Factors — Risks Relating to Our Industry — We operate in a highly competitive industry. If we fail to compete effectively, our business and operating results could be adversely affected.” in this document for details.

PROPERTIES

As of the Latest Practicable Date, we owned the land use rights for 11 parcels of land in the PRC with a total GSA of 162,184.7 sq.m., and owned 20 buildings in the PRC with a total GFA of 137,813.9 sq.m. In addition, as of the same date, we leased 236 properties in China with a total GFA of 49,516.2 sq.m. The properties we owned or leased are primarily used for self-operated offline stores, production, warehouse or office purposes.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The summary of historical financial information should be read together with the historical financial information to the Accountants’ Report in Appendix I to this document, including the accompanying notes and the information set out in “Financial Information” in this document.

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Summary of Consolidated Statements of Profit or Loss and Other Comprehensive Income

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Revenue	1,817,540	2,122,305	2,143,259	1,109,801	1,063,194
Cost of sales	(848,025)	(1,012,422)	(964,706)	(498,329)	(475,570)
Gross profit	<u>969,515</u>	<u>1,109,883</u>	<u>1,178,553</u>	<u>611,472</u>	<u>587,624</u>
Selling and marketing expenses	(616,760)	(680,862)	(692,154)	(344,105)	(332,163)
Administrative expenses	(116,052)	(135,568)	(165,699)	(67,228)	(91,415)
Research and development costs	(8,220)	(11,621)	(16,505)	(6,959)	(6,453)
Impairment (losses)/reversal on trade and other receivables	(948)	(1,745)	(2,691)	(782)	914
Other income	15,815	16,363	16,235	7,749	8,054
Other net (loss)/income	(3,713)	1,500	2,462	3,820	1,679
Impairment losses of property, plant and equipment and right-of-use assets	(1,886)	(3,047)	(2,213)	(1,268)	(1,116)
Profit from operations	<u>237,751</u>	<u>294,903</u>	<u>317,988</u>	<u>202,699</u>	<u>167,124</u>
Finance costs	(11,197)	(10,890)	(9,624)	(5,144)	(4,117)
Profit before taxation	<u>226,554</u>	<u>284,013</u>	<u>308,364</u>	<u>197,555</u>	<u>163,007</u>
Income tax	(60,705)	(78,285)	(84,163)	(51,522)	(42,972)
Profit and total comprehensive income for the year/period	<u><u>165,849</u></u>	<u><u>205,728</u></u>	<u><u>224,201</u></u>	<u><u>146,033</u></u>	<u><u>120,035</u></u>
Attributable to:					
Equity shareholders of the Company	166,095	205,832	224,344	146,032	119,728
Non-controlling interests	(246)	(104)	(143)	1	307
Profit and total comprehensive income for the year/period	<u><u>165,849</u></u>	<u><u>205,728</u></u>	<u><u>224,201</u></u>	<u><u>146,033</u></u>	<u><u>120,035</u></u>
Earnings per share					
Basic and diluted (RMB)	<u><u>2.19</u></u>	<u><u>2.71</u></u>	<u><u>2.95</u></u>	<u><u>1.92</u></u>	<u><u>1.58</u></u>

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Revenue

Our revenue decreased from RMB1,109.8 million for the six months ended June 30, 2024 to RMB1,063.2 million for the six months ended June 30, 2025, primarily due to the decrease of our revenue generated from sales of tea leaves, which in turn was mainly due to our decrease of sales through offline channels.

Our revenue remained relatively stable at RMB2,143.3 million for the year ended December 31, 2024 as compared to RMB2,122.3 million for the year ended December 31, 2023.

Our revenue increased from RMB1,817.5 million for the year ended December 31, 2022 to RMB2,122.3 million for the year ended December 31, 2023, primarily due to (i) the increase of our revenue generated from sales of tea leaves, which in turn was primarily attributable to our increase of sales through both offline channels and online channels; and (ii) the increase of our revenue generated from sales of tea ware, primarily arising from the increase in the sales of the Titanium Crystal series of tea ware.

For further details, please refer to “Financial Information — Period to Period Comparison of Results of Operations” in this document.

Net Profit

Our profit and total comprehensive income decreased from RMB146.0 million for the six months ended June 30, 2024 to RMB120.0 million for the six months ended June 30, 2025, primarily due to (i) the decrease of RMB46.6 million in revenue, primarily in connection with the decrease of revenue generated from sales of tea leaves, which in turn was mainly due to the decrease of sales through offline channels; and (ii) the increase of RMB[REDACTED] million in administrative expenses, primarily due to an increase in professional service fee, an increase in staff costs, and an increase in [REDACTED] in connection with the proposed [REDACTED], as partially offset by (i) a decrease of RMB22.7 million in cost of sales, which was in line with the decrease in our revenue; and (ii) a decrease of RMB11.9 million in selling and marketing expenses primarily due to a decrease in staff costs, and a decrease in depreciation of right-of-use assets, primarily due to the decrease in the number of our self-operated offline stores.

Our profit and total comprehensive income increased from RMB205.7 million for the year ended December 31, 2023 to RMB224.2 million for the year ended December 31, 2024, primarily due to (i) a decrease of RMB47.7 million in our cost of sales, primarily because we took effective measures to enhance our supply chain management and lower our cost of inventories, such as securing additional volume discounts through centralized procurement arrangement and using cost-effective materials in product packaging; and (ii) an increase of RMB21.0 million in our revenue, primarily due to the increase of revenue from sales of tea ware in connection with the sales of our Titanium Crystal Series of tea ware, as partially offset by (i) an increase of RMB[REDACTED] million in our administrative expenses, primarily

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arising from the increase of [REDACTED] in connection with the proposed [REDACTED], the increase of business development expenses as a result of the increased business development activities and the increase of depreciation of property, plant and equipment in connection with the construction of certain new buildings used for administrative purposes at our Wuyishan Production Base; and (ii) an increase of RMB11.3 million in our selling and marketing expenses, primarily arising from the increase of advertising and promotion expenses in connection with our online advertising and promotion activities.

Our profit and total comprehensive income increased from RMB165.8 million for the year ended December 31, 2022 to RMB205.7 million for the year ended December 31, 2023, primarily due to the increase of RMB304.8 million in our revenue, primarily due to the increase of sales to franchisees due to the increase of the number of franchised stores and the growth of sales through online channels, as partially offset by (i) an increase of RMB164.4 million in our cost of sales, mainly due to the increase of cost of inventories because we procured more raw materials and finished products to facilitate our production and sales of products as our business expanded; (ii) an increase of RMB64.1 million in our selling and marketing expenses, mainly due to the increase of advertising and promotion expenses in connection with online advertising and promotion activities and the increase of staff costs, primarily as a result of an increase in merit-based salaries and benefits we paid to our selling and marketing personnel in line with the increase in our sales; and (iii) an increase of RMB19.5 million in our administrative expenses, primarily due to the increase of staff costs due to the increases in overall salaries and benefits of our employees, including our administrative personnel, the increase of business development expenses as our management team increased the business development activities as our business continued to expand, and the increases in depreciation of property, plant and equipment and depreciation of right-of-use assets as a result of newly acquired logistics equipment and additional office space we rented.

For further details, please refer to “Financial Information — Period to Period Comparison of Results of Operations” in this document.

Summary of Consolidated Statements of Financial Position

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Total non-current assets	680,922	811,978	725,127	699,879
Total current assets	781,321	1,003,033	1,075,762	1,154,395
Total non-current liabilities	167,902	151,318	141,659	135,866
Total current liabilities	537,078	731,102	531,758	507,587
Net current assets	244,243	271,931	544,004	646,808
Net assets	757,263	932,591	1,127,472	1,210,821

SUMMARY

Net Current Assets

Our net current assets increased from RMB244.2 million as of December 31, 2022 to RMB271.9 million as of December 31, 2023, primarily because the increase in our total current assets outpaced the increase in our total current liabilities. Our total current assets increased from RMB781.3 million as of December 31, 2022 to RMB1,003.0 million as of December 31, 2023, primarily due to the increase of financial assets measured at FVPL, the increase of deposits with a bank with original maturity date over three months and the increase of our trade and other receivables. Our total current liabilities increased from RMB537.1 million as of December 31, 2022 to RMB731.1 million as of December 31, 2023, primarily due to the increase of trade and other payables and the increase of bank loans.

Our net current assets increased from RMB271.9 million as of December 31, 2023 to RMB544.0 million as of December 31, 2024, primarily due to the increase in our total current assets and the decrease in our total current liabilities. Our total current assets increased from RMB1,003.0 million as of December 31, 2023 to RMB1,075.8 million as of December 31, 2024, primarily due to the increase of cash and cash equivalents, the increase of trade and other receivables, as partially offset by the decrease of financial assets measured at FVPL. Our total current liabilities decreased from RMB731.1 million as of December 31, 2023 to RMB531.8 million as of December 31, 2024, primarily due to the decrease of trade and other payables, the decrease of bank loans, the decrease of contract liabilities, the decrease of lease liabilities and the decrease of current taxation.

Our net current assets increased from RMB544.0 million as of December 31, 2024 to RMB646.8 million as of June 30, 2025, primarily due to the increase in our total current assets and the decrease in our total current liabilities. Our total current assets increased from RMB1,075.8 million as of December 31, 2024 to RMB1,154.4 million as of June 30, 2025, primarily due to the increase of cash and cash equivalents and the increase of inventories, as partially offset by the decrease of trade and other receivables. Our total current liabilities decreased from RMB531.8 million as of December 31, 2024 to RMB507.6 million as of June 30, 2025, primarily due to the decrease of current taxation, the decrease of trade and other payables and the decrease of lease liabilities, as partially offset by the increase of contract liabilities.

For further details, please refer to “Financial Information — Net Current Assets” in this document.

SUMMARY

Net Assets

Our net assets increased from RMB1,127.5 million as of December 31, 2024 to RMB1,210.8 million as of June 30, 2025, primarily attributable to profit for the six months ended June 30, 2025 of RMB120.0 million, partially offset by dividends approved of RMB36.2 million for the same period.

Our net assets increased from RMB932.6 million as of December 31, 2023 to RMB1,127.5 million as of December 31, 2024, primarily attributable to profit for the year ended December 31, 2024 of RMB224.2 million, partially offset by dividends approved of RMB31.9 million for the same year.

Our net assets increased from RMB757.3 million as of December 31, 2022 to RMB932.6 million as of December 31, 2023, primarily attributable to profit for the year ended December 31, 2023 of RMB205.7 million, partially offset by dividends approved of RMB30.4 million for the same year.

Summary of Consolidated Statements of Cash Flows

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Net cash generated from operating activities	214,536	465,062	269,027	42,485	181,241
Net cash (used in)/generated from investing activities	(107,107)	(437,076)	42,396	(17,948)	(24,622)
Net cash used in financing activities	(116,059)	(60,692)	(170,781)	(100,531)	(67,797)
Net (decrease)/increase in cash and cash equivalents	(8,630)	(32,706)	140,642	(75,994)	88,822
Cash and cash equivalents at the beginning of the year/period	<u>247,893</u>	<u>239,263</u>	<u>206,557</u>	<u>206,557</u>	<u>347,199</u>
Cash and cash equivalents at the end of the year/period	<u>239,263</u>	<u>206,557</u>	<u>347,199</u>	<u>130,563</u>	<u>436,021</u>

SUMMARY

Key Financial Ratios

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

	As of/For the Year Ended December 31,			As of/For the Six Months Ended June 30,	
	2022	2023	2024	2024	2025
Profitability ratios					
Net profit margin	9.1%	9.7%	10.5%	13.2%	11.3%
Return on equity	23.9%	24.3%	21.8%	N.M.	N.M.
Return on total assets	12.1%	12.6%	12.4%	N.M.	N.M.
Liquidity ratios					
Current ratio	1.5	1.4	2.0	N/A	2.3
Gearing ratio	N/A	6.4%	N/A	N/A	N/A

For details, see “Financial Information — Key Financial Ratios” in this document.

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Wang Wenbin, Mr. Wang Wenli, Ms. Chen Yajing, Ms. Wu Xiaoning, Mr. Wang Wenchao and Ms. Wang Xiaoping, our Controlling Shareholders, by virtue of the acting-in-concert arrangement, are entitled to exercise or control the exercise of an aggregate of 55.90% voting rights at the general meeting of our Company.

Immediately after completion of the [REDACTED], our Controlling Shareholders, by virtue of the acting-in-concert arrangement, will be entitled to exercise or control the exercise of an aggregate of [REDACTED]% voting rights at the general meeting of our Company (assuming the [REDACTED] is not exercised). Therefore, Mr. Wang Wenbin, Mr. Wang Wenli, Ms. Chen Yajing, Ms. Wu Xiaoning, Mr. Wang Wenchao and Ms. Wang Xiaoping will constitute a group of Controlling Shareholders of our Company under the Listing Rules.

OUR PRE-[REDACTED] INVESTORS

Since the delisting of the Shares of the Company from the NEEQ on April 24, 2018, there are certain share transfers by the then existing Shareholders to transferees which are categorized as the Pre-[REDACTED] Investors. Our Pre-[REDACTED] Investors include employees, former employees, individual investors and corporate investors which are Tianjin Changfeng, Jingyuan Yisan, Shanghai Fengwang, Chengdu Xinjin, Quanzhou Huixinfu and Jinjiang Baiyingcheng. Among the corporate investors, Jingyuan Yisan and Chengdu Xinjin are professional investors focusing on consumer industry and Quanzhou Huixinfu and Jinjiang Baiyingcheng have investment experience in different kinds of industries, such as financing and technology.

SUMMARY

As of the Latest Practicable Date, the Pre-[REDACTED] Investors hold approximately 18.76% of the total issued share capital of the Company. Immediately following the completion of the [REDACTED], the Pre-[REDACTED] Investors will hold [REDACTED]% of the total issued share capital of the Company (assuming the [REDACTED] is not exercised) or approximately [REDACTED]% of the total issued share capital of the Company (assuming the [REDACTED] is exercised in full). One Pre-[REDACTED] Investor had been granted certain special rights against our Controlling Shareholders and/or Mr. Wang Kunheng, which shall be automatically terminated one day prior to our Company’s submission of [REDACTED] application to the Stock Exchange or one day prior to the [REDACTED], respectively. Shares held by the Pre-[REDACTED] Investors are subject to a statutory lock-up period of 12 months after the [REDACTED]. For further details, see “History and Corporate Structure – Pre-[REDACTED] Investments.”

LEGAL PROCEEDINGS AND COMPLIANCE

From time to time, we may become involved in legal proceedings in the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in aggregate, have a material adverse effect on our business, financial condition, and results of operations.

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material incidents of non-compliance. Our Directors are of the view that, we had complied, in all material respects (other than the non-compliance incidents described under “Business — Legal Proceedings and Compliance” in this document), with all relevant laws and regulations in the PRC during the Track Record Period and up to the Latest Practicable Date.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Recent Developments

The total number of our offline stores, including both self-operated and franchised stores, increased from 2,613 at the beginning of the Track Record Period to 3,633 as of the Latest Practicable Date, consisting of 396 offline stores in first-tier cities, 755 offline stores in new first-tier cities, 1,039 offline stores in second-tier cities and 1,443 offline stores in third-tier and other cities. In addition, since June 30, 2025, we launched new strong flavor Tieguanyin (濃香鐵觀音) and Wuyi Yan Cha Dahongpao (武夷岩茶大紅袍) products, which recorded total sales volume of over 159,000 boxes from June 30, 2025 up to the Latest Practicable Date.

On January 10, 2025, the CAC promulgated the Notice of the Cyberspace Administration of China on Soliciting Public Comments for the Management Provisions on Business Activities of Multi-Channel Distribution Service Institutions for Network Information Content (Draft) (《國家互聯網信息辦公室關於〈網絡信息內容多渠道分發服務機構相關業務活動管理規定(草

SUMMARY

案稿) > 公開徵求意見的通知》) to solicit public comments until February 9, 2025. This notice sets out requirements on multi-channel distribution service institutions for network information content. For further details, please refer to “Regulatory Overview — Laws and Regulations Relating to Online Sales” in this document.

No Material Adverse Change

Our Directors have confirmed that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since June 30, 2025, being the end date of our latest consolidated financial statements, and there has been no event since June 30, 2025 that would materially affect the information shown in the Accountants’ Report in Appendix I to this document.

FUTURE PLANS AND USE OF [REDACTED]

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

- Approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used for expanding our production bases and building a new production base;
- Approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used for enhancing our brand value, and broadening our product portfolio;
- Approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used for funding the expansion of our self-operated offline store network, with a focus on opening more stores that help enhance our brand value, such as flagship stores;
- Approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used for enhancing the digitalization level of our business operation;
- Approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used for acquiring or investing in players in China’s tea industry; and
- Approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used for working capital and general corporate purposes.

See “Future Plans and Use of [REDACTED]” in this document for details.

SUMMARY

DIVIDENDS

During the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, our Company approved dividends of RMB38.0 million, RMB30.4 million, RMB31.9 million and RMB36.2 million, respectively, to our shareholders. Our Group currently does not have a pre-determined dividend policy. Our Board may approve, and our Company may pay, dividends after taking into account our results of operations, financial condition, cashflow, operating and capital expenditure requirements, future business development strategies and estimates and other factors as it may deem relevant. Any proposed distribution of dividends shall be determined by our Board and must be approved by our shareholders at a general meeting. According to the PRC Company Law, a PRC incorporated company is required to set aside at least 10% of its after-tax profits each year, after making up previous years’ accumulated losses, if any, to contribute to certain statutory reserve funds until the aggregate amount contributed to such funds reaches 50% of its registered capital. Our Company may pay dividends out of after-tax profits after making up for accumulated losses and contributing to statutory reserve funds as mentioned above.

[REDACTED]

Our [REDACTED] mainly include professional fees, [REDACTED] and other fees incurred in connection with the [REDACTED]. We estimate that our total [REDACTED] (including [REDACTED]) will be approximately RMB[REDACTED] million, which accounts for [REDACTED]% of the gross [REDACTED] from the [REDACTED]. Such [REDACTED] comprise [REDACTED]-related expenses of RMB[REDACTED] million and non-[REDACTED] expenses of RMB[REDACTED] million, respectively. The non-[REDACTED] expenses consist of (i) RMB[REDACTED] million of fees and expenses of legal advisors, reporting accountant and the [REDACTED], and (ii) RMB[REDACTED] million of other fees and expenses, which primarily represent fees and expenses for other professional services. During the Track Record Period, [REDACTED] of RMB[REDACTED] million and RMB[REDACTED] million were charged to our consolidated statements of profit or loss and other comprehensive income for the year ended December 31, 2024 and for the six

SUMMARY

months ended June 30, 2025, and RMB[REDACTED] million were recognized as prepaid [REDACTED] as of June 30, 2025, which are expected to be deducted from equity upon [REDACTED] as they are directly attributable to the issue of the H Shares to the public. The estimated remaining [REDACTED] of approximately RMB[REDACTED] million are expected to be charged to our consolidated statements of profit or loss and other comprehensive income and approximately RMB[REDACTED] million are expected to be deducted from equity upon [REDACTED].

DEFINITIONS

In this document, unless the context otherwise requires, the following terms and expressions have the meanings set forth below.

“Accountants’ Report”	the accountants’ report of our Group for the Track Record Period as set out in Appendix I to this document
“affiliate(s)”	with respect to any specific person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	the Accounting and Financial Reporting Council of Hong Kong
“Articles” or “Articles of Association”	the articles of association of our Company, which shall become effective upon [REDACTED], as amended from time to time, a summary of which is contained in Appendix V to this document
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Bama Xiandai”	Fujian Anxi Bama Xiandai Agriculture Development Co., Ltd. (福建安溪八馬現代農業綜合開發有限公司), a limited liability company established under the laws of the PRC on October 15, 2010, and a wholly-owned subsidiary of Fujian Bama
“Bama Tea Inc”	Bama Tea Inc, a corporation incorporated in Wyoming, the United States on June 30, 2025, and a wholly-owned subsidiary of YuHui Enterprise
“Beijing Bajun”	Beijing Bajun Tea Co., Ltd. (北京八駿茶業有限公司), a limited liability company established under the laws of the PRC on November 29, 2010, and a wholly-owned subsidiary of our Company
“Board” or “Board of Directors”	the board of directors of our Company

DEFINITIONS

“business day”

any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business

[REDACTED]

“CAC”

the Cyberspace Administration of China (國家互聯網信息辦公室)

[REDACTED]

DEFINITIONS

“Chairman”	the chairman of our Board
“Chayuan Technology”	Shenzhen Chayuan Technology Co., Ltd. (深圳市茶源科技有限公司), a limited liability company established under the laws of the PRC on May 12, 2025, and held as to 70.0% by us and 30.0% by Shenzhen Yiye Guanshan Investment Partnership (Limited Partnership) (深圳市一葉觀山投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on March 24, 2025
“China” or “PRC” or “Mainland China”	the People’s Republic of China, excluding, for the purposes of this document only, the regions of Hong Kong, Macau Special Administrative Region and Taiwan of the People’s Republic of China, except where the content or context requires otherwise
“ChiNext”	Shenzhen Stock Exchange ChiNext Market (深圳證券交易所創業板)
“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 (WUMP) 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”	Bama Tea Co., Ltd. (八馬茶業股份有限公司), a limited liability company established in the PRC on July 28, 1997 and converted into a joint stock limited liability company on September 10, 2014
“Company Law” or “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

DEFINITIONS

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)” or “Concert Party Group”	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of our Company, namely Mr. Wang Wenbin, Mr. Wang Wenli, Ms. Chen Yajing, Ms. Wu Xiaoning, Mr. Wang Wenchao and Ms. Wang Xiaoping
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
“COVID-19”	COVID-19 virus, a coronavirus identified as the cause of an outbreak of respiratory illness that believed to have first emerged in late 2019
“CSDCC”	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)
“Dike Catering”	Shenzhen Dike Catering Management Co., Ltd. (深圳滴可餐飲管理有限公司), a limited liability company established under the laws of the PRC on July 13, 2017, and held as to 83.2% by us, 9.8% by Mr. Chen Pengfei (陳鵬飛), 5% by Shenzhen Chaleli Catering Management Co., Ltd. (深圳茶樂裡餐飲管理有限公司) and 2% by Mr. Huang Yingpeng (黃英彭), each of whom is an Independent Third Party
“Director(s)”	the director(s) of our Company
“Domestic Unlisted Share(s)”	ordinary Shares in the share capital of our Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB
“EIT”	enterprise income tax

DEFINITIONS

“EIT Law” the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), as amended, supplemented or otherwise modified from time to time

“Extreme Conditions” extreme conditions including but not limited to serious disruption of public transport services, extensive flooding, major landslides or large-scale power outage after super typhoons as announced by the government of Hong Kong

“FIL” Foreign Investment Law of the PRC (《中華人民共和國外商投資法》)

[REDACTED]

“Frost & Sullivan” Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a market research and consulting company, which is an Independent Third Party

“Frost & Sullivan Report” an independent market research report commissioned by our Company on China’s tea market and China’s premium tea leaves market and prepared by Frost & Sullivan, as referred to in the section headed “Industry Overview” in this document

“Fujian Bama” Fujian Bama Tea Co., Ltd. (福建八馬茶業有限公司), a limited liability company established under the laws of the PRC on September 8, 2010, and a wholly-owned subsidiary of our Company

“Fuzhou Xin Bama” Fuzhou Xin Bama Tea Co., Ltd. (福州鑫八馬茶業有限公司), a limited liability company established under the laws of the PRC on January 28, 2011, and a wholly-owned subsidiary of Xiamen Xin Bama

“GFA” gross floor area

[REDACTED]

DEFINITIONS

“Group”, “our Group”, “the Group”, “we”, “us”, or “our”	our Company and its subsidiaries from time to time, or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the entities or the predecessors of the present subsidiaries (as the case may be) which carried on the business of the present Group at the relevant time
“GSA”	gross site area
“Guangzhou Bama”	Guangzhou Bama Tea Co., Ltd. (廣州市八馬茶業有限公司), a limited liability company established under the laws of the PRC on December 22, 2010, and a wholly-owned subsidiary of our Company
“H Share(s)”	overseas-[REDACTED], foreign-invested, ordinary Shares issued by us with a nominal value of RMB1.00 each in the share capital of our Company, which are to be [REDACTED] for and [REDACTED] in Hong Kong dollars and for which an application has been made for [REDACTED] and permission to [REDACTED] on the Stock Exchange [REDACTED]
“Hangzhou Bama”	Hangzhou Bama Tea Co., Ltd. (杭州八馬茶業有限公司), a limited liability company established under the laws of the PRC on October 25, 2021, and a wholly-owned subsidiary of Fujian Bama
“Harmonious Growth”	Beijing Harmonious Growth Investment Center (Limited Partnership) (北京和諧成長投資中心(有限合夥)), a limited partnership established under the laws of the PRC on August 26, 2010 [REDACTED]

DEFINITIONS

“HK\$”, “Hong Kong dollars”,
“HKD” or “HK\$”

Hong Kong dollars, the lawful currency of Hong Kong

[REDACTED]

“Hong Kong” or “HK”

the Hong Kong Special Administrative Region of the PRC

“Hong Kong Listing Rules” or
“Listing Rules”

the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)

[REDACTED]

“IAS”

International Accounting Standards

“IFRS”

IFRS Accounting Standards issued by the International Accounting Standards Board

DEFINITIONS

“Independent Third Party(ies)” person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are not connected (within the meaning of the Listing Rules) with our Company

[REDACTED]

“Jingyuan Yisan” Beijing Jingyuan Yisan Entrepreneurial Investment Fund Center (Limited Partnership) (北京靜遠壹叁創業投資基金中心(有限合夥)), a limited partnership established under the laws of the PRC on June 26, 2018

DEFINITIONS

[REDACTED]

“Joint Sponsors”	Huatai Financial Holdings (Hong Kong) Limited, ABCI Capital Limited and TFI Capital Limited
“Key OEM Manufacturers”	the five largest OEM manufacturers in terms of the procurement amount of finished products by our Group for each year/period during the Track Record Period
“Latest Practicable Date”	[August 25], 2025, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication

[REDACTED]

“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange

DEFINITIONS

“Major Products”	the products from which we generated an aggregate of over 70% of our revenue for the respective product categories, namely, tea-leaf products, tea ware and tea snacks, in each year/period during the Track Record Period
“MIIT”	The Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
“min”	minute(s)
“MOF”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“Nanhai Growth”	Nanhai Growth Selected (Tianjin) Equity Investment Fund Partnership (Limited Partnership) (南海成長精選(天津)股權投資基金合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on April 13, 2011
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“NEEQ”	National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
“NPC”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會)
“Nomination Committee”	the nomination committee of the Board

DEFINITIONS

[REDACTED]

“PBOC”	the People’s Bank of China (中國人民銀行)
“PRC GAAP”	generally accepted accounting principles of PRC
“PRC government” or “State”	the Central People’s Government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities or, where the context requires, any of them
“PRC Legal Advisors”	Commerce & Finance Law Offices, the legal advisors of our Company as to PRC laws in connection with the [REDACTED]
“Pre-[REDACTED] Investment(s)”	the investments made by the Pre-[REDACTED] Investors in our Company, details of which are set out in “History and Corporate Structure — Pre-[REDACTED] Investments” in this document

DEFINITIONS

“Pre-[REDACTED] Investor(s)” the pre-[REDACTED] investors of our Company, details of which are set out in “History and Corporate Structure — Pre-[REDACTED] Investments” in this document

[REDACTED]

“Province” a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC

“Quanzhou Bama” Quanzhou Bama Tea Co., Ltd. (泉州八馬茶業有限公司), a limited liability company established under the laws of the PRC on July 5, 2016, and a wholly-owned subsidiary of our Company

“Quanzhou Fengze Bama” Quanzhou Fengze Bama Tea Co., Ltd. (泉州豐澤八馬茶業有限公司), a limited liability company established under the laws of the PRC on April 20, 2023, and a wholly-owned subsidiary of Quanzhou Bama

“R&D” research and development

“Regulation S” Regulation S under the U.S. Securities Act

“Remuneration Committee” the remuneration committee of the Board

“RMB” Renminbi, the lawful currency of the PRC

“SAC” the Standardization Administration of China (國家標準化管理委員會)

DEFINITIONS

“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable
“SAIC”	State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
“SAMR”	State Administration for Market Regulation (國家市場監督管理總局)
“SAT”	State Administration of Taxation (國家稅務總局)
“SCNPC”	the Standing Committee of the National People’s Congress (全國人民代表大會常務委員會)
“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
“Shanghai Fengwang”	Shanghai Fengwang Investment Management Co., Ltd. (上海峰望投資管理有限公司), a limited liability company established under the laws of the PRC on February 9, 2015
“Share(s)”	ordinary share(s) with nominal value of RMB1.00 each in the share capital of our Company, comprising our Domestic Unlisted Shares and our H Shares
“Shareholder(s)”	holder(s) of Shares
“Shenzhen Benxiao”	Shenzhen Benxiao Enterprise Management Co., Ltd. (深圳市奔宵企業管理有限公司), a limited liability company established under the laws of the PRC on April 28, 2024, and a wholly-owned subsidiary of our Company

DEFINITIONS

“Shenzhen Wanshanhong” Shenzhen Wanshanhong Tea Co., Ltd. (深圳市萬山紅茶業有限公司), a limited liability company established under the laws of the PRC on June 19, 2024, and held as to 80% by us and 20% by Shenzhen Binglong Technology Partnership (Limited Partnership) (深圳市丙龍科技合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on June 6, 2024

[REDACTED]

“sq.m.” square meters

[REDACTED]

“State Council” the State Council of the PRC (中華人民共和國國務院)

“Stock Exchange” The Stock Exchange of Hong Kong Limited

“Strategy Committee” the strategy committee of the Board

“subsidiary(ies)” has the meaning ascribed thereto in section 15 of the Companies Ordinance

“substantial shareholder(s)” has the meaning ascribed to it under the Listing Rules

“Suxian Technology” Shenzhen Suxian Technology Co., Ltd. (深圳市速鮮科技有限公司), a limited liability company established under the laws of the PRC on August 9, 2021, and a wholly-owned subsidiary of our Company

“SZSE” Shenzhen Stock Exchange (深圳證券交易所)

“Takeovers Code” the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Tianjin Changfeng”	Tianjin Changfeng Management Consulting Partnership (Limited Partnership) (天津長峰管理諮詢合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on September 17, 2019
“Tianjin Xin Bama”	Tianjin Xin Bama Tea Co., Ltd. (天津鑫八馬茶業有限公司), a limited liability company established under the laws of the PRC on September 13, 2022, and a wholly-owned subsidiary of our Company
“Tianjixing Investment”	Shenzhen Tianjixing Investment Management Co., Ltd. (深圳市天璣星投資有限公司), a limited liability company established under the laws of the PRC on May 5, 2008
“Tiantu Xinghua”	Tianjin Tiantu Xinghua Equity Investment Partnership (Limited Partnership) (天津天圖興華股權投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on April 1, 2011
“Track Record Period”	the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025
“U.S.” or “United States”	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
“U.S. Securities Act”	the United States Securities Act 1933, as amended, supplemented or otherwise modified from time to time

[REDACTED]

“US\$” or “U.S. dollar”	United States dollars, the lawful currency of the United States
“VAT”	Value-added tax

DEFINITIONS

“Wuyishan Wangxinji”	Fujian Wuyishan Wangxinji Tea Co., Ltd. (福建武夷山王信記茶業有限公司), a limited liability company established under the laws of the PRC on July 6, 2016, and a wholly-owned subsidiary of Fujian Bama
“Xiamen Xin Bama”	Xiamen Xin Bama Tea Co., Ltd. (廈門鑫八馬茶業有限公司), a limited liability company established under the laws of the PRC on November 15, 2010, and a wholly-owned subsidiary of our Company
“YuHui Enterprise”	Hong Kong YuHui Enterprise Management Limited (香港逾輝企業管理有限公司), a limited liability company incorporated in Hong Kong on July 12, 2024, and a wholly-owned subsidiary of Shenzhen Benxiao
“Yunnan Xinjihao”	Yunnan Xinjihao Tea Co., Ltd. (雲南信記號茶業有限公司), a limited liability company established under the laws of the PRC on January 14, 2020, and a wholly-owned subsidiary of our Company
“2019 Concert Party Agreement”	the concert party agreement entered into by the Concert Party Group on August 9, 2019
“%”	per cent

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

In this document, unless otherwise stated, certain amounts denominated in RMB have been translated into Hong Kong dollars or U.S. dollars at an exchange rate of RMB0.9107 = HK\$1 or RMB7.1161 = US\$1, respectively, for illustration purpose only. Such conversions shall not be construed as representations that amounts in RMB were or could have been or could be converted into Hong Kong dollars or U.S. dollars at such rates or any other exchange rates on such date or any other date.

If there is any inconsistency between this document and the Chinese translation of this document, this document shall prevail. For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this document in both the Chinese and English languages and in the event of inconsistency, the Chinese versions shall prevail.

Unless otherwise specified, all relevant information in this document assumes no exercise of the [REDACTED].

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain terms used in this document as they relate to our Company and as they are used in this document in connection with our business or us. These terms and their given meanings may not correspond to standard industry definitions.

“AGV”	automated guided vehicle
“BI”	business intelligence system
“BRICS”	Brazil, Russia, India, China and South Africa, a group of countries that work together to achieve shared goals
“Central China”	Henan Province, Hubei Province, and Hunan Province
“Chnbrand”	a Chinese brand rating and brand advisory institution
“DCS”	distributed control system
“Eastern China”	Shanghai City, Jiangsu Province, Zhejiang Province, Anhui Province, Fujian Province, Jiangxi Province, Shandong Province, and Taiwan
“EMS”	equipment management system
“ERP”	enterprise resource planning
“first-tier cities”	Beijing, Shanghai, Guangzhou and Shenzhen in the PRC
“FSSC22000”	an internationally accepted food safety management certification scheme
“GMV”	namely, gross merchandise value, which is the total value of products sold on a marketplace or a platform before deducting commission fees, discounts, or returns
“IoT”	internet of things, which is a network of physical objects, such as devices, vehicles, appliances, embedded with sensors and actuators to interact with via wireless networks
“ISO9001”	a set of globally recognized standards for quality management system

GLOSSARY OF TECHNICAL TERMS

“kg”	kilogram
“kg CO ₂ e”	kilogram of carbon dioxide equivalent
“KOL(s)”	key opinion leader(s), an individual with substantial influence, expertise and credibility in specific industry sector that consumers trust with purchasing decisions and popular opinions
“kWh”	kilowatt-hour
“m ³ ”	cubic meter
“MCN(s)”	multi-channel networks, which refer to the third-party service providers that affiliate with varied digital platforms to offer content creation and promotion
“MES”	manufacturing execution system
“new first-tier cities”	Chengdu, Hangzhou, Chongqing, Suzhou, Wuhan, Xi’an, Nanjing, Changsha, Tianjin, Zhengzhou, Dongguan, Ningbo, Wuxi, Qingdao and Hefei in the PRC
“Northern China”	Beijing City, Tianjin City, Hebei Province, Shanxi Province, and Inner Mongolia Autonomous Region
“Northeastern China”	Liaoning Province, Jilin Province, and Heilongjiang Province
“Northwestern China”	Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Hui Autonomous Region, and Xinjiang Uygur Autonomous Region
“OEM”	original equipment manufacturing, where a manufacturer manufactures a product in accordance with the customer’s design and specifications and is marketed and sold under the customer’s brand name or under no specific brand
“OMS”	order management system
“PDA”	personal digital assistant
“Premium Chinese Tea”	premium tea leaves produced in China

GLOSSARY OF TECHNICAL TERMS

“premium tea leaves”	tea leaf products with retail prices above RMB700 per kilogram
“PTL”	pick-to-light system
“QMS”	quality management system
“refined tea leaves”	tea leaves that have gone through various processes, such as sorting, trimming, filtering, drying and fermentation
“rough tea leaves”	tea leaves that have gone through preliminary process and without fermentation
“SCM”	supply chain management system
“second-tier cities”	Foshan, Shenyang, Kunming, Jinan, Xiamen, Fuzhou, Wenzhou, Changzhou, Dalian, Shijiazhuang, Nanning, Harbin, Jinhua, Nanchang, Changchun, Nantong, Quanzhou, Guiyang, Jiaxing, Taiyuan, Huizhou, Xuzhou, Shaoxing, Zhongshan, Taizhou, Yantai, Zhuhai, Baoding, Weifang and Linyi in the PRC
“Southern China”	Guangdong Province, Guangxi Zhuang Autonomous Region, Hainan Province, Hong Kong Special Administrative Region, and Macao Special Administrative Region
“Southwestern China”	Chongqing City, Sichuan Province, Guizhou Province, Yunnan Province, and Tibet Autonomous Region
“SRM”	supplier relationship management system
“third-tier and other cities”	cities other than first-tier, new first-tier and second-tier cities in the PRC
“TQM”	total quality management
“WMS”	warehouse management system

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words “anticipate”, “believe”, “could”, “estimate”, “expect”, “forecast”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would”, “wish” and similar expressions or the negative of these terms as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our Company’s management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These forward-looking statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. Although we believe that our expectations expressed in these forward-looking statements are reasonable, our expectations may later be found to be incorrect. Our actual results could be materially different from our expectations. Important risks and factors that could cause our actual results to be materially different from our expectations are generally set forth in “Risk Factors”, “Business”, “Financial Information” and other sections in this document. You should read thoroughly this document with the understanding that our actual future results may be materially different from and worse than what we expect.

You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company that could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business strategies, plans, objectives and goals and our ability to implement such strategies, plans, objectives and goals;
- our business operations and prospects;
- our future business development, financial conditions and results of operations;
- the expected growth of the tea leaf industry in China and the markets in which we operate;
- our expectations regarding demand for our products;
- general economic, political and business conditions in locations where we operate;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- the future developments trends and conditions, as well as competitive environment in our industry;

FORWARD-LOOKING STATEMENTS

- our ability to stay in compliance with laws and regulations that currently apply or become applicable to our business both in the PRC and internationally;
- our future debt levels and capital needs;
- intellectual property;
- margins, overall market trends, risk management and exchange rates;
- the actions and developments of our competitors;
- capital market development;
- other statements in this document that are not historical fact; and
- all other risks and uncertainties described in the section headed “Risk Factors” in this document.

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

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

RISK FACTORS

An [REDACTED] in our H Shares involves a high degree of risk. You should consider carefully all the information set out in this document and, in particular, should evaluate the following risks associated with the [REDACTED] in our Shares. You should pay particular attention to the fact that we conduct our operations in China, the legal and regulatory environment of which in some respects may differ from that in Hong Kong and other jurisdictions. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial condition or on the [REDACTED] of our H Shares, and could cause you to lose all or part of your [REDACTED]. The order in which the following risks are presented does not necessarily reflect the likelihood of their occurrence or the relative magnitude of their potential material adverse effect on our business, financial condition, results of operations, prospects or on the [REDACTED] of our H Shares.

RISKS RELATING TO OUR BUSINESS

Our business development is dependent on market demand for our products. Any decline or slowdown in the economy, consumer spending level or the tea leaf market could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our business relies on consumer demand for our products, which depends substantially on factors including, among others, consumer spending power, consumer preferences and tastes, and consumer perceptions of and confidence in our product quality and food safety. Driven by growing purchasing power of consumers and increasing mindfulness of holistic wellness and self-care, demand for tea leaf products has been growing continuously in recent years. Although we cover a product portfolio consisting of all six major types of tea leaves in China, the sales of certain types of tea leaves accounted for a relatively higher portion of our revenue than the sales of other types during the Track Record Period. For instance, the sales of Oolong tea leaves accounted for 31.8%, 30.0%, 29.9% and 28.7% of our revenue for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, respectively. In addition, during the Track Record Period, a majority of our revenue was generated from the sales of premium tea leaves, which accounted for 77.9%, 82.7%, 82.0% and 83.2% of our total revenue, for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, respectively. As such, changes in consumer spending power, which could be adversely affected during a period of decline in the economy and uncertainties regarding future economic prospects, may lead to decrease in purchases of our premium tea leaves. Further, changes in consumers' spending habits may lead to decrease in purchases of Oolong tea leaves. As the competition in our industry becomes more fierce with frequent introduction of new products, consumers may change their preferences and tastes and our products may be substituted by other kinds of products, including tea products and non-tea products. Such changes could adversely affect our business operation and financial performances. Moreover, any incidents involving food-related illnesses, tampering, adulteration, contamination or mislabeling, whether or not accurate, as well as adverse public or medical opinions about the

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health effects of consuming our products, could negatively affect consumer perception of and confidence in our product quality and food safety, which could in turn lower our competitiveness and adversely affect our financial performances and prospect. In particular, our products are subject to multiple national and industry level standards. If our products were found by relevant authorities or consumers to fail to meet the evolving standards, we may receive penalties or complaints, and our reputation could be damaged due to the negative publicity of the relevant incidents. As a result, our business, results of operation and future prospects could be adversely affected.

Our business development also depends in part on our ability to (i) anticipate, identify or adapt to changes in consumer preferences and tastes; (ii) introduce new products with market potential and effective marketing strategies in a timely manner; and (iii) develop appropriate sales networks accordingly. Although we dedicate manpower and financial resources to consumer-centric market research and data analysis to upgrade our existing products and to develop, design and launch new products, we cannot assure you that our product portfolio will be in line with market trends. Any slowdown in the overall economy or changes in consumer preferences and tastes may impose downward pressure on sales and pricing of our products or lead to increases in our selling and marketing expenses.

Our brand recognition and reputation are critical to our success. Negative publicity may damage our brand name and reputation, which in turn would have a material adverse effect on our business, financial condition and results of operations.

Our business relies on consumers’ recognition of and their trust in our brand, Bama, as well as our sub-brands. Our brand name and reputation may be damaged by, among others, product defects, ineffective customer service, product liability claims, consumer complaints, intellectual property infringement or any other negative publicity. In particular, we engage franchisees to distribute our products and authorize them to use our brand name and image in their operations. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, our revenue generated from sales to franchisees accounted for 50.2%, 50.6%, 50.9% and 49.1% of our total revenue for the same respective periods. Any improper conduct of our franchisees may materially and adversely affect our brand name, reputation, business and results of operations. In addition, any (i) negative claim against our franchisees or us, even if meritless or unsuccessful, (ii) negative publicity against our brands, sub-brands, products, franchisees or us, or (iii) negative publicity resulting from counterfeiting and imitation of our products by external parties, even if unfounded or immaterial to our operations, could damage our brand names and reputation, and undermine the confidence of consumers in us, which may materially and adversely affect our business, financial condition and results of operations. Furthermore, negative media coverage regarding the brand ambassadors, celebrities or KOLs we cooperate with, or quality, price-level or safety of our products, as well as the resulting negative publicity, may undermine the level of consumer confidence in, us and our brands and products, which could damage our reputation and business prospects. In particular, any incidents involving food-related illnesses, tampering, adulteration, contamination or mislabeling, whether or not accurate, as well as adverse public or medical opinions about the health effects of consuming our products, could negatively affect consumer

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confidence in our product quality and food safety. Meanwhile, the poor performance of any of our stores (including those operated by ourselves or franchisees) or any negative publicity in relation to our stores (including those operated by ourselves or franchisees) relating to our products, intellectual property rights, operations and other business partners, even without merit, could materially and adversely affect consumer perceptions of our brand and result in decreased demand for our products.

We depend on our franchisees for a significant amount of our revenue. If we fail to manage our franchisees properly or if our franchisees’ operations are not successful, our business, financial condition and results of operations could be materially and adversely affected.

Our franchisees are important to our business. As of December 31, 2022, 2023 and 2024 and June 30, 2025, we had 1,033, 1,202, 1,252 and 1,228 franchisees, respectively. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, revenue generated from sales to our franchisees amounted to RMB911.7 million, RMB1,072.6 million, RMB1,090.2 million and RMB522.5 million, respectively, representing 50.2%, 50.6%, 50.9% and 49.1% of our total revenue, for the same respective periods. We expect that the franchise model will continue to remain an important component of our sales network.

Our franchisees may not be able to market and sell our products successfully or maintain their competitiveness. If our franchisees are not able to sell satisfactory levels of our products to consumers, they may decrease their orders placed with us. Our franchisees may also terminate business relationships with us. Any of these events could adversely affect our access to consumers and our sales volume and revenue.

We have limited control over the daily business activities of our franchisees as well as their ultimate retail sales. For instance, our franchisees may not obtain and maintain various approvals, licenses, permits and/or certificates from the relevant authorities, or otherwise comply with the applicable laws and regulations, to operate their businesses. Although we have franchise agreements to guide the operations of our franchisees, non-compliance with the franchise agreements by any of our franchisees could disrupt our sales and may negatively affect our results of operations. We also could be liable for damages or fines due to any inappropriate sales and marketing activities of our franchisees, which may have an adverse effect on our financial condition. In addition, non-compliance with franchise agreements by any of our franchisees could lead to our inability to track the sales and inventory levels of our franchisees for our products, which may cause us to incorrectly predict sales trends and prevent us from quickly adjusting our marketing and product strategies. If our franchisees do not perform their obligations pursuant to their franchise agreements with us, including, but not limited to, obtaining the relevant operating permits or complying with the applicable laws and regulations, or if our franchisees do not successfully operate stores pursuant to our standards, or project an image inconsistent with our brand and values, our brand image and reputation could be harmed, which in turn could hurt our business and operating result.

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If we fail to maintain our business relationships with our franchisees or our franchisees are unable to operate successfully, our ability to effectively sell our products could be negatively impacted. In addition, although we have specific provisions in our franchise agreements to prevent cannibalization and other potential malignant competition among our franchisees, we cannot assure you that our franchisees will not engage in such conduct. Any such conduct by our franchisees may have a negative impact on our business and results of operations. If we are unable to manage our franchisees effectively, we may not be able to expand our sales network and our business, financial condition and results of operations will be materially and adversely affected.

During the Track Record Period, our regionally licensed franchisees have the right to appoint third parties to operate their franchised stores under their supervision and management within their region in addition to operating the franchised stores by themselves. We do not enter into agreements with these third parties or enter into transactions with them. These third parties directly procure the products from our regionally licensed franchisees. We cannot assure you that such third parties will at all times comply with our overall sales and franchising policies. If any of such third parties fail to distribute our products to their customers in a timely manner, overstock, or carry out actions inconsistent with our business strategies, our future sales may be adversely affected, which may in turn materially and adversely affect our business, financial condition and results of operations.

We allow franchisees to apply for selling the products at prices that are lower than our suggested retail prices. During the Track Record Period, the highest discount we approved upon application of franchisees was 35% from our suggested retail prices. For details, please refer to “Business — Our Sales Network — Measures to Prevent Channel Stuffing and Cannibalization in our Sales Network” in this document. We believe such deviation from our suggested retail prices, which is confirmed by us after considering various factors, will not give rise to cannibalization among our franchisees. However, our franchisees could sell products at prices that are substantially different from our suggested retail prices without our knowledge, or otherwise violate our pricing policies. If such activities result in price wars, the interests of our other franchisees, our franchising channel and other sales channels could be negatively affected, which may in turn materially and adversely affect our business, financial condition and results of operations.

If any of our products experience quality issues, we may incur a loss of customers and decline in sales, which in turn could materially and adversely affect our business and results of operations.

We believe that the quality of our products is critical to our success. Our ability to maintain consistent product quality depends on the effectiveness of our quality control systems, which in turn depend on a number of factors, including the design and functions of our quality control systems and our ability to ensure that our employees and other relevant third parties involved in our operations adhere to our quality control policies and guidelines. Although we have implemented quality control measures in our operations, we cannot assure you that our quality control systems will be effective at all times, nor that we will be able to

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identify defects in our products in a timely manner. For details of our quality control measures, please refer to the section headed “Business — Quality Control” in this document. If the quality of any of our products deteriorates for any reason, or if consumers think the quality of our products is below their expectations, we may face product returns, order cancellations and/or customer complaints. As a result, there may be, from time to time, complaints or concerns among consumers about certain of our products or in general, which in turn could jeopardize customer’s confidence in such products or us.

Moreover, if our products are proven to have failed to meet relevant health and safety or other laws and regulations, or cause or are alleged to have caused illness or health issues, we may suffer from product liability claims or product recalls, resulting in financial and reputational damages. These legal claims may be expensive for us to defend and may divert our management’s time and attention from our business even if we prevail in the end. Furthermore, if there is a pattern of quality issues in the tea leaf industry in general, consumers’ perception of, and willingness to purchase, our products may also be negatively affected, regardless of whether such quality issues relate to us. Any quality issues related to the products we sell and the relevant industries in which we operate, actual or perceived, may have a material and adverse effect on our business, financial condition, results of operations and prospects.

If any of our products were found to have packaging issues, we may receive penalties and incur costs on recalling and redesigning the products, which in turn could materially and adversely affect our business and results of operations.

The packaging of our products is subject to requirements under various laws, regulations and industry standards in the PRC, including, among others, the Measures for the Supervision and Administration of Food Labeling (《食品標識監督管理辦法》) and the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》). For details, please refer to “Regulatory Overview — Laws and Regulations Relating to Food Safety and Food Production and Operation — Administration for Food Labelling” and “— Laws and Regulations Relating to Environmental Protection — Prevention and Control of Pollution” in this document. If we fail to meet the requirements on the packaging of our products under the applicable laws, regulations and industry standards, we may receive penalties from the governing authorities. In addition, as the laws, regulations and industry standards continue to evolve, we may need to recall our products and incur substantial costs on redesigning our products to meet the latest requirements. We may also suffer from product liability claims from customers in the event that our products were found to have packaging issues, resulting in financial and reputational damages.

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If we are not able to source adequate raw materials and finished products from suppliers or fail to maintain good relationships with them, our business, financial condition and results of operations could be materially and adversely affected.

During the Track Record Period, we procured from our suppliers (i) raw materials for our production; and (ii) finished products. The terms of our agreements with our suppliers are generally one year, and their renewal are generally subject to mutual consent. In addition, as our business evolves in response to the ever-changing market conditions, we may find the current arrangements with suppliers inadequate to address such changes and may need to modify or adjust the terms of the arrangements with them, which would require their consent. We cannot assure you that the suppliers with whom we intend to continue to cooperate will not terminate the existing agreements, will agree to renew the agreements with us, will consent to the changes to the existing arrangements, or will stably and timely supply the raw materials and finished products to us according to our agreements with them. In the event that any of our major suppliers terminate their business relationships with us, or their supplies of raw materials or finished products were interrupted for any reason, we cannot assure you that we will be able to secure adequate number of alternative suppliers, or source adequate raw materials or finished products with equivalent qualities in a timely manner or at all. We may also be exposed to litigation risks as a result of the disagreements between us and the suppliers. Our business, financial condition, results of operations and prospects could be materially and adversely affected if we fail to secure adequate and stable supply of raw materials and finished products.

Moreover, our suppliers are required to comply with various and extensive laws and regulations in connection with production, health, hygiene, safety and labor promulgated by the relevant government authorities in the regions where they operate. In the event that they are found to be in breach of the relevant laws and regulations, their supply to us may be affected. Their supply of products may also be affected by, among others, shortages of the relevant materials or interruptions in the global and local transportation systems, labor strikes or shortages, work stoppages, wars, acts of terrorism or other interruptions to or difficulties in the employment of labor or transportation. In addition, we may lose our suppliers due to their loss of plantation areas due to, among others, urban planning, land degradation and pollution. Furthermore, in the event of a dispute with any supplier, the transportation and delivery of a significant amount of products we purchased may be delayed or canceled, or we may be forced to adjust our procurement plans and business plans. In addition, our suppliers which produce products for us on OEM basis may experience disruption or delay in their production, which could result in the shortage of their supply of products to us. Such events could cause our revenue to fall and costs to increase, thus, materially and adversely affecting our business, financial condition and results of operations.

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Fluctuations in prices and changes in the quality of raw materials and finished products could materially and adversely affect our profitability and results of operations.

Our ability to control our costs of production partially depends on our ability to secure raw materials and finished products that meet our quality standards at reasonable prices. Our cost of sales amounted to RMB848.0 million, RMB1,012.4 million, RMB964.7 million and RMB475.6 million, respectively, representing 46.7%, 47.7%, 45.0% and 44.7% of our total revenue, for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025. The procurement price of our raw materials and finished products could be volatile due to a variety of factors beyond our control. The prices of raw materials and finished products may be affected by factors such as the global and PRC economic condition, relevant government regulations and policies, and changes in supply and demand. In particular, the supply of raw materials may be negatively affected by factors such as adverse weather conditions and pest disasters, which could lead to an increase in the procurement price of raw materials.

We rely on suppliers of supply raw materials and finished products that meet our quality standards, and we may not be able to ensure the effectiveness of their quality control systems. Although we conduct sampling inspection for raw materials and finished products after they are delivered to us by suppliers, we cannot assure you that we will be able to detect all quality defects in a timely manner. Moreover, any increase in the prices of raw materials and finished products may cause us to adjust our product prices upward, which could in turn reduce the competitiveness of our products. In cases where our supply prices increase, and we choose not to increase the price of our products to maintain competitiveness despite the increases in our costs, it would render us unable to pass on such costs to our customers and adversely affect our profitability.

If the online platforms we rely on to promote and sell our products experience disruption for any reason, or if our cooperation with these online platforms deteriorates or becomes more costly to maintain or is otherwise terminated for any reason, our business and results of operations may be materially and adversely affected.

During the Track Record Period, our online sales were primarily made to (i) online consumers through our self-operated online stores on e-commerce platforms; and (ii) e-commerce platforms, which sold these products to online consumers. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, revenue generated from online channels amounted to RMB494.1 million, RMB622.7 million, RMB692.8 million and RMB375.9 million, respectively, representing 27.2%, 29.3%, 32.2% and 35.4% of our total revenue, for the same respective periods.

If (i) the services or operations of the relevant e-commerce platforms are interrupted due to the discontinuation of the platform operation or change of the platform’s business strategies which prevents us from continuing to use their services; (ii) the relevant e-commerce platforms fail to provide satisfactory consumer experience and fail to attract new and retain existing users; (iii) our cooperation with such platforms terminates, deteriorates or becomes more

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costly; (iv) we fail to incentivize such platforms to drive traffic to the relevant online stores or promote the sale of the products; (v) we fail to respond to the changes in internet and mobile penetration, as well as the online marketing industry in China; or (vi) the relevant network infrastructure, such as online or mobile payment platforms, becomes unavailable for any reason, our revenue generated from the online channels and our brand image may be adversely affected. As a result, our business and results of operation may be materially and adversely affected. We cannot guarantee that we will be able to find alternative channels on terms and conditions commercially acceptable to us in a timely manner, or at all, especially in respect of the e-commerce platforms with a leading market position and significant influence in China’s e-commerce industry. In addition, any negative publicity about such third-party e-commerce platforms, or any public perception or claims that non-authentic, counterfeit or defective goods are sold on such platforms, whether or not with merit, most of which are beyond our control, may deter visits to the platforms and result in less user traffic to the relevant online stores or fewer sales of our products, which in turn may negatively affect our business, financial condition and results of operations.

Moreover, we cannot assure you that we can stay abreast of the constantly changing consumer behavioral patterns and preferences or anticipate product trends that will appeal to existing and potential online customers. Accordingly, a decline in the popularity of online shopping in general or our failure to identify and respond to evolving trends and consumer requirements in the online channels could result in a decreased number of our online customers. This in turn could materially and adversely affect our business, financial condition, results of operations and prospects.

Our sales and marketing strategies, including pricing strategies, may not be able to adapt to the changes in the market trends and consumer preferences in a timely manner, and our sales and marketing activities may not be cost-effective in attracting consumers. If any of the foregoing occurs, our business, financial condition and results of operations could be harmed.

The success of our business and operations depends on our ability to continuously offer products that are attractive to consumers in terms of both quality and price. The tea leaf industry is driven in part by trends of beverage consumption, technologies and consumer preferences and behavior, which may shift quickly and have been heavily affected by the rapidly increasing use and proliferation of social and digital media by consumers, and the speed with which information and opinions are shared. As industry trends, technologies and consumers’ preferences and behavior continue to evolve, we must also introduce new products, maintain and enhance the recognition of our brands, maintain effective pricing strategies, achieve a favorable mix of products and expand our sales network. We have continuously devoted our efforts to launching new brands and products in order to not only adapt to the evolving consumer preferences, but also influence market trends. Introduction of new brands or products and entry into new product categories involve inherent risks, such as those relating to incorrect judgements regarding consumer preferences, market pricing, market demand and new brand images and pricing. Failure to successfully diversify our brand and product portfolios to adapt to the constantly changing consumer preferences and market trends may

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cause our profit margin to decrease as we will not be able to recoup the associated costs, may jeopardize our competitive advantages and market share, and may result in continued reliance on our existing brands and product portfolios. Any of these events could materially and adversely affect our business, financial condition, results of operations and prospects.

Our success also partially depends on our products’ appeal to a broad range of consumers whose preferences and behavior cannot be predicted with certainty and may shift rapidly, and on our ability to anticipate and respond to evolving industry trends and consumer preferences and behavior in a timely and cost-effective manner through various marketing and promotional activities, among other things. We cannot assure you that we will be able to successfully anticipate and respond to evolving industry trends and consumer preferences and behavior at all times, especially as we continue to broaden our consumer base and diversify our product offerings aimed at consumers with differing characteristics and preferences. In addition, our sales and marketing strategies may not be applicable to new products that we may launch in the future. In such events, we may need to implement new sales and marketing strategies, which may not be effective. If our sales and marketing strategies are unable to accurately anticipate and respond to market changes and consumer preferences and behaviors, we may fail to continuously develop products with wide market acceptance, capture emerging growth opportunities, adopt competitive sales strategies for the existing products we sell, or properly predict and manage our inventory. Such failure could also negatively affect the image of the brands we manage and result in diminished customer experience and loyalty. If any of these foregoing instances occur, our business, financial condition and results of operations could be materially and adversely affected.

Our marketing activities may not be well received, successful or cost-effective, which may lead to significant marketing expenses in the future. We may also not be able to continue our existing marketing activities, or successfully identify and utilize new trends in our marketing strategies, channels and approaches that appeal to our targeted consumers. We may also fail to adjust our sales and marketing strategies in a timely manner to stay abreast of the evolving consumer behavior in using internet and mobile devices. Failure to refine our existing marketing strategies or introduce new effective marketing strategies in a cost-effective manner could negatively affect our business, financial condition and results of operation.

During the Track Record Period, we collaborated with MCNs that represent or collaborate with the KOLs with whom we work to further promote our products online through live-streaming sessions and social media platforms. We cannot assure you that we will be able to find suitable KOLs to work with or continue to maintain our business relationships with our existing KOLs to promote the products we sell. We also cannot guarantee that our marketing strategy in relation to KOLs will be successful or effective in the future as the industry may be affected by factors that are beyond our control, such as tightening regulations or alternative promotion methods.

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If we fail to provide high quality customer service at our self-operated offline stores, or fail to guide our franchisees to provide high quality customer service at their franchised stores, our ability to attract and maintain customers and our business and reputation may be adversely affected.

We believe high quality customer service to consumers, which is a significant part of our customer relations management, is important for the growth of our business, and any failure to maintain such standards of customer service at our self-operated offline stores and franchised stores, or a related market perception, could affect our ability to sell products to existing and prospective customers. Providing an exceptional customer experience to consumers requires significant time and resources from our customer service team. Failure to control the costs associated with customer services effectively may lead to a decline of our net profit. Moreover, if we fail to guide our franchisees to provide satisfactory services to consumers at franchised stores, our brand image and reputation could be harmed, which in turn could hurt our business and operating result. If the franchisees fail to control the costs associated with customer services effectively, their profitability could be harmed, which could lead to their reduced procurement from us, and thus negatively affect our revenue and profitability.

Additionally, as our business expands, we may need to engage third-party customer service providers, which could further increase our operating costs and negatively affect the quality of the customer experience if these third parties are unable to meet our service standards. We may be unable to hire qualified staff quickly enough or to the extent necessary to accommodate increases in demand in line with the increase in the number of our customers. In this case, our reputation, business, results of operations and prospects could be materially and adversely affected.

Any failure to upgrade our existing products or to develop, launch and promote new brands and products to gain market acceptance may adversely affect our business development plans and profitability.

The choices and preferences of consumers may be influenced by new brands and products that appear in the market from time to time. To support our product upgrade and expansion plans, we need to devote significant resources to researching and developing our products and recruiting qualified production and marketing professionals. All these activities involve risks, and require substantial planning, effective execution and significant expenditures. We cannot assure you that we could successfully launch new products or brands as anticipated or at all, or that the consumers will be receptive to our new products and brands. The launch of new products or brands depends on multiple factors which may be beyond our control, including industry trends, market demand, regulatory approvals, production efficiency, competition and consumer acceptance. In addition, we cannot assure you that our upgraded or new brands and products will be able to generate positive cash flows or become profitable within a short period of time or at all. Further, the launch of upgraded or new brands and products may potentially lead to a decline in sales of certain existing products. If we fail to bring upgraded or new brands and products to the market in a cost-effective manner, our profitability, results of operations and business prospects may be adversely affected.

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We may not be able to efficiently manage our inventories and the inventories of our franchisees.

Maintaining optimal inventory levels is critical to the success of our business. As of December 31, 2022, 2023 and 2024 and June 30, 2025, the carrying amount of our inventories was RMB440.4 million, RMB436.3 million, RMB439.0 million and RMB443.8 million, respectively. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, our average inventory turnover days were 166 days, 158 days, 166 days and 168 days, respectively. We are exposed to inventory risks as a result of a variety of factors that are beyond our control, including changing consumption trends and customer preferences, and launches of competing products. Moreover, for stocking purposes, we generally estimate the demand for certain products ahead of the actual time of sale. We cannot assure you that we can accurately predict these trends and events and maintain adequate levels of inventory at all times. An unexpected decrease in the market demand for the products we sell could lead to excessive or obsolescent inventory, and we may be forced to offer discounts or conduct promotional activities to dispose of slow-moving inventory or write off the inventory value, which in turn may materially and adversely affect our financial condition and results of operations. On the other hand, inventory under-stock may cause us to lose sales. Any of these events could materially and adversely affect our business, financial condition, results of operations and prospects.

We may also face risks of excessive or obsolescent inventories when we launch new products as the market reception to these products is uncertain. In such event, the franchisees that purchased products from us may reduce future orders, which could materially and adversely affect our business, financial condition and results of operations.

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

Most of our self-operated offline stores are currently located at leased properties. As such, our operations are particularly susceptible to fluctuations in the property rental market. Before the expiry of each of our leases, we have to negotiate the terms of renewal with our respective lessors. There is no assurance that our existing leases would be renewed on similar or favorable terms or at all, in particular with respect to the amount of rent and the term of the lease. Failure to renew the leases with favorable terms in connection with, among others, rent, lease terms and lease spaces, may increase our expenses associated with the lease or otherwise result in negative impact on our store operation, which could materially and adversely affect our profitability. In addition, there is no assurance that our existing leases will not be terminated early by the lessors before the expiry of the relevant term.

In addition, our franchisees may also locate the franchised stores at leased properties. There is no assurance that these franchisees will be able to maintain or renew their existing leases for operating the franchised stores.

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In the event that we or our franchisees are required to relocate the existing stores or decide to open new stores, there is no assurance that we or our franchisees will be able to identify comparable locations in a timely manner or at all or that we or our franchisees will secure a lease on comparable terms. Substantial reinstatement, relocation and renovation costs may be incurred during the relocation process, which could materially and adversely affect our financial performance and profitability, especially as our store coverage expands, which could lead to an increased number of leased properties. In addition, it typically takes new stores a period of time to achieve a profitability rate comparable to the existing ones, due to factors such as the time needed to find suitable locations, build consumer awareness in the local community, renovate new stores, and integrate the operations of such stores into our existing sales network. In the event that our franchisees fail to maintain profitability after any relocation of their stores, they may choose to terminate their business relationship with us, which could lower our revenue. Accordingly, any non-renewal of leases of our self-operated offline stores or franchised stores may have a material adverse effect on our business, results of operations and financial condition.

We may not be successful in promoting our membership program.

The customers can register as members through our offline store membership programs and online membership programs. We cannot predict with certainty the rate or extent to which our consumers will subscribe for such membership programs. There is no assurance that our membership programs will be successfully implemented or sustainable, nor can we assure you that the programs will be effective in retaining existing consumers or increasing their purchase frequency and that the program will not adversely affect the volume and frequency of purchases by consumers who do not become members.

Our success depends on the continuing efforts of our senior management team and other key personnel, and our business may be harmed if we lose their services.

Our future success depends heavily on the continuing efforts of our senior management team and other key personnel. Our key personnel's expertise in business strategies, product design and development, business operations, sales and marketing, regulatory compliance and relationships with our customers and suppliers are crucial to us. If one or more of our senior executives or other key personnel are unable or unwilling to continue in their present positions, we may not be able to replace them promptly or at all, which may severely disrupt our business and affect our financial condition, results of operations and future prospects. Moreover, our industry is characterized by high demand and intense competition for talented personnel, we may not be able to attract or retain highly skilled employees or key personnel. We cannot assure you that our key personnel will not cease to work with us, join a competitor or form a competing business. The competition for qualified personnel may drive up employee compensation expenses, which could materially and adversely affect our financial condition and results of operations.

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If we or our franchisees fail to obtain, maintain or renew approvals, licenses, permits and/or certificates required for the business operations, our business, financial condition and results of operations could be materially and adversely affected.

Pursuant to the relevant laws and regulations, we and our franchisees are required to obtain and maintain various approvals, licenses, permits, registration, filings, and/or certificates from the relevant authorities, or otherwise comply with the applicable laws and regulations, to operate our business and franchised stores. For details of the approvals, licenses, permits, registration, filings, and/or certificates that we need for our business, please refer to the section headed “Business — Licenses, Permits and Approvals” in this document. In addition, we and our franchisees are required to obtain, maintain and renew certain certificates, permits, registration, filings, and licenses for our business operations and business operations of our franchised stores. Any failure to obtain, maintain or renew such approvals, licenses, permits, registration, filings, and/or certificates necessary for our operations and business operations of our franchised stores, or otherwise comply with the applicable laws and regulations, may result in enforcement actions thereunder, including orders issued by the relevant regulatory authorities, which may cause our operations to cease, and may include remedial measures requiring substantial capital expenditure, which could materially and adversely affect our business, financial condition and results of operations. Meanwhile, pursuant to the franchise agreements between our franchisees and us, our franchisees are responsible for the validity and effectiveness of the required approvals, licenses, permits, registration, filings or certificates for operating their franchised stores, and the non-compliance in this regard may cause penalties, such as temporary closure, for related franchised stores until they regain compliance. If a large number of franchised stores are subject to such penalties or temporary closure, our operational results and financial performance may be materially and adversely affected.

Some of the approvals, permits, licenses, registration, filings, and/or certificates maintained by us or our franchisees are subject to periodic renewal and/or reassessment by the relevant authorities, and the standards of such renewal and/or reassessment may change from time to time. There is no assurance that we and our franchisees will be able to successfully procure such renewals and/or reassessment on a timely basis or at all. Any failure by us or our franchisees to obtain the necessary renewals and/or reassessment and otherwise maintain all approvals, licenses, permits and/or certificates necessary to carry out our business and business of our franchised stores at any time could severely disrupt our operations, which could have a material adverse effect on our business, financial condition and results of operations.

If the interpretation or implementation of existing laws and regulations changes or new regulations come into effect requiring us to obtain any additional approvals, permits, licenses, registration, filings, or certificates that were previously not required to operate our existing businesses, we cannot assure you that we will successfully obtain such approvals, permits, licenses, registration, filings, or certificates. Our failure to obtain the additional approvals, permits, licenses, registration, filings, or certificates may restrict the conduct of our business, decrease our revenue and/or increase our costs, which could materially reduce our profitability and prospects.

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We engage third parties to provide certain services, including warehousing, logistics and advertising and promotion. We have limited control over these service providers. Our business could be negatively affected if any of these services fail to meet our standards or are not delivered on time.

We receive services provided by third-party service providers in our business operations, including warehousing, logistics and advertising and promotion. In particular, any delivery delay, improper handling of goods or increase in transportation costs of our logistic service providers could adversely affect our business and results of operations. Accordingly, we are subject to the risks associated with the abilities of these service providers to provide satisfactory services. Additionally, we may replace these service providers from time to time, and there is a risk that we may suffer interruptions in services as we transit from one third-party provider to another. Moreover, if the cost of services provided by third parties is more than expected, or if there is a disruption or breach of services provided by third parties that results in deficiency of our internal operations or controls, inappropriate disclosure of confidential, proprietary or customer information or otherwise results in loss or damage to us, or if our ability to distribute the products is interrupted, then our business, financial condition and results of operations could be materially and adversely affected.

Moreover, we cannot guarantee that we will be able to monitor these third-party service providers in connection with their compliance with applicable laws and regulation. In the event they violate any such laws and regulations, our business, financial condition, results of operations and reputation could be adversely affected.

Our production capacity may be overloaded or may not be fully utilized due to fluctuating demand of our products, which may hinder our growth or prevent us from achieving the intended economic results or commercial viability, as the case may be.

If our products face insufficient or unstable demand, our utilization of production capacity will be affected. The market demands of our products are subject to fluctuations during holiday and festival seasons, including the products which were primarily produced by ourselves during the Track Record Period. Therefore, we may face challenges in terms of production capacity during holiday seasons and shopping festivals, when the demand for our products may substantially increase. For more information on the utilization rates of our production facilities, please refer to “Business — Production — Production Process, Production Bases and Production Lines — Production Capacity” in this document. There is no assurance that there will be the level of demand for our products in the future. If demand for our products is insufficient, it will result in low utilization rates at our production facilities. Our actual production volume may vary depending on the demand for our products, which in turn may be affected by market trends, customers’ preferences or other factors beyond our control. If the orders from our existing customers are not sufficient to fully utilize our production capacity and there is a lack of new customers, or if our new products are not widely

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accepted by the market, we may not be able to receive sufficient orders from our customers to start our production activities, our production facilities may be operated at utilization rates that are lower than our desired rates, which may adversely affect our business, financial condition and results of operations.

If we fail to detect or prevent fraudulent or illegal activities or other misconduct by our employees, franchisees, suppliers or other third parties, our business may be materially and adversely affected.

We are exposed to fraudulent or illegal activities or other misconduct by our employees, franchisees, suppliers or other third parties that could subject us to liabilities, fines and other penalties imposed by government authorities and negative publicity. Although we have implemented internal controls and policies with regard to the review and approval of merchant accounts, sales activities, interactions with business partners and government officials and other relevant matters, there can be no assurance that our controls and policies will prevent fraud by such persons. Any illegal, fraudulent, corrupt or collusive activity by our employees, franchisees, suppliers or other third parties could subject us to negative publicity that could severely damage the reputation of us or our brands and, if conducted by our employees, could further subject us to significant financial and other liabilities to third parties and fines and other penalties imposed by government authorities. Accordingly, our failure to detect and prevent fraudulent or illegal activities or other misconduct by our employees, franchisees, suppliers or other third parties could materially and adversely affect our business, financial condition, results of operations and prospects.

Moreover, our regionally licensed franchisees have the right to appoint third parties to operate their franchised stores under their supervision and management within their region in addition to operating the franchised stores by themselves. We do not engage these third parties directly or maintain contractual relationships with them, and mainly rely on our franchisees to manage these third parties. As a result, we have limited control over these third parties. Furthermore, we cannot assure you that we will be able to identify or correct all the third parties’ practices that are detrimental to our business in a timely manner or at all, which may adversely affect our results of operations and reputation. As there is no contractual relationship between us and these third parties, we have limited legal recourse against them if their activities cause harm to our business or reputation.

If there is any negative publicity, litigation or regulatory investigation concerning us, our business, our Shareholders, affiliates, Directors, senior management and employees, our business partners or the industries in which we operate, regardless of its accuracy, our reputation, business, financial condition and prospects could be materially and adversely affected.

Negative publicity about us, our business, Shareholders, affiliates, Directors, senior management and employees, as well as our business partners, including our suppliers, franchisees, KOLs, influencers and brand ambassadors, and the tea leaf industry, can harm our reputation and our ability to retain customers. Negative publicity concerning us and these

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parties could be related to a wide variety of matters, including, but not limited to: (i) misconduct, alleged or otherwise, or other improper activities committed by our Directors, Shareholders, senior management, affiliates and employees, including any misrepresentation made by our senior management or employees in the course of discharging their duties; (ii) false or malicious allegations or rumors about us or our Directors, Shareholders, senior management, affiliates and employees; (iii) complaints by our customers about our products or our customer services; (iv) disputes with our business partners; (v) security breaches of the confidential information of our customers or employees; (vi) employment-related complaints and claims relating to alleged employment discrimination, wage and hour violations, miscalculations involving and delays in the payments of staff salaries and/or bonuses; and (vii) governmental and regulatory investigations or penalties resulting from our failure to comply with applicable laws and regulations.

We may also be exposed to the risk of any illegal action or misconduct of our third party business partners, including our suppliers, franchisees, KOLs, influencers and brand ambassadors. Any negative publicity and claims asserted against them or fines imposed upon them as a result of actual or perceived failures could have a material and adverse effect on our public image, reputation, financial condition and results of operations. In addition, negative publicity of the tea leaf industry in which we operate may materially and adversely affect our business prospects and results of operations.

In addition to traditional media, there has been an increasing use of social media and similar platforms, including instant messaging applications, social media websites and other forms of internet-based communications that provide individuals with access to a broad audience of customers and other interested persons. The availability of information on instant messaging applications and social media platforms is virtually immediate, without affording us, our Shareholders, affiliates, Directors, senior management, employees or business partners an opportunity for redress or correction. The opportunity for dissemination of information, including inaccurate information, is seemingly limitless and readily available. Information concerning us, our business, our Shareholders, affiliates, Directors, senior management, employees or business partners may be posted on such platforms at any time. The risks associated with any such negative publicity or incorrect information cannot be completely eliminated or mitigated and may materially harm our reputation, business, financial condition and results of operations.

We may not be successful in implementing our business expansion and/or development plans.

The successful implementation of our expansion plans requires significant investments, which may be required to, among others things, fund our expansion and optimization of offline sales network and expansion and upgrade of production bases. For details, please refer to “Future Plans and Use of [REDACTED]” in this document. As a substantial portion of our expenditures must be incurred in advance of any additional sales that can be realized by our

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expansion plans, securing adequate financing will be crucial. If we are unable to obtain financing in a timely manner and at a reasonable cost, our growth, competitive position and future profitability could be materially and adversely affected.

In particular, our future growth depends in part on our ability to introduce new franchisees and expand our self-operated offline stores network. The expansion of our self-operated offline stores network and franchised stores, especially those of our new franchisees, may require significant resources including capital investment, robust supply chain support, management’s attention, operation coordination and qualified employees. Any delay in opening of new self-operated offline stores and/or closures of the existing self-operated offline stores will affect the number of stores, the operation days, as well as our results of operations. Any delay or failure of our franchisees to open or maintain their franchised stores could decrease their purchase orders placed with us and their profitability, which in turn affect our business relationships with them. Many of these factors are beyond our control, and could materially and adversely affect our business, results of operation and future prospects.

Our expansion plan into overseas market, may not be successful, and may present increased risks due to factors including lower brands awareness and our unfamiliarity with the local market demands due to our limited experiences in these markets. To build brand awareness in overseas markets, we may need to make greater investments in advertising and promotional activity than we originally planned or than we need to for expansion in China, which could negatively impact the profitability of our operations in those overseas markets.

We may require additional financing to support our development plans or adapt to changes in business conditions, however we may not be able to obtain additional financing on acceptable terms or at all.

We may require additional financing if we incur operating losses or for future growth and development of our business, including any investments or acquisitions we may decide to pursue. For details, please refer to the sections headed “Business — Our Business Strategies” and “Future Plans and Use of [REDACTED]” in this document. We may need to seek additional financing which we may not be able to obtain on terms acceptable to us, or at all. Our ability to obtain external financing in the future is subject to a variety of uncertainties, including our future financial condition, results of operations, cash flows, [REDACTED] performance, liquidity of international capital and lending markets and the applicable regulations over foreign investment and the tea leaf industry. In addition, incurring indebtedness would subject us to increased debt service obligations and could result in operating and financing covenants that would restrict our operations and growth. There can be no assurance that financing would be available in a timely manner or in amounts or on terms favorable to us, or at all. Any failure to raise needed funds on terms favorable to us, or at all, could severely restrict our liquidity, and could have a material adverse effect on our business, financial condition and results of operations. Moreover, any issuance of equity or equity-linked securities could result in significant dilution to our existing Shareholders.

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Privacy and cybersecurity concerns relating to our use of customer information, or any actual or perceived failure by us or third parties to protect cybersecurity, our proprietary data and customer information, or otherwise comply with applicable data protection laws and regulations or privacy policies, could negatively impact our reputation, subject us to governmental or legal obligations and substantially harm our business.

Our business operations involve the collection, use, storage, retention, transfer, disclosure and processing of personal data. Please refer to the section headed “Business — Information Technology — Data Privacy and Security” in this document for further details. We only use such information or data we obtained for transactions and providing services with consumers, including, among others, delivering the products purchased from us, providing after-sales services, sending up-to-date information about our products.

We are subject to a variety of laws and regulations relating to cybersecurity, data security and privacy, including restrictions on the collection, use, storage, retention, transfer, disclosure and other processing of data. For example, the Standing Committee of the National People’s Congress promulgated the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》), which became effective on June 1, 2017. In addition, on June 10, 2021, the Standing Committee of the National People’s Congress promulgated the Data Security Law of the PRC (《中華人民共和國數據安全法》) (the “Data Security Law”), which became effective on September 1, 2021. The Data Security Law sets out a number of obligations on data security and privacy undertaken by entities and individuals engaged in data-related activities. 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 promulgated on August 20, 2021 and became effective on November 1, 2021, stipulates statutory requirements for when and how personal information processors can handle personal information and codifies the requirements for different situations. The Personal Information Protection Law stipulates, among other things, the scope of application, the definitions of personal information and sensitive personal information, the requirement on content of personal information processing activity notification, the legal basis on which we may rely for processing personal information and certain internal compliance procedures. Failure to comply with laws and regulations relating to cybersecurity, data security and privacy could lead to legal consequences such as fines and other penalties from the relevant authorities, which could result in negative publicity on our Group.

As of the Latest Practicable Date, we had not been notified by any authorities of being classified as a critical information infrastructure operator or being involved in any investigations of cybersecurity review by the cybersecurity authorities. With the continuous expansion of our business, however, we cannot assure you that we will not be deemed as a critical information infrastructure operator in the future, and, as a result, be subject to such obligations under the applicable laws and regulations. Any failure to timely complete the required cybersecurity review may result in regulatory sanctions including, among others,

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government enforcement actions and investigations, fines, penalties, and suspension of our non-compliant operations, as well as reputational damage or legal proceedings or actions against us, any of which may have material adverse effects on our business, financial condition and results of operations.

While we strive to comply with our internal data compliance rules as well as all applicable personal information protection, data protection and cybersecurity laws and regulations, any failure or perceived failure to comply with laws and regulations with respect to personal information protection, data security and cybersecurity could subject us to potential liabilities, reputational damage and loss of customer loyalty. In addition, the regulatory landscape for personal information protection, data compliance and cybersecurity is complex and constantly evolving, which could increase our compliance costs and operational complexity. Any failure to closely monitor the relevant regulatory evolvments could subject us to potential liabilities, further materially and adversely affecting our business, financial condition and results of operations. Further, the evolved regulatory requirements could lead to a substantial increase of our compliance costs, which could materially and adversely affect our business, financial condition and results of operation.

Security breaches and attacks against our systems and network, and any potential resultant breach or failure to otherwise protect confidential and proprietary information, could damage our reputation and adversely affect our business, financial condition and results of operations.

We mainly rely on our information systems for daily operation. However, our systems are vulnerable to disruptions arising from human error, natural disasters, power failure, computer viruses, spam attacks, unauthorized access and other similar events. Disruptions to, or instability of, our systems could materially harm our business and reputation.

Our cybersecurity measures may not detect or prevent all attempts to compromise our systems, including distributed denial-of-service attacks, viruses, malicious software, break-ins, phishing attacks, social engineering, security breaches or other attacks and similar disruptions that may jeopardize the security of information stored in and transmitted by our systems or that we otherwise maintain. Breaches of our cybersecurity measures could result in unauthorized access to our systems, misappropriation of information or data, deletion or modification of customer information, or a denial-of-service or other interruption to our business operations. As techniques used to obtain unauthorized access to or sabotage systems change frequently and may not be known until launched against us, we may be unable to anticipate, or implement adequate measures to protect against, these attacks. As of the Latest Practicable Date, we had not been subject to these types of attacks that had materially and adversely affected our business operations. However, there can be no assurance that we would not in the future be subject to such attacks that may result in material damages or remediation costs. If we are unable to avert these attacks and security breaches, we could be subject to significant legal and financial liability, our reputation would be harmed and we could sustain substantial revenue loss from lost sales and customer dissatisfaction.

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In addition, we may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyber-attacks. Cyber-attacks may target the information systems we use, or the information infrastructure on which we depend. Actual or anticipated attacks and risks may cause us to incur significantly higher costs, including costs to deploy additional personnel and network protection technologies, train employees, and engage third-party experts and consultants. Cybersecurity breaches may harm our reputation and business, and materially and adversely affect our financial condition and results of operations.

The payment methods that we accept may subject us to risks.

We accept a variety of payment methods including, among others, WeChat Pay, Alipay and Union Pay through third-party payment services. We pay service fees for such payment services, which may increase over time and raise our operating costs. We may also be subject to fraud, security breaches and other illegal activities in connection with the various payment methods we offer. If any of these happen, our financial condition and results of operations may be materially and adversely affected.

In addition, we do not have control over the security measures of third-party payment service providers. Security breaches of the online payment platforms could result in litigation and possible liability for failing to secure confidential user information and could damage our reputation. Any leak of confidential information, breach of network security or other misappropriation or misuse of personal information could cause interruptions in our operation of stores and subject us to increased costs, litigation and other liabilities, which could negatively affect our financial condition and operating results and damage our reputation.

For the years ended December 31, 2022, 2023 and 2024, certain of our franchisees (individual or collectively, the “Relevant Customer(s)”) settled their payments with us through the accounts of third parties designated by these Relevant Customers (the “Third-party Payment Arrangement”). For the years ended December 31, 2022, 2023 and 2024, the aggregate amount of payment from designated third parties to our Group was RMB19.5 million, RMB18.2 million and RMB24.3 million, respectively, representing approximately 1.1%, 0.9% and 1.1% of our revenue for the same respective periods. The risks associated with such Third-party Payment Arrangement during the Track Record Period include, among others, (i) possible claims from third-party payors for return of funds as they were not contractually indebted to us and possible claims from liquidators of third-party payors; and (ii) potential money laundering risks as we have limited knowledge about the source and purpose of the funds utilized by the third-party payors. In the event of any claims from third-party payors or their liquidators, or legal proceedings (whether civil or criminal) instituted or brought against us to demand return of the relevant payment or for violation or non-compliance with relevant laws and regulations, we may need to spend significant financial and managerial resources to defend against such claims and legal proceedings, and we may be forced to comply with the court ruling and return the payment for the products that we sold and services that we provided. For further details, please refer to “Business — Customers — Third-party Payment Arrangement” in this document.

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We face risks related to unforeseeable events, such as outbreak of contagious diseases, occurrence of force majeure events, regulatory changes and/or natural disasters, which could significantly disrupt our operations.

Our business could be materially and adversely affected by natural disasters, such as snowstorms, earthquakes, fires or floods, the outbreaks of widespread health epidemics, or other events, such as wars, acts of terrorism, environmental accidents, power shortage or communication interruptions. Outbreaks of contagious diseases and other adverse public health developments in which we operate and conduct business could severely damage our supply chain operation, or impair the works of our workforce. The outbreak of any severe epidemic disease, such as avian flu, H1N1 flu, COVID-19 or SARS, may disrupt our business operations such as offline channels, which could negatively affect our financial condition, results of operations, supply chain management and future prospects.

We are exposed to concentration risk involving our suppliers.

During the Track Record Period, while we procure products from a diverse group of suppliers, certain suppliers contributed a significant portion of our total purchases. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, the purchases from our five largest suppliers in each period during the Track Record Period accounted for 18.8%, 21.9%, 23.2% and 22.6% of our total purchases, respectively. Although we believe we have maintained cordial and mutually beneficial relationships with these suppliers, we cannot assure you that we will be able to maintain our business relationships with them in the future. If they decide to terminate their business relationships with us, our business operation, financial results and competitiveness could be significantly and adversely affected. We may be required to negotiate with and establish business relationships with alternative suppliers to source adequate raw materials and finished products. There is no assurance that we will be able to find such suitable replacement in a timely and cost-effective manner, or at all. The loss of business relationships with any of these suppliers could significantly alter our current business expansion plans and affect the execution of our growth strategies.

If we lose the customers that contributed to a substantial portion of our revenue, or our business relationship with them is materially undermined in any way, our business and results of operations may be materially and adversely affected.

The revenue generated from our five largest customers in each period during the Track Record Period accounted for 13.8%, 16.3%, 16.1% and 15.4% of our total revenue for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, respectively. For the years ended December 31, 2022, 2023 and 2024, and the six months ended June 30, 2025, revenue generated from our largest customer in each period during the Track Record Period amounted to RMB95.0 million, RMB154.8 million, RMB167.4 million and RMB83.0 million, accounting for 5.2%, 7.3%, 7.8% and 7.8%, respectively, of our total revenue, respectively, for the same periods. We cannot assure you that we will be able to maintain or strengthen our relationships with our major customers, or that they will continue to place large purchase orders with us. If there is any significant reduction in the spending on

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the purchases by our major customers from us due to, among others, industry consolidation, deterioration of their financial conditions, procurement budget cuts, and denial or delayed regulatory approvals, and we are unable to obtain purchase orders of a comparable size and on similar terms from other customers as replacements, our business, financial condition and results of operations may be materially and adversely affected. In addition, should any of our major customers delay or default on making payments to us or at all, our cash flow and financial position could be materially and adversely affected.

We may be unable to protect our intellectual properties, and may be subject to infringement claims from third parties, either of which could reduce the value of our brands and harm our business and competitive market position.

Intellectual property rights are important to our business. We rely on a combination of copyright, know-how, trade secret, patent and trademark laws and third-party no disclosure agreements to protect our intellectual property rights and products. Please refer to the section headed “Appendix VI — Statutory and General Information — B. Further Information about our Business — 2. Intellectual Property Rights” in this document for details of our intellectual properties. Effective protection of patents, trademarks, copyrights and domain names is costly, time-consuming and difficult to maintain, both in terms of application and registration costs as well as the costs of defending and enforcing those rights. It is often difficult to register, maintain and enforce intellectual property rights. Statutory laws and regulations are subject to judicial interpretation and enforcement. Any of these factors could affect our ability in effectively protecting our intellectual property rights. We cannot assure you that our intellectual property rights will not be challenged, invalidated, circumvented or rendered unenforceable, or that meaningful protection or adequate remedies will be available to us. For instance, it may be possible for unauthorized third parties to copy our intellectual properties, or to obtain and use information that we regard as proprietary. If we are unable to adequately protect our intellectual properties, we may lose these rights, our brand image may be harmed, and our competitive position and business may suffer.

Additionally, third parties may assert exclusive patent, copyright and other intellectual property rights against us. We may also be subject to infringement or misappropriation claims by third parties in other aspects of our day-to-day operations, such as our usage of images, fonts or music in our advertising and promotional activities, as well as computer software. If we are not able to protect ourselves against infringement on our intellectual property rights, our competitive edge in the industries where we operate may be negatively affected. We may not be able to defend the intellectual property rights in these disputes. Any litigation arising from these claims could result in substantial costs to us and divert our resources. If any intellectual property claims against us are successful, we may not have a legal right to continue to use or sell products that are adjudicated to have infringed third parties’ intellectual property rights, or use the relevant images, fonts or music in our advertising and promotional activities, as well as computer software in our day-to-day operation. We may be legally required to expend significant resources to replace the existing products we sell so that they do not infringe on

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third parties’ intellectual property rights or we may be required to obtain relevant licenses to avoid further infringements. As a result, our reputation, business, financial condition and results of operations could be materially and adversely affected.

Our sales volume may fluctuate due to seasonality.

Our sales volume is subject to fluctuations during holiday and festival seasons. We typically carry out more sales and marketing activities before and during holiday seasons and other traditional festivities, such as the mid-autumn festival and Chinese New Year holidays. We also actively participate in shopping events and promotional activities organized by third-party e-commerce platforms, such as Singles’ Day Shopping Carnival (雙十一購物狂歡節) and June 18 Shopping Carnival, to capture more sales opportunities. We typically have increased sales before and during the holiday seasons, festivals and events. Going forward, our financial condition and results of operations may fluctuate due to seasonality, and our historical results of operations may not be comparable to or indicative of our future results of operations.

Any significant disruption to our information technology systems, such as a significant cybersecurity incident or service failure by our vendors, may materially interrupt our business operations.

Our business operations are supported by our information technology systems for various functions, including enterprise resource planning, logistics management and docking with e-commerce platform, CRM, accounting system, financial reporting, e-commerce transactions via third-party platforms and point-of-sale management. Many of the infrastructure on which such information technology systems are established are provided by third-party cloud service providers. These systems are important for maintaining company operation, business efficiency, data quality and timely decision-making. However, our information technology systems are subject to various risks, including system failures (including those by cloud service providers), data inaccuracies, cyber-attacks, data breaches, and other security incidents. If such risks materialize, such occasions could disrupt our operations, compromise our data, and result in significant remediation costs, legal liabilities, and reputational damage. Our business may thereby incur significant disruption that will materially and adversely affect our business, financial condition, results of operation and prospects.

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

The industries where we operate are subject to laws and regulations of food safety in the PRC. Such regulations set out the safety standards for food and food additives, packaging and containers, the information required to be disclosed on packaging, and the regulations on food operating and siting and sale of food. In recent years, the Chinese government has been stepping up its supervision on food safety. According to the Food Safety Law of the PRC (《中華人民共和國食品安全法》) and the Implementation Rules of the Food Safety Law (《中華人民共和國食品安全法實施條例》), food manufacturers and business operators should act in accordance with laws, regulations and food safety standards to engage in production and

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operating activities, establish a sound food safety management system and take effective measures to prevent and control food safety risks, so as to ensure the food safety. Despite our current compliance with existing laws and regulations of food safety, if the PRC government makes further changes to its regulations on food safety, our procurement, production and sale costs may increase, and we may not be able to successfully pass the additional costs on externally, which could have adverse impacts on our business, financial condition and development prospects.

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

We face potential liability, expenses for legal claims and harm due to our business nature. For example, customers could assert legal claims against us in connection with personal injuries related to food poisoning or tampering. The PRC government, media outlets and public advocacy groups have been increasingly focused on consumer protection in recent years. See “Regulatory Overview — Protection of Consumer Rights and Interests.” Sales of defective products may expose us to liabilities associated with consumer protection laws. Sellers may be responsible for compensation of customers’ losses even if the contamination of food is not caused by the sellers. Thus, we may also be held liable if our suppliers or other business partners fail to comply with applicable food-safety related rules and regulations. Though we can ask the responsible parties for indemnity after the relevant incidents, our reputation could still be adversely affected. In addition, our Directors, management and employees may from time to time be subject to litigation and regulatory investigations and proceedings or otherwise face potential liability and expense in relation to commercial, labor, employment, antitrust, securities or other matters, which could adversely affect our reputation and results of operations. After we become a publicly [REDACTED] company, we may face additional exposure to claims and lawsuits. These claims could divert management time and attention away from our business and result in significant costs to investigate and defend, regardless of the merits of the claims. In some instances, we may elect or be forced to pay substantial damages if we are unsuccessful in our efforts to defend against these claims, which could harm our business, financial condition and results of operations.

We may experience disruptions and delays in our production.

As of the Latest Practicable Date, we had two production bases for refinement processes, namely, Anxi Production Base (安溪生產基地) and Wuyishan Production Base (武夷山生產基地). Natural or man-made disasters, such as adverse weather, fires, technical or mechanical difficulties, storms, explosions, earthquakes, strikes, acts of terrorism, wars and outbreaks of epidemics, or other interruptions such as power and water suspension, may cause significant damage to our production facilities, which could be costly and time-consuming to reinstate and could cause significant disruptions to our operations. We may incur additional costs and may experience a disruption in the supply of products until the affected production facilities become available and operational.

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Additionally, we rely on the timely supply of our raw materials in order to carry out our production plans as scheduled. Any delays or disruptions in raw material supplies from our suppliers may have a material and adverse impact on our ability to produce the products timely. In addition, any natural or man-made disasters or other unanticipated catastrophic events, including adverse weather, fires, technical or mechanical difficulties, storms, explosions, earthquakes, strikes, acts of terrorism, wars and outbreaks of epidemics could disrupt our transportation channels and impair the operations of our suppliers, and impede our ability to manufacture and deliver our products to customers in a timely manner. Although we have not experienced major production disruptions during the Track Record Period and as at the Latest Practicable Date, any disruption or delay in our production in the future could have an adverse impact on our ability to produce sufficient quantities of products, which could in turn impair our ability to meet the needs of our customers. In such cases, our business, financial condition, results of operations and prospects could be materially and adversely affected.

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

Our advertising materials are primarily produced by our in-house advertising department, and we may from time to time engage third party service providers for advertisement production and placement. Laws and regulations applicable to us prohibit advertising companies from producing, distributing or publishing any advertisement with content that violates PRC laws and regulations, impairs the national dignity of the PRC, involves designs of the PRC national flag, national emblem or national anthem is considered reactionary, obscene, superstitious or absurd, is fraudulent, or disparages similar products. We may also be subject to claims by customers misled by information in our advertisements. If the advertising materials produced by our employees or our third party service providers contain inappropriate or misleading information, we may not be able to recover our losses from such employees or advertisers, which may result us in diverting management’s time and other resources from our business and operations to defend against these infringement claims. As a result, our business, financial condition and results of operations could be materially and adversely affected.

Our investment, maintenance or upgrade regarding our production equipment and facilities, technologies and other equipment related to operations may not be carried out successfully, which may in turn adversely affect our business growth.

In order to ensure the continuous operation and expansion of our business, we continuously maintain the existing production equipment and facilities, expand the production capacity through upgrading our existing equipment and establishing new production facilities, purchase new production equipment and improve production techniques. In addition, we allocate our human resources and other resources to manage these undertakings. We cannot assure you that such investments, maintenance and upgrades could be carried out successfully, or generate positive cash flows or profitable return within a short period of time. Such investments, maintenance and upgrades may become ineffective or obsolete as a result of updates in technology or industry standards, which could result in a material adverse effect on our business and financial condition.

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Our ability to achieve business growth is also subject to a wide range of market, operational and financial risks, including those arising from the competition with existing competitors, changing consumer spending patterns, as well as maintaining our high food safety standards and our existing relationships with customers. Under the influence of these risks, our investments and upgrades may not be able to generate the expected business growth, which may materially and adversely affect our financial condition and results of operations.

We and our franchisees are subject to environmental protection, fire control and health and safety laws and regulations and may be exposed to potential costs for compliance and liabilities, including consequences of accidental contamination or personal injury.

We and our franchisees are subject to a number of environmental, fire control, health and safety laws and regulations in respect of, among others, warehouses, production facilities and/or offline stores. See the section headed “Regulatory Overview” in this document for details. We cannot assure you that we or our franchisees will be able to comply with all regulations and obtain all the regulatory approvals in respect of environmental protection, fire control and health and safety. Delays or failures in obtaining all the requisite regulatory approvals may affect the ability of us or our franchisees to launch, store and deliver the products to the respective customers as planned. As requirements imposed by such laws and regulations may change and more stringent laws or regulations may be adopted, we or our franchisees may not be able to comply with, or accurately predict any potential substantial cost of complying with, these laws and regulations. If we or our franchisees fail to comply with relevant laws and regulations, we or our franchisees may be subject to rectification orders, substantial fines, or potentially significant monetary damages in the business operations.

In addition, we cannot fully eliminate the risk of accidental contamination or personal injury at the warehouses in which we store our raw materials or products. In the event of such accident, we could be held liable for damages and clean-up costs which, to the extent not covered by existing insurance or indemnification, could harm our business. Other adverse effects could result from such liability, including reputational damage.

Any unexpected or prolonged disruption to our warehouse operations could adversely affect our business.

As of the Latest Practicable Date, we had three warehouses located in Anxi County, Wuyishan City and Shenzhen City, which were warehouses operated by us on our owned or leased properties. Our raw materials and products were primarily stored at these warehouses as of the Latest Practicable Date. In the event that there is any unexpected and prolonged disruption in the supply of utilities, such as water or electricity, or access to the premises, such as because of fire, and we cannot restore the affected warehouse, or relocate to another suitable location promptly with well-equipped facilities, our business operations will be materially and adversely interrupted, which in turn will affect our results of operations. However, we cannot assure you that our prevention measures are effective and sufficient. If any of our warehouses experiences a material incident or the prevention measures are not adequately implemented in the future, we may lose the raw materials and products stored therein, incur significant costs

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and expenses to restore or to relocate such warehouses, and/or be determined by the relevant authorities to be in violation of applicable laws and regulations and subject to relevant administrative penalties. If such an incident causes damages to other third parties, we may also be required to compensate if we are determined to be partially or fully responsible for such incident. Under such circumstances, our business operation, results of operations and financial condition may be adversely affected.

If we incur any material equipment breakdown, such as the equipment failure for temperature or humidity control for a prolonged period of time, the quality of the raw materials and products stored in the relevant warehousing spaces may be compromised. We may have to discard them and absorb the relevant costs. In addition, repairing or adding equipment and machinery for our warehouses may be expensive and time consuming.

We have limited insurance coverage, and any claims beyond our insurance coverage may result in us incurring substantial costs and a diversion of resources.

We maintain insurance policies that are required under applicable laws and regulations and are based on the assessment of our operational needs. See “Business — Insurance” in this document. We do not maintain product liability and professional errors and omissions insurance covering product liability claims arising from the use or consumption of our products and claims arising from our negligence in business operation, which are not required by any applicable laws or regulations. We do not maintain key-man life insurance on any of our senior management or key personnel, or business interruption insurance. In addition, not all of our subsidiaries maintain public liability insurance covering incidents involving third parties that occur on or in our premises, or directors and officers liability insurance. There is no assurance that the insurance policies we maintain are sufficient to cover all of our operational risks. Any liability or damage to, or caused by, our sales channels or our personnel beyond our insurance coverage may result in us incurring substantial costs and a diversion of resources, which could materially and adversely affect our business operation.

Failure to make adequate contributions to various employee benefits plans according to the procedures under the relevant PRC laws and regulations may subject us to penalties or other consequences.

Companies operating in the PRC are required to participate in various employee benefit plans, including pension insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance and housing provident fund and contribute to the amounts equal to certain percentage of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where they operate their business. During the Track Record Period, we did not make adequate contributions to the social insurance and housing provident funds with respect to certain of our employees as required by the relevant PRC laws and regulations. The total unpaid amount of the social insurance and housing provident funds calculated based on the minimum contribution base of social insurance and housing provident funds is RMB0.2 million, RMB0.2 million, RMB0.2 million and RMB0.1 million, respectively, for the years

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ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025. For the same periods, the number of affected employees amounted to 254, 225, 207 and 77, respectively. Based on the estimation of our Directors, the amount of maximum potential penalty due to the Group’s total unpaid amount of the social insurance and housing provident funds calculated based on the minimum contribution base of social insurance and housing provident funds during the Track Record Period is approximately RMB2.7 million. For further details, please refer to “Business — Legal Proceedings and Compliance — Social Insurance and Housing Provident Funds” in this document.

As advised by our PRC Legal Advisors, according to the Social Insurance Law of the People’s Republic of China, if we fail to make contribution to our employee’s social insurance timely and sufficiently in accordance with the requirements under the relevant PRC laws and regulations, we may be ordered to pay the shortfall amount and a late payment fee of up to 0.05% of the shortfall amount for each day of delay within a prescribed time limit, and if we fail to pay up the shortfall amount and the late payment fee within the newly prescribed time limit, we may be imposed fines in an aggregate amount ranging from one to three times of the shortfall amount. Our PRC Legal Advisors have also advised us that, in the event that we fail to pay the housing provident fund in full, the housing provident fund management center may order us to pay the shortfall amount within a prescribed time limit. If we fail to do so upon the expiration of the abovementioned time limit, further application may be made to the People’s Court for compulsory enforcement. Notwithstanding the abovementioned shortfall amount, the MOHRSS issued the Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilization the Levy of Social Insurance Payment (《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》) on September 21, 2018, which prohibits local authorities from self-organizing collection and clearance of all past arrears of enterprises. We cannot assure you that we will not be subject to any order to rectify this non-compliance incident in the future, nor can we assure you that there are no, or will not be any, relevant employee complaints against us. Any such order may adversely and materially affect our business, financial condition, results of operations and prospects.

Increased labor costs, shortage of labor or deterioration in labor relations could slow our growth and affect our profitability.

There may be an increase of the labor costs in the future. Increases of labor cost may increase our cost of sales, selling and distribution expenses and other expenses arising from our business operations, and we may not be able to pass on such increase to our customers. We may also experience a shortage of labor from time to time. Any such shortage could hinder our ability to provide timely product delivery to customers and maintain or expand our business operations, which could materially and adversely affect our business, financial condition, results of operations and prospects. In addition, we seek to maintain favorable labor relations as we believe that our long-term growth depends on the expertise, experience, and development of our employees. We may have labor disputes in the future if we fail to maintain a cordial relation with our employees. The deterioration of our labor relations could result in disputes, strikes, claims, legal proceedings and reputational damage, labor shortages that disrupt our business operations, as well as loss of experience, know-how and trade secrets. As a result, our business, financial condition, results of operations and prospects could be materially and adversely affected.

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In addition, the laws and regulations in connection with labor impose requirements concerning, among others, the execution of written contracts between employers and employees, the time limits for probationary periods, and the length of employment contracts. The interpretation and implementation of these regulations are still evolving, our employment practices may violate the relevant laws and regulations and we could be subject to penalties, fines or legal fees as a result. If we are subject to severe penalties or incur significant legal fees in connection with labor law disputes or investigations, our business, financial condition and results of operations may be adversely affected.

We may face penalties, other administrative fines or challenges from third parties arising from the defects of certain properties owned or leased by us, or otherwise fail to continue to use our owned or leased properties.

We may face penalties, other administrative fines or challenges arising from the defects in properties owned or leased by us, which could adversely affect our business, financial condition, results of operations and prospects.

As of the Latest Practicable Date, the lease registration and filing (租賃登記備案) in relation to 223 properties leased by us in the PRC had not been completed. These properties were used by us as self-operated offline stores, offices and warehouses. While we will take practical and reasonable steps to require the lessors of the above and future leased properties to cooperate with us in completing the filings in a timely manner, we cannot assure you that such lessors will agree to cooperate. Any failure to register such lease agreements with the relevant PRC government authorities does not affect the validity of the lease agreements, but the relevant PRC government authorities may order us or the lessors to, within a prescribed time limit, register the lease agreements. Failure to do so within the time limit may subject us to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease. In the event we fail to register the lease agreements according to the requirements of the relevant PRC government authorities, we may be subject to a fine with the maximum amount of RMB2,230,000 as of the Latest Practicable Date.

As of the Latest Practicable Date, 102 leased properties with the total GFA of 26,224.1 sq.m. had defects including (i) lessors not providing us with valid title certificates with respect to the leased properties or other ownership or relevant documents evidencing their rights to lease such properties; and/or (ii) our actual usage of properties being inconsistent with the prescribed usage under the relevant title documents. Any dispute or claim in relation to these properties, including relevant lessors’ alleged unauthorized lease of these properties, could force us to relocate relevant offices, self-operated offline stores or warehouses. If any of our leases are terminated or becomes unenforceable as a result of challenges raised by third parties, we will need to seek alternative properties, which could incur relocation costs. If we fail to find suitable properties on terms and conditions acceptable to us for the affected operations, our business, financial condition and results of operations may be adversely affected.

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We may be involved in lawsuits, claims, disputes, regulatory investigations or legal or administrative proceedings in our ordinary course of business.

We may become subject, from time to time, to lawsuits, claims, disputes, regulatory investigations or legal or administrative proceedings that arise in the ordinary course of business or pursuant to governmental or regulatory enforcement activities. Actions brought against us, with or without merit, may result in administrative measures, settlements, injunctions, fines, penalties, negative publicity, or other results that could have material adverse effect on our reputation, business, financial condition, results of operations, and prospects. Even if we are successful in defending ourselves against these actions, we may incur significant costs and divert management’s attention and resources in such defense. In addition, from time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. It is possible that the administrative and court authorities would not interpret and enforce the statutory provisions and contractual terms in a manner favorable to us, and it may be more difficult to predict the outcome of any administrative and court proceedings that we may be involved in the future. Furthermore, any litigations, legal disputes, claims or administrative proceedings which are initially not of material importance may escalate and become important to us due to a variety of factors, such as the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake and the parties involved.

Our historical financial and operating results may not be indicative of our future performance.

Our revenue increased from RMB1,817.5 million for the year ended December 31, 2022 to RMB2,122.3 million for the year ended December 31, 2023, and further increased to RMB2,143.3 million for the year ended December 31, 2024. Our revenue decreased from RMB1,109.8 million for the six months ended June 30, 2024 to RMB1,063.2 million for the six months ended June 30, 2025. Our profit and total comprehensive income increased from RMB165.8 million for the year ended December 31, 2022 to RMB205.7 million for the year ended December 31, 2023, and further increased to RMB224.2 million for the year ended December 31, 2024. Our profit and total comprehensive income decreased from RMB146.0 million for the six months ended June 30, 2024 to RMB120.0 million for the six months ended June 30, 2025. Our financial condition and results of operations may fluctuate due to a number of factors, many of which are beyond our control, including: (i) our ability to retain and increase the number of our customers; (ii) our ability to maintain or expand our sales network; (iii) our success in expanding the market share of our products; and (iv) our success in marketing and promoting our brands and products.

In addition, we may not be able to sustain our historical growth rates in future periods, and we may not be able to sustain profitability on an interim or annual basis in the future. Our historical results, growth rates and profitability may not be indicative of our future performance. Our H Shares could be subject to significant [REDACTED] volatility should our earnings fail to meet the expectations of the [REDACTED] community. Any of these events could cause the [REDACTED] of our H Shares to materially decrease and in turn, further harm our business, financial condition and results of operations.

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If we fail to recover our trade and other receivables in a timely manner, our business and financial results may be materially and adversely affected.

We generate trade receivables in the ordinary course of business. Our trade and other receivables primarily consist of trade receivables, deposits, value-added tax recoverable, prepayments to vendors, rental deposits and prepayment for purchase of property, plant and equipment and right-of-use assets. As of December 31, 2022, 2023 and 2024 and June 30, 2025, the current portion of our trade and other receivables was RMB95.5 million, RMB123.6 million, RMB193.5 million and RMB178.5 million, respectively. As of the same dates, the non-current portion of our trade and other receivables was RMB25.5 million, RMB83.1 million, RMB9.2 million and RMB8.0 million, respectively. In the event that our trade or other receivables increase significantly and we fail to collect these receivables in a timely manner, our financial condition and business operations may be materially and adversely affected.

We are exposed to risks associated with the fair value change in financial assets measured at fair value through profit or loss.

Our financial assets measured at fair value through profit or loss (“FVPL”) amounted to nil, RMB140.2 million, nil and nil as of December 31, 2022, 2023 and 2024 and June 30, 2025, respectively, which primarily consisted of our investments in unlisted structured deposits issued by banks in the PRC. See “Financial Information — Description of Certain Key Items from Our Consolidated Statements of Financial Position — Financial Asset at FVPL.” A variety of factors such as general economic and market conditions can significantly influence and cause adverse changes to the assumptions and estimates we use and thereby affect the fair value of our financial assets. Such factors could cause our estimates to vary from actual results and result in the substantial fluctuation in the fair value of our financial assets.

If we fail to perform our contractual obligations, our liquidity and financial position may be materially and adversely affected.

Our contract liabilities amounted to RMB56.2 million, RMB75.2 million, RMB53.1 million and RMB56.1 million as of December 31, 2022, 2023 and 2024 and June 30, 2025, respectively, which primarily consisted of (i) customer loyalty scheme, which primarily represents estimated loyalty points arising from our membership reward system, which could be redeemed and used in future purchases in our WeChat mall by members of our membership reward system; (ii) prepaid card, which primarily represents our obligation to sell products to customers for which we have received consideration from them in the form of prepaid cards; and (iii) advanced payment received, which primarily represents advanced payment from our franchisees for purchasing products from us. Contract liabilities would be recognized as revenue upon performance of our relevant obligations. If we fail to fulfill our obligations with respect to our contract liabilities, we may not be able to convert such contract liabilities into revenue as expected. Furthermore, if we fail to fulfill our obligations with respect to our contract liabilities, customers may request not to prepay us in the future. Any of these circumstances could materially and adversely affect our business, results of operations, cash flow and liquidity condition.

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There are uncertainties about the recoverability of our deferred tax assets, which may affect our financial condition in the future.

As of December 31, 2022, 2023 and 2024 and June 30, 2025, our deferred tax assets amounted to RMB27.7 million, RMB30.3 million, RMB29.6 million and RMB25.3 million, respectively. Our deferred tax assets relate to deductible temporary differences between the tax bases of assets and liabilities and their carrying amounts to the extent that the utilization of such differences and losses against future taxable profits is probable. Such recognition requires significant judgment on the tax treatment of certain transactions and assessment on the probability of whether adequate future taxable profits will be available for the deferred tax assets to be recovered. Therefore, there are uncertainties regarding the recoverability of our deferred tax assets and to what extent they may affect our financial condition in the future.

The preferential tax treatment and government grants that we enjoyed may be changed or terminated.

During the Track Record Period, some of our subsidiaries were entitled to preferential income tax rates pursuant to the relevant tax regulations. For example, during the Track Record Period, certain of our subsidiaries met the criteria required for preferential income tax rate granted to small and low profit-making enterprise in the PRC, and were entitled to a preferential income tax rate of 5% on taxable income for the first RMB3,000,000. In addition, the government grants we recognized amounted to RMB9.5 million, RMB9.0 million, RMB7.2 million and RMB3.5 million for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, respectively, which were generally one-off in nature based on the relevant governmental policies from time to time. There can be no assurances that we would continue to enjoy these government grants at the historical levels, or at all. Any change, suspension or discontinuation of these government grant to us could adversely affect our financial condition and results of operations. Preferential tax treatments and other incentives granted to us by PRC governmental authorities are subject to review and renewal and may be adjusted or revoked in the future. We cannot guarantee you that the preferential tax treatments and other incentives to which our PRC subsidiaries are currently entitled would be kept valid or successfully renewed. The discontinuation of any of our current tax treatments could materially increase our tax obligations and adversely impact our net income.

If we fail to implement and maintain an effective system of internal controls, we may be unable to accurately or timely report our results of operations or prevent fraud, and investor confidence and the [REDACTED] of our securities may be materially and adversely affected.

We will become a [REDACTED] company upon completion of the [REDACTED], and our internal controls will be essential to the integrity of our business and financial results. Our public reporting obligations are expected to place a strain on our management, operational and financial resources and systems in the foreseeable future. In order to address our internal control issues and to generally enhance our internal control and compliance environment, we have taken various measures to improve our internal control and procedures including establishing a compliance program, adopting new policies, and providing extensive and ongoing training on our control, procedures and policies to our employees. In addition, in preparation for the [REDACTED], we have implemented other measures to further enhance our internal control, and plan to take steps to further improve our internal control.

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If we fail to establish and maintain an adequate internal control system, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause [REDACTED] lose confidence in our reported financial information. This could limit our access to capital markets, adversely affect our results of operations and lead to a decline in the [REDACTED] of our securities. Ineffective internal control could also expose us to an increased risk of fraud or misuse of corporate assets and subject us to potential regulatory investigations and civil or criminal penalties. We may also be required to increase the number of staff in connection with internal control to comply with the relevant requirements, which could lead to an increase of the relevant expenses. In addition, after we become a [REDACTED] company, our reporting obligations may place a significant strain on our management, operational and financial resources and systems for the foreseeable future. We may be unable to timely complete our evaluation testing and any required remediation of our prior deficiencies in our internal control over financial reporting. Any of the foregoing could adversely affect our business, reputation and financial condition.

Environmental, social and governance matters may impact our business and reputation.

As global initiatives focus on low-carbon transitions and the PRC moves toward carbon neutrality, the PRC government may introduce new regulations and policies enforcing stricter environmental standards. Such tightened regulations may increase our costs related to environmental protection, thereby potentially affecting our operational results and financial condition negatively. In response to the awareness of environmental, social and governance (ESG) matters, we have integrated risk factors related to sustainability, including compliance with regulations, environmental protection and social responsibility, into our consideration to mitigate associated impacts and develop best practices in order to achieve long-term growth and sustainability of our business. See “Business — Environmental, Social and Governance Matters.” Despite these efforts, we cannot guarantee the effective implementation of ESG governance protocols, including the identification and mitigation of ESG-related risks. Failure to comply with ESG requirements in a timely manner could materially and adversely affect our business operations, results, and financial condition.

RISKS RELATING TO OUR INDUSTRY

We operate in a highly competitive industry. If we fail to compete effectively, our business and operating results could be adversely affected.

During the Track Record Period, we primarily competed with providers of tea leaf products and other tea related products. Some of our existing competitors are large publicly traded companies, or are divisions of large publicly traded companies, and may enjoy several competitive advantages over us, including, but not limited to, better brand recognition, more financial resources, longer operating history, broader product portfolio, wider distribution channels and larger consumer base. We cannot assure you that we will be successful in the face

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of increasing competition from existing players or new players entering into our markets. Any failure by us to compete effectively against our competitors and maintain and expand our consumer base could materially and adversely affect our business, financial condition and results of operations.

In particular, during the Track Record Period, a majority of our revenue was generated from the sales of tea leaves in China. The market size of the tea leaf industry in China in terms of sales revenue grew from approximately RMB288.9 billion in 2020 to approximately RMB325.8 billion in 2024 with a CAGR of approximately 3.0%. We cannot assure you that the tea leaf market in China will be able to continue to enjoy the rapid growth rate or will be able to maintain the steady growth we expect. In particular, the tea leaf industry in China is subject to market saturation and competition from other beverage products that may be viewed by consumers as substitutes for, or alternatives to, our tea leaf products, which may negatively affect the size and growth of the market for tea leaves. If these markets do not grow as we expect, our sales volume, sales revenue and profitability may be materially and adversely affected.

Changes in government regulations or practices affecting the tea leaf industry may result in additional costs for us to comply with new regulations.

There may be changes in government regulations or practices affecting the tea leaf industry. If there is a relaxation in regulatory requirements, or the introduction of simplified approval procedures, the entry barriers for our potential competitors could be lower, which could result in more fierce market competition. On the other hand, if the applicable regulatory requirements become more stringent, it may become more difficult for our suppliers or us, either through ourselves or our sales network, to satisfy such requirements, or make our products less cost-effective as we may need to derive more costs to comply with such stringent regulatory requirements. Any of these events could eliminate or substantially reduce the demand for our products, and thus materially and adversely affect our business, financial condition, results of operations and prospects.

The overall development of the tea leaf industry in China depends on many factors beyond our control, such as shifts in cultural trends and consumer lifestyle changes.

The overall development of the tea leaf industry in China depends on factors including, among others, shifts in cultural trends and changes of local consumers’ lifestyle, most of which are beyond our control. We cannot assure you that our existing product portfolio will correspond to the changes of trends in China’s tea leaf industry, or that we will continue to launch tea leaf products that appeal to the latest tea drinking trends and lifestyle of consumers in China. In the event that we fail to adapt to the latest development of China’s tea leaf industry, we may not be able to effectively compete with our competitors in the tea leaf industry, and may lose a significant number of consumers, which could materially and adversely affect our business, financial condition and results of operation.

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RISKS RELATING TO DOING BUSINESS IN THE REGIONS WHERE WE OPERATE

The economic, political and social conditions, as well as laws, regulations and other regulatory policies, significantly affect the overall economic growth of the regions where we operate, and the failure to respond to the relevant developments in them may have material adverse effects on our business.

Our business, prospects, financial condition and results of operations may be influenced to a significant degree by political, economic and social conditions in the regions where we operate. Our business, financial condition and results of operations may be adversely affected by the following factors:

- an economic slowdown in the place where we operate;
- inaccurate assessment of the economic conditions of the markets in which we operate;
- economic policies and initiatives undertaken by the government;
- changes to prevailing market interest rates;
- a higher rate of bankruptcy;
- applicable laws, regulations and other regulatory policies; and
- government regulations on capital investments or changes in tax regulations.

Any slowdown in the economic growth of the regions where we operate may reduce the demand for the products we promote and sell and could materially and adversely affect our business, financial condition, results of operations and prospect.

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

On February 17, 2023, the China Securities Regulatory Commission (CSRC) promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “Overseas Listing Trial Measures”) and relevant supporting guidelines, which came into effect on March 31, 2023. The Overseas Listing Trial Measures have comprehensively improved and reformed the existing regulatory regime for overseas [REDACTED] and [REDACTED] of PRC domestic companies’ securities and will regulate both direct and indirect overseas [REDACTED] and [REDACTED] of PRC domestic companies’ securities. Any such domestic company that is deemed to conduct overseas [REDACTED] and [REDACTED] activities, including both the [REDACTED] and any further capital raising, shall file with the CSRC in accordance with the

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Overseas Listing Trial Measures. We will file with CSRC within a specific time limit as required by the Overseas Listing Trial Measures. However, we cannot assure you that we could complete such filing in a timely manner or at all, the failure of which may restrict our ability to complete the proposed [REDACTED] and have a material and adverse effect on our financial performance and business prospects.

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 [REDACTED] and [REDACTED] 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 further develop, failure to comply with which may materially affect our business, financial condition or results of operations.

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.

Certain judgments obtained against us by our Shareholders may be difficult to enforce.

The legal framework to which our Company is subject is materially different from the Companies Ordinance or corporate law in the United States and other jurisdictions with respect to certain areas, including the protection of minority shareholders. The majority of our Directors and senior management reside in mainland China. Judgments rendered by Hong Kong courts may be recognized and enforced in mainland China if the requirements set forth by the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) are met. Nonetheless, it may be difficult for you to effect service of process within Hong Kong upon us or these persons, or to bring an action in Hong Kong against us or against these individuals in the event that you believe that your rights have been infringed under the applicable securities laws or otherwise. In addition, it may be difficult for you to bring an original action against us or our resident officers and directors in mainland China in a court of mainland China based on the liability provisions of non-mainland China securities laws. Even if you are successful in bringing an action of this kind, the laws of the regions where we operate may render you difficult to enforce a judgment against our assets or the assets of our Directors and officers.

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Although we will be subject to the Listing Rules and the Codes on Takeovers and Mergers and Share Repurchases of Hong Kong upon the [REDACTED] of our Shares on the Stock Exchange, the holders of the 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 Codes on Takeovers and Mergers and Share Repurchases of Hong Kong do not have the force of law in Hong Kong.

We may be subject to foreign currency exchange losses resulted from fluctuations in the value of the RMB and other currencies, and the requirements under applicable laws and regulations in connection with conversion of RMB.

Fluctuations in the exchange rate of Renminbi against Hong Kong dollar, U.S. dollar and other foreign currencies are affected by, among other things, the changes in domestic and international political, economic conditions and monetary policies. Any appreciation or depreciation in the value of Renminbi or other foreign currencies that our operations are exposed to will affect our business in different ways. In addition, changes in foreign exchange rates may have an impact on the value of, and any dividends payable on, the H Shares in Hong Kong dollars. In such events, our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

In addition, 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 rules, 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 [REDACTED], 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 obtain sufficient foreign exchange for dividend payments to shareholders or to satisfy any other foreign exchange requirements, or to capitalize our capital expenditure plans, and even our business, operating results and financial condition, may be affected.

Furthermore, the net [REDACTED] from the [REDACTED] are expected to be deposited in currencies other than Renminbi until we obtain necessary approvals from relevant PRC regulatory authorities to convert these [REDACTED] into onshore Renminbi. If the net [REDACTED] cannot be converted into onshore Renminbi in a timely manner, our ability to deploy these [REDACTED] efficiently may be affected as we will not be able to invest these [REDACTED] on RMB denominated assets onshore or deploy them in uses onshore where Renminbi is required. All of these factors could affect our business, results of operations, financial condition and prospects.

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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. Although we believe that in the past, we have acted in compliance with the requirements under the relevant PRC tax laws and regulations in all material aspects and established effective internal control measures in relation to accounting regularities, we cannot assure you that future examinations by PRC tax authorities would not result in fines, other penalties or action that could adversely affect our business, financial condition and results of operations, as well as our reputation.

Payment of dividends is subject to restrictions under PRC law.

Under PRC law, dividends may be paid only out of distributable profits. Distributable profits are defined as our profits after taxes as determined under PRC GAAP less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient, if any, distributable profits to enable us to make dividend distributions to our Shareholders in the future, including periods for which our financial statements indicate that our operations have been profitable. Any distributable profits not distributed in a given year are retained and available for distribution in subsequent years.

Moreover, because the calculation of distributable profits under PRC GAAP is different from the calculation under IFRS in certain respects, our subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under IFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries. Failure by our subsidiaries to pay dividends to us could have a negative impact on our cash flow and our ability to make dividend distributions to our Shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

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

Under the applicable PRC tax laws, both the dividends we pay to non-PRC resident individual holders of H Shares (the “non-resident individual holders”), and gains realized through the sale or transfer by other means of H Shares by such shareholders, are subject to PRC individual income tax at a rate of 20%, unless reduced by the applicable tax treaties or arrangements.

Under applicable PRC tax laws, the dividends we pay to, and gains realized through the sale or transfer by other means of H shares by, non-PRC resident enterprise holders of H Shares (“non-resident enterprise holders”) are both subject to PRC enterprise income tax at a rate of 10%, unless reduced by applicable tax treaties or arrangements. Pursuant to the Arrangements between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) dated

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August 21, 2006, any non-resident enterprise registered in Hong Kong that holds directly at least 25% of the shares of our Company shall pay Enterprise Income Tax for the dividends approved and paid by us at a tax rate of 5%.

For non-resident individual holders, gains realized through the transfer of properties are normally subject to PRC individual income tax at a rate of 20%. However, according to the Circular of the Ministry of Finance and the State Administration of Taxation on Issues Concerning Individual Income Tax Policies (《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》), income received by individual foreigners from dividends and bonuses of a foreign-invested enterprise are exempt from individual income tax for the time being. According to the Circular Declaring that Individual Income Tax Continues to Be Exempted over Individual Income from Transfer of Shares issued by the MOF and the SAT (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) effective as of March 30, 1998, income from individuals’ transfer of stocks of listed companies continued to be temporarily exempted from individual income tax. On February 3, 2013, the State Council approved and promulgated the Notice of Suggestions to Deepen the Reform of System of Income Distribution (《國務院轉批發展改革委等部門關於深化收入分配制度改革若干意見的通知》). On February 8, 2013, the General Office of the State Council promulgated the Circular Concerning Allocation of Key Works to Deepen the Reform of System of Income Distribution (《國務院辦公廳關於深化收入分配制度改革重點工作分工的通知》). According to these two documents, the PRC government is planning to cancel foreign individuals’ tax exemption for dividends obtained from foreign-invested enterprises, and the Ministry of Finance and the State Administration of Taxation should be responsible for making and implementing details of such plan. However, relevant implementation rules or regulations have not been promulgated by the Ministry of Finance and the State Administration of Taxation.

Considering the above, non-resident individual holders of our H Shares should be aware that they may be obligated to pay PRC income tax on the dividends and gains realized through sales or transfers of the H Shares. Please refer to the section headed “Appendix III — Taxation and Foreign Exchange” in this document.

We are subject to anti-corruption, anti-bribery, anti-money laundering and similar laws, and non-compliance with such laws could adversely affect our business, results of operations, financial condition and reputation.

We are subject to anti-corruption, anti-bribery, anti-money laundering and similar laws and regulations in the PRC. A violation of these laws or regulations could adversely affect our business, results of operations, financial condition and reputation. We have formulated internal policies and implemented measures with regards to the prevention and control, monitoring and response procedure as well as the establishment of risk prevention mechanism to ensure the compliance with the applicable anti-corruption, anti-bribery and anti-money laundering related laws and regulations. However, our policies and procedures may not be sufficient as the relevant laws and regulations keep evolving and our Directors, officers, employees, representatives, consultants, agents and business partners could engage in improper conduct for which we may be held responsible.

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Non-compliance with anti-corruption, anti-bribery, anti-money laundering and similar laws could subject to whistleblower complaints, adverse media coverage, investigations, and severe administrative, civil and criminal penalties, collateral consequences, remedial measures and legal expenses, all of which could materially and adversely affect our business, results of operations, financial condition and reputation.

RISKS RELATING TO THE [REDACTED]

There has been no prior [REDACTED] for our H Shares, and the liquidity and [REDACTED] of our H Shares may be volatile.

Prior to the completion of the [REDACTED], there has been no [REDACTED] for our H Shares. There can be no guarantee that an active [REDACTED] for our [REDACTED] will develop or be sustained after the completion of the [REDACTED]. The [REDACTED] is the result of negotiations between our Company and the [REDACTED] (for themselves and on behalf of the [REDACTED]), which may not be indicative of the [REDACTED] at which our H Shares will be [REDACTED] following completion of the [REDACTED]. The [REDACTED] of our H Shares may drop below the [REDACTED] at any time after completion of the [REDACTED]. We have applied to the Stock Exchange for [REDACTED] of, and permission to [REDACTED] in, our [REDACTED]. A [REDACTED] on the Stock Exchange, however, does not guarantee that an active and liquid [REDACTED] for our H Shares will develop, or if it does develop, that it will be sustained following the [REDACTED], or that the [REDACTED] of the H Shares will not decline following the [REDACTED].

The [REDACTED] and [REDACTED] at which our H Shares will [REDACTED] after the [REDACTED] will be determined by the marketplace, which may be influenced by many factors, some of which are beyond our control, including:

- our financial results;
- changes in securities analysts’ estimates, if any, of our financial performance;
- the history of, and the prospects for, us and the industry in which we compete;
- an assessment of our management, our past and present operations, and the prospects for, and timing of, our future revenues and cost structures such as the views of independent research analysts, if any;
- the present state of our development;
- the valuation of publicly traded companies that are engaged in business activities similar to ours;
- changes in laws and regulations in the PRC;

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- our inability to compete effectively in the market; and
- political, economic, financial and social developments in China and worldwide.

In addition, the Stock Exchange has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of companies quoted on the Stock Exchange. As a result, [REDACTED] in our H Shares may experience volatility in the [REDACTED] of their H Shares and a decrease in the [REDACTED] of their H Shares regardless of our operating performance or prospects.

Any possible conversion of our Domestic Unlisted Shares into H Shares in the future could increase the supply of our H Shares in the market and negatively impact the [REDACTED] of our H Shares.

According to the stipulations by the State Council’s securities regulatory authority and the Articles of Association, our Domestic Unlisted Shares may be converted into H Shares, and such converted Shares may be [REDACTED] or [REDACTED] on an overseas stock exchange provided that prior to the conversion and [REDACTED] of such converted shares, the requisite internal approval processes (but without the necessity of approval at our shareholders’ meeting) have been duly completed and the filing with the CSRC has been completed. Any [REDACTED] or [REDACTED] of the converted Shares on an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements of such stock exchange. However, the PRC Company Law provides that in relation to the [REDACTED] of a company, the shares of that company which are [REDACTED] prior to the [REDACTED] shall not be transferred within one year from the date of the [REDACTED]. Therefore, upon obtaining the requisite approval, our Domestic Unlisted Shares may be [REDACTED], after the conversion, in the form of H Shares on the Stock Exchange after one year of the [REDACTED], which could further increase the supply of our H Shares in the [REDACTED] and could dilute the shareholding of holders of our H Shares and negatively impact the [REDACTED] of our H Shares.

Because the [REDACTED] per H Share is higher than the net tangible book value per H Share, [REDACTED] of our H Shares in the [REDACTED] will experience immediate dilution.

The [REDACTED] of our [REDACTED] is higher than the net tangible book value per Share immediately prior to the [REDACTED]. Therefore, [REDACTED] of our [REDACTED] in the [REDACTED] will experience an immediate dilution and existing Shareholders will receive an increase in the [REDACTED] adjusted consolidated net tangible asset value per share of their shares. If we [REDACTED] additional H Shares in the future, [REDACTED] of our [REDACTED] may experience further dilution. Moreover, we may in the future consider seeking a [REDACTED] of our Shares in jurisdictions other than Hong Kong, which would similarly dilute the holdings of our H Share [REDACTED].

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Future [REDACTED] or perceived [REDACTED] or conversion of substantial number of our H Shares or other securities in the [REDACTED] could have a material adverse effect on the [REDACTED] of our H Shares and our ability to raise additional capital in the future, or result in dilution of your shareholding.

The [REDACTED] of our H Shares could decline as a result of future [REDACTED] of a substantial number of our H Shares or other securities relating to our H Shares in the [REDACTED], or the [REDACTED] of new shares or other securities, or the perception that such [REDACTED] or [REDACTED] may occur. Future [REDACTED], or anticipated [REDACTED], of substantial number of our securities, including any future [REDACTED], could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, notwithstanding our current cash and cash equivalents and the net [REDACTED] from the [REDACTED], we may require additional cash resources to finance our continued growth or other future developments. We cannot assure you that financing will be available in the amounts or on terms acceptable to us, if at all. If we fail to raise additional funds, we may need to sell additional equity securities, which could result in additional dilution to our Shareholders. 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.

Although our Controlling Shareholders are subject to restrictions on their [REDACTED] of H Shares within 12 months from the [REDACTED] as described in “History and Corporate Structure” in this document, future [REDACTED] of a significant number of our H Shares by the members of our Controlling Shareholders or other existing shareholders in the [REDACTED] after the [REDACTED], or the perception that these [REDACTED] could occur, could cause the [REDACTED] of our H Shares to decline and could materially impair our future ability to raise capital through [REDACTED] of our H Shares. We cannot assure you that the members of our Controlling Shareholders, or other existing shareholders will not dispose of H Shares held by them or that we will not [REDACTED] H Shares upon the expiration of restrictions set out above.

Our Controlling Shareholders have substantial influence over our Company and their interests may not align with the interests of our other Shareholders.

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), our Company will be owned as to [REDACTED]% by our Controlling Shareholders. As such, our Controlling Shareholders will have substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of Directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for their Shares in a sale of our Company or may reduce the [REDACTED] of our Shares. These actions may be taken even if they are opposed by our other Shareholders, including those who purchased Shares in the [REDACTED]. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders.

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Prior dividend distributions are not an indication of our future dividend policy.

For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, the dividends we approved amounted to RMB38.0 million, RMB30.4 million, RMB31.9 million and RMB36.2 million, respectively. Any future dividend declaration and distribution by our Company will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our Articles of Association and the PRC laws, including (where required) the approvals from our Shareholders and our Directors. In addition, our future dividend payments will depend upon the availability of dividends received from our subsidiaries. As a result of the above, we cannot assure you that we will make any dividend payments on our H Shares in the future with reference to our historical dividends. For further details, please refer to the section headed “Financial Information — Dividends” in this document.

Under the applicable PRC laws, the payment of dividends may be subject to certain limitations. The calculation of our profit under applicable accounting standards differs in certain respects from the calculation under IFRS. As a result, we may not be able to pay a dividend in a given year even if we were profitable as determined under IFRS. Our Board may approve dividends in the future after considering our results of operations, financial condition, 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 and the PRC laws and regulations and requires approval at our Shareholders’ meeting. No dividend shall be approved or payable except out of our profits lawfully available for distribution.

The [REDACTED] and [REDACTED] of our H Shares may decline if securities or industry analysts do not publish research reports about our business, or they adversely change their recommendations regarding our H Shares.

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

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Waivers [have been granted] from compliance with certain requirements of the Listing Rules by the Stock Exchange. Shareholders will not have the benefit of the Listing Rules that are so waived. These waivers could be revoked, exposing us and our Shareholders to additional legal and compliance obligations.

We have applied for[, and the Stock Exchange has granted to us], a number of waivers from strict compliance with the Listing Rules. Please refer to the section headed “Waivers from Strict Compliance with the Listing Rules” in this document for further details. There is no assurance that the Stock Exchange will not revoke any of these waivers granted or impose certain conditions on any of these waivers. If any of these waivers were to be revoked or to be subject to certain conditions, we may be subject to additional compliance obligations, incur additional compliance costs and face uncertainties arising from issues of multijurisdictional compliance, all of which could adversely affect us and our Shareholders.

We cannot guarantee the accuracy of facts, forecast and other statistics with respect to certain information obtained from the Government Publications or Other Sources contained in this document.

Certain facts, forecast and statistics in this document, including but not limited to information and statistics relating to the tea leaf industry, are extracted from the Frost & Sullivan Report or are derived from various official government publications and other publicly available publications, which our Directors believe to be reliable.

We cannot, however, guarantee the quality or reliability of such facts, forecast and statistics. Although we have taken reasonable care to ensure that the facts and statistics presented are accurately extracted and reproduced from such publications and the Frost & Sullivan Report, they have not been independently verified by us, the Joint Sponsors, the [REDACTED], any of their respective directors and advisors, or any other persons or parties involved in the [REDACTED], and no representation is given as to its accuracy. Moreover, these facts, forecasts and statistics involve risk and uncertainties and are subject to change based on various factors and should not be unduly relied upon. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case in other jurisdictions. In all cases, you should consider carefully how much weight or importance you should attach to or place on such information or statistics.

Forward-looking statements contained in this document are subject to risks and uncertainties.

This document contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain [REDACTED] information and other matters.

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The words “anticipate,” “believe,” “could,” “potential,” “continue,” “expect,” “intend,” “may,” “plan,” “seek,” “will,” “would,” “should” and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward-looking statements, including, among others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessary estimates reflecting the best judgment of our Directors and senior management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a result, these forward-looking statements should be considered in light of various important factors, including those set out in “Risk Factors” in this document. Accordingly, such statements are not a guarantee of future performance, and you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

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

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

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

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the [REDACTED], we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong unless a waiver from such requirement is obtained from the Stock Exchange. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Since our principal business operations are primarily located in the PRC and will continue to be based in the PRC, our executive Directors and senior management members are and will continue to be based in the PRC. At present, none of our executive Directors is ordinarily resident in Hong Kong. We have applied to the Stock Exchange for, [and obtained], a waiver from strict compliance with the requirements pursuant to Rule 19A.15 of the Listing Rules subject to the following conditions:

- (a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules who will act as our principal channel of communication with the Stock Exchange. The two authorized representatives are Mr. Wang Kunheng, an executive Director, and Mr. Cheng Ching Kit, a joint company secretary of our Company. Each of the authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by home, office, mobile and other telephone numbers, email address and correspondence address (if the authorized representative is not based at the registered office), facsimile numbers if available, and any other contact details prescribed by the Stock Exchange from time to time. Each of the authorized representatives has been duly authorized to communicate on our behalf with the Stock Exchange;
- (b) our authorized representatives have means of contacting all Directors promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. To enhance communication between the Stock Exchange, the authorized representatives and our Directors, our Company has implemented a policy whereby (a) each Director will provide his/her office phone number, mobile phone number, residential phone number, office facsimile number (if any) and email address to the authorized representatives; (b) each Director will provide valid phone numbers or means of communication to the authorized representatives when he or she travels; and (c) all Directors will provide their mobile phone numbers, office phone numbers, email addresses and facsimile numbers (if any) to the Stock Exchange;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (c) our Company has, in accordance with Rule 3A.19 of the Listing Rules, also appointed UOB Kay Hian (Hong Kong) Limited as its compliance advisor, who will act as an additional channel of communication with the Stock Exchange. The compliance advisor will advise on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong for a period commencing on the [REDACTED] until at least the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our Company’s financial results for the first full financial year after the [REDACTED];
- (d) meetings between the Stock Exchange and our Directors could be arranged through our authorized representatives or our Company’s compliance advisor, or directly with our Directors within a reasonable time frame. Our Company will inform the Stock Exchange promptly in respect of any change in our Company’s authorized representatives and compliance advisor; and
- (e) each Director who is not ordinarily resident in Hong Kong has confirmed that he or she has valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange in Hong Kong within a reasonable period.

JOINT COMPANY SECRETARIES

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

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

Note 2 to Rule 3.28 of the Listing Rules further provides that the 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 or she played;
- (b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (WUMP) Ordinance and the Takeovers Code;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (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. Wang Wenlong, our executive Director and the secretary of the Board of Directors, as one of our joint company secretaries, considering his over 15 years of experience in the finance industry, his position within our Group and his understanding of our internal administration, business operations and corporate culture. Our Company’s principal business activities are outside Hong Kong and there are practical difficulties finding persons who possesses day-to-day knowledge of our Company’s affairs while also having the academic and professional qualifications as required. Although Mr. Wang Wenlong does not possess the specified qualifications strictly required by Rule 3.28 of the Listing Rules, our Directors believe that Mr. Wang Wenlong is capable of discharging the functions of a joint company secretary by virtue of his knowledge and past experience in handling corporate, legal and regulatory compliance and administrative matters of our Company, and with the assistance of Mr. Cheng Ching Kit, who meets the requirements under Rule 3.28 of the Listing Rules and has been appointed to act as the other joint company secretary and to assist Mr. Wang Wenlong in the compliance matters for the [REDACTED] as well as other Hong Kong regulatory requirements for an initial period of three years from the [REDACTED] (the “**Waiver Period**”). For further details about the qualifications and experience of Mr. Wang Wenlong and Mr. Cheng Ching Kit, see the section headed “Directors and Senior Management” in this document. Further, our Company believes that it would be in the best interests of our Company and the corporate governance of our Group to have Mr. Wang Wenlong as its joint company secretary, who is an employee of our Company and has day-to-day knowledge of our Company’s affairs. Mr. Wang Wenlong has the necessary nexus to our Board and close working relationship with management of our Company in order to perform the function of a joint company secretary and to take the necessary actions in the most effective and efficient manner. Over the Waiver Period, we will implement the following measures to assist Mr. Wang Wenlong to satisfy the requisite qualifications as prescribed in Rules 3.28 and 8.17 of the Listing Rules:

- (a) Mr. Cheng Ching Kit will assist Mr. Wang Wenlong so as to enable him to discharge his duties and responsibilities as a joint company secretary of our Company. Given Mr. Cheng Ching Kit’s relevant experiences, he will be able to advise both Mr. Wang Wenlong and us on the relevant requirements of the Listing Rules as well as other applicable laws and regulations of Hong Kong;
- (b) Mr. Wang Wenlong will be assisted by Mr. Cheng Ching Kit for an initial period of three years commencing from the [REDACTED], which should be sufficient for him to acquire the requisite knowledge and experience under Rule 3.28 of the Listing Rules;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (c) we will ensure that Mr. Wang Wenlong has access to the relevant trainings and support to enable him to familiarize himself with the Listing Rules and the duties required of a company secretary of an [REDACTED], and Mr. Wang Wenlong has undertaken to attend such trainings;
- (d) Mr. Cheng Ching Kit will communicate with Mr. Wang Wenlong on a regular basis regarding matters in relation to corporate governance, the Listing Rules as well as other applicable laws and regulations of Hong Kong which are relevant to our operations and affairs. Mr. Cheng Ching Kit will work closely with, and provide assistance to Mr. Wang Wenlong with a view to discharging his duties and responsibilities as a company secretary, including but not limited to organizing the Board meetings and Shareholders’ meetings; and
- (e) pursuant to Rule 3.29 of the Listing Rules, Mr. Wang Wenlong and Mr. Cheng Ching Kit will also attend in each financial year no less than 15 hours of relevant professional training courses to familiarize themselves with the requirements of the Listing Rules and other legal and regulatory requirements of Hong Kong. Both Mr. Wang Wenlong and Mr. Cheng Ching Kit will be advised by our legal advisors as to Hong Kong law and our compliance advisor as and when appropriate and required.

Accordingly, we have applied for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules, for an initial period of three years from the [REDACTED]. Pursuant to paragraph 13 under Chapter 3.10 of the Guide for New Listing Applicants, the waiver [is granted] on the conditions: (1) Mr. Wang Wenlong must be assisted by Mr. Cheng Ching Kit, 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 (2) the waiver will be revoked if there are material breaches of the Listing Rules by our Company. Prior to the expiry of the three-year period, we will conduct a further evaluation of the qualification and experience of Mr. Wang Wenlong to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied, and we will demonstrate to the Stock Exchange and seek its confirmation that Mr. Wang Wenlong, having had the benefit of Mr. Cheng Ching Kit’s assistance during the three-year period, has attained the relevant experience under Note 2 to Rule 3.28 of the Listing Rules and is capable of discharging the functions of a company secretary so that a further waiver would not be necessary.

For more details of Mr. Wang Wenlong and Mr. Cheng Ching Kit’s biographies, please refer to the section headed “Directors and Senior Management”.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

WAIVER IN RELATION TO CONTINUING CONNECTED TRANSACTIONS

We have entered into, and expect to continue, certain continuing connected transactions, which will constitute partially-exempt continuing connected transactions for our Company under the Listing Rules upon [REDACTED]. Accordingly, we have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Chapter 14A of the Listing Rules in relation to such partially-exempt continuing connected transactions. Details of such continuing connected transactions and the respective waivers sought are set out in the section headed “Connected Transactions” in this document.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Wang Wenli (王文禮)	Room 43A Zhonghai Ludan Mingyuan Luohu District Shenzhen Guangdong Province PRC	Chinese
Mr. Wang Wenchao (王文超)	Room C, Building 6 Zhanyuan Yulongyuan Longhua District Shenzhen Guangdong Province PRC	Chinese
Mr. Wu Qingbiao (吳清標)	Room 32G Yusong Court, Yongcui Huafu Luohu District Shenzhen Guangdong Province PRC	Chinese
Mr. Wang Kunheng (王焜恒)	Room 42C, Unit 2, Building 1 Yinhu Lanshan Runyuan Phase I Luohu District Shenzhen Guangdong Province PRC	Chinese
Mr. Wang Wenlong (王文龍)	Room 2801, Unit 2, Building 1 Jingji Shuibei Times Square Luohu District Shenzhen Guangdong Province PRC	Chinese
<i>Non-executive Director</i>		
Mr. Wang Wenbin (王文彬)	Room 11D, Building 26 Sinolink Garden Phase II Luohu District Shenzhen Guangdong Province PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Name	Address	Nationality
<i>Independent non-executive Directors</i>		
Mr. Wang Yuefei (王嶽飛)	Room 701, Unit 2, Building 26 Zijin Wenyuan Xihu District Hangzhou Zhejiang Province PRC	Chinese
Ms. Tong Naqiong (童娜瓊)	Room 1-8A Yangri Bayside Nanshan District Shenzhen Guangdong Province PRC	Chinese
Ms. Chiu Mun Wai (招敏慧)	Room E, 26/F Block 4, Les Saisons 28 Tai On Street Sai Wan Ho Hong Kong	Chinese

For further information regarding our Directors, see also “Directors and Senior Management” in this document.

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors

Huatai Financial Holdings (Hong Kong) Limited

62/F, The Center
99 Queen’s Road Central
Hong Kong

ABCI Capital Limited

11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

TFI Capital Limited

16/F, Two Pacific Place
88 Queensway
Admiralty
Hong Kong

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Legal advisors to our Company

As to Hong Kong law:

Morgan, Lewis & Bockius

19/F, Edinburgh Tower

The Landmark

15 Queen’s Road Central

Central

Hong Kong

As to PRC law:

Commerce & Finance Law Offices

12-15th Floor, China World Office 2

No. 1 Jianguomenwai Avenue

Beijing

PRC

Legal advisors to the Joint Sponsors and the [REDACTED]

As to Hong Kong and United States law:

Herbert Smith Freehills Kramer

23rd Floor, Gloucester Tower

15 Queen’s Road Central

Hong Kong

As to PRC law:

Jia Yuan Law Offices

45F, Media Finance Center

Pengcheng 1st Road

Futian District

Shenzhen

Guangdong Province

PRC

Auditors and Reporting Accountants

KPMG

Certified Public Accountants

8th Floor, Prince’s Building

10 Chater Road

Central

Hong Kong

Independent industry consultant

Frost & Sullivan (Beijing) Inc.,

Shanghai Branch Co.

Room 2504, Wheelock Square No. 1717

West Nanjing Road

Jing’an District

Shanghai

PRC

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

Compliance advisor

UOB Kay Hian (Hong Kong) Limited
6/F Harcourt House
39 Gloucester Road
Wan Chai
Hong Kong

CORPORATE INFORMATION

Registered office and head office in the PRC	7th Floor, Huaduyuan Building Dongmen South Road, Nanhu Street Luohu District Shenzhen Guangdong Province PRC
Place of business in Hong Kong registered under Part 16 of the Companies Ordinance	40/F, Dah Sing Financial Centre 248 Queen’s Road East Wan Chai Hong Kong
Company’s website	<u>www.bamatea.com</u> <i>(information contained in this website does not form part of this document)</i>
Joint company secretaries	Mr. Wang Wenlong (王文龍) Room 2801, Unit 2 Jingji Shuibei Times Square Luohu District Shenzhen Guangdong Province PRC Mr. Cheng Ching Kit (鄭程傑) <i>(an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)</i> 40/F, Dah Sing Financial Centre 248 Queen’s Road East Wan Chai Hong Kong
Authorized representatives	Mr. Wang Kunheng (王焜恒) Room 42C, Unit 2, Building 1 Yinhu Lanshan Luohu District Shenzhen Guangdong Province PRC

CORPORATE INFORMATION

Mr. Cheng Ching Kit (鄭程傑)

(an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)

40/F, Dah Sing Financial Centre

248 Queen’s Road East

Wan Chai

Hong Kong

Audit Committee

Ms. Chiu Mun Wai (招敏慧) (*Chairman*)

Ms. Tong Naqiong (童娜瓊)

Mr. Wang Yuefei (王嶽飛)

Remuneration Committee

Ms. Tong Naqiong (童娜瓊) (*Chairman*)

Mr. Wang Wenbin (王文彬)

Ms. Chiu Mun Wai (招敏慧)

Nomination Committee

Mr. Wang Wenli (王文禮) (*Chairman*)

Ms. Tong Naqiong (童娜瓊)

Mr. Wang Yuefei (王嶽飛)

Strategy Committee

Mr. Wang Wenli (王文禮) (*Chairman*)

Mr. Wu Qingbiao (吳清標)

Mr. Wang Kunheng (王焜恆)

[REDACTED]

CORPORATE INFORMATION

Principal banks

China Merchants Bank

Shenzhen Caiwuwei Sub-branch
Guosu Shiji Building
Baoan South Road
Luohu District
Shenzhen
Guangdong Province
PRC

China Construction Bank

Shenzhen Chengdong Sub-branch
1st Floor, Huaduyuan Building
Dongmen South Road, Nanhu Street
Luohu District
Shenzhen
Guangdong Province
PRC

INDUSTRY OVERVIEW

Certain information and statistics set out in this section and elsewhere in this document are derived from various government and other publicly available sources and from the market research report prepared by Frost & Sullivan. We believe that the sources of such information and statistics are appropriate for such information and statistics and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false in any material respect or misleading or that any fact has been omitted that would render such information or statistics false in any material respect or misleading. None of our Company, the Joint Sponsors, the [REDACTED], any of our or their respective directors, officers, employees, agents or advisors (except for Frost & Sullivan) has verified the information and statistics from official government sources, thus makes no representation as to the accuracy, fairness and completeness of the information and statistics from official government sources. Accordingly, information and statistics from official government sources should not be unduly relied upon.

SOURCE OF INFORMATION

In connection with the [REDACTED], we engaged Frost & Sullivan, an independent market research consultant, to conduct an analysis of, and to prepare a report about, China’s tea market, tea leaf market and premium tea leaf market. Frost & Sullivan is an independent global consulting firm, which was founded in 1961 in New York. It offers industry research and market strategies and provides growth consulting and corporate training. In connection with the market research services provided, we have paid a fee of RMB742,000 to Frost & Sullivan, which we believe to be consistent with market rates.

In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan adopted the following assumptions: (i) global social, economic and political environment is likely to remain stable in the period of 2024 to 2028 (the “forecast period”); (ii) purchasing power is expected to continue to rise rapidly in emerging regions and to grow steadily in developed regions; and (iii) related industry key drivers are likely to drive the market in the forecast period.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report. Frost & Sullivan has prepared the Frost & Sullivan Report based on detailed primary research which involved discussing the status of the China’s tea leaf industry with certain leading industry participants and secondary research which involved reviewing company reports, independent research reports and data based on its own research database. Our Directors confirm that, after taking reasonable care, there has been no material adverse change in the overall market information since the date of the Frost & Sullivan Report that would materially qualify, contradict or have an impact on such information.

INDUSTRY OVERVIEW

THE TEA MARKET IN CHINA

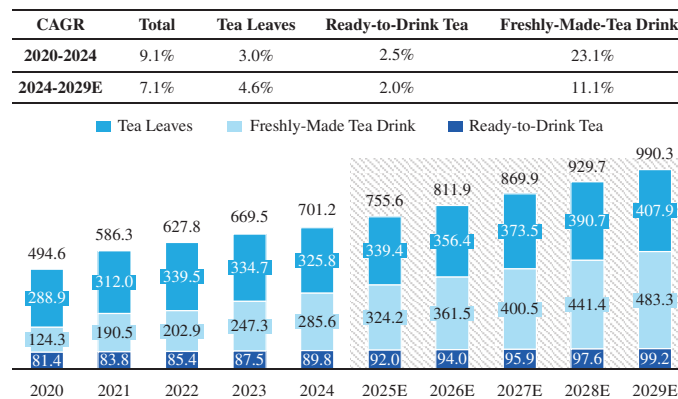
China has a long tea-drinking history of thousands of years, which enables tea to remain an integral part of everyday life for the Chinese, sustaining a steady demand for tea leaves. China’s vibrant tea culture and the deep-rooted historical importance of tea consumption significantly fuel the domestic demand for tea leaves.

The tea market in China consists of three sub-segments, namely tea leaf products, freshly-made tea drinks and ready-to-drink (RTD) tea. The tea leaf products could be further separated into pure tea leaf products and processed tea leaf products, which include, among others, flavored tea, tea bags, and tea powder. Freshly-made tea drinks refer to a type of tea products which mixes tea with different ingredients including fruits, “bubble” (tapioca balls), foamed cream cheese, milk and other drinkable ingredients. Ready-to-drink (RTD) tea is a type of tea product which is prepared and packaged for instant consumption and normally with sugar and diverse flavors from fruit, flowers, among others.

The following diagram illustrates the market size of China’s tea market by category from 2020 to 2029:

Tea Market by Category, China

RMB Billion; 2020-2029E



Note: The market size refers to the sum of sales revenues of tea leaves and retail sales revenues of freshly-made-tea drinks and ready-to-drink tea within mainland China.

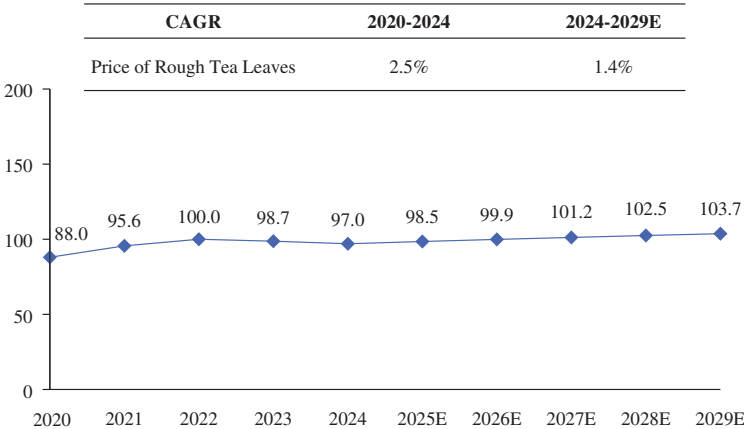
Source: China Tea Marketing Association (中國茶葉流通協會), Frost & Sullivan Analyses and Estimates

INDUSTRY OVERVIEW

Rough tea leaves are the primary raw materials for tea leaf products. The following diagram illustrates the average purchasing price of rough tea leaves in China from 2020 to 2029:

Price of Rough Tea Leaves, China

RMB/kg; 2020-2029E



Source: China Tea Marketing Association, Frost & Sullivan Analysis and Estimates

INDUSTRY OVERVIEW

THE TEA LEAF MARKET IN CHINA

Overview

The tea leaf market accounted for the largest share in China’s tea market from 2020 to 2024. China’s tea leaf products are categorized into six main types: Oolong tea, black tea, dark tea, white tea, green tea and yellow tea. The following table sets forth details of these tea leaves by type:

	Types of Tea	Degree of Fermentation	Production Techniques	Tastes	Representative Tea Types & Places of Origins
 Fermentation Degree	Green tea 綠茶	0%-10%	Green tea is the major sub-category of tea leaves. After plucking, the fresh tea leaves are processed by withering, enzyme inactivating, rolling and drying to preserve enzyme activity and remove moisture, thus safeguarding the natural qualities of the leaves.	It has fresh taste with light sweetness and slight bitterness. The flavor of green tea is usually known for its freshness, crispness and sweetness.	Xihu Longjing (西湖龍井) - Hangzhou, Zhejiang Biluochun (碧螺春) - Suzhou, Jiangsu Taiping Houkui (太平猴魁) - Taiping, Anhui Queshe (雀舌) - Meitan, Guizhou Maojian (毛尖) - Xinyang, Henan Anji Baicha (安吉白茶) - Anji, Zhejiang Huangshan Maofeng (黃山毛峰) - Huangshan, Anhui
	White tea 白茶	5%-15%	White tea is crafted from the unoxidized, unrolled young buds of the tea plant. Its production method is straightforward and natural, omitting processes like frying, rolling, or enzyme inactivating the leaves. Instead, white tea undergoes gentle withering and drying, preserving the tea leaves’ original flavor and nutritional properties to the fullest extent.	It owns light, delicate and elegant taste, with a light sweetness and floral aroma. The flavor of white tea is regarded as sweetness, lightness and long aftertaste.	Baihao Yinzhen (白毫銀針) - Fuding, Fujian Shoumei (壽眉) - Fuding, Fujian Dabai (大白茶) - Jinggu, Yunnan Bai Mudan (白牡丹) - Songxi, Fujian Gongmei (貢眉) - Jianyang, Fujian
	Yellow tea 黃茶	10%-25%	Yellow tea is a lightly fermented tea variety. While its production method resembles that of green tea, yellow tea includes an additional heaping for yellowing process. During this stage, tea leaves undergo non-enzymatic auto-oxidation triggered by moisture and heat, resulting in the characteristic yellow hue, which is a crucial step in yellow tea production.	It presents soft and rich taste and gentle sweet flavor, with a unique yellow tea aroma. The flavor of yellow tea is characterized by sweetness, softness and unique aroma.	Mengding Huangya (蒙頂黃芽) - Ya’an, Sichuan Huoshan Huangya (霍山黃芽) - Huoshan, Anhui Junshan Yinzhen (君山銀針) - Yueyang, Hunan Pingyang Huangtang (平陽黃湯) - Pingyang, Zhejiang
	Oolong tea 烏龍茶	20%-70%	Oolong tea is the only semi-fermented tea among the six major tea leaves in China. Its processing technology is relatively complicated, involving withering, cooling, fine manipulating, enzyme inactivating, rolling and drying, etc.. The production process for Oolong tea is highly complex and has high technology barriers.	Its taste is between freshness of green tea and mellowness of black tea. The flavor of Oolong tea is considered as having high aroma, fresh taste, light fruity and quick aftertaste.	Tieguanyin (鐵觀音) - Anxi, Fujian Wuyi Yan Cha (武夷岩茶) - Wuyishan, Fujian Fenghuang Dancong (鳳凰單叢) - Chaoan, Guangdong Rougui (肉桂) - Wuyishan, Fujian Dahongpao (大紅袍) - Wuyishan, Fujian
	Black tea 紅茶	70%-95%	Black tea is fully fermented through four steps: withering, rolling, fermenting and drying. The flavors of black tea are determined by the type of tea bush, the quality of the plucked tea leaves, and the quality of processing.	Its taste is mellow and full-bodied with a fruity or floral aroma, sometimes with obvious sweetness. The taste of black tea is mellow, sweet with long aftertaste.	Keemun (祁門紅茶) - Qimen, Anhui Zhengshan Xiaozhong (正山小種) - Wuyishan, Fujian Jinjunmei (金駿眉) - Wuyishan, Fujian Dianhong (滇紅) - Lincang, Yunnan
	Dark tea 黑茶	80%-98%	Dark tea is post-fermented tea. In addition to the steps of enzyme inactivating, rolling and drying, piling is a unique production process for dark tea and is also a key link in forming the unique quality of dark tea. The rolled tea leaves are piled up to a certain thickness and fermented by microorganisms. The time, temperature, and humidity of the piling process will affect the quality and taste of the tea.	It has a strong taste and deep flavor with aged and earthy aroma. The flavor of dark tea is described by mellow, aged aroma and long aftertaste, sometimes sweet.	Pu’er (普洱茶) - Pu’er, Yunnan Ya’an Zangcha (雅安藏茶) - Ya’an, Sichuan Liubaocha (六堡茶) - Wuzhou, Guangxi Chibi Qingzhuan (赤壁青磚茶) - Chibi, Hubei An’hua (安化黑茶) - An’hua, Hunan

In China’s tea leaf industry, Pu’er tea is generally classified into two categories based on its aging characteristics: (i) new Pu’er tea, which refer to tea leaves that were aged for less than five years from the harvest of tea leaves; and (ii) aged Pu’er tea, which refer to tea leaves that were aged for more than five years from the harvest of tea leaves. Aged Pu’er tea is further classified by storage duration, including (i) early-stage aged tea leaves, which were aged for 5 to 10 years; (ii) mid-stage aged tea leaves, which were aged for 10 to 20 years; and (iii) old

INDUSTRY OVERVIEW

tea leaves, which were aged for over 20 years. Typically, the prices of Pu’er tea leaves increase as the time taken for its aging process increases, as the extended aging process enhances its smoothness and deepens its aroma. However, the prices of Pu’er tea leaves are also influenced by factors such as the region of origin, the quality of the raw leaves, and the production techniques used. Premium Pu’er tea leaves are generally made from superior raw materials and by expert craftsmanship to retain both its nutritional content and distinctive flavor. Brand reputation and supply-demand dynamics in the market also significantly influence the prices of Pu’er tea leaves.

Tea Leaf Production and Consumption

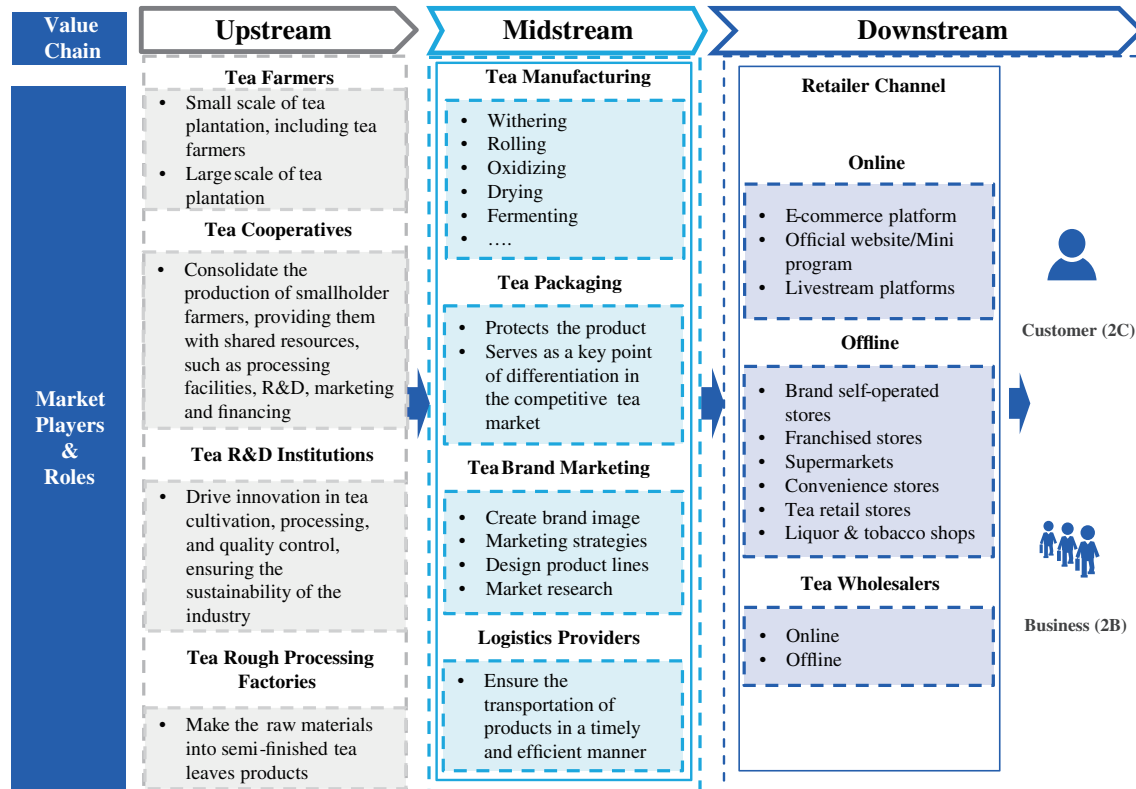
On the supply side, the steady expansion of tea plantation area, adoption of advanced tea production techniques, and ongoing technological innovations have contributed to the increased efficiency of production, enabling larger tea production capacity. On the demand side, the steady growth of China’s tea industry is driven by increasing domestic consumption, as the introduction of increasingly more diversified tea products has further stimulated demand. Additionally, the expansion into international markets also created new growth potential. These combined factors contributed to a continuous increase in tea leaf production volume. The tea leaf production volume in China increased from approximately 3.0 million tonnes in 2020 to approximately 3.5 million tonnes in 2024 at CAGR of approximately 3.7% and is expected to continue to increase to approximately 4.0 million tonnes in 2029 at a CAGR of approximately 3.0% from 2024.

The tea leaf consumption volume in China increased from approximately 2.2 million tonnes in 2020 to approximately 2.4 million tonnes in 2024 at a CAGR of approximately 2.3% and is expected to continue to increase to approximately 2.8 million tonnes at a CAGR of approximately 3.2% from 2024 to 2029.

Industry Chain of China’s Tea Leaf Market

The industry chain of China’s tea leaf market can be divided into: (1) upstream sector consisting of raw material suppliers, (2) midstream sector consisting of tea manufacturing service providers, and (3) downstream sector consisting of different sales channels, including online channel and offline channels. The following diagram illustrates the industry chain of China’s tea market.

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Source: Frost & Sullivan Analyses and Estimates

Establishing strong and sustainable partnerships with raw material suppliers is essential for tea brands to maintain consistent quality and achieve long-term success. Each year, the tea company develops a procurement plan based on factors like annual sales targets, new product development plans, and existing inventory levels. Tea brands identify and assess potential suppliers according to specific criteria such as quality standards, flavor profiles, and origin preferences. Shortlisted suppliers then undergo thorough inspection to evaluate their facilities, production capacities, processes, and quality control standards. Once contract negotiations are completed, a formal business relationship is established, with detailed terms and conditions on, among others, pricing, quality requirements, delivery schedules, payment terms, and confidentiality agreements. Meanwhile, effective management of qualified suppliers is critical to ensuring both quality and quantity, necessitating real-time performance evaluations and collaborative business planning.

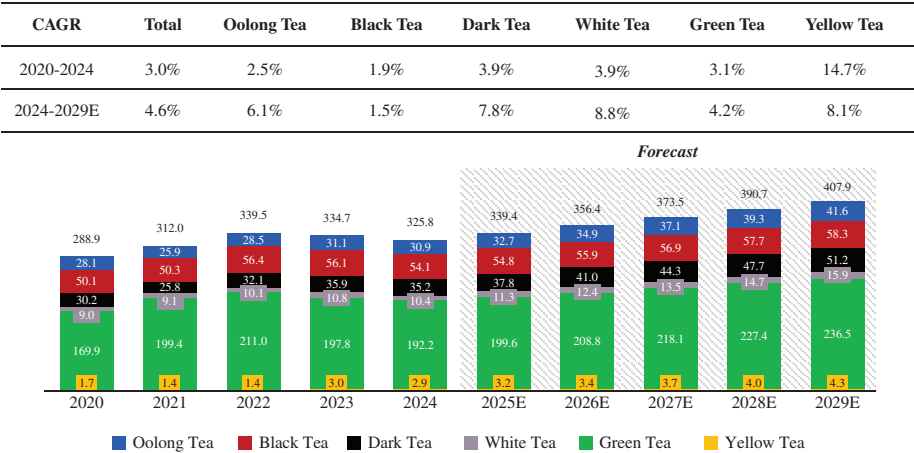
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Tea Leaf Market by Tea Leaf Type

The following diagram illustrates the market size of China’s tea leaf market by tea leaf type from 2020 to 2029:

Tea Leaf Market Breakdown by Type, China

RMB Billion; 2020-2029E



Note: The market size refers to the sales revenues of tea leaves within mainland China.

Source: China Tea Marketing Association, Frost & Sullivan Analyses and Estimates

The differences of CAGR of the market sizes of Oolong tea leaf market, dark tea leaf market, white tea leaf market and yellow tea leaf market from 2020 to 2024 as compared with those from 2024 to 2029 were mainly attributable to the following factors:

- Oolong tea:** The COVID-19 pandemic in the first quarter of 2020 negatively affected the production and distribution of the Oolong tea leaves, which led to a significant accumulation of inventory in Oolong tea production regions, resulting in a notable decrease in inventory turnover. The surplus stock of Oolong tea leaves raised capital occupancy costs, prompting certain players in the Oolong tea leaf market to reduce product prices to gain cash inflow and sustain operations. Additionally, government initiatives encouraged large-scale production and mechanized processing of tea leaf products in Oolong tea production regions, such as Anxi County in Fujian Province, to improve efficiency of production. The expansion of production capacity put pressure on market prices. Consequently, the average domestic selling price of Oolong tea leaves dropped by 6.8% in 2020 and 11.2% in 2021, with domestic sales value declining by 5.4% in 2020 and 7.6% in 2021, respectively. China’s Oolong tea leaf market showed gradual recovery in 2022 and 2023, with year-on-year growth rate of approximately 9.7% and 9.3%, respectively, which eventually grew to result in a CAGR of 2.5% from 2020 and 2024. In the forecasted period from 2024 to 2029, the CAGR of the growth of Oolong tea leaf market is expected to be 6.1%, which

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is attributable to the sustained consumption of traditional Oolong tea leaves, as well as the increasing demand for Oolong tea leaves driven by their extensive use in sugar-free tea beverages and freshly-made -tea drinks. This is attributable to their well-received taste as a semi-fermented tea, distinct aroma, and diverse health benefits.

- *Dark tea:* The fluctuations in the selling prices and sales revenue of dark tea leaves from 2020 to 2023 did not accurately reflect the market dynamics. These fluctuations were the result of a combination of various unpredictable factors, including extreme weather conditions in key production areas, the impact of COVID-19, and the speculative activities which resulted in sudden increases of product prices. In 2020, the disruptive effects of COVID-19 on production and distribution were compounded by extreme weather events like prolonged droughts in the Pu’er tea production regions in Yunnan Province, early spring frost damage, and floods in the Anhua area in Yunnan Province. These events significantly affected the yields and quality of dark tea leaves, driving up the costs of raw materials and labor. As a result, the selling prices and sales revenue of dark tea leaves had significant year-on-year growth rates of approximately 48.9% and 48.8%, respectively, in 2020. Furthermore, dark tea leaves, particularly Pu’er tea leaves, stand out for their unique investment attributes and sensitivity in pricing, which are heavily influenced by production year and region. The value of dark tea leaves usually increases over time due to natural post-fermentation, with aged products often commanding high prices. This potential attracts speculative investors, leading to unpredictably increased demand, price spikes, and fluctuations. Consequently, from 2021 to 2023, the average selling price of dark tea leaves experienced year-on-year growth rates of -20.8%, 17.6% and 7.5%, respectively. In the forecasted period from 2024 to 2029, as the dark tea leaf market matures, and taking away the influence deriving from the unpredictable speculative activities, growth is anticipated to stabilize on a more rational and sustainable path. Investors’ focus is expected to shift from short-term price speculation to long-term value drivers such as quality, origin, and cultural significance. As a result, the market size of China’s dark tea leaf market is expected to grow at a moderate CAGR of approximately 7.8% from 2024 to 2029.
- *White tea and yellow tea:* White tea and yellow tea operate within relatively small market segments, with sales revenues reaching approximately RMB10.4 billion and RMB2.9 billion in 2024, respectively, accounting for 3.2% and 0.9% of the overall tea leaf market in China. Due to the relatively small market sizes, even slight increases in the absolute value of market size can result in disproportionately large percentage increases. Specifically, the substantial year-on-year growth rates of 42.2% for white tea and 69.9% for yellow tea in terms of sales revenues in 2020 played a significant role in their impressive increases from 2020 to 2023. These sharp increases in 2020 were driven by common policy incentives and technological advancements. Both types of tea leaves benefited from the national support policy for “small-volume specialty agricultural products (小宗類特色農產品),” with

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regions like Fujian Province and Yunnan Province focusing on white tea, and Anhui Province and Sichuan Province focusing on yellow tea. Local governments actively promoted the expansion of plantation areas through measures such as subsidies and the distribution of free seeds for tea trees. Additionally, the implementation of dwarfing and densification techniques for white tea leaves effectively boosted production capacity. Moreover, in 2023, the year-on-year growth rate of yellow tea leaves in terms of sales revenues surged to approximately 114.5%. This growth was propelled by precise policies and technological innovations. The Chinese government provided financial assistance to support yellow tea production, including subsidies for fertilizer purchase and biological pesticides and fiscal funds to support breeding superior varieties and improve planting techniques. Additionally, the revolutionary technological progress could effectively reduce the harvest cycles and production period of yellow tea leaves, leading to the increase in yields. In the upcoming period, with the production capacity of white tea and yellow tea stabilizing and their market scale expanding, their anticipated growth rate is expected to revert to a moderate upward trend.

Tea Leaf Market by Sales Channel

With the well-established internet infrastructure and fast development of e-commerce economy, China's tea leaf market has progressively adopted online distribution channels and formed an O2O business model. Furthermore, the booming of livestream shopping has encouraged companies to strengthen their online presence to expand extra touchpoints for reaching customers. The market size of China's tea leaf market in terms of sale revenue increased from approximately RMB288.9 billion in 2020 to approximately RMB325.8 billion in 2024, with a CAGR of approximately 3.0% in which (i) the market size of online channels increased from approximately RMB28.3 billion in 2020 to approximately RMB35.8 billion in 2024 with a CAGR of approximately 6.1%; and (ii) the market size of offline channels increased from approximately RMB260.6 billion in 2020 to approximately RMB290.0 billion in 2024 with a CAGR of approximately 2.7%. The market size of China's tea leaf market in terms of sales revenue is expected to increase from approximately RMB325.8 billion in 2024 to approximately RMB407.9 billion in 2029 with a CAGR of approximately 4.6%, in which (i) the market size of online channels is expected to increase from approximately RMB35.8 billion in 2024 to approximately RMB51.0 billion in 2029 with a CAGR of approximately 7.3%; and (ii) the market size of offline channels is expected to increase from approximately RMB290.0 billion in 2024 to approximately RMB356.9 billion in 2029 with of CAGR of approximately 4.2%. In 2024, the online channels and offline channels accounted for approximately 11.0% and 89.0%, respectively, of China's tea leaf market.

Tea Leaf Market by Sales Model

The distribution sales model enables tea companies to rapidly expand market coverage, while the direct sales model is more conducive to a unified brand image and the control of service quality and pricing. However, the direct sales model requires a large amount of investment and operation efficiency. The tea enterprises with strong ability for operation and

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management are able to leverage their brand image and quality control ability under the distribution model. While both models are common in China, the distribution model is more widely used. Normally, tea companies adopt a combination of both the distribution model and direct sales model. The market size of China’s tea leaf market in terms of sale revenue increased from approximately RMB288.9 billion in 2020 to approximately RMB325.8 billion in 2024 with a CAGR of approximately 3.0%, in which (i) the market size of direct sales model decreased from approximately RMB95.5 billion in 2020 to approximately RMB90.5 in 2024 with a CAGR of approximately -1.3%; and (ii) the market size of distribution sales model increased from approximately RMB193.4 billion in 2020 to approximately RMB235.3 billion in 2024 with a CAGR of approximately 5.0%. The market size of China’s tea leaf market in terms of sales revenue is expected to increase from approximately RMB325.8 billion in 2024 to approximately RMB407.9 billion in 2029, with a CAGR of approximately 4.6%, in which (i) the market size of direct sales model is expected to increase from approximately RMB90.5 billion in 2024 to approximately RMB110.9 billion in 2029 with a CAGR of approximately 4.2%; and (ii) the market size of distribution sales model is expected to increase from approximately RMB235.3 billion in 2024 to approximately RMB296.9 billion in 2029, with a CAGR of approximately 4.8%. In 2024, the direct sales model and distribution sales model accounted for approximately 27.8% and 72.2%, respectively, of China’s tea leaf market.

THE PREMIUM TEA LEAF MARKET IN CHINA

Overview

Tea leaf market can be further divided into three categories in terms of price range: premium, middle-end, and basic consumption. The following diagram illustrates the three categories of China’s tea market.

Classification	Price Range	Category	Description
Price Range	> RMB700/KG	Premium	Premium tea leaf products are usually produced with scarce or rare tea leaf raw materials, utilizing exquisite craftsmanship, complex production processes or techniques, and with high standards on the origin of the tea leaf raw materials and harvesting requirements. Premium tea leaf products often emphasize the design of appearance. The target consumers of premium tea products are mainly commercial professionals and other tea leaf consumers with strong purchase power.
	RMB300/KG~RMB700/KG	Middle-end	Middle-end tea products balance quality and price. It is preferred by tea enthusiasts who value a complex tea flavor but not with expensive prices. Middle-end tea brands often differentiate themselves by emphasizing unique flavors or places of origin.
	< RMB300/KG	Basic consumption	Basic consumption market tea is widely consumed for everyday consumption. It serves as a daily basic beverage rather than a premium item. The production of basic consumption tea only includes standard and basic processes and usually does not provide any rare tea leaves. The market is highly competitive, and barriers to entry are relatively low, leading to a broad range of brands and tea varieties available in this segment.

Note: The price to classify tea leaves refers to the retail price.

Source: Frost & Sullivan Analyses and Estimates

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The classification of tea leaf products into three categories in terms of price ranges as mentioned above, namely, premium, middle-end and basic consumption, is based on industry benchmarks, cost structure analysis, and insights of consumer behavior. Specifically:

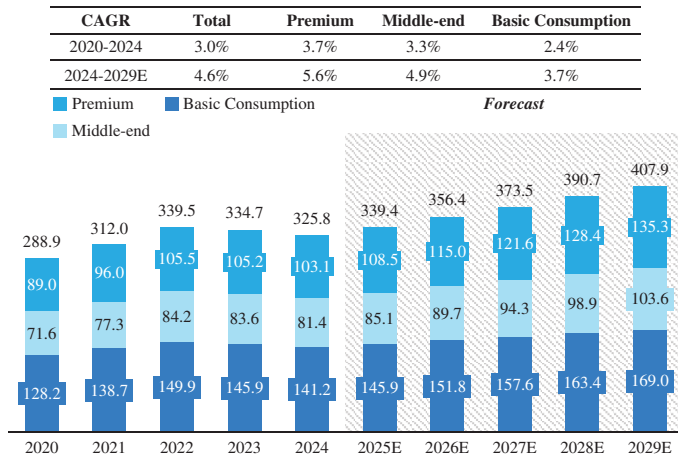
- *Industry benchmarks:* Such classification is in line with the guidelines of the China Tea Marketing Association and reflects the pricing frameworks adopted by its member companies across the tea production and distribution sectors in the PRC.
- *Cost structure analysis:* The classification of tea leaf products into different price tiers reflects the underlying cost structures associated with each category. These tiers are closely tied to consumer value perception, with higher tiers signifying greater craftsmanship, scarcity and brand prestige. The production and distribution of premium tea leaf products incur significantly higher costs compared to other categories, primarily due to the use of rare raw materials, master-led fermentation processes, and bespoke artisanal packaging. These elements contribute to a perception of exclusivity and heritage among consumers, resulting in relatively higher prices. In contrast, the production and distribution of middle-end tea leaf products incur higher costs than basic consumption tea leaf products due to semi-artisanal practices, such as selective ecological garden sourcing. Enhanced quality control measures also contribute to cost increases, ensuring flavor consistency and product reliability. Meanwhile, the production and distribution of mass tea leaf products focus on cost efficiency, utilizing standardized plantation sourcing to minimize labor and overhead costs.
- *Insights of consumer behavior:* The price structure of tea leaf products is intricately designed to reflect not only the production costs and industry standards but also to align closely with consumer motivations and value perceptions across various market segments. In the premium segment, consumers exhibit relatively low price elasticity, with purchasing decisions driven by perceived exclusivity, product provenance, and brand heritage, rather than cost considerations. These consumers prioritize the unique attributes and heritage of the brand over price. In contrast, consumers of middle-end tea leaf products seek a balance between quality and affordability, displaying moderate price sensitivity. Their purchasing behavior is influenced by promotional offers, loyalty programs, and occasional upgrades based on specific consumption scenarios. Meanwhile, consumers of basic consumption tea leaf products are highly price sensitive, emphasizing affordability and everyday usage. They respond quickly to price changes and are influenced by the availability of substitutes and habitual purchasing behavior. This segmentation ensures that the pricing strategy effectively caters to the diverse needs and preferences of the tea leaf market.

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The size of China’s premium tea leaf market in terms of sales revenue has shown a CAGR of approximately 3.7% between 2020 and 2024, increasing from approximately RMB89.0 billion to approximately RMB103.1 billion. Such growth is mainly driven by consumers’ increasing willingness to pursue holistic wellness and self-care, and a high demand for high-quality tea leaves. Characteristics of premium tea include rigorous requirements for raw material selection, production process, storage methods, and packaging, resulting in high product prices. Premium tea brands usually exhibit high customer loyalty and strong customer service standards. In contrast, the basic consumption tea segment demonstrated a relatively slower growth compared to the premium tea segment. The reason is that with the increasing disposable income and greater health consciousness, more customers would shift away from low-end and unbranded tea leaves to branded and trustworthy tea leaves. By 2029, the market size of the basic consumption tea segment in terms of sales revenue is expected to reach approximately RMB169.0 billion, while the market size of the premium tea segment in terms of sales revenue is projected to increase to approximately RMB135.3 billion. This shift underscores the growing preference for quality and brand awareness among Chinese tea consumers, further propelling the expansion of the premium tea leaf segment.

Tea Leaf Market Breakdown by Price Range, China

RMB Billion; 2020-2029E



Note: The market size refers to the sales revenue of tea leaves within mainland China.

Source: Frost & Sullivan Analyses and Estimates

Franchisees act as intermediaries between the tea brand and retail outlets. They typically manage regional logistics, warehousing, and the local marketing of the tea brand, providing a fast and scalable model for the expansion of brands and offering localized and customized marketing. Franchisees are vital to the success and growth of tea brands in China’s premium tea leaf market. They allow brands to stay focused on their core business while leveraging the knowledge, resources, and dedication of local partners. This collaboration enables tea brands to expand effectively, adjust to local markets, and maintain a competitive presence.

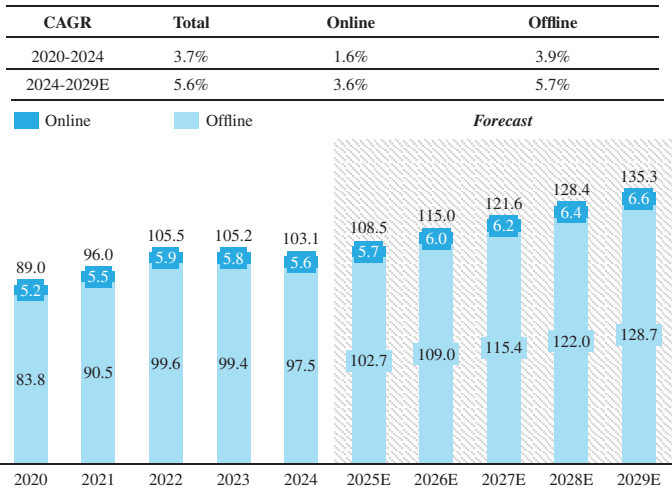
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Premium Tea Leaf Market by Sales Channel

The sales of premium tea are heavily dependent on offline customer experience. It emphasizes interpersonal interactions, including comprehensive product display, tea tasting and immersive tea space experiences. As a result, the offline channel accounts for a significant proportion of the premium tea market, increasing from approximately RMB83.8 billion in 2020 to approximately RMB97.5 billion in 2024, representing a CAGR of approximately 3.9% during this period. In the foreseeable future, as China’s economy develops, the disposable incomes will rise, and consumers will be prone to purchasing premium products that offer a superior quality and experience. Thus, the offline premium tea segment is projected to increase to approximately RMB128.7 billion at a CAGR of approximately 5.7% from 2024 to 2029. The following diagram illustrates the market size of China’s premium tea leaf market by sales channel from 2020 to 2029:

Premium Tea Leaf Market Breakdown by Channel, China

RMB Billion; 2020-2029E



Note: The market size refers to the sales revenue of tea leaves within mainland China through online and offline channels.

Source: Frost & Sullivan Analyses and Estimates

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GROWTH DRIVERS AND DEVELOPMENT TRENDS OF CHINA’S TEA LEAF MARKET

Key growth drivers and development trends of China’s tea leaf market include the following:

- *Resilient preference for and increasing awareness of drinking tea:* Middle-aged and elderly consumers, a key demographic in the premium tea market, often regard tea drinking as a daily ritual that is deeply embedded in their lifestyle. Their strong loyalty to specific tea types provides a stable and recurring revenue stream for producers and retailers, helping to sustain market growth even during economic downturns. Additionally, with greater financial flexibility, this group is more inclined to spend on high-quality, culturally significant teas. As a result, for these consumers, premium tea is frequently served at formal gatherings to foster social bonds and cater to those seeking meaningful social interaction with peers. On the other hand, the growing interest in premium tea among younger consumers is driven by shifting preferences for lifestyle and continuous product innovation. Viewed as a healthier alternative to sugary beverages and high-caffeine drinks, tea appeals to this demographic for its antioxidant properties, moderate caffeine levels, and various health benefits. Specifically, tea naturally contains caffeine, with the concentration typically ranging from 2% to 4%. The concentration of caffeine in some types of tea can reach up to 5.5%. However, because tea leaves are often steeped whole, the caffeine is released more gradually. Additionally, compounds such as polyphenols and theanine interact with caffeine to slow down its absorption. The gradual release of caffeine and interaction of polyphenols and theanine with caffeine enable the tea to deliver a smoother and longer-lasting energy boost without the jitters. Premium tea, often sourced from regions with ideal climate, soil, and altitude, contain higher concentrations of beneficial compounds, which make them appealing to young consumers. Furthermore, the expansion of e-commerce channels and the strategic use of social media marketing have made it easier for younger consumers to explore the cultural heritage and stories behind premium tea brands, fostering stronger emotional connections and brand loyalty.
- *Increasing Mindfulness of Holistic Wellness and Self-care:* With an increasing awareness of the connection between the tea and holistic wellness and self-care in China, the preference for natural and functional food and beverages, like tea, is rising. Tea types such as Oolong tea and herbal teas are promoted for their various health advantages. In particular, the increasing awareness of and preference for drinking tea in general would lead to growth in premium tea leaves market. Premium tea leaves are typically sourced from specific regions with ideal climates, soil conditions, and altitudes, resulting in higher concentrations of beneficial compounds. In contrast to more basic tea products, premium teas are crafted by

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skilled artisans using traditional methods that preserve the tea’s natural qualities. Furthermore, premium tea leaves hold significant cultural value, serving as a means to exhibit refined cultural preferences and embody consumers’ desire for a premium lifestyle.

- *Diversification of Consumer Groups:* Young consumers and female consumers have increasingly embraced tea consumption due to heightened focus on health and a preference for natural, wellness-oriented products. The emergence of convenient and customizable tea options cater to their fast-paced urban lifestyles. Social media and influencer culture further boost this trend. In response, numerous tea brands are introducing new products to meet the needs of these growing consumer preferences.
- *Branding and Premium Evolution of Tea Leaves:* Well-known tea brands are introducing premium tea products that highlight their regional roots, the intricate processing technique, and the cultural significance of each tea variety. The brands with long history origins, rich brand culture and high-quality products emphasize their history and culture in their branding and marketing initiatives. These branding narratives not only elevate the perceived worth of the tea, but also foster a stronger emotional bond between the brand and consumers, positioning premium tea as a cultural selection beyond a basic commodity.
- *Globalization of Chinese Tea:* In 2024, the export volume of tea leaves hit around 0.4 million, yielding revenue of about US\$1.4 billion, according to Frost & Sullivan. As global fascination with Chinese tea rises, especially premium tea leaves, China’s tea exports are poised for further growth. Overseas markets, notably markets in North America, Europe and Southeast Asia, will persist in seeking high-quality Chinese teas. Chinese tea manufacturers will concentrate on bolstering their international footprint, partnering with global distributors, and tailoring their offerings to suit varied tastes and preferences across different regions.
- *Growing Demand for Premium and Rare Tea:* As disposable incomes increase, Chinese consumers increasingly value the quality and origins of their tea. Premium teas and rare varieties are anticipated to experience increase in demand. Increasingly more domestic and foreign consumers are willing to increase their purchases of such types of tea leaves.
- *Online Tea Purchasing and Recommendations:* E-commerce will continue to be a growing avenue for sales of tea leaf products, particularly popular among consumers who prefer online shopping. Digital tools enabling consumers to explore various tea varieties will become increasingly common. Moreover, live-streaming, among other marketing approaches, will continue to play a significant role in the digital realm, enabling tea brands to engage with consumers and showcase new products in real-time.

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- *Tea Blends and Innovation:* To meet changing consumer preferences, there will be increasing exploration of tea blends and flavor enhancements. Mixing traditional tea leaves with herbs, flowers, fruits, and spices to craft unique flavors will gain popularity, particularly among younger consumers. Customization and personalization will play a crucial role in the upcoming market, as consumers look for personalized tea experiences.
- *Tea Culture Experience and Tea Tasting Spaces:* Through the establishment of tea tasting spaces, tea brands are not merely selling products but curating a sophisticated environment that immerses consumers in the richness and sophistication of tea culture. This strategy elevates the cultural significance of the brand, rendering its image more compelling. Furthermore, by stepping into a tea tasting space, consumers can deepen their connection with the brand through tea sampling, participation in activities, and social interaction. This multi-faceted engagement transcends mere product transactions, encompassing cultural, emotional and social interactions. Such holistic involvement plays a vital role in nurturing stronger customer bonds.

ENTRY BARRIERS OF CHINA’S TEA LEAF MARKET

Key entry barriers of China’s tea leaf market include the following:

- *Brand Building and Marketing:* In a market with a deep-rooted history of tea, building brand awareness and introducing to consumers about new, or niche tea products can be challenging. Effective marketing strategies and established brand awareness need to not only emphasize product quality but also convey a compelling narrative about the brand’s history, origin, and unique selling points. This might require substantial investment in advertising, content creation, influencer partnerships, and consumer interaction through platforms. In a crowded and competitive market, it becomes challenging to differentiate and gain visibility without high-quality products, a robust marketing strategy and brand influence.
- *Cross-region and Omni-channel Operation:* The sales network for tea products can be diversified, involving traditional specialty stores, wholesalers, distributors, and emerging e-commerce platforms. Sales channels are intricately linked to regional preferences and consumption patterns, necessitating in-depth local understanding and networks to successfully enter the market. Navigating these diverse channels and establishing partnerships with distributors, franchisees, retailers, and online platforms requires strong cross-region operational capabilities and wide range of products that cater to consumers from different regions, making it a time-consuming and resource-intensive process for newcomers.

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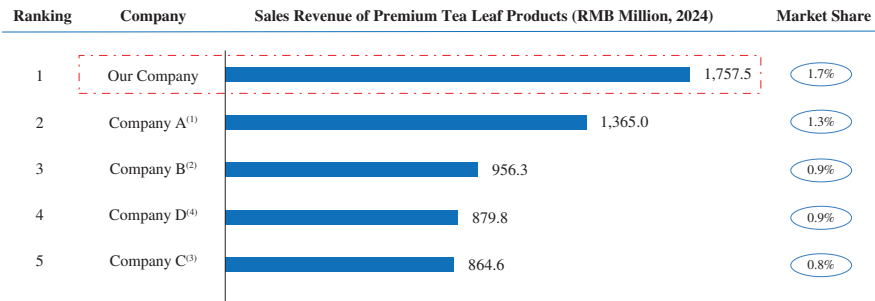
- *Offering Full-range Products to Meet Consumer Preferences:* Chinese consumers exhibit distinct preferences for tea, which are influenced by regional traditions, historical customs, and individual routines. Tea consumption varies across different regions in China, with diverse flavors and preparation techniques. For example, Longjing tea is favored in Zhejiang Province, while Oolong tea is renowned in Fujian Province. To successfully cater to regional preferences, new players must engage in market layout that covers a wide range of products to grasp local tastes, blend traditions, and understand the intricacies of various tea cultures. Additionally, smaller businesses may face limitations in offering a comprehensive range of tea products, which could hinder their nationwide expansion efforts.
- *Supply of High-Quality Raw Materials:* China’s premier tea-plantation areas, including those in Fujian Province, Zhejiang Province, Yunnan Province, and Anhui Province, boast some of the most coveted tea varieties. Established tea enterprises have typically built their operations in these regions, thereby overseeing not just tea cultivation but also securing rights to prime plantation locations and harvesting tea leaves. These enterprises maintain strong ties with local farmers and regional cooperatives, holding long-term contracts and exclusive sourcing agreements with tea growers. This grants them preferential access to the stable supply of high-quality tea leaves. As a result, the dominance of established tea enterprises over key tea-plantation territories poses a challenge for new players seeking access to the raw materials with the high quality.

COMPETITIVE LANDSCAPE OF CHINA’S TEA MARKET

Ranking of Tea Companies by Sales Revenue of Premium Tea Leaves

According to Frost & Sullivan, China’s premium tea leaf market is highly fragmented as the top five players accounted for approximately 5.6% of the market in 2024. Our market share in China’s premium tea leaf market in terms of sales revenue amounted to approximately 1.7% in 2024 at the first place. The following diagram illustrates the top five tea companies in terms of revenue generated from sales of premium tea leaf products in 2024 in China:

**Ranking of the Leading Companies by
Sales Revenue of Premium Tea Leaf Products (China), 2024**



Source: Frost & Sullivan Analysis and Estimates

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Notes:

- (1) Company A is a non-listed company headquartered in Kunming, Yunnan Province, with registered capital of approximately RMB100.0 million. Established in 2004, it focused on the production and distribution of Pu'er tea leaf products. In 2024, Company A's total sales revenue of tea leaf products amounted to approximately RMB1,750.0 million, accounting for approximately 0.54% of the overall tea leaf market. As of December 31, 2024, Company A's chained specialty stores and franchised stores amounted to 2,335 and 2,255, respectively.
- (2) Company B is a non-listed company headquartered in Xiamen, Fujian Province, with registered capital of approximately RMB82.5 million. Established in 2001, it provides comprehensive tea leaf products, including Oolong tea, dark tea, black tea, green tea and white tea. In 2024, Company B's total sales revenue of tea leaf products amounted to approximately RMB1,125.0 million, accounting for approximately 0.35% of the overall tea leaf market. As of December 31, 2024, Company B's chained specialty stores and franchised stores amounted to 2,057 and 1,949, respectively.
- (3) Company C is a company headquartered in Zhangzhou, Fujian Province, whose shares are listed on the Main Board of the Stock Exchange, with registered capital of approximately USD72.5 million. Established in 1993, it produces and distributes Oolong tea, dark tea, black tea, green tea and white tea. In addition, it offers tea ware and tea snacks. In 2024, Company C's total sales revenue of tea leaf products amounted to approximately RMB1,080.8 million, accounting for approximately 0.33% of the overall tea leaf market. As of December 31, 2024, Company C's chained specialty stores and franchised stores amounted to 1,349 and 1,192, respectively.
- (4) Company D is a non-listed company headquartered in Leshan, Sichuan Province, with registered capital of approximately RMB200.0 million. Established in 1998, it mainly focused on the production and distribution green tea leaf products from in Mount Emei. Company D adopts direct sales model. Accordingly, all of its stores were self-operated stores as of the Latest Practicable Date. In 2024, Company D's total sales revenue of tea leaf products amounted to approximately RMB1,035.0 million, accounting for approximately 0.32% of the overall tea leaf market. As of December 31, 2024, Company D had no franchised stores and 325 chained specialty stores.
- (5) The sales revenue refers to the sales of tea leaf products to end consumers and distributors.

Ranking of Tea Companies by Number of Chained Specialty Stores

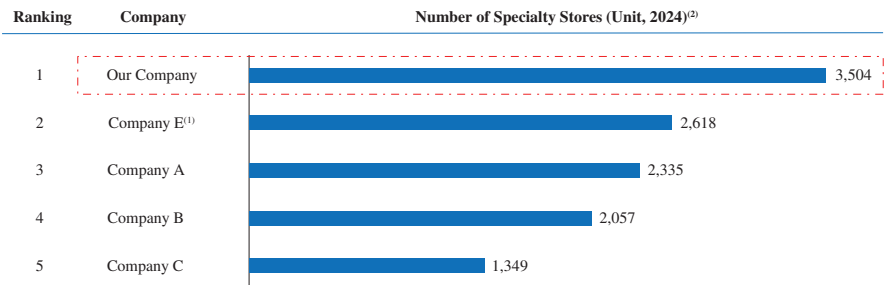
A chained specialty store is a retail outlet that exclusively sells products of a single brand, which can be operated by the tea companies themselves or the franchisees involved by them. It exclusively offers tea products and other related products, such as tea ware and tea snacks, for this brand. These stores emphasize the brand's unique identity and quality assurance, while usually also providing professional service and a consistent brand image.

A franchised store refers to a retail outlet operated by a franchisee who entered into contract(s) with one or several tea brand company(ies). It can sell the products of one specific tea brand or several tea brands. The franchisee sells the brand's teas and related products in the franchised stores operated by them according to the brand's standardized requirements, such as store design, product supply, and brand promotion. Leveraging the brand's reputation and operational expertise, the franchisee conducts business activities while adhering to the brand's management regulations and paying relevant franchise fees.

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A franchised store is also a chained specialty store if it exclusively sells products of a single brand. Chained specialty stores and franchised stores represent different dimensions of retail store classification. A chained specialty store focuses on exclusive brand representation and may be operated either directly by the brand or by a franchisee, while a franchised store is the retail outlet operated by a franchisee under a franchise agreement, rather than by the brand itself. In terms of the number of chained specialty stores, we ranked first among China’s tea companies in 2024. The following diagram illustrates the top five tea companies in terms of the number of chained specialty stores in 2024 in China:

Ranking of the Leading Tea Companies by Number of Chained Specialty Stores (China), 2024



Source: Frost & Sullivan Analysis and Estimates

Notes:

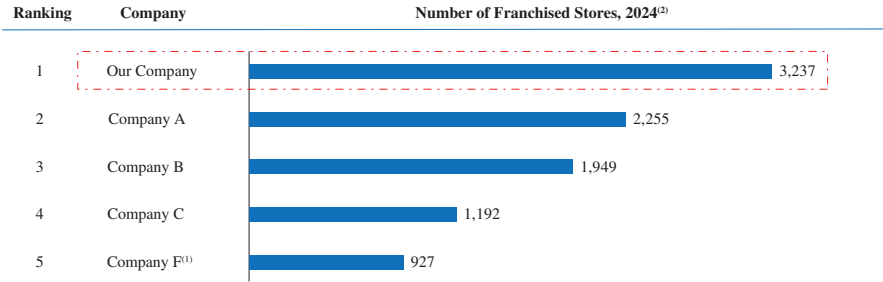
- (1) Company E is a non-listed company headquartered in Beijing with registered capital of approximately RMB687.5 million. Established in 1985, it offers a wide range of tea leaf products, including Oolong tea, dark tea, black tea, green tea, white tea and processed tea. In 2024, Company E’s total sales revenue of tea leaf products amounted to approximately RMB2,345.1 million, accounting for approximately 0.72% of the overall tea leaf market.
- (2) The number refers to the number of chained specialty stores in operation as of December 31, 2024.

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Ranking of Premium Tea Companies by Number of Franchised Stores

In terms of the number of franchised stores, we ranked first among China’s premium tea companies in 2024. The following diagram illustrates the top five premium tea companies in terms of the number of franchised stores in 2024 in China:

Ranking of the Leading Premium Tea Companies by Number of Franchised Stores (China), 2024



Source: Frost & Sullivan Analysis and Estimates

Notes:

- (1) Company F is a non-listed company headquartered in Beijing with registered capital of approximately RMB400 million. Established in 2014, it provides comprehensive tea leaf products, including Pu’er tea, green tea, black tea, white tea and Oolong tea, and is especially famous for its small packaging form of aluminum can. In addition, it offers tea ware products. In 2024, Company F’s total sales revenue of tea leaf products amounted to approximately RMB935.6 million, accounting for approximately 0.29% of the overall tea leaf market.
- (2) The number refers to the number of franchised stores in operation as of December 31, 2024.

Other Rankings of Tea Companies

According to Frost & Sullivan, each of Oolong tea leaf market and black tea leaf market is also highly fragmented as the top five players accounted for approximately 6.9% and 2.5% of the respective market in 2024. Our market share in China’s Oolong tea leaf market in terms of sales revenue amounted to approximately 2.1% in 2024 at the first place. Our market share in China’s black tea leaf market in terms of sales revenue amounted to approximately 0.8% in 2024 at the first place.

INDUSTRY OVERVIEW

THE TEA WARE MARKET IN CHINA

Tea ware refers to utensils used in preparation, serving and enjoyment of tea, including teapots, teacups, tea bowls, tea trays, tea scoops, and other related items. Tea ware can be made from a wide range of materials, including, among others, ceramic, glass, metal and clay. The craftsmanship, design and material of tea ware are considered important elements that contribute to the tea-drinking experience. Driven by increasing popularity of tea culture, and the resurgence of traditional cultural practices, including tea ceremonies, China’s tea ware market has experienced steady growth. The tea ware market in China as measured by sales revenue grew from approximately RMB16.2 billion for 2020 to approximately RMB19.0 billion for 2024, representing a CAGR of approximately 4.2%, and is projected to further grow to approximately RMB22.0 billion for 2029, representing a CAGR of approximately 3.0% from 2024.

THE TEA-MADE SNACK MARKET IN CHINA

Tea-made snacks refer to the food products created by processing tea leaves into ultra-fine tea powder, tea extracts, and natural active tea ingredients, which are then combined with other ingredients. Popular tea-made snacks include, among others, tea-flavored candies, pastries, preserved fruits, and frozen desserts. Tea-made snacks promote a new consumer culture that evolves from the traditional practice of drinking tea to the innovative concept of eating tea, offering a more convenient way to enjoy tea. Driven by growing consumer interest in holistic wellness and self-care, increasing preference for natural and functional foods, and the rising popularity of tea culture, the tea-made snack market in China as measured by sales revenue grew from approximately RMB4.0 billion for 2020 to approximately RMB6.6 billion for 2024, representing a CAGR of approximately 13.4% and is projected to further grow to approximately RMB10.9 billion for 2029, representing a CAGR of approximately 10.6% from 2024.

OTHER TEA-RELATED PRODUCTS OFFERED BY TEA COMPANIES IN CHINA

The trend of Chinese tea brands expanding into tea-related products beyond traditional tea leaf products is gaining momentum in China’s tea market. This shift is fueled by changing consumer preferences, innovation, the need to diversify revenue streams, and a growing emphasis on health, wellness, and lifestyle experiences. This shift enables brands to develop new products, reach a wider customer base, and gain access to the expanding wellness market in China. For example, tea brands are entering the dietary supplement market by introducing capsules, tablets, or powders containing concentrated tea extracts like green tea extract or Pu’er. Additionally, tea powders such as matcha (green tea powder) or Pu’er powder are gaining popularity as versatile ingredients for cooking and baking. Brands are introducing specialty products for culinary purposes, including matcha-infused baking mixes, tea-based protein powders, and even tea-flavored sauces and dressings.

REGULATORY OVERVIEW

The summary of certain PRC laws and regulations that are relevant to our business operations is set out below:

LAWS AND REGULATIONS RELATING TO FOOD SAFETY AND FOOD PRODUCTION AND OPERATION

Food Safety Law

In accordance with the Food Safety Law of the People’s Republic of China (《中華人民共和國食品安全法》), (the “Food Safety Law”), which became effective on June 1, 2009 and was last amended on April 29, 2021, a licensing system for food production and operation has been implemented by the PRC government. Any person engaging in food production, sales of food or provision of catering services shall obtain license in accordance with the Food Safety Law.

According to the Food Safety Law, the State Council shall establish a food safety committee whose duties shall be conferred by the State Council. The food safety supervision and administration authority under the State Council shall perform duties conferred by the Food Safety Law and the State Council and supervise and manage food production and operation activities. The health administrative department under the State Council shall organize the monitoring of risk and risk assessment of food safety according to the duties conferred under the Food Safety Law, and shall jointly formulate and issue national food safety standards with the food safety supervision and administration department under the State Council. Other relevant departments under the State Council shall perform their duties relating to food safety conferred under the Food Safety Law. As stipulated by the Food Safety Law, food operators who violate the provisions of Food Safety Law in engaging in food production and operation without obtaining a food production and operation license shall have their illegal income gained from the illegal production and operation, foodstuffs or food additives produced and operated illegally, tools, equipment, ingredients used in the illegal production and operation confiscated by the food safety supervision and administration authority; where the value of the foodstuffs, food additives produced and operated is less than RMB10,000, a fine ranging from RMB50,000 to RMB100,000 shall be imposed; where the value of the foodstuffs or food additives is RMB10,000 or more, a fine ranging from 10 to 20 times the value of the foodstuffs or food additives shall be imposed.

The State has established a food recall system. If a food producer discovers that the food produced does not meet the food safety standards or there is evidence that it may endanger human health, it shall stop the production immediately, recall the food products launched for selling on the market, notify the relevant producers, operators and consumers, and record the details of the recall and notification. If a food operator discovers that the food products sold by it encounter the aforesaid circumstances, it shall stop the business operation immediately, notify the relevant producers, operators and consumers, and record the cessation of business operation and the notification. If the food producer considers that a recall is necessary, it shall do so immediately. If the aforesaid circumstances have occurred due to reasons arising from the food operator, a recall shall be initiated by the food operator.

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The Implementation Rules of the Food Safety Law of the People’s Republic of China (《中華人民共和國食品安全法實施條例》), which became effective on July 20, 2009 and was last amended on March 26, 2019 and took effect on December 1, 2019, further specifies food producers and operators shall take effective measures to prevent and control food safety risks, and specifies the penalties that shall be imposed should these required measures not be implemented.

Food Operation Licensing

According to the Announcement on Effect of Food Operation License of the China Food and Drug Administration (《國家食品藥品監督管理總局關於啟用<食品經營許可證>的公告》) promulgated by the China Food and Drug Administration (國家食品藥品監督管理總局) on September 30, 2015, which became effective on October 1, 2015, the original food distribution and catering service license shall be replaced by the food operation license.

On June 15, 2023, the SAMR promulgated the Administrative Measures on Food Operation Licensing and Filing (《食品經營許可和備案管理辦法》), which became effective on December 1, 2023. Pursuant to the Administrative Measures on Food Operation Licensing and Filing, any person who engages in sales of food and provision of catering services in the People’s Republic of China shall obtain food operation license in accordance with the law.

The issue date of the food operation license shall be the date on which the licensing decision is made and the license shall be valid for five years upon its issuance. Food operators shall hang or display their original copies or electronic certificate of their food operation licenses prominently at their business premises. Should there is any change in the information stated in the food operation license, the food operators shall apply to the original licensing administration for market regulation for alteration of operation license within ten business days after the changes take place. Where the food operators no longer conduct food operation at the original licensed business premises due to relocation, they shall apply for a new food operation license.

Any operator who only sells pre-packaged food shall file to the local administration for market regulation at or above the county level. Food operators who only sell pre-packaged food and, after completing the filing, intend to engage in additional food operation activities that shall obtain food operation, they shall obtain food operation license in accordance with the law. The filing shall automatically become invalid as of the date on which the food operation license is obtained. Any operator who fails to submit information for filing or update the filing for any changes in the filing information as required shall make rectification as ordered by the administration for market regulation at or above the county level. If the operator fails to make rectification within specified period, it will be imposed a fine of not less than RMB2,000 but not more than RMB10,000. If any operator provides inaccurate information in the filing, its filing may be cancelled by the administration for market regulation at or above the county level and it will be imposed a fine of not less than RMB5,000 but not more than RMB30,000.

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Food Production License

In accordance with the Administrative Measures for Food Production Licensing (2020) (《食品生產許可管理辦法(2020)》) promulgated by the SAMR on January 2, 2020, which became effective on March 1, 2020, any person who engages in food production in the People’s Republic of China shall obtain food production license according to the law. During the validity period of the food production license, if the information specified in the food production license shall be changed due to any changes in the name of the food producer, the existing equipment layout and technological process, the main production equipment and facilities, food categories and other aspects, the food producer shall, within 10 working days after the change, apply to the original licensing administration for market regulation for the change. Where a food producer relocates its production site, it shall reapply for a food production license. If the food produced by the food producer does not fall into the category of food specified in the food production license, it shall be deemed that it engages in food production activities without obtaining a food production license.

Pursuant to the Circular of General Administration of Quality Supervision, Inspection and Quarantine of the People’s Republic of China on the Issuance of Rules for Examination of Tea Production License (2006 Edition) and the Amendments to Rules for Examination of Certain Food Production License (《國家質量監督檢驗檢疫總局關於發佈<茶葉生產許可證審查細則(2006年版)>和部分食品生產許可證審查細則修改單的通知》) issued by General Administration of Quality Supervision, Inspection and Quarantine of the People’s Republic of China (國家質量監督檢驗檢疫總局) (“AQSIQ”) and became effective on June 27, 2006, nine categories of tea products shall be subject to food production license management, including all green tea, black tea, Oolong tea, yellow tea, white tea and dark tea processed from fresh tea leaves as well as processed scented tea, teabags and pressed teas, including tea for sale in border areas.

Import and Export of Goods

According to the Foreign Trade Law of the People’s Republic of China (《中華人民共和國對外貿易法》) promulgated by the Standing Committee of National People’s Congress (the “Standing Committee of NPC”) on May 12, 1994 and amended on April 6, 2004, November 7, 2016 and December 30, 2022, the competent authorities for foreign trade under the State Council shall take charge of all foreign trading activities at the country level in accordance with this law, and foreign trade operators are no longer required to register with effect from December 30, 2022. The PRC government allows the free import and export of goods and technologies, unless otherwise provided by laws and administrative regulations. Prior to December 30, 2022, under the pre-amended Foreign Trade Law, foreign trade operators engaged in the import and export of goods or technologies shall file with the competent authorities for foreign trade under the State Council or its delegated authorities, unless otherwise provided by laws and administrative regulations and requirements of the competent authorities for foreign trade under the State Council. According to the Administrative Provisions of the Customs of the People’s Republic of China on Filing of Customs Declaration Entities (《中華人民共和國海關報關單位備案管理規定》) promulgated by the General

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Administration of Customs (海關總署) on November 19, 2021, which became effective on January 1, 2022, unless otherwise required by the laws, administrative regulations or rules of the customs, customs declaration entities shall file with customs in accordance with the provisions. Customs declaration entities shall refer to the customs declaration enterprise and the consignor or consignee of imported and exported goods under the provisions.

According to the Administrative Measures of the People’s Republic of China for the Safety of Imported and Exported Food Products (《中華人民共和國進出口食品安全管理辦法》) promulgated by the General Administration of Customs on April 12, 2021, which became effective on January 1, 2022, export food manufacturers shall file with the customs and obtain filing certificate. Any food export manufacture not using the registered raw materials in planting and breeding farms for its export food shall be subject to penalties. Export food manufacturers shall abide by the provisions concerning food safety and food hygiene under the Announcement on the Issuance of Safety and Health Requirements and Product Catalog of Export Food Production Enterprises (《關於發佈出口食品生產企業安全衛生要求和產品目錄的公告》) promulgated by the Certification and Accreditation Administration of the PRC (國家認證認可監督管理委員會) on September 14, 2011, which became effective on October 1, 2011.

Pursuant to the Administrative Measures on Sanitation Licensing at Frontier Ports (《國境口岸衛生許可管理辦法》) promulgated by the General Administration of Customs on May 29, 2018, which became effective on July 1, 2018, manufactures or operators shall apply to the local customs for, and obtain, a frontier port sanitation license (hereinafter referred to as “Sanitation License”) before engaging in relevant business operations or provision of relevant services, and shall be subject to the supervision of customs according to the law. Any entity engaged in food production, sales of food, provision of catering services, supply of drinking water and operation of public places at frontier port with separate and fixed business premises shall be regarded as a separate unit for Sanitation License, and shall apply for a sanitary license separately.

Organic Products

According to the Administrative Measures on Organic Product Certification (《有機產品認證管理辦法》) promulgated by the SAMR on September 27, 2004, which became effective on April 1, 2005 and was amended on November 15, 2013, August 25, 2015 and September 29, 2022, producers or processors of organic product may, on their own initiative, entrust certification bodies for authenticating its organic products and submit application in accordance with the implementation rules for organic product certification. The organic product certification shall be valid for one year. Any entity violating the provisions of the measures in labelling “有機”, “ORGANIC” and other words and containing statements or logos that may mislead the public that the products are organic products on their products or product packaging shall make rectification as ordered by the local administration for market regulation and shall be subject to fine of not more than RMB30,000.

REGULATORY OVERVIEW

Product Quality

The Product Quality Law of the People’s Republic of China (《中華人民共和國產品質量法》) promulgated by the Standing Committee of NPC on February 22, 1993, which became effective on September 1, 1993 and was last amended on December 29, 2018, stipulates that producers and sellers shall bear responsibility for product quality in accordance with the law. Industrial products that may endanger the health and safety of individuals and property shall comply with the relevant national or industrial standards; where no national or industrial standards have been formulated, the requirements for safeguarding the health and safety of persons and property shall be complied with.

Administration for Food Labelling

According to the Administrative Provisions on Food Labelling (《食品標識管理規定》) issued by the AQSIQ on August 27, 2007 and amended on October 22, 2009, except for food products which are not required to affixed with labels under the provisions of laws and administrative regulations, labels shall be affixed on food products or their packaging, the content of the labels shall be true and accurate, easy to understand, scientific and lawful. Food labels shall indicate the name of the food product, place of production of the food product, the name, address and contact details of the manufacturer, with clear indication of the production date and expiry date of the food product, as well as the requirement of storage conditions, among others, should be indicated pursuant to the relevant provisions.

On March 14, 2025, SAMR issued the Measures for the Supervision and Administration of Food Labeling, which will take effect on March 16, 2027. Upon its implementation, the Administrative Provisions on Food Labelling (《食品標識管理規定》) issued by the AQSIQ will be superseded.

The Measures for the Supervision and Administration of Food Labeling stipulate that mandatory labeling information for pre-packaged foods shall be indicated on the outer packaging of the minimum sales unit. If the minimum sales unit contains multiple independent packages or multiple layers of packaging, the mandatory labeling information may not be repeated on the outer packaging, provided that the outer packaging is easily accessible for reading or the inner packaging’s mandatory labeling information is clearly legible through the outer packaging. The production date and expiry date of pre-packaged foods shall be clearly marked in an independent area on the packaging, with the specific dates resistant to fall off. If the independent area is not located on the principal display panel of the packaging, the phrase “see a specific location on the packaging” shall be prominently and accurately indicated on the principal display panel, and the location of the specific dates should be easy to find.

Food labels shall not include terms such as ‘exclusive supply’, ‘special supply’, or ‘internal supply’ for Party and government agencies or the military. Food producers and operators selling pre-packaged foods online shall publish the following labeling information on the main sales page: food name, net content, ingredient or component list, shelf life, product standard code, storage conditions, producer name and address, and registration or filing information for special foods. Except for dynamically changing content such as production dates and expiry dates, the food labeling information published on the sales page shall be consistent with the actual food labeling information of the products sold.

REGULATORY OVERVIEW

PROTECTION OF CONSUMER RIGHTS AND INTERESTS

The Law of the People’s Republic of China on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》) passed by the Standing Committee of NPC on October 31, 1993, which was last amended on October 25, 2013 and became effective on March 15, 2014, provides the code of conduct for business operators when dealing with consumer, including but not limited to: (i) ensuring that the goods or services comply with the relevant laws and regulations in relation to the product quality; (ii) providing accurate information concerning the quality, performance, purpose and term of validity of the goods or services provided; (iii) issuing invoice or other shopping vouchers or service documents to consumers in accordance with relevant national regulations or commercial practices; (iv) ensuring that the actual quality and function of the goods or services is in conformity with the quality of the goods or services indicated by advertisement, product descriptions, samples or other means; (v) assuming responsibility for repair, remanufacturing, replacement, return of goods or other liability under national regulations or any agreement with consumers; and (vi) not to impose terms that are unreasonable or unfair on consumers.

REGULATIONS RELATING TO COMMERCIAL FRANCHISE

According to the Administrative Regulations on Commercial Franchise Operations (《商業特許經營管理條例》) promulgated by the State Council on February 6, 2007, which became effective on May 1, 2007, commercial franchising refers to the arrangement whereby an enterprise (hereinafter referred to as the “franchisor”) authorizes other operators (hereinafter referred to as the “franchisee”) to use registered trademarks, corporate logos, patents, proprietary technologies and other operating resources through the conclusion of a contract, and the franchisee shall carry out the operation under a unified operation mode as agreed in the contract and pays the franchisor the franchise fee. The franchisor shall establish and implement a complete information disclosure system, and provide the franchisee with the information prescribed in these regulations and the text of the franchise contract in writing at least 30 days before the conclusion of the franchise contract. The information provided by the franchisor to the franchisee shall be true, accurate and complete, and shall not conceal relevant information or provide false information. A franchisor shall file with the commerce administration authorities within 15 days after the conclusion of the first franchise contract pursuant to the provisions thereof.

The Administrative Measures on Filing of Commercial Franchise (《商業特許經營備案管理辦法》) promulgated MOFCOM on April 30, 2007, which became effective on May 1, 2007 and was amended on December 12, 2011 and December 29, 2023, was formulated in accordance with the relevant provisions of the Administrative Regulations on Commercial Franchise Operations. It further provides the specific issues concerning commercial franchise filing, such as the filing authority, the specified time for filing, and filing materials that shall be submitted by the franchisor. According to the Administrative Measures on Filing of Commercial Franchise, where the franchisor fails to file under the regulations and these measures, the competent authorities of commerce at or above the municipal level divided into districts may order it to file within a prescribed time and a fine ranging from RMB10,000 to RMB50,000 shall be imposed; where the franchisor still fails to file within the prescribed time, a fine ranging from RMB50,000 to RMB100,000 shall be imposed and the information thereof shall be announced.

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LAWS AND REGULATIONS RELATING TO ADVERTISING

According to the Advertising Law of the PRC (《中華人民共和國廣告法》) (the “Advertising Law”) issued by the Standing Committee of the NPC on October 27, 1994 and last amended and came into effect on April 29, 2021, advertisements shall not contain any false or misleading content, or deceive or mislead consumers. Advertisements shall not use wordings such as “national level”, “highest level” and “best”. Any cited contents in advertisements such as data, statistical materials, survey results, abstracts and quotations shall be true and accurate, and the source shall be indicated. If the cited content has the scope of application and validity period, it shall be clearly stated.

In terms of online advertising activities, the Advertising Law stipulates the use of the internet to publish or send advertisements must not impact users’ normal use of the network. Where internet advertisements are published in forms such as pop-ups, the symbol for closing the advertisements shall be prominently indicated to ensure they can be closed with a single click.

In terms of outdoor advertising activities, the Advertising Law stipulates that outdoor advertisements shall not be set up in any of the following circumstances: (1) utilizing traffic safety facilities or traffic signs; (2) affecting the use of public utility facilities, traffic safety facilities, traffic signs, fire-fighting facilities, or fire safety signs; (3) hindering the production or people’s daily lives, or damaging the appearance of the cities; (4) within construction control areas of the state organs, cultural heritage protection units, scenic sites, or areas where outdoor advertising is prohibited by local people’s governments at or above the county level.

LAWS AND REGULATIONS RELATING TO SINGLE-PURPOSE PREPAID CARDS

According to the Administrative Measures for Single-Purpose Commercial Prepaid Cards (for Trial Implementation) (《單用途商業預付卡管理辦法(試行)》) promulgated by MOFCOM on September 21, 2012 and most recently amended on August 18, 2016, single-purpose commercial prepaid cards (“Single-Purpose Card”) refer to prepaid certification issued by enterprises engaging in retail, accommodations and catering, and residents services, for the purpose of payment for goods or services solely within such enterprises, their affiliated groups, or the franchised operation system of the same brand, including physical cards such as magnetic stripe cards, chip cards, or paper vouchers, as well as virtual cards represented by passwords, serial codes, graphics, or biometric information. Issuing enterprises shall complete the filing process within 30 days from the date they commence Single-Purpose Card operations. Violations of the above regulations will result in the local commerce authority at or above the county level ordering rectification within a specified period. Where such rectifications are overdue, a fine of above RMB10,000 and below RMB30,000 shall be imposed.

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LAWS AND REGULATIONS RELATING TO TEA INDUSTRY

Promotion of the Development of Tea Industry

According to Regulations on Promoting the Development of the Tea Industry in Fujian Province (《福建省促進茶產業發展條例》) issued by the Standing Committee of Fujian Provincial People’s Congress on March 29, 2012, which became effective on June 1, 2012 and was amended on May 28, 2021, provincial people’s government and the municipal and county-level (district-level) people’s governments of tea-producing areas shall put efforts in leading the development of the tea industry, establish a coordination system for promoting the development of the tea industry, and study and solve major problems in the development of the tea industry. Agricultural and rural administrative authority shall be responsible for carrying out specific tasks. Highly poisonous, highly toxic and high-residue pesticides are prohibited to be used in tea cultivation. Any person who uses highly poisonous, highly toxic and high-residue pesticides shall make rectification as ordered by the agricultural and rural administrative authority at county level or above. Any tea production enterprise, tea storage enterprise, professional service organization for insect pest control and farmers’ professional cooperative economic organization engaged in tea production who uses such pesticides shall be imposed by a fine of not less than RMB50,000 but not more than RMB100,000. Any individual who uses such pesticides shall be imposed by a fine of not less than RMB1,000 but not more than RMB10,000. Tea products that produced by using highly toxic, highly toxic and high residue pesticides shall be confiscated. Where a crime is constituted, criminal responsibility shall be investigated according to law.

Supervision on the Quality and Safety of Tea

Pursuant to the Circular on Further Strengthening the Supervision on the Quality and Safety of Tea of China Food and Drug Administration (《國家食品藥品監督管理總局關於進一步加強茶葉質量安全監管工作的通知》) issued by the China Food and Drug Administration and became effective on April 1, 2017, tea producers shall earnestly bear the main responsibility for quality and safety of tea in accordance with the Food Safety Law and other laws, regulations, standards and relevant documents. Tea producers shall strictly monitor the procurement of raw materials to ensure that the purchased raw materials comply with relevant regulations. Tea products shall carry out the production activities in strict accordance with relevant laws, regulations, standards and production licensing conditions to ensure that production conditions consistently comply with regulations. No food additives and non-food raw materials are allowed to be used in the production of tea. Tea producers shall also strictly standardize labels and identifications, strengthen their factory inspection and establish a food safety traceability system. Local food and drug administration authorities shall comprehensively strengthen the supervision and management of quality and safety of tea, and severely crack down on violations of laws and regulations.

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Tea Price Regulation

According to the Announcement of the Guangdong Administration for Market Regulation on Regulating Price-related Behaviors in the Tea Market (《廣東省市場監督管理局關於規範茶葉市場價格行為的通告》) (No. 70 [2024]) issued on June 11, 2024, to resolutely curb illegal speculative sales of tea under the guise of “financial tea,” “wealth management tea,” or similar terms, safeguard consumer rights and interests, and maintain stable price order in the tea market, the following notices are issued to tea market operators and relevant industry associations: operators must adhere to the principles of fairness, legality, integrity, and price-quality alignment when setting prices; prices must be clearly marked. It is prohibited to charge additional fees beyond the stated price and impose any undisclosed charges; operators shall not inflate prices; shall not publish false market price information; shall not collude to raise prices; shall not engage in price fraud; shall not use illegal means to increase prices in a disguised form; shall not conduct false advertising; shall not counterfeit products or cause consumer confusion. Market regulatory departments at all levels in Guangdong will intensify inspections and strictly investigate and deal with violations in accordance with the law. Cases involving egregious misconduct will be severely penalized and publicly exposed. Those suspected of criminal offenses will be transferred to judicial authorities for prosecution.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Trademarks

According to the Trademark Law of the People’s Republic of China (《中華人民共和國商標法》) (the “Trademark Law”) promulgated by the Standing Committee of NPC on August 23, 1982, which was last amended on April 23, 2019 and became effective from November 1, 2019, any person or entity that needs to acquire the exclusive right to use a registered trademark in the goods or services shall apply for trademark registration with the Trademark Office. The registered trademark shall be valid for ten years from the date of the approval of the registration. When it is necessary to continue using the registered trademark upon expiration of the period of validity, an application for renewal shall be made within 12 months before the expiration. If no such an application has been filed within the prescribed period, an extension period of six months may be granted. Trademark registrants may license or authorize others to use their registered trademark by entering into a trademark license contract. The trademark license agreements shall be file with the Trademark Office.

Pursuant to the Trademark Law, any application of a trademark identical or similar to a registered trademark, without the authorization of the registrant thereof, on a product identical or similar to the product for which the registered trademark is registered, and by which confusion may arise, will be deemed as an infringement to the exclusive right of the trademark owner to use the registered trademark.

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Copyright

The Copyright Law of the People’s Republic of China (《中華人民共和國著作權法》) (the “Copyright Law”) was promulgated by the Standing Committee of NPC on September 7, 1990 and last amended on November 11, 2020 and became effective on June 1, 2021. Copyright shall include personal rights such as the right of publication and the right of authorship, as well as property rights such as reproduction rights and distribution rights. Except as otherwise provided by the Copyright Law, copying, distributing, performing, projecting, broadcasting, compiling or editing a work or disseminating the work to the public through an information network without the permission of the copyright owner constitutes a copyright infringement.

In addition to the Regulations on Protection of Computers Software (《計算機軟件保護條例》) promulgated by the State Council on June 4, 1991 and last amended on January 30, 2013 and became effective on March 1, 2013, the Computer Software Copyright Registration Measures (《計算機軟件著作權登記辦法》) promulgated by National Copyright Administration, which was amended on February 20, 2002 and June 18, 2004 and became effective on July 1, 2004, also provides detailed procedures and requirements for software copyright registration. The software copyright holders may register the software copyright registration to the Copyright Protection Center of China, which is the software registration agency authorized by the National Copyright Administration.

Patents

In accordance with the Patent Law of the People’s Republic of China (《中華人民共和國專利法》) (the “Patent Law”) promulgated by the Standing Committee of NPC on March 12, 1984, which was last amended on October 17, 2020 and became effective from June 1, 2021, an invention-creation under this law shall mean an invention, utility model or design. The term “invention” thereunder refers to new technical solutions raised in relation to any product, process or the improvement thereof; the term “utility model” thereunder refers to any new technical solution related to the shape and structure of a product or the combination thereof, which is suitable for practical use; the term “design” thereunder refers to any new design of the shape and pattern of a product or the combinations thereof, or the combinations of colors with shapes or patterns, which creates aesthetics and is suitable for industrial applications. The protection period is 20 years for invention patents and 10 years for utility model patents and 15 years for design patents, commencing from the date on which the application is made.

Domain Names

According to the Administrative Measures on Internet Domain Names (《互聯網域名管理辦法》) promulgated by the Ministry of Industry and Information Technology of the PRC (工業和信息化部) on August 24, 2017, which became effective on November 1, 2017, “.CN” and “.China” are China’s national top-level domain names. The measures clarify that the Ministry of Industry and Information Technology shall be responsible for supervision on, and management of, domain name services nationwide. Any organization or individual who illegally registers or uses a domain name and commits a crime shall be investigated for criminal responsibility according to law; where a crime is not constituted, the relevant department shall impose administrative punishment.

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Geographical Indication

According to the Provisions on the Protection of Geographical Indication Products (《地理標誌產品保護規定》) promulgated by the AQSIQ on June 7, 2005, which became effective on July 15, 2005, any application for the protection of geographical indication products shall be subject to examination and approval in accordance with the provisions. Registration shall be completed in accordance with the provisions before using any special marks on geographical indication products and the use of which shall be subject to supervision. If a producer that is approved to use the special mark on geographical indication products fails to commence production in accordance with the corresponding standards and management specifications, or fails to use the special mark on the protected geographical indication products within two years, the AQSIQ will cancel the registration of the use of the special marks on geographical indication products and restrict the producing from using the special marks on geographical indication products and make a public announcement thereon.

LAWS AND REGULATIONS RELATING TO LAND

Laws and regulations relating to land mainly include the Land Administration Law of the People’s Republic of China (《中華人民共和國土地管理法》) promulgated by the Standing Committee of NPC on June 25, 1986, which was last amended on August 26, 2019 and became effective as of January 1, 2020, the Rules for Implementation of the Land Administration Law of the People’s Republic of China (《中華人民共和國土地管理法實施條例》) promulgated by the State Council on January 4, 1991, which was last amended on July 2, 2021 and became effective as of September 1, 2021, the Provisional Regulations of the People’s Republic of China concerning the Assignment and Transfer of the Right to Use State Land in Urban Areas (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》) promulgated by the State Council on May 19, 1990, which was last amended on November 29, 2020, the Law on Land Contract in Rural Areas of the People’s Republic of China (《中華人民共和國農村土地承包法》) promulgated on August 29, 2002, which was last amended on December 29, 2018 and became effective on January 1, 2019, and the Administrative Measures on the Transfer of Rural Land Operation Right (《農村土地經營權流轉管理辦法》) promulgated by Ministry of Agriculture on January 26, 2021, which became effective on March 1, 2021.

REGULATIONS RELATING TO PROPERTY LEASING

Pursuant to Administrative Measures on the Lease of Commodity Housing (《商品房屋租賃管理辦法》) promulgated by Ministry of Housing and Urban-Rural Development on December 1, 2010, which became effective on February 1, 2011, parties to a lease agreement shall complete the lease registration and filing formalities with the competent construction (real estate) authorities of the municipalities directly under the PRC governments of cities and counties where the housing is located within 30 days after the conclusion of lease agreement. For those who fail to comply with the above requirements, such competent authorities may impose a fine ranging from RMB1,000 and RMB10,000 per lease.

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LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

Environmental Protection Law

The Environmental Protection Law of the People’s Republic of China (《中華人民共和國環境保護法》) promulgated by the Standing Committee of NPC on December 26, 1989, which was amended on April 24, 2014 and became effective from January 1, 2015, provides a regulatory framework for the protection and improvement of environment, prevention and control of pollution and other public hazards, and safeguarding human health. According to the Environmental Protection Law, enterprises and other manufacturers shall prevent and reduce environmental pollution and ecological damage as well as take the liabilities for the damages caused.

Environmental Protection of Construction Project

The Environmental Impact Assessment Law of the People’s Republic of China (《中華人民共和國環境影響評價法》) promulgated by the Standing Committee of NPC on October 28, 2002, which was last amended on December 29, 2018, the Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》) promulgated by the State Council on November 29, 1998, which was amended on July 16, 2017 and became effective from October 1, 2017, and the Interim Measures for the Completion Inspections of Environment Protection Facilities of Construction Projects (《建設項目竣工環境保護驗收暫行辦法》) promulgated on November 20, 2017, which became effective on the same date, require enterprises of that planning construction projects to provide assessment reports, statements or registration forms on the environmental impact of such projects. The assessment reports or statements shall be approved by the competent environmental protection authorities prior to the commencement of any construction work, while the registration forms shall be submitted to the competent environmental protection authorities for filing. Unless otherwise provided by laws and regulations, construction enterprises that are required to make assessment reports or statements, shall conduct acceptance inspections of the environmental protection facilities upon the completion of the construction. The construction project may be officially put into production or use only after the environmental protection facilities of a construction project have passed the acceptance inspection.

Prevention and Control of Pollution

The Regulations on the Administration of Pollutant Discharge Permits (《排污許可管理條例》) promulgated by the State Council on January 24, 2021, which was became effective on March 1, 2021, is formulated under the Environmental Protection Law of the People’s Republic of China and other relevant laws to strengthen the administration of pollutant discharge permits and controlling the discharge of pollutants. Enterprises, public institutions and other producers and business operators that are subject to pollutant discharge permit management shall obtain such permits under the regulations.

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Pollutant discharge permit shall be valid for 5 years. If a pollutant discharging unit needs to continue to discharge pollutants at the expiration of the term of validity of the license, it shall apply to the examination and approval department 60 days before the expiration of the validity period of the license.

According to the Catalogue of Classified Management of Pollutant Discharge Permits for Stationary Pollution Sources (2019 Edition) (《固定污染源排污許可分類管理名錄(2019年版)》) issued by the Ministry of Ecology and Environment on December 20, 2019, pollutant discharge units are subject to three different level of pollutant discharge permit administration, namely key administration, simplified administration and registration administration based on the volume of pollutants produced, the volume of pollutants discharged, the impact on the environment and other factors. Pollutant discharge units that are subject to registration administration are not required to apply for pollutant discharge license, but they shall fill in and submit a pollution discharge registration form on the national pollution discharge license management information platform.

According to the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste issued by the SCNPC on April 29, 2020, and implemented on September 1, 2020, the design and manufacturing of products and packaging shall comply with national regulations on cleaner production. Producers and operators shall abide by mandatory standards restricting excessive packaging of goods to avoid over-packaging. Enterprises producing, selling, or importing products and packaging materials listed in the compulsory recycling catalog must recycle such products and packaging in accordance with national regulations.

Pursuant to the Administrative Measures on Pollutant Discharge Licensing (《排污許可管理辦法》) promulgated by the Ministry of Ecology and Environment on April 1, 2024, which became effective on July 1, 2024, enterprises, public institutions and other manufactures that are subject to pollutant discharge licensing administration under the law shall obtain pollutant discharge permit in accordance with law and discharge pollutant in accordance with the pollutant discharge permit. Those fail to obtain a pollutant discharge permit shall not discharge pollutants.

PRC LAWS AND REGULATIONS RELATING TO FIRE PROTECTION

Pursuant to the Fire Protection Law of the People’s Republic of China (《中華人民共和國消防法》) promulgated by the Standing Committee of the NPC on April 29, 1998 and last amended on April 29, 2021 and the Interim Provisions on the Administration of Fire Protection Design Review and Final Inspection of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) promulgated by the Ministry of Housing and Urban-Rural Development on April 1, 2020, which was amended on August 21, 2023 and became effective on October 30, 2023, the fire protection design and construction of construction projects shall comply with national technical standards of fire protection for construction projects. Special construction projects shall be subject to fire protection design review. No construction may be commenced by any construction entities and construction contractor before the fire protection design

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review of special construction project is completed or passed. For other construction projects, filing system and random inspection shall be implemented and managed by category. For other construction projects, the relevant authorities shall not issue the construction permit or approve the commencement report if the construction entity fails to provide fire protection design drawings and technical materials that meet the construction needs. No construction projects that are subject to fire acceptance inspection under the law may be put into use before the fire acceptance inspection is completed or passed; other construction projects failing to pass the random inspection under the law shall cease to be used.

Fire protection inspections of public gathering places before their use and operation shall be managed in form of a notification and commitment. Before a public gathering place is put into use or opens for business, the construction entity or using entity shall apply to fire and rescue agencies of the local people’s government at county level or above where the place is located for fire safety inspection, make a commitment that the place complies with the technical standards and management regulations for fire protection, and submit the required information, and is responsible for the truthfulness of its commitments and information. No public gathering place shall be put into use or open for business without the permission of the fire and rescue agencies.

LAWS AND REGULATIONS RELATING TO LABOR

Labor Law and Labor Contracts

According to the Labor Law of the People’s Republic of China (《中華人民共和國勞動法》) promulgated on July 5, 1994 and amended on August 27, 2009 and December 29, 2018, employers in the PRC shall establish and improve their occupational safety and health system, strictly abide by the labor regulations and standards on of the PRC, and provide training on occupational safety and health to their employees. Occupational safety and health facilities shall comply with statutory standards. Employers and institutions shall provide employees with a safe workplace and hygienic conditions that comply with relevant laws and regulations on labor protection.

The Labor Contract Law of the People’s Republic of China (《中華人民共和國勞動合同法》) promulgated on June 29, 2007, which was amended on December 28, 2012 and became effective on July 1, 2013 and the Implementation Rules of the Labor Contract Law of the People’s Republic of China (《中華人民共和國勞動合同法實施條例》) promulgated on September 18, 2008 stipulate specific provisions in relation to the execution, terms and termination of labor contracts, as well as the rights and obligations of employees and employers. When recruiting employees, employers shall truthfully inform the employees of the job description, working conditions, working place, occupational hazards, work safety conditions, remuneration package, and other information as requested by the employees.

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Social Insurance and Housing Provident Fund

Pursuant to the Social Insurance Law of the People’s Republic of China (《中華人民共和國社會保險法》) passed by the Standing Committee of the NPC on October 28, 2010 and amended on December 29, 2018, employers and individuals in the PRC shall make social insurance contributions, including basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance and work injury insurance. Payments shall be collected by local administrations. Any employer failing to make social insurance contribution shall be make or compensate for the shortfall within a prescribed period as ordered, and daily late payment fee of 0.05% of the amount in arrears shall be imposed per day. Where payment is not made within stipulated period, the relevant administration shall impose a fine ranging from one to three times of the amount in arrears.

According to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) passed by the State Council on April 3, 1999 and amended on March 24, 2002 and March 24, 2019, employers and individuals in the PRC shall make housing provident fund contributions. The payment shall be collected by the local administration. Any employer failing to make or underpaying the housing provident fund contribution within the prescribed period shall make pay the shortfall within stipulated period as ordered by the housing provident fund management center. Where payment is not made within stipulated period, an application may be made to a people’s court for compulsory enforcement.

LAWS AND REGULATIONS RELATING TO TAXATION

Taxation on Dividends

Pursuant to the Individual Income Tax Law of the People’s Republic of China (《中華人民共和國個人所得稅法》) (the “IIT Law”) last amended on August 31, 2018 and the Implementation Rules of the Individual Income Tax Law of the People’s Republic of China (《中華人民共和國個人所得稅法實施條例》) last amended on December 18, 2019, dividends distributed by an PRC enterprise shall be subject to an individual income tax at a flat rate of 20%. For a foreign individual who is not a PRC resident, the receipt of dividends from a PRC enterprise shall be generally subject to an individual income tax of 20%, unless otherwise specifically exempted by the tax authority under the State Council or reduced or waived under applicable tax treaties.

Pursuant to the Circular of the State Administration of Taxation on Issues concerning the Administration of Levying of Individual Income Tax Upon Abolishment of Document Guo Shui Fa [1993] No. 045 (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) promulgated and implemented by the SAT on June 28, 2011, domestic non-foreign-invested enterprises which issue shares in Hong Kong are generally entitled to withhold individual income tax at a rate of 10% when distributing stock dividends to non-PRC resident individuals in jurisdictions that have agreements with the PRC. For the individual holders of H Shares receiving dividends who are residents of jurisdictions that have entered into a tax agreement or arrangement with the PRC with tax rates lower than 10%, the domestic

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non-foreign-invested enterprise listed in Hong Kong may apply on behalf of such holders for the lower preferential tax treatments, and, subject to the approval of competent tax authorities, the amount exceeding withheld may be refunded. For the individual holders of H Shares receiving stock dividends who are residents of jurisdictions that have entered into a tax agreement or arrangement with the PRC with tax rates higher than 10% but lower than 20%, the domestic non-foreign-invested enterprise listed in Hong Kong shall withhold the tax at the agreed rate under the treaties, and no application is required. For the individual holders of H Shares receiving dividends who are residents of jurisdictions without tax agreements or arrangements with the PRC or are under other situations, the domestic non-foreign-invested enterprises listed in Hong Kong shall withhold the tax at a rate of 20%.

Pursuant to the EIT Law and its Implementation Rules, if a non-resident enterprise does not have any establishment or premise in the PRC, or has such an establishment or premise in the PRC but the income sourced from China is not related to such establishment or premise, it is generally subject to a 10% enterprise income tax for its income sourced from the PRC (including dividends received from a PRC resident enterprise). The aforesaid income tax payable by non-resident enterprises shall be withheld at source, where the payer of the income tax shall be the withholding agent who shall withhold the tax from the amount to be paid or due when such payment is made or due.

The Circular of the State Administration of Taxation on Issues Concerning the Withholding the Enterprise Income Tax on Dividends Distributed by PRC Resident Enterprises to H Shares who are Overseas Non-Residents Enterprises (《國家稅務總局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) implemented by the SAT on November 6, 2008 further clarifies that a PRC resident enterprise shall withhold enterprise income tax at a uniform rate of 10% on dividends paid to overseas non-resident enterprise shareholders of H Shares for 2008 and onwards. In addition, the Reply from the State Administration of Taxation on the Issue concerning the Levying of the Enterprise Income Tax on Dividends Derived by Non-Resident Enterprises from B Shares and Other Shares (《國家稅務總局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》) (Guo Shui Han [2009] No. 394) promulgated and implemented by the SAT on July 24, 2009 further provides that any PRC resident enterprise whose shares are listed on an overseas stock exchange shall withhold enterprise income tax at a rate of 10% on dividends paid to non-resident enterprises for 2008 and onwards. The above tax rates shall be subject to change pursuant to the tax treaties or agreements entered into between the PRC and the relevant jurisdictions, where applicable.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) executed on August 21, 2006, which became effective on December 8, 2006, the PRC government may levy tax on dividends paid by PRC companies to Hong Kong residents (including natural person and legal entities) in an amount not exceeding 10% of the total amount of dividends payable by the PRC companies. If a Hong Kong resident directly holds 25% or more of the equity interests in a PRC company, such tax shall not exceed 5% of

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the total amount of dividends payable by the PRC company. The Announcement of the State Taxation Administration on the Implementation of the Protocol V to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《國家稅務總局關於〈內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排〉第五議定書》) promulgated by the SAT, which became effective on December 31, 2019, provides that such provisions shall not apply to any arrangement or transaction being entitled to, directly or indirectly, the above preferential treatment is entered into primarily for the purpose of obtaining such preferential tax treatment, unless it can be confirmed that the granting of the preferential tax treatment under the circumstances is in line with the principles and purposes of the relevant provisions. The application of the dividend clauses of tax agreements shall be subject to the Circular of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協議股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81) and other laws and regulations relating to tax of the PRC.

Income Tax

Pursuant to the IIT Law and the Implementation Rules for 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》), gains realized on the transfer of equity interests in PRC resident enterprises are subject to individual income tax at a rate of 20%.

Pursuant to the Circular of the Ministry of Finance and the State Administration of Taxation on Continuing Exempting Individual Income Taxes on Gains from Transfer of Shares (《財政部、國家稅務總局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) promulgated by the MOF and the SAT on March 30, 1998, with effect from January 1, 1997, gains realized on the transfer of shares of listed companies continue to be temporarily exempted from individual income tax. In the last amended IIT Law and its implementation rules, the SAT has not specified whether it would continue to exempt individual income tax on gains of individuals derived from the transfer of shares of listed companies.

However, the Circular on Issues concerning the Levying of Individual Income Tax on Gains on the Transfer of Restricted Shares of Listed Companies by Individuals (《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》) (Cai Shui [2009]. No. 167) jointly promulgated by the MOF, the SAT and the China Securities Regulatory Commission (the “CSRC”) on December 31, 2009 stipulates that individual gains on the transfer of shares of listed companies purchased from the public offering of the listed companies and transfer markets on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for the shares which are subject to sales restriction (as defined in Supplementary Circular of Ministry of Finance, State Administration of Taxation and China Securities Regulatory Commission on Issues concerning the Levying of Individual Income Tax on Gains on the Transfer of Restricted Shares of Listed Companies by Individuals (《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》) (Cai Shui [2010] No. 70) jointly issued by the MOF, the SAT and the CSRC on November 10,

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2010). As of the Latest Practicable Date, none of the aforesaid provisions has specifically provided that whether individual income tax is levied on the transfer of shares of PRC resident enterprises listed on overseas stock exchanges by non-PRC resident individuals. To the best of our knowledge, in practice the individual income tax has not been levied by the PRC tax authorities on the transfers of shares of PRC resident enterprises listed on overseas stock exchanges by non-PRC resident individuals.

Pursuant to the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法》) (the “EIT Law”) promulgated by the Standing Committee of the NPC and became effective on December 29, 2018 and the Implementation Rules of the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法實施條例》) promulgated by the State Council, which was last amended on December 6, 2024 and will become effective on January 20, 2025, if a non-resident enterprise does not have any establishment or premise in the PRC, or has such an establishment or premise in the PRC but the income sourced from China is not related to such establishment or premise, it is generally subject to a 10% enterprise income tax for its income sourced from the PRC (including dividends received from a PRC resident enterprise). The aforesaid income tax payable by non-resident enterprises shall be withheld at source, where the payer of the income tax shall be the withholding agent who shall withhold the tax from the amount to be paid or due when such payment is made or due. The withholding tax may be reduced or exempted pursuant to applicable tax treaties or agreements on avoidance of double taxation.: Enterprises in the PRC and other organizations that derive income in the PRC are subject to enterprise income tax at a rate of 25%.

Enterprises engaging in agriculture, forestry, animal husbandry and fishery activities are entitled to enterprise income tax exemption or reduction. Enterprises engaging in primary processing of agricultural products may be entitled to enterprise income tax exemption. Enterprises engaging in tea cultivation is entitled to enterprise income tax exemption of 50%.

According to the Notice on Announcing the Scope of Primary Processing of Agricultural Products Covered by Preferential Policies on Enterprise Income Tax (for Trial Implementation) (《關於發布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》) (Cai Shui [2008] No. 149) promulgated by the Ministry of Finance and State Administration of Taxation on November 20, 2008 and effective on January 1, 2008, the scope of primary processing of agricultural products eligible for preferential policies of enterprise income tax includes primary processing of tea leaves, which involves simple processing methods such as withering (wilting, rolling), rolling, fermentation, drying, grading, and packaging of fresh leaves and tender buds picked from tea trees. Refined tea, border tea, compressed tea, and tea mixed with various medicinal substances, as well as tea beverages, are not included in the scope of primary processing.

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Interim Value-Added Tax Regulations of the PRC

According to the Interim Value-Added Tax Regulations of the PRC (《中華人民共和國增值稅暫行條例》), as announced by the State Council on December 13, 1993, and amended on November 10, 2008, February 6, 2016, and November 19, 2017, entities and individuals selling goods, providing labor services of processing, repairs or maintenance, selling services, intangible assets, real property in China, and importing goods to China, shall be identified as taxpayers of value-added tax (“VAT”). The self-produced agricultural products sold by agricultural producers are exempted from VAT.

According to the Circular on Trial Implementation of Measures for Assessment and Deduction of Input Value-added Tax on Agricultural Products in Some Industries (Cai Shui [2012] No. 38) (《關於在部分行業試行農產品增值稅進項稅額核定扣除辦法的通知》(財稅[2012]38號)) promulgated by the Ministry of Finance and the State Administration of Taxation on April 6, 2012, which became effective on July 1, 2012, Measures for Assessment and Deduction are applied to the input value-added tax on agricultural products procured by a VAT general taxpayer (hereinafter referred to as pilot taxpayer) included in the scope of the pilot program by the Ministry of Finance and the State Administration of Taxation. According to the Circular on Expanding the Scope of Industries Covered by the Pilot Program of Assessment and Deduction of Input Value-added Tax on Agricultural Products (《關於擴大農產品增值稅進項稅核定扣除試點行業範圍的通知》) promulgated by the Ministry of Finance and the State Administration of Taxation on August 28, 2013, since September 1, 2013, tax authorities of each province, autonomous region, municipality and city specifically designated in the state plan may cooperate with finance department of the same level in accordance with the relevant provisions under the Circular on Trial Implementation of Measures for Assessment and Deduction of Input Value-added Tax on Agricultural Products in Some Industries (Cai Shui [2012] No. 38) and combining the characteristics of the province (autonomous region, municipality and city specifically designated in the state plan), to select some industries for the trial implementation of assessment and deduction.

According to the Circular on the Full Implementation of Levying Value Added Tax in Place of Business Tax (《關於全面推開營業稅改徵增值稅試點的通知》) promulgated by the Ministry of Finance and the State Administration of Taxation on March 23, 2016, which became effective on May 1, 2016 and amended respectively on July 11, 2017, December 25, 2017 and March 20, 2019, levying value added tax in place of business tax is implemented in all industries in the PRC. Industries such as construction industry, real estate industry, financial industry and service industry are included in the scope of the pilot program, with value added tax replacing business tax.

According to the Circular on Policies for Simplifying and Consolidating Value-added Tax Rates (《關於簡併增值稅稅率有關政策的通知》), announced by the Ministry of Finance and the State Administration of Taxation on April 28, 2017, the structure of value-added tax (VAT) rates has been simplified from July 1, 2017, and the 13% VAT rate has been canceled. The scope of goods with 11% tax rate and the provisions for deducting input tax are specified. According to the Circular of on Adjusting Value-added Tax Rates (cai shui [2018] No. 32) (《關於調整增值稅稅率的通知》(財稅[2018]32號)) announced by the Ministry of Finance and

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the State Administration of Taxation on April 4, 2018, which became effective on May 1, 2018, where a taxpayer engages in a VAT taxable sales activity or imports goods, the previous applicable 17% and 11% tax rates are adjusted to be 16% and 10% respectively. According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) announced by the Ministry of Finance, the State Taxation Administration, and the General Administration of Customs on March 20, 2019, which became effective on April 1, 2019, with respect to VAT taxable sales or imported goods of a VAT general taxpayer, the originally applicable VAT rate of 16% shall be adjusted to 13%; the originally applicable VAT rate of 10% shall be adjusted to 9%.

LAWS AND REGULATIONS RELATING TO PERSONAL INFORMATION, DATA AND CYBERSECURITY

Personal Information Protection

The Provisions on Protection of Personal Information of Telecommunication and Internet Users (《電信和互聯網用戶個人信息保護規定》) were released by the MIIT on July 16, 2013. Internet information in mainland China is regulated and restricted from a national security standpoint. The Provisions on Protection of Personal Information of Telecommunication and Internet Users regulate the collection and use of users’ personal information in the provision of telecommunications services and internet information services in mainland China. Telecommunication business operators and internet service providers are required to institute and disclose their own rules for the collecting and use of users’ information. Telecommunication business operators and internet service providers must specify the purposes, manners and scopes of information collection and uses, obtain consent of the relevant citizens, and keep the collected personal information confidential. Telecommunication business operators and internet service providers are prohibited from disclosing, tampering with, damaging, selling or illegally providing others with, collected personal information. Telecommunication business operators and internet service providers are required to take technical and other measures to prevent the collected personal information from any unauthorized disclosure, damage or loss. Once users terminate the use of telecommunications services or internet information services, telecommunications business operators and internet information service providers shall stop the collection and use of the personal information of users and provide the users with services for deregistering their account numbers. The Provisions on Protecting Personal Information of Telecommunication and Internet Users further define the personal information of user to include user name, birth date, identification number, address, phone number, account number, passcode, and other information that may be used to identify the user independently or in combination with other information and the timing and places of the use of services by the users.

With respect to the security of information collected and used by mobile apps, pursuant to the Announcement of Conducting Special Supervision against the Illegal Collection and Use of Personal Information by Apps (《關於開展App違法違規收集使用個人信息專項治理的公告》), which was issued by CAC, the MIIT, the Ministry of Public Security, and the SAMR on January 23, 2019, app operators shall collect and use personal information in compliance with the Cybersecurity Law of the PRC and shall be responsible for the security of personal

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information obtained from users and take effective measures to strengthen personal information protection. Furthermore, app operators shall not force their users to make authorization by means of default settings, bundling, suspending installation or use of the app or other similar means and shall not collect personal information in violation of laws, regulations or breach of user agreements. Such regulatory requirements were emphasized by the Notice on the Special Rectification of Apps Infringing upon User’s Personal Rights and Interests (《關於開展APP侵害用戶權益專項整治工作的通知》), which was issued by MIIT on October 31, 2019. On November 28, 2019, the CAC, the MIIT, the Ministry of Public Security and the SAMR jointly issued the Methods of Identifying Illegal Acts of Apps to Collect and Use Personal Information (《App違法違規收集使用個人信息行為認定方法》). This regulation further illustrates certain commonly seen illegal practices of app operators in terms of personal information protection and specifies acts of app operators that will be considered as collection and use of personal information without users’ consent.

On May 28, 2020, the National People’s Congress adopted the Civil Code of the PRC (《中華人民共和國民法典》), which came into effect on January 1, 2021. Pursuant to the Civil Code, the personal information of a natural person shall be protected by the law. Any organization or individual shall legally obtain such personal information of others when necessary and ensure the safety of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase or sell, provide or disclose personal information of others.

In addition, the CAC, the MIIT, the Ministry of Public Security and the SAMR jointly issued the Notice on Promulgation of the Rules on the Scope of Necessary Personal Information for Common Types of Mobile Internet Applications (《常見類型移動互聯網應用程序必要個人信息範圍規定》) on March 12, 2021, which became effective from May 1, 2021. It specifies that the operator of an Internet application shall not refuse an user to use the app’s basic functional services on the ground that the user disagrees with the collection of unnecessary personal information.

According to the Personal Information Protection Law (《個人信息保護法》) promulgated by the Standing Committee of the NPC on August 20, 2021, which became effective on November 1, 2021, personal information refers to any kind of information related to an identified or identifiable individual as electronically or otherwise recorded but excluding the anonymized information. The processing of personal information includes the collection, storage, use, processing, transmission, provision, disclosure and deletion of personal information. A personal information processor refers to the organizations and individuals that independently determine the purposes and methods of processing in the course of processing personal information. Where the processing of personal information violates the provisions of this law, or the processing of personal information fails to fulfill the obligation of personal information protection stipulated in this law, the department performing personal information protection duties shall order it to make corrections, issue a warning, and confiscate illegal gains. For apps that illegally process personal information, the provision of services shall be ordered to suspend or terminate; if it refuses to make corrections, a fine of not more than RMB1,000,000 shall be imposed; and a fine between RMB10,000 yuan and RMB100,000 on the person in charge who are directly responsible and other directly responsible personnel shall

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be imposed. If the circumstances are serious, the department at or above the provincial level performing personal information protection duties shall order it to make corrections, confiscate the illegal gains and impose a fine of not more than RMB50,000,000 or not more than 5% of the turnover of the previous year. The relevant department may also order the relevant businesses to suspend or close for rectification, notify the relevant competent authorities to revoke relevant business permits or business licenses. The person directly in charge and other directly responsible personnel shall be fined between RMB100,000 and RMB1,000,000, and it may be decided by the department to prohibit them from serving as the director, supervisor, senior management or person in charge of personal information protection of the relevant enterprise for a certain period of time.

Pursuant to the Ninth Amendment to the Criminal Law of the PRC (《中華人民共和國刑法修正案(九)》) issued by the Standing Committee of the NPC in August 2015, which became effective in November 2015, any person or organization that violates relevant state regulations by selling or providing citizens’ personal information to others or obtaining citizens’ personal information will be subject to criminal penalty in serious cases. Moreover, on May 8, 2017, the Supreme People’s Court and the Supreme People’s Procuratorate released the Interpretations of the Supreme People’s Court and the Supreme People’s Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens’ Personal Information (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》), which became effective on June 1, 2017. The Interpretations determine the scope of citizens’ personal information under the Criminal Law of the People’s Republic of China, and explain other issues related to criminal offenses involving the infringement of personal information.

On February 22, 2023, the CAC promulgated Measures for the Standard Contract for Outbound Transfer of Personal Information (《個人信息出境標準合同辦法》), which came into effect on June 1, 2023. Pursuant to Measures for the Standard Contract for Outbound Transfer of Personal Information, personal information processor transferring personal information abroad shall conclude Standard Contract if satisfy all the following conditions: (1) the data processor who intends to transfer personal information abroad is not a critical information infrastructure operator; (2) the data processor processes personal information of less than one million individuals; (3) the data processor has cumulatively transferred abroad the personal information of less than 100,000 individuals since January 1 of the previous year; and (4) the data processor has cumulatively transferred abroad the sensitive personal information of less than 10,000 individuals since January 1 of the previous year.

On February 14, 2025, the Cyberspace Administration of China issued the Administrative Measures for the Compliance Audit of Personal Information Protection (《個人信息保護合規審計管理辦法》), which took effect on May 1, 2025. According to the Administrative Measures for the Compliance Audit of Personal Information Protection, the term “compliance audit of personal information protection” refers to supervisory activities that review and evaluate whether the personal information processing activities of personal information processors comply with laws and administrative regulations. Personal information processors that process the personal information of more than 10 million individuals shall carry out the

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compliance audit of personal information protection at least every two years. Personal information processors in any of the following circumstances may be required by the Cyberspace Administration of China and other departments performing personal information protection duties (hereinafter collectively referred to as the “Protection Departments”) to entrust a professional agency to conduct a compliance audit of their personal information processing activities: (i) Where significant risks are identified in the personal information processing activities that severely impact individual rights or lack adequate security measures; (ii) Where the personal information processing activities may infringe upon the rights and interests of a large number of individuals; (iii) In the event of a personal information security incident resulting in the leakage, tampering, loss, or destruction of personal information of more than 1 million individuals or sensitive personal information of more than 100,000 individuals.

Data and Cybersecurity

On June 22, 2007, the Ministry of Public Security, National Administration of State Secrets Protection and other governmental authorities issued the Administrative Measures for the Graded Protection of Information Security (《信息安全等級保護管理辦法》), which regulates that the security protection of an information system may be graded into five. For an information system of Grade II or above newly built, its operator or user shall, within 30 days after it is put into operation, complete the record filing procedures at the local public security organ at the level of municipality divided into districts or above.

Government authorities of mainland China have enacted laws and regulations with respect to internet information security and protection of personal information from any abuse or unauthorized disclosure, and which includes the Decision of the Standing Committee of the National People’s Congress on Internet Security Protection (《全國人民代表大會常務委員會關於維護互聯網安全的決定》) enacted and amended by the SCNPC on December 28, 2000 and August 27, 2009, respectively, the Provisions on the Technical Measures for Internet Security Protection (《互聯網安全保護技術措施規定》) issued by the Ministry of Public Security on December 13, 2005 and took effect on March 1, 2006, the Decision of the Standing Committee of the National People’s Congress on Strengthening Network Information Protection (《全國人民代表大會常務委員會關於加強網絡信息保護的決定》) promulgated by the SCNPC on December 28, 2012, the Several Provisions on Regulating the Market Order of Internet Information Services(《規範互聯網信息服務市場秩序若干規定》) promulgated by the MIIT on December 29, 2011.

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According to the Cybersecurity Law of the People’s Republic of China (《中華人民共和國網絡安全法》) promulgated by the Standing Committee of the NPC on November 7, 2016, which became effective on June 1, 2017, network operators shall comply with laws and regulations and fulfill their obligations to safeguard security of the network when conducting business and providing services. For the construction and operation of a network or the provision of services through a network, in accordance with the provisions of laws, administrative regulations and mandatory national standards, technical and other necessary measures are required to ensure the secure and stable operation of the network, effectively respond to cyber security incidents, prevent crimes committed on the network, and to maintain the integrity, confidentiality and availability of cyber data.

Pursuant to the Measures for Cyber Security Review (《網絡安全審查辦法》) promulgated by the Cyberspace Administration of China, National Development and Reform Commission, Ministry of Industry and Information Technology, The Ministry of Public Security, the Ministry of State Security, Ministry of Finance, Ministry of Commerce, People’s Bank of China, State Administration for Market Regulation, State Administration of Radio and Television, the CSRC, State Secrecy Administration, State Cryptography Administration on December 28, 2021, which became effective on February 15, 2022, operators of critical information infrastructure purchasing network products and services, and network platform operators carrying out data processing activities that affect or may affect national security, shall report to the cyber security review office for a cyber security review. In addition, an operator who controls more than 1 million users’ personal information must report to the cyber security review office for a cyber security review if it intends to be listed in a foreign country, and relevant governmental authorities in the PRC may initiate cybersecurity review if they determine an internet platform operator’s network products or services or data processing activities affect or may affect national security.

Under the Data Security Law of the People’s Republic of China (《中華人民共和國數據安全法》) promulgated by the Standing Committee of the NPC on June 10, 2021 and became effective on September 1, 2021, the state establishes a hierarchical and classified data protection system, which requires that data collection shall be conducted in a legitimate and proper manner, and theft or illegal collection of data is not permitted. Data processing activities shall be carried out in accordance with laws and regulations. Data processors shall establish and improve the whole-process data security management rules, organize and implement data security trainings as well as take appropriate technical measures and other necessary measures to protect data security. In addition, data processing activities shall be conducted on the basis of the graded protection system for cybersecurity. Monitoring of the data processing activities shall be strengthened, and remedial measures shall be taken immediately in case of discovery of risks regarding data security related defects or bugs. In case of data security incidents, responding measures shall be taken immediately, and disclosure to users and report to the competent authorities shall be made in a timely manner.

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Pursuant to the Security Protection Regulations for Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》) promulgated by the State Council on July 30, 2021, which became effective on September 1, 2021, critical information infrastructure refer to the important network facilities and information systems in important industries and fields such as public telecommunications, information services, energy, transportation, water conservancy, finance, public services, e-government and national defense science, technology and industry, as well as other important network facilities and information systems which, in case of destruction, loss of function or leak of data, may result in serious damage to national security, the national economy and the people’s livelihood and public interests. The Security Protection Regulations for Critical Information Infrastructure further impose the compliance obligations of critical information infrastructure operators as: (i) establishing comprehensive cybersecurity protection systems and accountability systems; (ii) setting up a specified security management function to security protection works; (iii) carrying out cybersecurity inspections and risk assessments; (iv) if the procurement of network products and services may affect national security, a security review shall be passed in accordance with the national cybersecurity regulations, and entering into confidentiality agreements may be required when purchasing network products and services; and (v) reporting major cybersecurity incidents or threats to authorities.

Pursuant to the Security Assessment Measures for Outbound Data Transfers (《數據出境安全評估辦法》) promulgated by Cyberspace Administration of China on July 7, 2022, which became effective on September 1, 2022, the Measures apply to the security assessment of critical data and personal information collected and generated by a data processor in its operation in the PRC, which are to be provided abroad. To provide data abroad under any of the following circumstances, a data processor shall declare security assessment for its outbound data transfer to the Cyberspace Administration of China through the local cyberspace administration at the provincial level: (i) where a data processor provides critical data abroad; (ii) where a key information infrastructure operator or a data processor processing the personal information of more than one million individuals provides personal information abroad; (iii) where a data processor, who has provided personal information of 100,000 individuals or sensitive personal information of 10,000 individuals in total abroad since January 1 of the previous year, provides personal information abroad; and (iv) other circumstances prescribed by the Cyberspace Administration of China for which declaration for security assessment for outbound data transfers is required.

On December 8, 2022, the MIIT promulgated the Measures for Data Security Management in the Industrial and Information Technology Sector (Trial) (《工業和信息化領域數據安全管理辦法(試行)》), which came into effect on January 1, 2023. The Measures for Data Security Management in the Industrial and Information Technology Sector (Trial) makes detailed provisions on classified and tiered data management, data lifecycle security management, data security monitoring and early warning and contingency management. It clearly stipulates that the data in the industrial and information fields can be divided into three levels: general data, important data and core data, and stipulates that the data processors in the industrial and information fields have the obligation to file with the relevant authorities their catalogs of important data and core data recognized according to the identification criteria for important data and core data in industrial and information technology sector.

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On February 6, 2023, the MIIT promulgated the Notice of the MIIT on Further Improving the Service Capabilities of Mobile Internet Applications (《工業和信息化部關於進一步提升移動互聯網應用服務能力的通知》), which came into effect on February 6, 2023. The Notice on Further Improving the Service Capabilities of Mobile Internet Applications stipulates that users shall be informed of personal information processing rules in a concise, clear and easy-to-understand way, and in case of changes, users shall be informed of the latest development in time. The data processors shall highlight the purpose, method and scope of sensitive personal information processing activities, and establish a list of personal information that has been collected, and do not induce users to agree to personal information processing rules with default check, small prints or lengthy texts.

On July 21, 2023, the Ministry of Industry and Information Technology issued the Notice on Carrying out the Filing of Mobile Internet Applications (《關於開展移動互聯網應用程序備案工作的通知》), requiring APP operators engaged in Internet information services within the territory of the People’s Republic of China to complete filing formalities in accordance with the Anti-Telecommunications Network Fraud Law of the People’s Republic of China (《中華人民共和國反電信網絡詐騙法》) and the Measures for the Administration of Internet Information Services (《互聯網信息服務管理辦法》). App operators shall complete filing formalities with the provincial-level communications administration bureau where they are domiciled, and their network access service providers and App distribution platforms (including the distribution platforms of mini programs, quick applications and others) shall submit such applications online for inspection and review through the National Internet Basic Resources Management System.

On March 22, 2024, the CAC promulgated the Provisions on Promoting and Regulating Cross-border Data Flow (《促進和規範數據跨境流動規定》), which became effective on the date of promulgation. According to the provisions, where a data processor transfers data abroad, it may be exempted from applying for a cross-border transfer security assessment, concluding a standard contract for personal information to be provided abroad or passing a security certificate for protection of personal information if it satisfies any of the following conditions: (i) where it is really necessary to provide personal information abroad for the purpose of concluding or performing a contract to which an individual concerned is a party, such as cross-border shopping, cross-border delivery, cross-border remittance, cross-border payment, cross-border account opening, air ticket and hotel reservation, visa handling and examination services; (ii) where it is really necessary to provide employees’ personal information abroad for the purpose of conducting cross-border human resources management in accordance with the employment rules and regulations and collective contracts formulated in accordance with the law; (iii) where it is really necessary to provide personal information abroad in an emergency to protect the life, health and property safety of a natural person; or (iv) where a data processor other than a critical information infrastructure operator provides abroad the personal information (excluding sensitive personal information) of not more than 100,000 persons accumulatively as of January 1 of the current year.

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On September 24, 2024, the State Council promulgated the Regulations on the Administration of Cyber Data Security (《網絡數據安全管理條例》(the “Data Security Regulations”), which is applicable to network data processing activities and the security supervision and administration thereof conducted within the territory of the People’s Republic of China and took effect on January 1, 2025. The Data Security Regulations stipulate that data processors engaging in data processing activities that affect or may affect national security shall be subject to national security review in accordance with relevant laws and regulations. Furthermore, the Data Security Regulations include, but are not limited to, the following provisions: (i) the Data Security Regulations provide specific guidelines to clarify the PIPL regarding notification, consent, and individuals’ rights; (ii) the Data Security Regulations outline the requirements for establishing an important data catalog and stipulate the responsibilities of network data processors to identify and report important data; (iii) the Data Security Regulations optimize regulations for cross-border data security management, specifying conditions under which network data processors may provide personal information abroad in accordance with international treaties or agreements. The regulations clarify that data not identified or publicly disclosed as important data by relevant regions or departments need not undergo cross-border security assessments for important data; (iv) the Data Security Regulations set forth network data security protection requirements for network platform service providers, third-party product and service providers, and other relevant entities.

LAWS AND REGULATIONS RELATING TO ONLINE SALES

According to the Administrative Provisions on Mobile Internet Application Information Services (《移動互聯網應用程序信息服務管理規定》) promulgated by the Cyber Space Administration of China, which became effective on August 1, 2016 and being amended on June 14, 2022, application distribution services refer to the activities of providing application publishing, downloading, dynamic loading and other services through the Internet, including application stores, fast application centers, Internet applet platforms, browser plug-ins and other types of platform distribution services. The application distribution platform shall, within 30 days of going online, file with the local cyberspace administration at the provincial level, autonomous regions or municipality.

According to the E-Commerce Law of the People’s Republic of China (《中華人民共和國電子商務法》) (the “E-Commerce Law”) promulgated by the Standing Committee of the NPC on August 31, 2018, which became effective on January 1, 2019, the natural persons, legal persons and non-legal persons who sell goods or provide services through the Internet and other information networks are included as e-commerce operators under the E-Commerce Law. When engaging in operation activities, e-commerce operators shall stick to the principles of voluntariness, equality, fairness and integrity, abide by laws and business ethics to participate in market competition in a fair manner, perform obligations in respect of consumer rights and interests protection, environmental protection, intellectual property protection, network security and personal information protection, assume product and service quality responsibilities, and accept the supervision of the government and society.

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Pursuant to the Online Trading Supervision and Management Measures (《網絡交易監督管理辦法》) promulgated by the State Administration for Market Regulation on March 15, 2021, which became effective on May 1, 2021 and was last amended on March 18, 2025 with effect from May 1, 2025, an online trading operator shall, on the homepage of its website or a prominent position on the main page of its business activities, continuously publicize the subject information of the operator or the links to such information. Online trading operators shall follow the principles of legality, propriety and necessity when collecting and using consumers’ personal information, specifically notify consumers about the purpose, method and scope of the collection and use of the information and obtain the consumers’ consent. Online trading operators who collect and use consumers’ personal information should announce their policies on collection and use and should not collect and use the information in breach of laws and regulations and the agreement between the parties. Online trading operators and their staff shall keep the personal information collected strictly confidential and shall not provide any personal information to any third party, including related parties, without the authorization and consent of the person whose information is collected, except for cooperating with regulatory and law enforcement activities in accordance with the law. Online trading operators shall fully, truly, accurately and timely disclose commodity or service information to protect consumers’ right to know and choose. An online trading business operator that conducts online trading activities through online social networking services, online live-streaming, and other online services shall display information in a conspicuous manner, such as the goods or services, their actual business operators, and after-sales services, or the link signs to the above-mentioned information.

The Code of Conduct for Network Anchors (《網絡主播行為規範》) promulgated by the State Administration of Radio and Television of China and the Ministry of Culture and Tourism on June 8, 2022 and implemented on the same day regulates the behavior of anchors who provide online performances and audio-visual program services through the Internet, including those who broadcast live on the network platform, interact with users in real time, and voice abroad in the form of uploading audio and video programs.

Pursuant to the Administrative Measures for Online Live-Streaming Marketing (for Trial Implementation) (《網絡直播營銷管理辦法(試行)》) promulgated by the Cyberspace Administration of China, the Ministry of Public Security, Ministry of Commerce, Ministry of Culture and Tourism, State Administration of Taxation, State Administration for Market Regulation, State Administration of Radio and Television on April 23, 2021, which became effective on May 25, 2021, those who engage in online live-streaming marketing activities shall comply with laws and regulations, adhere to social order and good morals, comply with business ethics, uphold proper orientation, promote core socialist values, and foster a healthy cyberspace ecosystem. Operators of live-studios and live-streaming marketing personnel engaging in online live-streaming marketing activities shall comply with laws, regulations and the relevant provisions of the State, follow public order and good customs, and truthfully, accurately and comprehensively release information on goods or services; shall not disseminate false or misleading information to deceive or mislead users; shall not market counterfeit, substandard, or intellectual property infringed goods, or products that fail to meet safety requirements for personal or property protection; shall not fabricate or falsify transaction data,

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follower counts, view counts, likes, or other metrics to manipulate traffic data; shall not promote or recommend any person, whom the operators of live-studios or live-stream marketing personnel knew or ought to know, have violated law and/or regulation or conducted high-risk activities; shall not insult, slander, curse and threaten others, or infringe others’ lawful rights; shall not conduct pyramid selling, fraud, gambling or sale of prohibited or restricted items. Live-streaming marketing personnel shall not engage in online live-streaming marketing activities at places that involve national security, public security, or affect the normal production and life order of others and the society; operators of live-studios and live-stream marketing personnel shall manage real-time interactive content — including voice or video calls, comments, and bullet curtain — in accordance with platform service agreements, and shall not delete or block unfavorable reviews to deceive or mislead users; operators of live-studios and live-stream marketing personnel shall take responsibilities for protecting and fulfill their obligation to protect consumer rights in accordance with laws and regulations, and shall not intentionally delay or unjustifiably refuse legitimate and reasonable requests from consumers.

According to the Notice of the Cyberspace Administration of China on Soliciting Public Comments for the Management Provisions on Business Activities of Multi-Channel Distribution Service Institutions for Network Information Content (Draft) (《國家互聯網信息辦公室關於〈網絡信息內容多渠道分發服務機構相關業務活動管理規定(草案稿)〉公開徵求意見的通知》) issued by the CAC on January 10, 2025 to solicit public comments until February 9, 2025, multi-channel distribution service institutions for network information content conducting internet information content-related business activities shall comply with laws and regulations, uphold correct political orientation, public opinion guidance, and value orientation, promote core socialist values, adhere to public order and good morals, abide by business ethics, and maintain a healthy cyberspace ecosystem. Multi-channel distribution service institutions for network information content that seriously violate laws, regulations, will be included in the internet blacklist by cyberspace administration authorities in accordance with the law, enabling coordinated enforcement measures, and internet information content service platforms shall not process their registration applications within a specified period. Internet information content service platforms that fail to fulfill obligations under these provisions or demonstrate inadequate compliance shall be warned, publicly reprimanded, or ordered to rectify within a deadline by cyberspace administration authorities based on their duties; during the rectification period, platforms may be suspended from accepting applications from multi-channel distribution service institutions for network information content as circumstances dictate. As of the Latest Practicable Date, this draft has not been formally adopted.

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REGULATIONS RELATING TO FOREIGN EXCHANGE ADMINISTRATION

According to Foreign Exchange Control Regulations of the PRC (《中華人民共和國外匯管理條例》) (the “Foreign Exchange Administration Regulations”), which was promulgated by the State Council on January 29, 1996 and came into effect since 1 April 1996, the Foreign Exchange Administration Regulations classify all international payments and transfers into current items and capital items. Most of the current items are not subject to approval of foreign exchange administration agencies, while capital items are subject to such approval. The Foreign Exchange Administration Regulations were subsequently amended on January 14, 1997 and August 1, 2008, and came into effect on August 5, 2008. The latest revised Foreign Exchange Administration Regulations expressly states that the PRC imposes no restriction on international payments and transfers of current account transactions.

On December 26, 2014, the SAFE issued the Notice of the SAFE on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》), pursuant to which a domestic company shall, within 15 business days from the date of the end of its overseas listing issuance, register the overseas listing with the local branch of the SAFE at the place of its incorporation; and the proceeds from an overseas listing of a domestic company may be remitted to a domestic special account or deposited in a special overseas account for such purpose, but the use of the proceeds shall be consistent with the content of the document and other disclosure documents.

According to the Notice of the State Administration of Foreign Exchange on Policies for Reforming and Regulating the Control over Foreign Exchange Settlement under the Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (Hui Fa [2016] No. 16) issued by the SAFE on June 9, 2016 and amended on December 4, 2023, foreign exchange income under capital account, on which policies on discretionary settlement of foreign exchange have been clearly implemented (including foreign exchange capital, foreign debts and funds repatriated as capital raised from overseas listing), may be settled through the banks based on actual operating needs of the domestic companies. The proportion of discretionary settlement of foreign exchange income under capital account of a domestic company is temporarily set at 100%, subject to adjustment by the SAFE in due time based on national balance of payments.

LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

According to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “Foreign Investment Law”), which was promulgated by the National People’s Congress on March 15, 2019 and came into effect on January 1, 2020, the State maintains a system for management of pre-entry national treatment plus a negative list for foreign investment and grants national treatment to foreign investment in sectors not covered in the negative list.

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To ensure effective implementation of the Foreign Investment Law, the Implementation Regulation of the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) was promulgated by the State Council on December 26, 2019 and came into effect on January 1, 2020, which further clarifies that the State encourages and promotes foreign investment, protects the legitimate rights and interests of foreign investors, regulates management of foreign investment, continues to optimize the environment for and increase the level of openness to foreign investment.

THE PRC COMPANY LAW AND TRIAL ADMINISTRATIVE MEASURES

The Company Law of the PRC (《中華人民共和國公司法》) (the “Company Law”) was passed by the Standing Committee of the Eighth NPC on December 29, 1993, came into effect on July 1, 1994 and was successively amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018 and December 29, 2023. The newly revised Company Law came into effect on July 1, 2024. On February 17, 2023, with the approval of the State Council, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “Trial Administrative Measures”), which came into effect on March 31, 2023. The Trial Administrative Measures are designated in accordance with the Securities Law and other laws and are applicable to domestic companies that offer directly or indirectly or list their securities for trading overseas. On February 17, 2023, the CSRC promulgated the Guidelines for Application of Regulatory Rules — Overseas Issuance and Listing Category No. 1 (《監管規則適用指引—境外發行上市類第1號》), which stipulate that direct overseas offering and listing of securities by domestic companies shall abide by relevant provisions of the Trial Administrative Measures and refer to the Guidelines for the Articles of Association of Listed Companies (《上市公司章程指引》) and other relevant provisions of the CSRC on corporate governance to formulate its articles of association and standardize corporate governance. On December 16, 1997, the CSRC issued the Guidelines for the Articles of Association of Listed Companies, which were successively revised on March 16, 2006, May 28, 2014, October 20, 2014, September 30, 2016, April 17, 2019, January 5, 2022 and December 15, 2023, and the newly revised Guidelines for the Articles of Association of Listed Companies came into effect on December 15, 2023.

Set out below is a summary of the provisions of the Company Law, the Trial Administrative Measures and Guidelines for Articles of Association of Listed Companies that are applicable to the Company.

GENERAL PROVISIONS

A joint stock limited company is a corporate legal person incorporated under the Company Law, whose registered capital is divided into shares of equal par value. The liability of its shareholders is limited to the extent of the shares they hold and the liability of the company is limited to the total amount of all assets it owns.

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A company must abide by laws and professional ethics in conducting business activities. A company may invest in other limited companies. The liability of a company to an enterprise so invested in is limited to the extent of the amount of investment made. If any law prohibits a company from becoming a capital contributor of an enterprise which shall be jointly and severally liable for the indebtedness of such enterprise, the company shall follow such law.

SHARE CAPITAL

The promoters of a company may make capital contributions in cash, or in kind that can be valued in currency and transferable according to laws such as intellectual property rights or land-use rights based on their appraised value.

There is no limit under the Company Law as to the percentage of shares held by an individual shareholder in a company. If capital contribution is made other than in cash by the promoters of the company, valuation and verification of the properties contributed must be carried out and converted into shares. Shares in a company shall take the form of shares. A share certificate is a certificate issued by a company as evidence of the holder's ownership of shares. A company shall issue bearer shares.

Issuance of shares shall follow the principles of fairness and justice, and each share of same class shall have same rights. Shares of same class issued at the same time shall have the same issuance conditions and price per share. Subscribers of shares shall pay the same price per share for the shares subscribed by them.

Price of a share may be equal to or in excess of its par value, but shall not be less than par value. The transfer of shares by shareholders shall be conducted in legally established stock exchanges or otherwise by ways as required by the State Council.

Increase of share Capital

Pursuant to the Company Law, an increase in the share capital of a company by means of issuance of new shares must be approved by shareholders in, or filed with, the shareholders' meeting in respect of the class, number and issue price of the new shares, commencement and end dates for the issuance of new shares, and the class and number of the new shares proposed to be issued to existing shareholders; if shares with no par value are issued, proceeds of a new share issue shall be credited in the registered capital. After receipt of full proceeds of the new share issue, a company shall apply for change in registration with the relevant company registration authority and issue an announcement accordingly.

REGULATORY OVERVIEW

Repurchase of Shares

A company shall not purchase its own shares other than for the following purposes:

- (1) to reduce its registered capital;
- (2) to merge with other company which holds its shares;
- (3) to use its shares for purpose of employee stock ownership scheme or equity incentives;
- (4) to repurchase its own shares at the request of shareholders who express a dissenting opinion on the resolution regarding merger or division of the company;
- (5) to use its shares for conversion of convertible corporate bonds issued by a listed company;
- (6) necessary for the purpose of protecting the corporate value and the rights and interests of shareholders.

A company’s repurchase of its own shares under any of the circumstances set forth in items (1) and (2) shall be subject to a resolution of the shareholders’ meeting; and a company’s repurchase of its own shares under any of the circumstances set forth in items (3), (5) and (6) may, pursuant to its articles of association or the authorization of the shareholders’ meeting, be subject to a resolution of the board meeting at which more than two-thirds of directors are present.

After repurchasing its own shares in accordance with the above mentioned requirements, the company shall, under the circumstance set forth in item (1), cancel such shares within 10 days after repurchase; under the circumstance set forth in either item (2) or (4), transfer or cancel such shares within six months after repurchase; and under the circumstance set forth in item (3), (5) or (6), hold in aggregate not more than 10% of the total shares of the company in issue, and transfer or cancel such shares within three years.

Transfer of Shares

Shares may be transferrable in accordance with the relevant laws and regulations. Transfer of shares by shareholders shall take place at stock exchanges established in compliance with the law or by other means as stipulated by the State Council. Shares may be transferred by endorsement of the shareholders or in any other manner specified in applicable laws and administrative regulations. Upon the transfer, the name and address of the transferees shall be entered into the register of members by the company. No alteration of registration in the register of members shall be made within twenty days before the shareholders’ general meeting or five days before the base date for determination of dividends to be distributed. Whereas any laws, administrative regulations or the securities regulatory authorities under the

REGULATORY OVERVIEW

State Council provide otherwise for the alteration of the register of members of a listed company, such provisions shall prevail. Shares issued prior to the public issuance of shares shall not be transferred within one year from the date on which the shares of the company are listed on a stock exchange. Whereas any laws, administrative regulations or the securities regulatory authorities under the State Council provide otherwise for the transfer of the shares of the company by the shareholders or de facto controllers of a listed company, such provisions shall prevail.

Directors, supervisors and senior management of the company shall declare to the shareholdings in the company and the changes therein, and the number of shares transferred by them each year during their term of office as determined at the time of taking office shall not exceed 25% of the total shares of the company held by them. None of shares held by them shall be transferred within one year from the date on which the shares of the company are listed on a stock exchange. The above-mentioned personnel shall not transfer the shares of the company held by them within six months after their resignation. A company may provide other restriction on the transfer of its shares held by its directors, supervisors and senior management in its articles of association.

Shareholders’ General Meeting

The shareholders’ general meeting is the organ of authority of a company and shall perform its functions and powers in accordance with the Company Law. The shareholders’ general meeting shall exercise the following functions and powers:

- to elect and replace directors and supervisors and to determine the matters in relation to the remuneration of directors and supervisors;
- to consider and approve the report of the board of directors;
- to consider and approve the report of the supervisory committee;
- to consider and approve the profit distribution plan and loss recovery plan of the company;
- to resolve on the increase or reduction of the registered capital of the company;
- to resolve on the issuance of corporate bonds;
- to resolve on the merger, division, dissolution, liquidation or change of corporate form;
- to make amendments to the articles of association;
- other functions and powers as stipulated in the articles of association.

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The shareholders’ general meeting may authorize the board of directors to make resolutions on the issuance of corporate bonds.

Where shareholders unanimously agree in writing on the matter listed in the first paragraph of the above article, the resolution thereon may be passed directly without holding any shareholders’ general meeting. The document shall be signed or sealed by all shareholders.

Pursuant to the Company Law, notice of a shareholders’ general meeting containing the time, venue and agenda of the meeting shall be given to all shareholders twenty days before the meeting. Notice of an extraordinary general meeting shall given to all shareholders fifteen days before the meeting.

Pursuant to the Company Law, a shareholder attending a shareholders’ general meeting shall have one vote for each share he or she holds, except for holders of class shares. Shares held by the Company have no voting right.

Pursuant to the Company Law and the Guidelines for the Articles of Association of Listed Companies, a resolution proposed at a shareholders’ general meeting shall be subject to the approval of a simple majority of the voting rights held by the shareholders present at the meeting. However, resolutions on the following matters proposed at a shareholders’ general meeting on the following matters shall be subject to the approval of more than two-thirds of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association of the company; (ii) increase or reduction of the registered capital; (iii) any purchase or sale of major assets or any provision of guarantee by the company within one year in an amount in excess of 30% of the latest audited total assets of the company; (iv) share incentive scheme; (v) merger, division, dissolution, liquidation or change of corporate form; (vi) any other matters required by laws, administrative regulations or the articles of association of the company, as well as other matters considered by the shareholders’ general meeting, by way of an ordinary resolution, to be of nature which may have material impact on the company and shall be passed by a special resolution.

Board of Directors

A company shall have a board of directors. The term of office of the directors shall be provided for by the articles of association, but each term of office shall not exceed three years. The directors may hold consecutive terms by re-election upon the expiry of term.

Meetings of the board of directors shall be convened at least twice a year. A notice of meeting shall be given to all directors and supervisors at least ten days before the meeting. As for an interim meeting convened by the board of directors, the way of giving notice and the notice period may be otherwise determined.

REGULATORY OVERVIEW

Under the PRC Company Law, the board of directors exercises the following functions and powers:

- to convene the meeting of shareholders and report on its work to the shareholders;
- to implement the resolution of the meeting of shareholders;
- to decide on business plans and investment plans of the company;
- to formulate the company’s proposals for profit distribution and for recovery of losses;
- to formulate proposals for the increase or reduction of the company’s registered capital and the issue of corporate bonds;
- to formulate plans for the merger, division, dissolution or change in the form of the company;
- to decide on the internal management structure of the company;
- to decide on the appointment or dismissal of the company’s managers and their remuneration, and decide on the appointment or dismissal of the company’s deputy manager, financial officer and their remuneration based on the manager’s nomination;
- to formulate the company’s basic management system; and
- other functions and powers as specified in the articles of association.

Audit Committee

A joint stock company can choose not to establish a board of supervisors or appoint any supervisors by setting up an audit committee in the board of directors comprised of directors, in accordance with its articles of associations, to exercise the duty of the board of supervisors.

According to the Relevant Arrangements for the Transitional Period for Implementing the Supporting Systems and Rules for the New Company Law (《關於新<公司法>配套制度規則實施相關過渡期安排》) promulgated by the CSRC and became effective on December 27, 2024, as from January 1, 2026, enterprises applying for IPO that still establishes board of supervisors or appoint supervisors, shall formulate a plan to ensure that, prior to listing, an audit committee within the board of directors will be established to exercise the duties of the board of supervisors, and the company shall cease to establish board of supervisors and shall no longer appoint any supervisors, in accordance with the Company Law.

REGULATORY OVERVIEW

An audit committee shall comprise of at least three members, and more than half of its members shall not hold any position other than directors in the company. No member of the audit committee shall have any relationship with the company that will affect its independence with objectivity in decision making.

Where a listed company have established an audit committee in its board of directors, the following issues shall be passed by more than half of all members of the audit committee before they are submitted to the board of directors:

- hiring, dismissing accounting firm hired for auditing the company;
- appointing or dismissing the chief finance officer;
- disclosing financial accounting report;
- any other matters required by the securities regulatory authority of the State Council.

General Manager and Senior Management

A joint stock company with limited liability shall have a manager, who shall be appointed or removed by the decision of the board of directors. The manager shall be accountable to the board of directors, and shall exercise his powers in accordance with the Articles of Association of the Company or as authorized by the board of directors. The Manager attends the board meeting.

Duties of Directors, Supervisors, General Managers and Other Senior Management

Pursuant to the Company Law, the directors, supervisors, general manager and other senior management of a company shall abide by relevant laws, regulations and the articles of association of the company, perform their fiduciary obligations, take steps to avoid conflict between their own interests and those of the company, and to safeguard the interests of the company; the directors, supervisors, general manager and other senior management of a company shall have a duty of care to the company, and shall perform their duties and functions with reasonable care normally attributed to them in the best interests of the company. Each director, supervisor, general manager and senior management of a company is also under a duty of confidentiality to the company and is prohibited from divulging secret information of the company unless permitted by the relevant laws and regulations or by the shareholders.

The controlling shareholders, de facto controllers, directors, supervisors and senior management of the company shall not take advantage of their affiliated relationships to harm the interests of the company. Those who violate the aforementioned provisions and causing loss to the company shall be liable for compensation.

REGULATORY OVERVIEW

Any director, supervisor, general manager and other senior management who contravenes any laws, regulations or the company’s articles of association in the performance of his duties which results in any loss to the company shall be personally liable to the company. Those who cause losses to others shall be liable for compensation; director and senior management who commit willful misconduct or gross negligence shall also be liable for compensation.

Finance and Accounting

A company shall establish its financial and accounting systems according to the laws, administrative regulations and the regulations of the MOF of the State Council. At the end of each financial year, a company shall prepare a financial report, which shall be audited according to laws.

A company shall make available its financial statements for the inspection by the shareholders at least twenty days before the convening of the shareholders’ annual meeting. A company established by the public subscription method must publish its financial statements.

When distributing each year’s after-tax profits, the company shall set aside 10% of its after-tax profits for the company’s statutory common reserve (except where such reserve has reached 50% of the company’s registered capital). After a company has made an allocation to its statutory common reserve from its after-tax profit, subject to a resolution of the shareholders or the shareholders’ meeting, the company may make an allocation to a discretionary common reserve from the after-tax profits. If the company’s statutory surplus reserve is not enough to make up for the losses of the company for the previous year, the current year’s profits shall first be used for making up the losses before the statutory surplus reserve is set aside according to the provisions of the preceding paragraph.

Distribution of Profits

According to the Trial Administrative Measures, domestic companies that issue and list overseas can raise funds in foreign currency or RMB and distribute dividends.

LAWS AND REGULATIONS RELATING TO OVERSEAS LISTING

According to the Trial Administrative Measures, a company’s overseas listing shall be filed with the China Securities Regulatory Commission. An issuer that conducts an overseas initial public offering or listing shall file with the China Securities Regulatory Commission within three working days after submitting the overseas issuance and listing application documents. The remittance and cross-border flow of funds related to overseas issuance and listing of domestic companies shall comply with national regulations on cross-border investment and financing, foreign exchange management, and cross-border RMB management.

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LAWS AND REGULATIONS RELATING TO SECURITIES

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC.

The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities related statistics and undertaking relevant research and analysis. In 1998, the State Council consolidated the two departments and the CSRC has since taken over the original functions of the Securities Committee.

The Securities Law of the People’s Republic of China (《中華人民共和國證券法》) (the “Securities Law”) came into force on July 1, 1999, and was revised for the first time on August 28, 2004, the second time on October 27, 2005, the third time on June 29, 2013, the fourth time on August 31, 2014 and the fifth time on December 28, 2019. This law is the first national securities law in China, which is divided into 14 chapters and 226 articles, regulating (including) the issuance and trading of securities, the acquisition of listed companies, stock exchanges, securities companies and the duties and responsibilities of the securities regulatory authority under the State Council. The Securities Law comprehensively regulates the activities of China’s securities market. Article 224 of the Securities Law stipulates that a domestic enterprise shall comply with the relevant provisions of the State Council in issuing securities or listing its securities abroad directly or indirectly. Article 225 of the Securities Law stipulates that the specific measures for subscription and trading of shares of domestic companies in foreign currencies shall be separately formulated by the State Council. At present, the shares (including H shares) issued and traded abroad are still subject to the rules and regulations promulgated by the State Council and the CSRC.

REGULATIONS RELATING TO THE FULL CIRCULATION OF H-SHARE

Pursuant to the Guidelines for the Application for “Full Circulation” Business of Domestic Unlisted Shares of H-share Companies (《H股公司境內未上市股份申請“全流通”業務指引》) issued by the CSRC on November 14, 2019 and revised and became effective on August 10, 2023, full circulation refers to Domestic Unlisted Shares of domestic joint stock limited companies (the “H-share Companies”) listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”), including unlisted domestic shares held by domestic shareholders prior to overseas listing, additional unlisted domestic shares issued in China after overseas listing and unlisted shares held by foreign shareholders, go for listing and trading on the Hong Kong Stock Exchange. An unlisted domestic joint stock limited company may file an application to the CSRC for full circulation together with its application for overseas initial public offering and listing.

REGULATORY OVERVIEW

According to the Guide for “Full Circulation” Business of H Shares (《H股“全流通”業務指南》) issued by the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited (the “CSDCC Shenzhen Branch”) on June 27, 2025 and became effective on June 30, 2025, the H-share companies shall transfer the full amount of cash dividends in RMB to the bank account of CSDCC Shenzhen Branch before 16:00 on the distribution date of cash dividends as published in the announcement. The CSDCC Shenzhen Branch shall complete clearing of the dividend funds within three H-share “full circulation” working days after the distribution date of cash dividends as published in the announcement, and then the dividend funds will be released to domestic securities companies, and the domestic securities companies will release the dividend funds to the investors.

Laws and Regulations Related to Confidentiality and Archives Management

According to the Provisions on Strengthening Confidentiality and Archives Management for Domestic Enterprises Engaging in Overseas Securities Issuance and Listing (《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》) jointly issued by the CSRC, the MOF, the National Administration of State Secrets Protection, and the National Archives Administration on February 24, 2023, and effective from March 31, 2023, domestic enterprises engaged in overseas securities issuance and listing activities, as well as securities companies and securities service institutions providing related services, shall strictly comply with the relevant laws and regulations of the People’s Republic of China and the requirements of this provision, enhance legal awareness of safeguarding state secrets and strengthening archives management, establish and improve confidentiality and archives management systems, take necessary measures to implement confidentiality and archives management responsibilities, and shall not disclose state secrets or state agency work secrets, nor harm national or public interests. Domestic enterprises that provide, publicly disclose, or disclose documents or materials involving state secrets or state agency work secrets to securities companies, securities service institutions, overseas regulatory authorities, or other entities or individuals, whether directly or through their overseas listing entities, shall submit such actions to the competent authority with approval authority for approval in accordance with the law and report them to the confidentiality administrative department at the same level for filing. Where the classification of information as a state secret is unclear or disputed, the matter shall be submitted to the relevant confidentiality administrative department for determination in accordance with the law; where the classification of information as state agency work secrets is unclear or disputed, the matter shall be submitted to the relevant competent business authority for determination.

HISTORY AND CORPORATE STRUCTURE

OVERVIEW

We are the leading provider of premium tea leaves in China as measured by sales revenue of premium tea leaves for 2024 and the most recognized tea brand in China. We ranked first in China among tea leaf providers in terms of the number of chained specialty stores for tea leaves as of December 31, 2024, and we ranked first in each of China’s premium tea leaf market, Oolong tea leaf market and black tea leaf market in terms of respective sales revenue for 2024. By 2024, we ranked first in China in terms of sales revenue of (i) Tieguanyin for over ten consecutive years; (ii) Wuyi Yan Cha for five consecutive years; and (iii) black tea for four consecutive years.

Our history can be traced back to 1997 when Shenzhen Xiyuan Tea Co., Ltd. (深圳市溪源茶業有限公司) was established and started providing tea products in the PRC. Each of our founders, Mr. Wang Wenbin, Mr. Wang Wenli and Mr. Wang Wenchao, has more than 25 years of experience in the industry where we operate. See “Directors and Senior Management” for detailed background of them.

Founded in 1997, we aim to become the leading provider of tea products in the world with a comprehensive products portfolio catering to diversified demands of consumers. Since then, we have been actively involved in manufacturing and/or sale of tea leaves, tea ware, tea snacks and tea beverages primarily under our main brand name Bama (八馬), promoting the Chinese tea culture as well as expanding our network across China. Through our nationwide offline store network and comprehensive online sales platforms, we offer high-quality Chinese tea in a product portfolio encompassing all major tea leaf categories in China, including Oolong tea, dark tea, black tea, green tea, white tea and yellow tea, as well as non-tea-leaf products such as tea ware, tea snacks and tea beverages. As of the Latest Practicable Date, we had a total of 3,633 offline stores, including 241 self-operated stores and 3,392 franchised stores, and, as of the same date, our online sales channels covered all major e-commerce platforms in China to provide our clients with convenient online shopping services. The total number of our accounts’ followers in online channels reached 40.9 million as of the Latest Practicable Date. As of the same date, the number of our members exceeded 26.0 million. For details of our store network, see “Business — Our Sales Network.”

KEY MILESTONES

Key milestones in our development are as follows:

Time	Events
1997	Our Company was established in the PRC in July.
1998	Our first chained specialty store was established in Shenzhen, launching our chain operation model.
2007	Our Company adopted the franchising business model on top of our self-operated offline stores network by setting up our first franchised store in Zhengzhou to further expand our geographic coverage and consumer reach.

HISTORY AND CORPORATE STRUCTURE

Time	Events
2008	We furthered our development of Tieguanyin products and launched one of our representative products, the Saizhenzhu (賽珍珠) Series of Tieguanyin.
2009	Mr. Wang Wenli, our chairman of the Board, was honored as a Representative Inheritor of Oolong Tea Production Skills (Tieguanyin Production Skills) (烏龍茶製作技藝(鐵觀音製作技藝)代表性傳承人) in the National Intangible Cultural Heritage Project (國家級非物質文化遺產項目) in June.
2011	We started to explore online sales channels and started to sell products on e-commerce platforms, including Tmall.com and JD.com.
2015	We officially implemented the “whole category” transformation strategy to further enhance our diversified products portfolio covering all six main types: Oolong, dark, black, green, white, and yellow tea.
2016	We successfully expanded our offline store network to cover all province-level divisions in the PRC by setting up our franchised store in Lhasa, Tibet.
2017	Our Saizhenzhu Series were selected as the tea products supplied for BRICS national leaders meeting in Xiamen in the Ninth BRICS Summit (第九屆金磚國家峰會) in September.
2018	We were the first tea-product enterprise to be selected as a CCTV National Great Brand (央視大國品牌) in the PRC.
2020	We established Bama Tea Industry Research Institute (八馬茶產業研究院) and Postdoctoral Research Station (博士後科研工作站) as part of our ongoing efforts to access front-tier research products and talents.
2021	We were recognized as a leading chain tea brand in the PRC (中國茶葉連鎖領先品牌) by China Tea Marketing Association (中國茶葉流通協會).
2023	Our Wuyishan Production Base (武夷山智能化生態產業園) was officially put into production and its seventh-generation production line is a digital and informationized production line for Wuyi Yan Cha.
2024	Our Company and our sub-brand “Xinji hao” were honored as a China Time-honored Enterprise and China Time-honored Brand, respectively, by the Ministry of Commerce and other four PRC government authorities in February.

We established our sub-brand “Wanshanhong”.

HISTORY AND CORPORATE STRUCTURE

CORPORATE HISTORY

Our Company

Establishment of the Company

The Company, originally named as Shenzhen Xiyuan Tea Co., Ltd. (深圳市溪源茶業有限公司), was established as a limited liability company under the laws of the PRC on July 28, 1997, with an initial registered capital of RMB500,000, of which RMB300,000 was contributed by Mr. Wang Wenbin and RMB200,000 was contributed by Mr. Wang Wenli using their own cash. As of the date of establishment, Shenzhen Xiyuan Tea Co., Ltd. was owned as to 60% by Mr. Wang Wenbin and 40% by Mr. Wang Wenli.

Change of name

On April 25, 1998, the name of the Company was changed from Shenzhen Xiyuan Tea Co., Ltd. to Shenzhen Bama Tea Co., Ltd. (深圳市八馬茶業有限公司), which was further changed to Bama Tea Chain Co., Ltd. (深圳市八馬茶業連鎖有限公司) (“**Bama Tea Chain**”) on January 3, 2008.

Increase in registered share capital in 1998 and equity transfers in 2001, 2003 and 2005

On April 25, 1998, the registered share capital of Shenzhen Xiyuan Tea Co., Ltd. was increased from RMB500,000 to RMB2.0 million, with the increased share capital contributed by Mr. Wang Wenchao using his own cash. Upon the completion of the share capital increase, the Company was owned as to 75% by Mr. Wang Wenchao, 15% by Mr. Wang Wenbin and 10% by Mr. Wang Wenli.

Through several rounds of equity transfers among Mr. Wang Wenchao, Mr. Wang Wenbin and Mr. Wang Wenli in 2001, 2003 and 2005, as of February 24, 2005, the Company was owned as to 60% by Mr. Wang Wenbin, 30% by Mr. Wang Wenli and 10% by Mr. Wang Wenchao.

Equity transfers and increases in registered share capital in 2009 and 2011

Mr. Wu Qingbiao purchased 5% equity interest in the Company from Mr. Wang Wenbin on April 28, 2009 at a consideration of RMB100,000 and afterwards transferred 2% equity interest in the Company to Mr. Wang Wenbin on April 6, 2011 at a consideration of RMB300,000. The consideration of each of the above equity transfers was determined by reference to the then paid-up registered share capital of the Company.

The registered share capital of the Company was increased from RMB2.0 million to RMB15.0 million on September 10, 2009, which was contributed by the then shareholders of the Company according to their respective shareholding in the Company and then increased from RMB15.0 million to RMB30.0 million on April 21, 2011, which was contributed by Mr. Wang Wenbin, Mr. Wang Wenli, Mr. Wang Wenchao and two new Shareholders, Mr. Wu Qingxiang (吳慶祥) and Ms. Wang Xiaoping (王小萍). Upon the completion of the share capital increase, the Company was owned as to 49.3% by Mr. Wang Wenbin, 37.7% by Mr. Wang Wenli, 10.0% by Mr. Wang Wenchao, 1.5% by Mr. Wu Qingbiao, 1.0% by Mr. Wu Qingxiang, and 0.5% by Ms. Wang Xiaoping.

HISTORY AND CORPORATE STRUCTURE

Equity transfers and increase in registered share capital in 2012 and 2013

On October 31, 2012, Harmonious Growth agreed to subscribe for 10% of our enlarged share capital at a consideration of RMB72.8 million, of which RMB3,333,333 was used to increase the registered share capital of the Company from RMB30.0 million to RMB33,333,333 and the remaining RMB69,466,667 was recorded as the capital reserve of the Company. On November 13, 2012, Mr. Wang Wenbin agreed to transfer 4.8% and 1.0% of the equity interest in the Company to Tiantu Xinghua and Tianjixing Investment for a consideration of RMB34,944,000 and RMB7,280,000, respectively, and Mr. Wang Wenchao agreed to transfer 4.2% equity interest in the Company to Nanhai Growth for a consideration of RMB30,576,000. The considerations of the above subscription of the registered share capital of the Company and the equity transfers were determined after arm’s length negotiations among the parties.

On April 25, 2013, the then shareholders of the Company passed a resolution to increase the registered share capital of the Company to RMB75.0 million by converting RMB41,666,667 of the capital reserve into registered share capital. The increase in the registered share capital of the Company was completed on August 8, 2013. Upon the completion of the equity transfers and the share capital increases, the details of shareholding in the Company were as below:

Shareholders		Contribution to the registered share capital of the Company	Approximate shareholding percentage
		(RMB)	(%)
1.	Mr. Wang Wenbin	28,927,500	38.57
2.	Mr. Wang Wenli	25,447,500	33.93
3.	Harmonious Growth	7,500,000	10.00
4.	Mr. Wang Wenchao	3,600,000	4.80
5.	Tiantu Xinghua	3,600,000	4.80
6.	Nanhai Growth	3,150,000	4.20
7.	Mr. Wu Qingbiao	1,012,500	1.35
8.	Tianjixing Investment	750,000	1.00
9.	Mr. Wu Qingxiang	675,000	0.90
10. . . .	Ms. Wang Xiaoping	337,500	0.45
Total		75,000,000	100.00

Conversion into a joint stock company

On June 23, 2014, the then shareholders of Bama Tea Chain passed a resolution to convert the company into a joint stock company and to change its name into Bama Tea Co., Ltd. (八馬茶業股份有限公司).

On August 27, 2014, all the then shareholders of Bama Tea Chain signed a promoter agreement, agreeing to (i) act as the promoters of the joint stock company, (ii) convert RMB75.0 million of the net assets of Bama Tea Chain as of April 30, 2014 as the joint stock company’s capital representing 75.0 million Shares, and (iii) credit the remaining RMB78.0 million of the net assets of Bama Tea Chain as of April 30, 2014 to the joint stock company’s capital reserve. On the same date, the Company held the first general meeting, where the then

HISTORY AND CORPORATE STRUCTURE

shareholders of the Company passed resolutions on matters in relation to the establishment of the Company as a joint stock company, the adoption of the articles of association of the Company, and election of the first Board of Directors, among others. Upon completion of the conversion, the registered capital of the Company was RMB75.0 million divided into 75.0 million Shares with a nominal value of RMB1.0 each attributable to the then shareholders in proportion to their respective shareholding.

The conversion and the name change were completed on September 10, 2014.

The table below sets out the then shareholders of the Company and their shareholding upon the completion of the conversion into a joint stock company.

No.	Shareholders	Number of Shares held	Approximate shareholding percentage (%)
1.	Mr. Wang Wenbin	28,927,500	38.57
2.	Mr. Wang Wenli	25,447,500	33.93
3.	Harmonious Growth	7,500,000	10.00
4.	Mr. Wang Wenchao	3,600,000	4.80
5.	Tiantu Xinghua	3,600,000	4.80
6.	Nanhai Growth	3,150,000	4.20
7.	Mr. Wu Qingbiao	1,012,500	1.35
8.	Tianjixing Investment	750,000	1.00
9.	Mr. Wu Qingxiang	675,000	0.90
10.	Ms. Wang Xiaoping	337,500	0.45
	Total	75,000,000	100.00

Prior listing and delisting on the NEEQ

On November 24, 2015, the Company was approved to be listed on the NEEQ by way of public transfer (公開轉讓) of its Shares.

On February 2, 2016, the then shareholders of the Company approved to issue a total of 1,000,000 Shares to the then senior management, supervisors and other core employees of the Company at a price of RMB5.2 per Share with a total proceed of RMB5.2 million. Following such share issuances, the total number of issued Shares of the Company increased to 76,000,000 with a nominal value of RMB1.0 each.

Reasons for the delisting from the NEEQ

Considering the Company’s adjustment of its long-term strategic planning and the then overall economic situation and the Company’s business operation, and with a view to advance other financial initiatives, the then shareholders of the Company resolved to voluntarily delist the Shares of the Company from the NEEQ on March 14, 2018. On April 19, 2018, the Company obtained the approval of National Equities Exchange and Quotations Co. Ltd. (全國中小企業股份轉讓系統有限責任公司) in relation to the delisting of the Company’s Shares on the NEEQ with effect from April 24, 2018.

HISTORY AND CORPORATE STRUCTURE

Compliance during the listing and delisting on the NEEQ

Our Directors confirmed that, during the period of listing on the NEEQ, the Company had complied with the relevant requirements of the NEEQ in all material respects and had not been subject to any administrative penalties or other supervisory measures in relation to its listing on the NEEQ. To the best of our Directors’ knowledge, there is no matter that should be brought to the attention of the Stock Exchange and potential investors in relation to the Company’s listing on and delisting from the NEEQ.

Based on the due diligence conducted by the Joint Sponsors, nothing material has come to the attention of the Joint Sponsors that contradicts the Directors’ view disclosed above in relation to the Company’s listing on and delisting from the NEEQ.

Shareholding structure immediately before delisting from the NEEQ

As of April 24, 2018, the details of shareholding in the Company were as below:

Shareholders	Number of Shares held	Approximate shareholding percentage (%)
Mr. Wang Wenbin	19,285,500	25.38
Mr. Wang Wenli	16,965,500	22.32
Harmonious Growth	7,500,000	9.87
Ms. Chen Yajing	5,742,000	7.56
Ms. Wu Xiaoning	3,982,000	5.24
Tiantu Xinghua	3,600,000	4.74
Nanhai Growth	3,150,000	4.14
Shenzhen Dewei Chuangyuan Investment Enterprise (Limited Partnership) (深圳德威創元投資企業(有限合夥))	2,916,000	3.84
Ms. Jiang Nina	2,135,000	2.81
Mr. Wang Wenchao	1,750,000	2.30
Fenyi Anzhuo Family No. 1 Investment Partnership (Limited Partnership) (分宜安卓家族一號投資合夥企業(有限合夥)).	1,000,000	1.32
GF Securities Co., Ltd. (廣發證券股份有限公司).	812,000	1.07
Others ⁽¹⁾	7,162,000	9.42
Total	76,000,000	100.00

Note:

- (1) Other 93 Shareholders included ten institutional investors and 83 individual investors, and each of them held less than 1.00% equity interest in the Company. Among these individual investors, Ms. Wang Xiaoping, one of our Controlling Shareholders, held 500,500 Shares in the Company, representing approximately 0.66% equity interest in the Company.

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Share transfers since delisting from the NEEQ

- (1) Shanghai Lubao Investment Management Co., Ltd. — Lubaochengquan NEEQ Phase I Fund (上海陸寶投資管理有限公司—陸寶成全新三板1期基金) (“**Lubao Phase I**”) entered into a share transfer agreement with Mr. Wang Qingnan (王慶南) on October 9, 2018 and with Mr. Wang Xiaojian (王曉健) on October 11, 2018, pursuant to which Lubao Phase I transferred 40,000 Shares to each of Mr. Wang Qingnan and Mr. Wang Xiaojian at a price of RMB13.0 per Share for a total consideration of RMB520,000 and RMB520,000, respectively. The consideration was determined based on arm’s length negotiations between the parties. Mr. Wang Qingnan is the director and manager of Wuyishan Wangxinji. Mr. Wang Xiaojian is an individual investor and also an Independent Third Party. Upon the completion of the above share transfers, Lubao Phase I does not hold any Share of the Company.
- (2) On October 9, 2018, Shanghai Lubao Investment Management Co., Ltd. — Lubaochengquan NEEQ Phase II Private Equity Fund (上海陸寶投資管理有限公司—陸寶成全新三板2期私募基金) (“**Lubao Phase II**”) entered into a share transfer agreement with each of Ms. Liao Yunjin (廖運金), Mr. Xie Guoshun (謝國順), Ms. Zheng Hongzhi (鄭紅治) and Ms. Pan Liang (潘亮), pursuant to which Lubao Phase II transferred 20,000 Shares, 10,000 Shares, 5,000 Shares and 5,000 Shares to Ms. Liao Yunjin, Mr. Xie Guoshun, Ms. Zheng Hongzhi and Ms. Pan Liang at a price of RMB13.0 per Share for a total consideration of RMB260,000, RMB130,000, RMB65,000 and RMB65,000, respectively. The consideration was determined based on arm’s length negotiations between the parties. Ms. Liao Yunjin and Ms. Pan Liang were employees of our Company at the time of the relevant share transfer and have already left our Company. Ms. Zheng Hongzhi is a senior product specialist of our Company. Mr. Xie Guoshun is an individual investor and also an Independent Third Party. Upon the completion of the above share transfers, Lubao Phase II does not hold any Share of the Company.
- (3) On April 10, 2019, Mr. Lei Defa (雷德發) entered into a share transfer agreement with Ms. Chen Amin (陳啊敏), pursuant to which Mr. Lei Defa transferred his total 30,000 Shares to Ms. Chen Amin at a price of RMB5.2 per Share for a total consideration of RMB156,000. Mr. Lei Defa, a former employee of our Company, and Ms. Chen Amin are ex-spouses and Mr. Lei Defa voluntarily transferred such Shares to Ms. Chen Amin at a price equivalent to the acquisition costs of such Shares by Mr. Lei Defa.
- (4) On June 3, 2019, China International Capital Corporation Limited (中國國際金融股份有限公司) (“**CICC**”) entered into a share transfer agreement with Mr. Qiu Baohui (丘寶輝), pursuant to which CICC transferred 10,000 Shares to Mr. Qiu Baohui at a price of RMB12.8 per Share for a total consideration of RMB128,000, which was determined based on arm’s length negotiations between the parties. Mr. Qiu Baohui is a senior R&D manager of the Company. On June 6, 2019, CICC entered into a share transfer agreement with Ms. Lu Zhilan (盧志蘭), an individual investor and an Independent Third Party, pursuant to which CICC transferred 18,000 Shares to Ms. Lu Zhilan at a price of RMB12.8 per Share for a total consideration of RMB230,400, which was determined based on arm’s length negotiations between the parties. Upon the completion of the above share transfers, CICC does not hold any Share of the Company.

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- (5) On June 5, 2019, Suzhou Fushilai Technology Service Development Center (Limited Partnership) (蘇州市富士萊技術服務發展中心(有限合夥)) (“**Suzhou Fushilai**”) entered into a share transfer agreement with Ms. Fu Chan (付嬋), an individual investor and an Independent Third Party, pursuant to which Suzhou Fushilai transferred its total 38,000 Shares to Ms. Fu Chan at a price of RMB10.0 per Share for a total consideration of RMB380,000, which was determined based on arm’s length negotiations between the parties.
- (6) On October 14, 2019, Harmonious Growth entered into a share transfer agreement with Tianjin Changfeng, pursuant to which Harmonious Growth transferred its total 7.5 million Shares to Tianjin Changfeng at a price of approximately RMB9.7 per Share for a total consideration of RMB72.8 million. The general partner of both Harmonious Growth and Tianjin Changfeng is Beijing Harmonious Tiancheng Investment Management Centre (Limited Partnership) (北京和諧天成投資管理中心(有限合夥)) (“**Beijing Harmonious Tiancheng**”). The share transfer is due to their internal arrangement and the consideration is equivalent to the acquisition costs of such Shares by Harmonious Growth in October 2012.
- (7) On November 13, 2020, Tianjin Changfeng entered into a share transfer agreement with Jingyuan Yisan, pursuant to which Tianjin Changfeng transferred 2.28 million Shares to Jingyuan Yisan at a price of approximately RMB27.6 per Share for a total consideration of RMB63.0 million. The consideration was determined based on arm’s length negotiations between Tianjin Changfeng and Jingyuan Yisan by reference to the estimated valuation of the Company.
- (8) On August 8, 2022, Ms. Wang Luoping (王羅萍) entered into a share transfer agreement with Shanghai Fengwang, pursuant to which Ms. Wang Luoping transferred 12,000 Shares to Shanghai Fengwang at a price of approximately RMB11.3 per Share for a total consideration of RMB135,720. Shanghai Fengwang is owned as to 50.0% by Mr. Ma Zaiting (馬宰庭) and 50.0% by Ms. Zhang Yunyun (張芸芸), who is the daughter-in-law of Ms. Wang Luoping. Ms. Wang Luoping voluntarily transferred such Shares to a company controlled by her daughter-in-law at a price equivalent to her acquisition costs of such Shares when the Company was listed on the NEEQ.
- (9) On March 21, 2024, Tianjixing Investment entered into a share transfer agreement with Mr. Wang Kunheng, an executive Director of our Company, pursuant to which Tianjixing Investment transferred 750,000 Shares to Mr. Wang Kunheng at a price of approximately RMB9.7 per Share for a total consideration of RMB7.28 million, which was determined based on arm’s length negotiations by reference to the acquisition costs of such Shares prior to the Company’s listing on the NEEQ. The consideration was paid on March 22, 2024.
- (10) Ms. Chen Yajing, the spouse of Mr. Wang Wenbin, an executive Director, entered into a share transfer agreement on September 6, 2024 and agreed to transfer 2,280,000 Shares to Chengdu Xinjin Shengwang Jiaozi New Consumption Equity Investment Fund Partnership (Limited Partnership) (成都新津昇望交子新消費股權投資基金合夥企業(有限合夥)) (“**Chengdu Xinjin**”) at a price of approximately RMB30.3 per Share for a total consideration of RMB69.0 million. The consideration was determined based on arm’s length negotiations between Ms. Chen Yajing and Chengdu Xinjin by reference to the estimated valuation of the Company and paid on September 11, 2024.

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- (11) Ms. Chen Yajing entered into a share transfer agreement on November 28, 2024 and agreed to transfer 1,982,600 Shares to Quanzhou Baiying Investment Holding Co., Ltd. (泉州市百應投資控股有限公司) (currently known as Quanzhou Huixinfu Investment Co., Ltd. (泉州匯鑫富投資有限責任公司) (“**Quanzhou Huixinfu**”)) at a price of approximately RMB30.3 per Share for a total consideration of RMB60.0 million. Mr. Wang Wenli, an executive Director and the chairman of the Board, entered into a share transfer agreement on December 9, 2024 and agreed to transfer 1,479,400 Shares to Jinjiang Baiyingcheng Trading Co., Ltd. (晉江百應成貿易有限責任公司) (“**Jinjiang Baiyingcheng**”) at a price of approximately RMB30.3 per Share for a total consideration of RMB44.77 million. The considerations of the above share transfers were determined based on arm’s length negotiations by reference to the estimated valuation of the Company and paid on November 29, 2024 and December 10, 2024, respectively. Pursuant to the share transfer agreements, the above share transfers were completed on December 10, 2024.
- (12) Shenzhen Dewei Chuangyuan Investment Enterprise (Limited Partnership) (深圳德威創元投資企業(有限合夥)) (“**Dewei Chuangyuan**”) was set up for investment in the Company for Shenzhen Qianhai Tangrenshen Investment Co., Ltd. (深圳前海唐人神投資有限公司) (“**Qianhai Tangrenshen**”), Guizhou Railway Phase 1 No. 6 Equity Investment Fund Center (Limited Partnership) (貴州鐵路壹期陸號股權投資基金中心(有限合夥)) (“**Guizhou Railway**”), Shenzhen Nanshan Private Equity Fund Management Co., Ltd. (深圳南杉私募股權基金管理有限公司) (“**Shenzhen Nanshan**”) and Shenzhen Dewei Selected Equity Investment Co., Ltd. (深圳德威精選股權投資有限公司) (“**Shenzhen Dewei**”). Dewei Chuangyuan was owned as to 50% by Qianhai Tangrenshen, 25% by Guizhou Railway, 24% by Shenzhen Nanshan and 1% by Shenzhen Dewei.

Due to the proposed liquidation, Dewei Chuangyuan proposed to transfer the Shares that it held in the Company to its partners in proportion to their respective partnership interests in Dewei Chuangyuan. Before the share transfers, Dewei Chuangyuan held a total of 2,916,000 Shares, representing approximately 3.84% equity interest in the Company. On December 9, 2024, Dewei Chuangyuan entered into a liquidation transfer agreement with Qianhai Tangrenshen, Guizhou Railway, Shenzhen Nanshan and Shenzhen Dewei, pursuant to which, Dewei Chuangyuan transferred 1,458,000 Shares to Qianhai Tangrenshen, 729,000 Shares to Guizhou Railway, 699,840 Shares to Shenzhen Nanshan and 29,160 Shares to Shenzhen Dewei.

The shareholding structure of the Company upon the completion of the share transfers as disclosed above is illustrated in the sub-section “— Capitalization of Our Company” in this section below.

Previous A Shares Listing Applications

Listing application on ChiNext

In April 2021, the Company submitted application to SZSE for listing on ChiNext. Subsequently, the Company received and fully responded to three rounds of inquiries from SZSE. After taking into consideration that the Group enjoyed significant growth in 2021 and 2022 and outperformed the requirements of ChiNext and the progress and status of the listing applications on ChiNext, the Company voluntarily withdrew the application which was accepted by SZSE in May 2022 and turned to seek listing on the Main Board of SZSE.

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Listing application on Main Board of SZSE

In August 2022, the Company submitted application to the CSRC for listing on the Main Board of SZSE. The Company received one round of inquiries from CSRC in November 2022 and responded to such inquiries in December 2022. Due to the across-the-board registration-based IPO reform in the PRC, our listing application was transferred to SZSE in March 2023. Taking into account the change in the capital market and regulatory environment, which resulted in uncertainty of the Company’s listing timetable, the Company voluntarily withdrew the application with SZSE which was accepted by SZSE in September 2023.

Our Directors are of the view that there are no matters relating to the listing applications on ChiNext and on the Main Board of SZSE which would have a material adverse implication on the [REDACTED] or may materially and adversely affect the suitability of our Company to [REDACTED] the H Shares on the Stock Exchange, which should be brought to the attention of the Stock Exchange or potential [REDACTED]. There has not been any material dispute or disagreement between the Group and the professional parties engaged for the previous listing applications on ChiNext and on the Main Board of SZSE.

Based on the due diligence conducted by the Joint Sponsors, nothing material has come to the attention of the Joint Sponsors in relation to the previous listing applications of the Company on ChiNext and on the Main Board of SZSE that would materially and adversely affect the Company’s suitability for the [REDACTED] on the Stock Exchange or that should be brought to the attention of the Stock Exchange or potential [REDACTED].

Our Major Subsidiaries

Fujian Bama, Xiamen Xin Bama, Fuzhou Xin Bama, Quanzhou Bama, Wuyishan Wangxinji, Quanzhou Fengze Bama and Shenzhen Wanshanhong are our major subsidiaries which had made material contribution to our results of operations during the Track Record Period, or are of significant importance as to our continuing business development.

Set out below are our major subsidiaries during the Track Record Period and as of the Latest Practicable Date:

<u>Name of subsidiary</u>	<u>Place of establishment</u>	<u>Date of establishment</u>	<u>Shareholding percentage controlled by the Company</u> (%)	<u>Principal business activities</u>
Fujian Bama	PRC	September 8, 2010	100	Processing, production and sales of tea leaves and other tea products
Xiamen Xin Bama	PRC	November 15, 2010	100	Sales of tea leaves and other tea products

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Name of subsidiary	Place of establishment	Date of establishment	Shareholding percentage controlled by the Company (%)	Principal business activities
Fuzhou Xin Bama	PRC	January 28, 2011	100	Sales of tea leaves and other tea products
Quanzhou Bama	PRC	July 5, 2016	100	Sales of tea leaves and other tea products
Wuyishan Wangxinji	PRC	July 6, 2016	100	Processing and production of tea leaves and other tea products
Quanzhou Fengze Bama . .	PRC	April 20, 2023	100	Sales of tea leaves and other tea products
Shenzhen Wanshanhong . .	PRC	June 19, 2024	80	Sales of tea leaves and other tea products

Fujian Bama

Fujian Bama was established as a limited liability company in the PRC on September 8, 2010 with a registered capital of RMB30.8 million. As of the Latest Practicable Date, Fujian Bama was wholly owned by the Company. Fujian Bama is primarily engaged in the processing, production and sales of tea leaves and other tea products.

Xiamen Xin Bama

Xiamen Xin Bama was established by the Company as a limited liability company in the PRC on November 15, 2010 with a registered capital of RMB5.0 million. As of the Latest Practicable Date, Xiamen Xin Bama was wholly owned by the Company. Xiamen Xin Bama is primarily engaged in the sales of tea leaves and other tea products.

Fuzhou Xin Bama

Fuzhou Xin Bama was established by Xiamen Xin Bama as a limited liability company in the PRC on January 28, 2011 with a registered capital of RMB500,000. As of the Latest Practicable Date, Fuzhou Xin Bama was wholly owned by Xiamen Xin Bama. Fuzhou Xin Bama is primarily engaged in the sales of tea leaves and other tea products.

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Quanzhou Bama

Quanzhou Bama was established by the Company as a limited liability company in the PRC on July 5, 2016 with a registered capital of RMB5.0 million. As of the Latest Practicable Date, Quanzhou Bama was wholly owned by the Company. Quanzhou Bama is primarily engaged in the sales of tea leaves and other tea products.

Wuyishan Wangxinji

Wuyishan Wangxinji was established by Fujian Bama as a limited liability company in the PRC on July 6, 2016 with a registered capital of RMB8.0 million. As of the Latest Practicable Date, Wuyishan Wangxinji was wholly owned by Fujian Bama. Wuyishan Wangxinji is primarily engaged in the processing and production of tea leaves and other tea products.

Quanzhou Fengze Bama

Quanzhou Fengze Bama was established by Quanzhou Bama as a limited liability company in the PRC on April 20, 2023 with a registered capital of RMB5.0 million. As of the Latest Practicable Date, Quanzhou Fengze Bama was wholly owned by Quanzhou Bama. Quanzhou Fengze Bama is primarily engaged in the sales of tea leaves and other tea products.

Shenzhen Wanshanhong

Shenzhen Wanshanhong was established as a limited liability company in the PRC on June 19, 2024 with a registered capital of RMB30.0 million. As of the Latest Practicable Date, Shenzhen Wanshanhong was owned as to 80% by the Company and 20% by Shenzhen Binglong Technology Partnership (Limited Partnership) (“**Shenzhen Binglong**”), a limited partnership established under the laws of the PRC on June 6, 2024. Shenzhen Binglong is managed by Ms. Li Shasha, the director of Shenzhen Benxiao and the supervisor of Shenzhen Wanshanhong, as the general partner, and owned by Ms. Li Shasha with 51.0% partnership interests and Ms. Huang Qin, who is the spouse of Mr. Wu Qingbiao, one of the executive Directors of the Company, with 49.0% partnership interests. Shenzhen Wanshanhong is primarily engaged in the sales of tea leaves and other tea products.

THE CONCERT PARTY GROUP

On August 9, 2019, Mr. Wang Wenbin, Mr. Wang Wenli, Ms. Chen Yajing, Ms. Wu Xiaoning, Mr. Wang Wenchao and Ms. Wang Xiaoping entered into the 2019 Concert Party Agreement, pursuant to which, they have agreed and confirmed that they would act in concert (i) as the Shareholders of the Company in respect of their rights to call for general meetings, to make proposals and to vote on the general meetings, and (ii) where the relevant parties in the Concert Party Group act as the Directors, in respect of their rights as Directors in the decision-making process of the Board. If the Concert Party Group could not reach consensus on certain issues in respect of the Company’s operation and management, the proposal which is approved by half or more than half of the total number of Shares held by the Concert Party Group will be implemented and if no proposal is approved by half or more than half of the total number of Shares held by the Concert Party Group, the Concert Party Group should follow Mr. Wang Wenli’s decisions.

On September 9, 2024, the Concert Party Group entered into a supplementary agreement to the 2019 Concert Party Agreement which confirms the acting-in-concert arrangements among the Concert Party Group.

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PRE-[REDACTED] INVESTMENTS

Overview

The following table sets out the key terms of the Pre-[REDACTED] Investments made by the Pre-[REDACTED] Investors.

No.	Date of share transfer agreement	Date of full payment of consideration	Pre-[REDACTED] Investors ⁽¹⁾⁽²⁾	Number of Shares acquired	Amount of consideration ⁽³⁾	Cost per Share	Discount to the [REDACTED] ⁽⁴⁾
					(RMB)	(RMB)	(%)
Employees/former employees							
1. . .	October 9, 2018	October 9, 2018	Mr. Wang Qingnan	40,000	520,000	13.0	[REDACTED]
2. . .	October 9, 2018	October 9, 2018	Ms. Liao Yunjin	20,000	260,000	13.0	[REDACTED]
3. . .	October 9, 2018	October 9, 2018	Ms. Zheng Hongzhi	5,000	65,000	13.0	[REDACTED]
4. . .	October 9, 2018	October 9, 2018	Ms. Pan Liang	5,000	65,000	13.0	[REDACTED]
5. . .	June 3, 2019	June 3, 2019	Mr. Qiu Baohui	10,000	128,000	12.8	[REDACTED]
6. . .	March 21, 2024	March 22, 2024	Mr. Wang Kunheng	750,000	7,280,000	9.7	[REDACTED] ⁽⁵⁾
Individual investors							
7. . .	October 9, 2018	October 9, 2018	Mr. Xie Guoshun	10,000	130,000	13.0	[REDACTED]
8. . .	October 11, 2018	October 11, 2018	Mr. Wang Xiaojian	40,000	520,000	13.0	[REDACTED]
9. . .	April 10, 2019	April 16, 2019	Ms. Chen Amin	30,000	156,000	5.2	[REDACTED] ⁽⁶⁾
10. .	June 5, 2019	June 5, 2019	Ms. Fu Chan	38,000	380,000	10.0	[REDACTED]
11. .	June 6, 2019	June 6, 2019	Ms. Lu Zhilan	18,000	230,400	12.8	[REDACTED]
Corporate investors							
12. .	October 14, 2019	October 16, 2019	Tianjin Changfeng	7,500,000	72,800,000	9.7	[REDACTED]
13. .	November 13, 2020	December 22, 2020	Jingyuan Yisan	2,280,000	63,000,000	27.6	[REDACTED]
14. .	August 8, 2022	August 15, 2022	Shanghai Fengwang	12,000	135,720	11.3	[REDACTED]
15. .	September 6, 2024	September 11, 2024	Chengdu Xinjin	2,280,000	69,000,000	30.3	[REDACTED]
16. .	November 28, 2024	November 29, 2024	Quanzhou Huixinfu	1,982,600	60,000,000	30.3	[REDACTED]
17. .	December 9, 2024	December 10, 2024	Jinjiang Baiyingcheng	1,479,400	44,770,000	30.3	[REDACTED]

Notes:

- (1) All the Pre-[REDACTED] Investors acquired our Shares by way of share transfer from the then existing Shareholders of our Company. Therefore, the Company did not raise any fund from such share transfers. For details on the share transfers, see the sub-section “— Share transfers since delisting from the NEEQ” in this section. For details of the Pre-[REDACTED] Investors, see the sub-section “— Information on the Pre-[REDACTED] Investors” below.
- (2) None of the Pre-[REDACTED] Investors is subject to any lock-up under the share transfer agreements except for the statutory lock-up requirements under the PRC Company Law.
- (3) In connection with the basis of the consideration, see the sub-section “— Share transfers since delisting from the NEEQ” in this section.
- (4) The discount to the [REDACTED] is calculated based on the assumption that the [REDACTED] is HK\$[REDACTED] per H Share, being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per H Share, and assuming that the [REDACTED] is not exercised.

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- (5) Mr. Wang Kunheng acquired the Shares from Tianjixing Investment in March 2024. See “— Share transfers since delisting from the NEEQ”. Tianjixing Investment acquired such Shares from Mr. Wang Wenbin in November 2012 before the Company’s listing on NEEQ. Since one of Tianjixing’s ultimate beneficial owners is now abroad and not intended to deal with the investment in the Company’s Shares and in the past decade, Tianjixing Investment had received satisfactory return of investment through the receipt of dividends distributed by the Company, Tianjixing Investment transferred such Shares to Mr. Wang Kunheng at a price equivalent to its acquisition costs in November 2012.
- (6) Ms. Chen Amin acquired the Shares from her ex-spouse, Mr. Lei Defa, a former employee of our Company. Mr. Lei Defa subscribed for 30,000 Shares at a price of RMB5.2 per Share during the share issuance to the then senior management, supervisors and other core employees of the Company pursuant to a shareholders’ resolution dated February 2, 2016. See “— Prior listing and delisting on the NEEQ” above. Mr. Lei Defa voluntarily transferred such 30,000 Shares to Ms. Chen Amin at a price equivalent to the acquisition costs of such Shares (i.e. RMB5.2 per Share).

Strategic Benefits to our Company Brought by the Pre-[REDACTED] Investors

The Pre-[REDACTED] Investments can diversify our shareholder base and benefit us in various respects, including, among others, strengthening the relationship with our employees as well as taking advantage of the Pre-[REDACTED] Investors’ knowledge and experience. Our Pre-[REDACTED] Investors could provide strategic and professional advice, allowing us to streamline our management structure. Some of them are experienced investors covering consumer goods and modern agriculture, husbandry and food industry, who can contribute their unique perspectives on brand building and market expansion as well as their insight on business strategies and operations and our Group’s corporate governance and internal control. In addition, the Pre-[REDACTED] Investments demonstrated the Pre-[REDACTED] Investors’ confidence in the operation and development of our Group, and served as endorsements of our performance, strengths and prospects.

Information on the Pre-[REDACTED] Investors

The background information of our Pre-[REDACTED] Investors is set out below:

Employees and former employees

Each of Ms. Liao Yunjin and Ms. Pan Liang was a former employee of our Company, neither of whom had particular investment experience. Ms. Liao Yunjin joined the Company in July 1998 as a regional sales manager (區域經理) of the Company and resigned in December 2022 for personal reasons. She has been one of the Company’s franchisees since July 2023. Ms. Pan Liang joined the Company in July 2017 as an operating manager (營運經理) of the franchising business department (加盟事業部) of the Company and resigned in December 2023 for personal career development.

Each of Ms. Zheng Hongzhi, Mr. Wang Qingnan and Mr. Qiu Baohui is an employee of our Company. Ms. Zheng Hongzhi joined the Company in January 2015 and serves as a product specialist (產品專員) of the supply chain center of the Company. Mr. Wang Qingnan joined the Company in January 2015 and serves as the director and manager of Wuyishan Wangxinji and an assistant to the chairman (董事長助理) of the Company. Mr. Qiu Baohui joined the

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Company in April 2012 and serves as a R&D manager (研發經理) of the supply chain center of the Company. None of them have particular investment experience. Mr. Wang Kunheng is one of our executive Directors and a core connected person of our Company. See “— Directors and Senior Management” for details. Their investments in our Group demonstrated their confidence in our business prospects and growth potential. With such investments in our Group, our Directors believe that we could benefit from the strengthened relationship with the employees of the Group.

Individual investors

Each of Mr. Xie Guoshun, Mr. Wang Xiaojian, Ms. Chen Amin, Ms. Fu Chan and Ms. Lu Zhilan is a PRC resident and an Independent Third Party. Ms. Chen Amin acquired the Shares from her ex-spouse, Mr. Lei Defa. See “— Share transfers since delisting from the NEEQ” above. Mr. Xie Guoshun is a private investor with limited investment experience. He acquired the Shares of the Company from Lubao Phase II in October 2018 and a friend who knew Lubao Phase II introduced this investment opportunity to him. Mr. Wang Xiaojian is a private investor with primary and secondary market investment experience who knew of our Group as a regular consumer of our products. Ms. Fu Chan had no particular investment experience. She acquired the Shares of the Company from Suzhou Fushilai and learned about this investment opportunity from an employee of the Company. Ms. Lu Zhilan is a private investor with equity and fund investment experience. She acquired the Shares of the Company from CICC in June 2019 and a friend who knew CICC introduced this investment opportunity to her. Each of Mr. Xie Guoshun, Mr. Wang Xiaojian, Ms. Fu Chan and Ms. Lu Zhilan acquired the Shares since they are optimistic about the prospect of the Company’s business and the growth potential of our Group.

Tianjin Changfeng

Tianjin Changfeng is a limited partnership established under the laws of the PRC on September 17, 2019. Tianjin Changfeng is owned as to approximately (i) 0.01% by Beijing Harmonious Tiancheng as the general partner; and (ii) 99.99% by Zhuhai Aiqi Yongxing Management Consulting Enterprise (Limited Partnership) (珠海愛奇永興管理諮詢企業(有限合夥)) (“**Zhuhai Aiqi Yongxing**”) as the limited partner. Tianjin Changfeng acquired the Company’s Shares from Harmonious Growth. The share transfer between Tianjin Changfeng and Harmonious Growth is due to their internal arrangement. Tianjin Changfeng was established to hold the Shares in the Company with no other investments. See “— Share transfers since delisting from the NEEQ” above. Harmonious Growth invested in the Company in October 2012 and contacted the Company for potential investment opportunities at that time due to the Company’s development potentials.

Beijing Harmonious Tiancheng, whose general partner is Harmonious Aiqi Investment Management (Beijing) Co., Ltd. (和諧愛奇投資管理(北京)有限公司) (“**Harmonious Aiqi Investment**”), is owned by Beijing Harmonious Aiqi Investment Center (Limited Partnership) (北京和諧愛奇投資中心(有限合夥)) (“**Beijing Harmonious Aiqi**”) and Harmonious Aiqi Investment as to 90.0% and 10.0%, respectively. Beijing Harmonious Aiqi, whose general

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partner is Harmonious Aiqi Investment, is owned as to 80% by Tibet Harmonious Corporate Management Co., Ltd. (西藏和諧企業管理有限公司) (“**Tibet Harmonious**”) and 20% by Harmonious Aiqi Investment, which is owned as to approximately 73.76% by Tibet Harmonious, 13.31% by Mr. Lin Dongliang (林棟梁) and 12.93% by Mr. Li Jianguang (李建光). Tibet Harmonious is held as to approximately (i) 93.63% by Zhuhai Harmonious Zhiyuan Management Consulting Co., Ltd. (珠海和諧致遠管理諮詢有限公司) which is held by Mr. Li Jianguang (李建光), Mr. Niu Kuiguang (牛奎光) and Mr. Wang Jingbo (王靜波) as to 40%, 30% and 30%, respectively, (ii) 4.95% by Mr. Lin Dongliang (林棟梁) and (iii) 1.42% by Mr. Li Jianguang (李建光).

The general partner of Zhuhai Aiqi Yongxing is Tibet Minhao Venture Investment Management Co., Ltd. (西藏旻昊創業投資管理有限公司) (“**Tibet Minhao**”), which is ultimately owned as to 34.0% by Mr. Niu Kuiguang (牛奎光), as to 33.3% by Mr. Li Jianguang (李建光) and as to 32.7% by Mr. Wang Jingbo (王靜波). Zhuhai Aiqi Yongxing is owned as to approximately 99.95% by Zhuhai Aiqi Yongsheng Equity Investment Partnership (Limited Partnership) (珠海愛奇永盛股權投資合夥企業(有限合夥)) (“**Zhuhai Aiqi Yongsheng**”) and approximately 0.05% by Tibet Minhao. Zhuhai Aiqi Yongsheng is managed by Tibet Minhao as the general partner and owned as to approximately 91.2% by IDG Capital Project Fund IV, L.P., as to approximately 8.7% by Beijing Harmonious Aiqi and as to approximately 0.1% by Tibet Minhao Enterprise Management Co., Ltd. (西藏旻昊企業管理有限公司), which is ultimately owned as to 34.0% by Mr. Niu Kuiguang (牛奎光), as to 33.3% by Mr. Li Jianguang (李建光) and as to 32.7% by Mr. Wang Jingbo (王靜波). To the best of our Directors’ knowledge and belief having made all reasonable enquiries, each of Tianjin Changfeng, its general partner and limited partner, and their ultimate beneficial owners is an Independent Third Party.

Jingyuan Yisan

Jingyuan Yisan is a limited partnership established under the laws of the PRC on June 26, 2018, mainly engaged in equity investment. Jingyuan Yisan focuses on the consumer industry, targeting startup and pre-[REDACTED] investments. Its portfolio covers colored contact lenses, men’s personal care, high-end dairy, lemonade, liquor, and convenience food sectors. Jingyuan Yisan acquired the Shares of the Company from Tianjin Changfeng in November 2020 and learned this investment opportunity while communicating with investors in the market. Jingyuan Yisan has always focused on the consumer industry, recognized our Company as a notable tea company and was also optimistic about the Company’s future development and therefore, determined to acquire the Shares of the Company from Tianjin Changfeng. Jingyuan Yisan is owned as to (i) 1.54% by Beijing Hongshi Jingyuan Venture Investment Management Co., Ltd. (北京虹石靜遠創業投資管理有限公司) (“**Jingyuan Equity**”) as the general partner; (ii) 53.85% by Jilin Lizhi Yuanyi Investment Center (Limited Partnership) (吉林省勵志遠宜投資中心(有限合夥)) (“**Jilin Lizhi**”) as a limited partner; and (iii) 44.61% by other seven limited partners, each with less than 15.0% partnership interest.

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Jingyuan Equity is owned by Ms. Wang Xiaojin (王曉今) and Mr. Wang Xinguang (王新光) as to 86.11% and 13.89%, respectively. Jilin Lizhi is managed by Beijing Hanfu Assets Management Co., Ltd. (北京瀚富資產管理有限公司) (“**Beijing Hanfu**”), which is owned by Zhao Mei (趙玫) and Tian Yan (田彥) as to 90% and 10%, respectively, as the general partner and owned as to 49.99% by Jilin Lizhi Dazhu Investment Center (Limited Partnership) (吉林市勵志達築投資中心(有限合夥)) (“**Jilin Dazhu**”), as to 49.99% by Jilin Lizhi Dawen Investment Center (Limited Partnership) (吉林市勵志達聞投資中心(有限合夥)) (“**Jilin Dawen**”) and as to 0.02% by Beijing Hanfu. Jilin Dazhu is managed by Beijing Hanfu and owned as to 99% by Kong Fanshun (孔繁順) and 1% by Beijing Hanfu. Jilin Dawen is managed by Beijing Hanfu and owned by 50 partners each with less than 5% partnership interests. To the best of our Directors’ knowledge and belief having made all reasonable enquiries, each of Jingyuan Yisan, its general partner, its limited partners, and their ultimate beneficial owners is an Independent Third Party.

Shanghai Fengwang

Shanghai Fengwang is a limited liability company established under the laws of the PRC on February 9, 2015, mainly engaged in provision of investment management, information consulting and corporate management consulting services. Shanghai Fengwang is a specialized investment institution, which became our Shareholder by acquiring the Shares from Ms. Wang Luoping. See “— Share transfers since delisting from the NEEQ” above. Shanghai Fengwang is owned as to 50.0% by Mr. Ma Zaiting and 50.0% by Ms. Zhang Yunyun, who is the daughter-in-law of Ms. Wang Luoping. To the best of our Directors’ knowledge and belief having made all reasonable enquiries, each of Shanghai Fengwang, Mr. Ma Zaiting and Ms. Zhang Yunyun is an Independent Third Party.

Chengdu Xinjin

Chengdu Xinjin is a limited partnership established under the laws of the PRC on June 10, 2021, mainly engaged in investment and asset management. Chengdu Xinjin is managed by Sichuan Heshun Shengwang Corporate Management Center (Limited Partnership) (四川和順昇望企業管理中心(有限合夥)) (“**Sichuan Heshun**”) as the general partner and owned as to approximately (i) 16.8605% by Caogen Zhiben Group Co., Ltd. (草根知本集團有限公司) (“**Caogen Zhiben**”) as a limited partner; (ii) 16.8605% by Hainan Shengxun Corporate Management Consulting Co., Ltd. (海南晟勛企業管理諮詢有限公司) as a limited partner; (iii) 16.2791% by Chengdu Xinjin Culture and Tourism Investment Group Co., Ltd. (成都市新津文旅投資集團有限公司) as a limited partner; and (iv) 49.9999% by other 14 limited partners, each with less than 15.0% partnership interest. Chengdu Xinjin focuses on the consumer industry, with an investment portfolio covering food and beverage, retail chain, restaurant chain, new materials packaging, biotechnology and other consumer sectors. Chengdu Xinjin knew of our Group through Mr. Fan Guanting (范冠廷) (one of the directors of Sichuan Shengwang Private Fund Management Co., Ltd. (四川昇望私募基金管理有限公司), the general manager of Sichuan Heshun) who became acquainted with Mr. Wang Kunheng, our executive Director and co-general manager, in a business event in 2019.

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Sichuan Heshun is managed by Sichuan Shengwang Private Fund Management Co., Ltd. as the general partner, which is owned as to 70% by Caogen Zhiben and as to 30% by Sichuan Xinjiayuan Corporate Management Center (Limited Partnership) (四川新加園企業管理中心(有限合夥)) (“**Sichuan Xinjiayuan**”). Caogen Zhiben is a non-wholly owned subsidiary of New Hope Holding Group Co., Ltd. (新希望控股集團有限公司), a company wholly owned by Mr. Liu Yonghao (劉永好). Sichuan Xinjiayuan is managed by Mr. Xi Gang (席剛) as the general partner and owned as to approximately 66.67% by Mr. Xi Gang and as to approximately 33.33% by Mr. Qiu Yu (邱嶼) as a limited partner. To the best of our Directors’ knowledge and belief having made all reasonable enquiries, each of Mr. Liu Yonghao, Mr. Xi Gang and Mr. Qiu Yu is an Independent Third Party.

Septwolves and related persons

Quanzhou Huixinfu is a limited liability company established under the laws of the PRC on January 25, 2013 and is owned as to 95.0% by Fujian Septwolves Group Co., Ltd. (福建七匹狼集團有限公司) (“**Fujian Septwolves**”) and as to 5.0% by Septwolves Holdings Group Co., Ltd. (七匹狼控股集團股份有限公司) (“**Septwolves Holdings**”). Fujian Septwolves is owned as to approximately 37.82%, 31.09% and 31.09% by Mr. Zhou Yongwei (周永偉), Mr. Zhou Shaoming (周少明) and Mr. Zhou Shaoxiong (周少雄), respectively. Septwolves Holdings is owned as to approximately 82.86%, 5.71%, 5.71% and 5.71% by Fujian Septwolves, Mr. Zhou Yongwei, Mr. Zhou Shaoming and Mr. Zhou Shaoxiong, respectively. Quanzhou Huixinfu is mainly engaged in investments with its own funds and holds interest in a financial guarantee company, a technology service company and other equity investment entities. Mr. Zhou Yongwei is the father of Mr. Zhou Shiyuan (周士淵), the son-in-law of Mr. Wang Wenbin, our non-executive Director. Mr. Zhou Shaoming and Mr. Zhou Shaoxiong are brothers of Mr. Zhou Yongwei. To the best of our Directors’ knowledge and belief having made all reasonable enquiries, each of Quanzhou Huixinfu and its ultimate beneficial owners is an Independent Third Party.

Jinjiang Baiyingcheng is a limited liability company established under the laws of the PRC on April 29, 2000 and is wholly owned by Xiamen Panhong Trading Co., Ltd. (廈門磐鴻貿易有限公司), which is owned as to approximately 50.97%, 47.13% and 1.90% by Mr. Xie Anju (謝安居), Mr. Wu Donglin (吳東林) and Mr. Zhou Shiyuan (周士淵), respectively. Jinjiang Baiyingcheng is mainly engaged in wholesale of textiles; supply chain management services; domestic trade agency services; precious metal sales; cargo transportation agency services; machinery and equipment leasing; and information technology consulting services. Jinjiang Baiyingcheng holds interest in a pawn company, a financial guarantee company, a securities company and other equity investment entities. To the best of our Directors’ knowledge and belief having made all reasonable enquiries, each of Jinjiang Baiyingcheng and its ultimate beneficial owners (except for Mr. Zhou Shiyuan) is an Independent Third Party.

The Company has strong reputation in Fujian Province. Quanzhou Huixinfu and Jinjiang Baiyingcheng learned about this investment opportunity from Caogen Zhiben, the majority shareholder of the general partner of Sichuan Heshun, the general partner of the Company’s Shareholder, Chengdu Xinjin.

HISTORY AND CORPORATE STRUCTURE

To the best knowledge and belief of our Directors, each of our Pre-[REDACTED] Investors decided to invest in our Group in view of the prospects and potential growth of our Group and the industry which we operate in.

Special Rights

In connection with the Pre-[REDACTED] Investments, Chengdu Xinjin had been granted certain special rights against our Controlling Shareholders and/or Mr. Wang Kunheng, including among others, (i) redemption rights, (ii) right of first refusal and co-sale, (iii) financial compensation (that if the Controlling Shareholders and/or Mr. Wang Kunheng propose to transfer any Share to any third party, the transfer price shall not be lower than the transfer price to Chengdu Xinjin and otherwise, Chengdu Xinjin shall be compensated for the differences and the Controlling Shareholders shall jointly and severally compensate Chengdu Xinjin for any losses or damages resulting from the breach of certain undertakings by the Controlling Shareholders as to land registration, tax payment, undisclosed liabilities or contingent liabilities and legal compliance by the Group), (iv) information rights, and (v) most favorable treatment (that if the rights granted to any prior or new investors of the Company are better than the rights granted to Chengdu Xinjin, Chengdu Xinjin shall automatically enjoy such preferential rights without paying any additional consideration). Pursuant to a supplementary agreement entered into by our Controlling Shareholders, Mr. Wang Kunheng and Chengdu Xinjin dated January 15, 2025, the special rights, including the redemption rights, right of first refusal and co-sale, and financial compensation, granted to Chengdu Xinjin shall be automatically terminated one day prior to our Company’s submission of [REDACTED] application to the Stock Exchange for its [REDACTED] of H Shares on the Stock Exchange and the special rights, including information rights and most favorable treatment, shall be automatically terminated one day prior to the [REDACTED], provided that the rights so terminated shall resume automatically in certain circumstances, including: (i) the [REDACTED] application has been voluntarily withdrawn or no re-filing has been made for the [REDACTED] application within six months upon its expiry, or (ii) the [REDACTED] application has been rejected, or (iii) the [REDACTED] does not take place before the agreed long stop date.

Compliance with Applicable Laws and Regulations

On the basis that (i) the consideration for the Pre-[REDACTED] Investments was settled more than 28 clear days before the date of our first submission of the [REDACTED] application to the Stock Exchange in relation to the [REDACTED] and (ii) all special rights granted to the Pre-[REDACTED] Investors will not survive [REDACTED], the Joint Sponsors confirm that the Pre-[REDACTED] Investments are in compliance with the Pre-[REDACTED] Investment Guidance (as defined in Chapter 4.2 under the Guide for New Listing Applicants published by the Stock Exchange).

LOCK-UP

Pursuant to the applicable PRC laws, the Shares held by all the existing Shareholders (including [REDACTED] H Shares converted from the Domestic Unlisted Shares), being 76,000,000 Shares will be subject to lock-up for a period of 12 months commencing from the [REDACTED]. Therefore, upon completion of the [REDACTED] and assuming the [REDACTED] is not exercised, (i) [REDACTED] H Shares (representing [REDACTED]% of the Company’s total issued Shares) will be subject to lock-up from the [REDACTED], and (ii) all other [REDACTED] H Shares (representing [REDACTED]% of the Company’s total issued Shares) will not be subject to any lock-up undertaking or requirements and will be free float Shares of the Company. For more details, see “Share Capital.”

HISTORY AND CORPORATE STRUCTURE

PUBLIC FLOAT AND FREE FLOAT

To the best of our Directors’ knowledge and belief having made all reasonable enquiries, except for Mr. Wang Kunheng and Mr. Wang Qingnan, none of the Pre-[REDACTED] Investors is a core connected person (as defined under the Listing Rules) of our Company. The [REDACTED] H Shares to be held by 14 Pre-[REDACTED] Investors (except for Mr. Wang Kunheng and Mr. Wang Qingnan) which have filed for conversion of their Domestic Unlisted Shares to H Shares, representing approximately [REDACTED]% of our total issued share capital as of the Latest Practicable Date, or approximately [REDACTED]% of our total issued Shares upon [REDACTED] (assuming the [REDACTED] is not exercised) will be counted towards the public float upon [REDACTED].

Upon completion of the [REDACTED], assuming the [REDACTED] is not exercised, a total of [REDACTED] H Shares to be held by the Concert Party Group, and the directors, supervisors and chief executive of our Company and its subsidiaries who are our core connected persons will not be counted towards the public float upon [REDACTED]. A total of [REDACTED] H Shares (represent approximately [REDACTED]% of the issued Shares of the Company upon completion of [REDACTED]) will be held by the public Shareholders, and will be counted towards the public float of the Company.

Upon completion of the [REDACTED], assuming the [REDACTED] is fully exercised, the public Shareholders will collectively hold [REDACTED] H Shares, representing approximately [REDACTED]% of the Shares in issue upon the exercise of the [REDACTED] in full.

Based on the minimum [REDACTED] of HK\$[REDACTED] per Share, the Company is expected to satisfy the free float requirement under Rule 8.08A(1) of the Listing Rules.

REASONS FOR THE [REDACTED]

Our Company is seeking a [REDACTED] of its H Shares on the Stock Exchange in order to optimize the shareholding structure, further improve the corporate governance structure, establish a financing and capital operation platform in the international capital market, establish diversified financing channels, and deepen the Company’s brand influence, market awareness and comprehensive competitive strengths. For further details of our future plans, see “Future Plans and Use of [REDACTED]” in this document.

CAPITALIZATION OF OUR COMPANY

The table below is a summary of the capitalization of our Company as of the Latest Practicable Date and the [REDACTED] (assuming the [REDACTED] is not exercised):

Name of Shareholder	As of the Latest Practicable Date			As of the [REDACTED]			Whether the H Shares will be counted towards the public float
	Number of Shares	Description of Shares	Ownership percentage	Number of Shares	Description of Shares	Ownership percentage	
			(%)			(%)	
Concert Party Group:							
Mr. Wang Wenbin	19,285,500	Domestic Unlisted Shares	25.38	[REDACTED]	Domestic Unlisted Shares	[REDACTED]	
				[REDACTED]	H Shares	[REDACTED]	No
Mr. Wang Wenli	15,486,100	Domestic Unlisted Shares	20.38	[REDACTED]	Domestic Unlisted Shares	[REDACTED]	
				[REDACTED]	H Shares	[REDACTED]	No

HISTORY AND CORPORATE STRUCTURE

Name of Shareholder	As of the Latest Practicable Date			As of the [REDACTED]			Whether the H Shares will be counted towards the public float
	Number of Shares	Description of Shares	Ownership percentage (%)	Number of Shares	Description of Shares	Ownership percentage (%)	
Ms. Wu Xiaoning	3,982,000	Domestic Unlisted Shares	5.24	[REDACTED]	Domestic Unlisted Shares	[REDACTED]	
Mr. Wang Wenchao . . .	1,750,000	Domestic Unlisted Shares	2.30	[REDACTED]	H Shares	[REDACTED]	No
Ms. Chen Yajing	1,479,400	Domestic Unlisted Shares	1.95	[REDACTED]	Domestic Unlisted Shares	[REDACTED]	No
Ms. Wang Xiaoping . . .	500,500	Domestic Unlisted Shares	0.66	[REDACTED]	H Shares	[REDACTED]	No
Sub-total	42,483,500	Domestic Unlisted Shares	55.90	[REDACTED]	Domestic Unlisted Shares	[REDACTED]	No
Pre-[REDACTED] Investors:				[REDACTED]	H Shares	[REDACTED]	
Tianjin Changfeng	5,220,000	Domestic Unlisted Shares	6.87	[REDACTED]	H Shares	[REDACTED]	Yes
Jingyuan Yisan	2,280,000	Domestic Unlisted Shares	3.00	[REDACTED]	H Shares	[REDACTED]	Yes
Chengdu Xinjin	2,280,000	Domestic Unlisted Shares	3.00	[REDACTED]	H Shares	[REDACTED]	Yes
Quanzhou Huixinfu . . .	1,982,600	Domestic Unlisted Shares	2.61	[REDACTED]	H Shares	[REDACTED]	Yes
Jinjiang Baiyingcheng . .	1,479,400	Domestic Unlisted Shares	1.95	[REDACTED]	H Shares	[REDACTED]	Yes
Mr. Wang Kunheng	750,000	Domestic Unlisted Shares	0.99	[REDACTED]	H Shares	[REDACTED]	No
Mr. Wang Qingnan	75,000	Domestic Unlisted Shares	0.10	[REDACTED]	H Shares	[REDACTED]	No
Mr. Wang Xiaojian	40,000	Domestic Unlisted Shares	0.05	[REDACTED]	H Shares	[REDACTED]	Yes
Ms. Fu Chan	38,000	Domestic Unlisted Shares	0.05	[REDACTED]	H Shares	[REDACTED]	Yes
Ms. Chen Amin	30,000	Domestic Unlisted Shares	0.04	[REDACTED]	H Shares	[REDACTED]	Yes
Ms. Liao Yunjin	20,000	Domestic Unlisted Shares	0.03	[REDACTED]	H Shares	[REDACTED]	Yes
Ms. Lu Zhilan	18,000	Domestic Unlisted Shares	0.02	[REDACTED]	H Shares	[REDACTED]	Yes
Shanghai Fengwang . . .	12,000	Domestic Unlisted Shares	0.02	[REDACTED]	H Shares	[REDACTED]	Yes
Mr. Qiu Baohui	10,000	Domestic Unlisted Shares	0.01	[REDACTED]	H Shares	[REDACTED]	Yes
Mr. Xie Guoshun	10,000	Domestic Unlisted Shares	0.01	[REDACTED]	Domestic Unlisted Shares	[REDACTED]	
Ms. Zheng Hongzhi . . .	5,000	Domestic Unlisted Shares	0.01	[REDACTED]	H Shares	[REDACTED]	Yes
Ms. Pan Liang	5,000	Domestic Unlisted Shares	0.01	[REDACTED]	H Shares	[REDACTED]	Yes
Sub-total	14,255,000	Domestic Unlisted Shares	18.76	[REDACTED]	Domestic Unlisted Shares	[REDACTED]	

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Name of Shareholder	As of the Latest Practicable Date			As of the [REDACTED]			Whether the H Shares will be counted towards the public float
	Number of Shares	Description of Shares	Ownership percentage (%)	Number of Shares	Description of Shares	Ownership percentage (%)	
Tiantu Xinghua	3,600,000	Domestic Unlisted Shares	4.74	[REDACTED] [REDACTED]	H Shares H Shares	[REDACTED] [REDACTED]	Yes
Nanhai Growth.	3,150,000	Domestic Unlisted Shares	4.14	[REDACTED]	H Shares	[REDACTED]	Yes
Ms. Jiang Nina.	2,135,000	Domestic Unlisted Shares	2.81	[REDACTED]	H Shares	[REDACTED]	Yes
Qianhai Tangrenshen . . .	1,458,000	Domestic Unlisted Shares	1.92	[REDACTED]	H Shares	[REDACTED]	Yes
Fenyi Anzhuo Family No. 1 Investment Partnership (Limited Partnership). . .	1,000,000	Domestic Unlisted Shares	1.32	[REDACTED]	H Shares	[REDACTED]	Yes
GF Securities Co., Ltd. . . .	812,000	Domestic Unlisted Shares	1.07	[REDACTED]	H Shares	[REDACTED]	Yes
Others ⁽¹⁾	7,106,500	Domestic Unlisted Shares	9.35	[REDACTED] [REDACTED]	Domestic Unlisted Shares H Shares	[REDACTED] [REDACTED]	Partially yes ⁽²⁾
Sub-total	76,000,000	Domestic Unlisted Shares	100.00	[REDACTED]	Domestic Unlisted Shares	[REDACTED]	
Public shareholders.	–	–	–	[REDACTED] [REDACTED]	H Shares H Shares	[REDACTED] [REDACTED]	Yes
Total	76,000,000	Domestic Unlisted Shares	100.00	[REDACTED]	Domestic Unlisted Shares	[REDACTED]	
				[REDACTED]	H Shares	[REDACTED]	

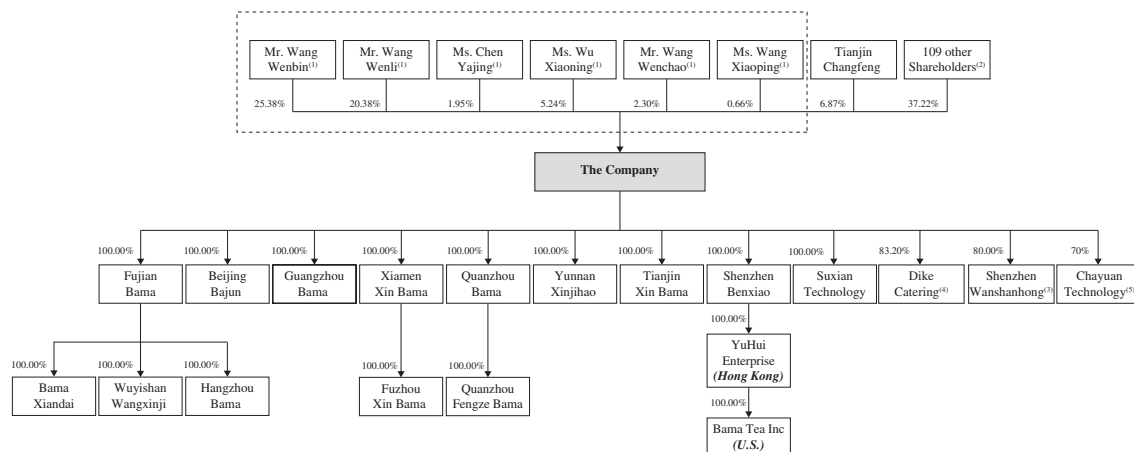
Notes:

- (1) Other 87 Shareholders included eight institutional investors and 79 individual investors, who held a total of 7,106,500 Shares in the Company and each held less than 1% equity interest in the Company.
- (2) Among the H Shares to be held by the other 87 Shareholders as of the [REDACTED], (a) [REDACTED] H Shares are to be held by 14 Shareholders who are the directors, supervisors and chief executive of our Company and its subsidiaries, which will not be counted towards the public float upon [REDACTED], and (b) the other [REDACTED] H Shares will be counted towards the public float of the Company upon [REDACTED].

HISTORY AND CORPORATE STRUCTURE

CORPORATE STRUCTURE IMMEDIATELY BEFORE THE [REDACTED]

The chart below sets out the corporate structure of our Group immediately before the [REDACTED].



Notes:

- (1) Mr. Wang Wenbin, Mr. Wang Wenli, Ms. Chen Yajing, Ms. Wu Xiaoning, Mr. Wang Wenchao and Ms. Wang Xiaoping constitute the Concert Party Group and are our Controlling Shareholders.
- (2) As of the Latest Practicable Date, 8,000 Shares held by an individual investor were frozen by a local PRC court.

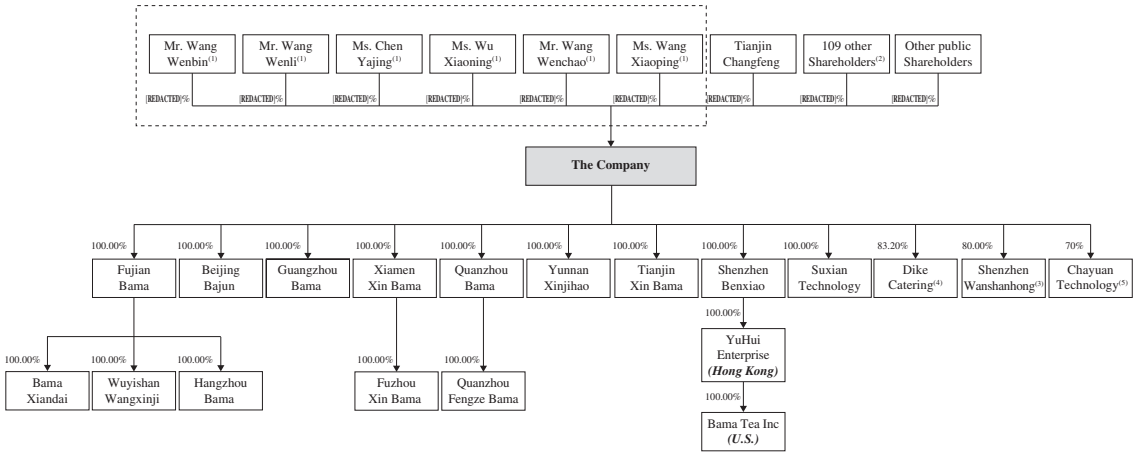
According to the Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》), Provisions regarding Issues in the Execution Work of People’s Court Issued by the Supreme People’s Court (Trial) (《最高人民法院關於人民法院執行工作若干問題的規定(試行)》) and Notice regarding Strengthening the Information Cooperation and Regulation of Execution and Assistance to Execution Issued by the Supreme People’s Court and the SAIC (《最高人民法院、國家工商總局關於加強信息合作規範執行與協助執行的通知》), without the permission of relevant court, Shares frozen by judicial bodies shall not be transferred and the holders of such Shares shall not pledge or create any encumbrances on such Shares and no dividends for such Shares shall be distributed to the relevant Shareholder. The PRC Legal Advisors are of the view that the above freezing of Shares shall not have any material adverse effect on the shareholding structure and continued operations of the Company and shall not result in any material legal impediment under the relevant PRC laws and regulations in relation to the [REDACTED].

- (3) Shenzhen Wanshanhong is a limited liability company established under the laws of the PRC and is held as to 80% by the Company and 20% by Shenzhen Binglong, a limited partnership established under the laws of the PRC on June 6, 2024. Shenzhen Binglong is managed by Ms. Li Shasha (李莎莎), the director of Shenzhen Benxiao and the supervisor of Shenzhen Wanshanhong, and owned by Ms. Li Shasha with 51.0% partnership interests and Ms. Huang Qin, who is the spouse of Mr. Wu Qingbiao, our executive Director, with 49.0% partnership interests.
- (4) Dike Catering is a limited liability company established under the laws of the PRC and is held as to 83.2% by the Company, 9.8% by Mr. Chen Pengfei (陳鵬飛), 5% by Shenzhen Chaleli Catering Management Co., Ltd. (深圳茶樂裡餐飲管理有限公司) and 2% by Mr. Huang Yingpeng (黃英彭), each of whom is an Independent Third Party.
- (5) Chayuan Technology is a limited liability company established under the laws of the PRC and is held as to 70.0% by the Company and 30.0% by Shenzhen Yiye Guanshan Investment Partnership (Limited Partnership) (深圳市一葉觀山投資合夥企業(有限合夥)), which is managed by Mr. Wu Junhui (吳俊暉) as the general partner and owned as to 83.3% partnership interests by Mr. Wu Junhui and 16.7% partnership interests by Mr. Wang Wenji (王文吉) as a limited partner. Mr. Wu Junhui is the son of Ms. Wang Xiaoping, one of our Controlling Shareholders. Mr. Wang Wenji is the executive director of Quanzhou Bama, Bama Xiandai, Tianjin Xin Bama, and the manager of Fujian Bama, and the cousin of Mr. Wang Wenbin, Mr. Wang Wenli and Mr. Wang Wenchao (each being a Director and Controlling Shareholder of our Company), Mr. Wu Qingbiao and Mr. Wang Wenlong (each being a Director of the Company) and Ms. Wang Xiaoping (one of our Controlling Shareholders).

HISTORY AND CORPORATE STRUCTURE

CORPORATE STRUCTURE IMMEDIATELY FOLLOWING COMPLETION OF THE [REDACTED]

The chart below sets out the corporate structure of our Group immediately following completion of the [REDACTED].



Notes:

(1)-(5) See the respective notes under “Corporate Structure Immediately Before the [REDACTED].”

PRC REGULATORY REQUIREMENTS

Our PRC Legal Advisors have confirmed that, the share transfers and increases in registered capital of the Company as described in this section have been legally and properly completed, and all the necessary filings and registration with the relevant PRC authorities required for such share transfers and increases in registered capital have been completed, and they are in compliance with all applicable PRC laws and regulations in all material respects.

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OVERVIEW

We are the leading provider of premium tea leaves in China as measured by sales revenue of premium tea leaves for 2024 and the most recognized tea brand in China. We ranked first in China among tea leaf providers in terms of the number of chained specialty stores for tea leaves as of December 31, 2024, and we ranked first in each of China’s premium tea leaf market, Oolong tea leaf market and black tea leaf market in terms of respective sales revenue for 2024. By 2024, we ranked first in China in terms of sales revenue of (i) Tieguanyin for over ten consecutive years; (ii) Wuyi Yan Cha for five consecutive years; and (iii) black tea for four consecutive years. According to the 2024 China Customer Satisfaction Index (C-CSI) report released by Chnbrand, our Bama brand ranked first among China’s chained tea leaf brands in terms of brand recognition. Through our nationwide offline store network and comprehensive online sales platforms, we offer high-quality Chinese tea in a product portfolio encompassing all major tea leaf categories in China, including Oolong tea, dark tea, black tea, green tea, white tea and yellow tea, as well as non-tea-leaf products such as tea ware, tea snacks and tea beverages.

We won the Top 500 Brand Value in China award by Brand Observer Magazine for nine consecutive years from 2016 to 2024, and the recognition as a Representative Brand in China’s Tea Industry issued by a panel led by Brand Observer Magazine for three triennial sessions from 2018 to 2024. As of June 30, 2025, we had successfully held our global tasting tours in over 30 countries, including the United States, the United Kingdom and France. We were also selected as the tea caterer for multiple high-profile international events, such as the meeting of BRICS leaders in Xiamen City in 2017, and Donghu Tea Meeting which was an informal meeting between top leaders of China and India held in 2018. We have received prestigious international awards, including the Golden Camel Prize of China Famous Tea for Century Expo in Milan granted by International Evaluation Committee of China Famous Tea for Century Expo (百年世博中國名茶國際評鑒委員會). We ranked first among the Popular Chinese Tea Brands recognized by, among others, Xinhua News Agency and China Tea Industry Circulation Association in 2023. We were also the only tea brand recognized by a panel led by the Office of Brands of Xinhua News Agency as one of China’s Favored Brands Amongst Overseas Consumers for 2023.

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China’s tea leaf market size in terms of sales revenue increased from approximately RMB288.9 billion for 2020 to approximately RMB325.8 billion in 2024, representing a CAGR of approximately 3.0%, and is expected to reach approximately RMB407.9 billion in 2029, representing a CAGR of approximately 4.6% from 2024 to 2029. China’s premium tea leaf market has demonstrated a more rapid growth trend as compared to the overall growth of China’s tea leaf market in terms of sales revenue. China’s premium tea leaf market size in terms of sales revenue increased from approximately RMB89.0 billion in 2020 to approximately RMB103.1 billion in 2024, representing a CAGR of approximately 3.7%, and is expected to reach approximately RMB135.3 billion in 2029, representing a CAGR of approximately 5.6% from 2024 to 2029. The top five players’ total market share in China’s premium tea leaf market increased from 2020 to 2024 as the overall tea leaf market size expanded. The total market share of the top five players in China’s premium tea leaf market increased from approximately 5.5% in 2020 to approximately 5.6% in 2024, and it is expected that the top players’ market share will continue to increase. Our market share in terms of sales revenue in China’s premium tea leaf market increased from approximately 1.1% in 2020 to approximately 1.7% in 2024. The premium tea leaf market requires industry expertise, and has relatively high entry barriers. Leveraging our advantages in brand equity, tea-production techniques, product development, scalable operations, channel management, cross-region expansion, supply chain management, digitalized sales platforms, and professional talents, we have been able to achieve the top ranking in China in terms of sales revenue of premium tea leaves. We continue to strengthen our Bama brand image and consumers’ recognition of us as the top brand of Premium Chinese Tea. Our premium tea leaf products approach consumers with relatively high standards for their quality of life and health leveraging our nationwide offline store network and online channels with wide coverage, as well as our diversified branding and marketing strategies. We attract consumers through our premium tea leaf products with unique flavors and texture and thoughtful services at offline stores, which enabled us to become the most recognized tea brands in China. Leveraging our advantages in supply chain management and scalable production, we have launched our sub-brand “Wanshanhong”, which targets the mass market consumers with its combination of high quality and affordable pricing.

We have built operational capabilities to offer a full range of products. We recorded growth in terms of sales revenue of each of the six major categories of tea leaves from 2020 to 2024. In particular, the CAGR from 2020 to 2024 for our sales revenue from each of Oolong tea leaves, black tea leaves and white tea leaves, outpaced the CAGR in their respective markets during the same period. We are able to anticipate market trends and quickly respond to consumer demands by rolling out new products with market potential. For example, we launched black tea with various flavors, flavored tea and substitute tea products under our Wanshanhong sub-brand, which attracted more and more young consumers and female consumers with the brand value and combination of high quality and affordable pricing. Our Bama Chuncha (八馬純茶), which is a sugar-free and calorie-free bottled tea beverage product catering to consumers’ increasing demand for health and wellness, became popular among young consumers upon its launch. Leveraging our offline sales network across China and comprehensive online sales channels as well as diversified and innovative branding and marketing strategies including crossover collaboration with other well-known brand names and brand building activities, we continue to consolidate and enhance brand influence.

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We adhere to our store-operation strategy of “offering heartwarming products and operating heartwarming tea stores (做有溫度的產品,開有溫度的茶店)”. We have established a nationwide omni-channel sales network consisting of (i) offline channels, which include our self-operated offline stores and franchised stores; and (ii) online channels, which include our self-operated online stores and e-commerce platforms which purchase products from us and sell to online consumers on their platforms. As of the Latest Practicable Date, we had a total of 3,633 offline stores, including 241 self-operated stores and 3,392 franchised stores. We strive to build mutually beneficial cooperative relationships with our franchisees by supporting them in various aspects of their operation. As of the Latest Practicable Date, the number of our franchisees amounted to 1,246, and 64.0% of the franchisees had maintained continuous cooperation with us for over three years. As of the same date, the number of franchisees which operated over 100, 50 and 10 franchised stores amounted to three, nine and 44, respectively. We have been focusing on developing our online business as well. We have rolled out new products online at a fast pace to meet the preferences and demands of online consumers. Our Bama Oolong tea leaf products ranked first among all Oolong tea leaf products in terms of gross sales amount during each annual Single Day sales event of Tmall for ten consecutive years from 2015 to 2024. We ranked first among all stores that sell tea on JD.com for 2023 and 2024 in terms of GMV. The percentage of our revenue generated from our online channels increased from 27.2% of our total revenue for the year ended December 31, 2022 to 32.2% for the year ended December 31, 2024. The percentage of our revenue generated from our online channels increased from 34.8% for the six months ended June 30, 2024 to 35.4% for the six months ended June 30, 2025. The total number of our accounts’ followers in online channels reached 40.9 million as of the Latest Practicable Date. As of the same date, the number of our members has exceeded 26.0 million as of Latest Practicable Date.

The key indicators of our business and results of operations during the Track Record Period are set forth below:

- *Number of offline stores:* The number of our offline stores, including our self-operated stores and franchised stores, increased from 2,613 as of January 1, 2022 to 3,585 as of June 30, 2025, among which the number of franchised stores increased from 2,203 as of January 1, 2022 to 3,341 as of June 30, 2025.
- *Revenue:* Our revenue increased from RMB1,817.5 million for the year ended December 31, 2022 to RMB2,122.3 million for the year ended December 31, 2023, and further increased to RMB2,143.3 million for the year ended December 31, 2024. Our revenue decreased from RMB1,109.8 million for the six months ended June 30, 2024 to RMB1,063.2 million for the six months ended June 30, 2025. In particular, our revenue generated from online channels increased from RMB494.1 million for the year ended December 31, 2022 to RMB622.7 million for the year ended December 31, 2023, and further increased to RMB692.8 million for the year ended December 31, 2024. Our revenue generated from online channels decreased from RMB385.5 million for the six months ended June 30, 2024 to RMB375.9 million for the six months ended June 30, 2025.

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- *Net profit:* Our profit and total comprehensive income increased from RMB165.8 million for the year ended December 31, 2022 to RMB205.7 million for the year ended December 31, 2023, and further increased to RMB224.2 million for the year ended December 31, 2024. Our profit and total comprehensive income decreased from RMB146.0 million for the six months ended June 30, 2024 to RMB120.0 million for the six months ended June 30, 2025. Our net profit margin increased from 9.1% for the year ended December 31, 2022 to 9.7% for the year ended December 31, 2023, and further increased to 10.5% for the year ended December 31, 2024. Our net profit margin decreased from 13.2% for the six months ended June 30, 2024 to 11.3% for the six months ended June 30, 2025.

OUR COMPETITIVE STRENGTHS

We believe the following strengths have contributed to our success and will continue to differentiate us from our competitors:

The leading provider of premium tea leaves in China with a fast-growing business and the most recognized tea brand

Our leading position. We are the leading provider of premium tea leaves in China as measured by sales revenue of premium tea leaves for 2024 and the most recognized tea brand in China. We are committed to sourcing high-quality tea from China’s tea plantation regions to introduce to people around the world the wellbeing and joy brought by tea (讓天下人享受茶的健康與快樂). We have developed a comprehensive product portfolio and strong business operation capabilities which have enabled us to weather through economic cycles. We ranked first in China’s tea market in terms of the number of chained specialty stores as of December 31, 2024. We also ranked first in each of China’s premium tea leaf market, Oolong tea leaf market and black tea leaf market in terms of respective sales revenue in 2024. Our Bama brand ranked first in terms of brand preference among the brands in China’s tea leaf market and China’s premium tea leaf market, respectively. According to the 2023 and 2024 China Customer Satisfaction Index (C-CSI) report released by Chnbrand, our Bama brand ranked first among China’s chained tea leaf brands in terms of brand recognition in 2024, and ranked first among China’s chained tea leaf brands in terms of consumers’ satisfaction for two consecutive years from 2023 to 2024.

Our brand influence. We have built significant brand value over time leveraging our brand origin from a family with close to 300 years of history of processing tea leaves. In China, we won the award of China’s Top 500 Brand Value for nine consecutive years from 2016 to 2024 and we were recognized as a Representative Brand in China’s Tea Industry for three triennial sessions from 2018 to 2024. Our Bama brand was recognized as a “Well-known Trademark of the PRC” in 2010, and our Xinjihao sub-brand was recognized as a China Time-honored Brand in 2024. As of June 30, 2025, we had successfully held our global tasting tours in over 30 countries, including the United States, the United Kingdom and France. We were also selected as the tea caterer for multiple high profile international events, such as the meeting of BRICS leaders in Xiamen City in 2017, Donghu Tea Meeting which was an

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informal meeting between top leaders of China and India held in 2018. In addition, we have received prestigious international awards, including the Golden Camel Prize of China Famous Tea for Century Expo in Milan awarded by the International Evaluation Committee of China Famous Tea for Century Expo. We ranked first among the Popular Chinese Tea Brands recognized by, among others, Xinhua News Agency and China Tea Industry Circulation Association in 2023. We were also the only tea brand recognized by a panel led by the Office of Brands of Xinhua News Agency, China Economic Information Agency, China Today Magazine, China Net as one of China’s Most-loved Brands Amongst Global Consumers for 2023.

Our advantage in premium tea leaf market. We have long been adhering to our brand positioning of “Premium Chinese Tea” and our operational strategy of offering a full range of tea leaf products across an omni-channel sales network. Our brand positioning and operational strategy have enabled us to achieve the highest sales revenue among tea companies in China’s premium tea leaf market in 2024. For each of the periods during the Track Record Period, sales of premium tea leaves accounted for most of our revenue from sales of tea leaves. Specifically:

- *Products:* The tea-making experience and techniques our founders inherited from their family with close to 300 years of history of processing tea leaves, high-quality raw materials, a stable supply chain, strong research and development capabilities and strict quality control have enabled us to develop a comprehensive product portfolio consisting of various types of premium tea leaf products catering to diversified tastes and preferences of consumers.
- *Channels:* We are able to reach a wide range of consumers across China through our nationwide offline store network and comprehensive online channels. Our offline stores are the key channel for our sales of premium tea leaves, where we also cater to consumers’ business and social needs with thoughtful and professional tea lounge services.
- *Brands:* Leveraging our brand influence brought by the extensive reach of our omni-channel sales network, as well as our flexible and diversified marketing strategies, we have firmly established our Bama brand as the top brand of Premium Chinese Tea.

Our grasp of the industry prospect and trend. China’s tea leaf market size in terms of sales revenue reached approximately RMB325.8 billion in 2024, and is expected to further grow to approximately RMB407.9 billion in 2029. The size of China’s premium tea leaf market has demonstrated a rapid growth trend. Its market size in terms of sales revenue reached approximately RMB103.1 billion in 2024, and is expected to further grow to approximately RMB135.3 billion in 2029. We are committed to providing Premium Chinese Tea to consumers with relatively high standards for their quality of life and health, and have established our position as the leading provider in the premium tea leaf market as measured by sales revenue for 2024. Meanwhile, taking note of the growth in the number of young consumers for tea leaf

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products, we have aligned our brand building and development with market trends, launched our sub-brand “Wanshanhong” with a combination of high quality and affordable pricing, and seek to expand our consumer base through integrated efforts both online and offline.

Our growth of performances. Leveraging our market position, insight of consumer demands and our interaction with consumers’ significant brand influence, full-range product portfolio and omni-channel sales network, we believe we are well-positioned to further enhance our market position. We maintained growth of our business and results of operations for the years ended December 31, 2022, 2023 and 2024. Our revenue increased from RMB1,817.5 million for the year ended December 31, 2022 to RMB2,122.3 million for the year ended December 31, 2023, and further increased to RMB2,143.3 million for the year ended December 31, 2024. Our revenue decreased from RMB1,109.8 million for the six months ended June 30, 2024 to RMB1,063.2 million for the six months ended June 30, 2025. In particular, our revenue generated from online channels increased from RMB494.1 million for the year ended December 31, 2022 to RMB622.7 million for the year ended December 31, 2023, and further increased to RMB692.8 million for the year ended December 31, 2024. Our revenue generated from online channels decreased from RMB385.5 million for the six months ended June 30, 2024 to RMB375.9 million for the six months ended June 30, 2025. The proportion of revenue generated from online channels in our total revenue increased from 27.2% for the year ended December 31, 2022 to 32.2% for the year ended December 31, 2024. The proportion of revenue generated from online channels increased from 34.8% for the six months ended June 30, 2024 to 35.4% for the six months ended June 30, 2025. Our profit and total comprehensive income increased by 24.1% from RMB165.8 million for the year ended December 31, 2022 to RMB205.7 million for the year ended December 31, 2023, and further increased to RMB224.2 million for the year ended December 31, 2024. Our profit and total comprehensive income decreased from RMB146.0 million for the six months ended June 30, 2024 to RMB120.0 million for the six months ended June 30, 2025.

Full-range and high-quality product portfolio underpinned by proprietary techniques and constant innovations

Full-range Product Portfolio

Consumers’ tea-drinking habits and taste preferences differ by geographical region in China. While many tea industry players focus on a single tea leaf product category due to limitations in supply chain management, we are able to offer a full range of tea leaf products thanks to our superior supply chain. We have adopted a full-range product strategy to help extend our reach in regional markets and among consumers leveraging our supply chain management ability and our operation cross various geographical regions in China. We select high-quality tea leaves of each product category from its core plantation regions and have launched a number of well-recognized “star products” in China’s tea leaf market. By 2024, we ranked first in China in terms of sales revenue of Tieguanyin for over ten consecutive years. We also launched “star products” such as our Xinjihao line of Pu’er tea leaf products and Niuyi Wuyi Yan Cha tea leaf products. Our market share in terms of sales revenue in China’s

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premium tea leaf market increased from approximately 1.1% in 2020 to approximately 1.7% in 2024. We are one of few companies in China’s tea leaf industry which recorded significant growth in terms of sales revenue in six major categories of tea leaves from 2020 to 2024.

Standards on Quality

Product quality is our top priority. To ensure quality, we have established and implemented our four standards for good tea, namely safety, taste, authenticity and stability (安全、對口、正宗、穩定), and three standards for selecting tea leaves, namely, they are to be produced by well-known experts, with traditional techniques and from the best production regions. Guided by these standards, our core technology teams take frequent trips to tea plantations and production regions to gain understanding of the tea leaves and source high-quality raw materials for our tea production. During the Track Record Period, we procured tea leaves from numerous major tea plantation regions and areas in China. For example, we have a long history of procuring tea leaves from Anxi County in Fujian Province, and from Wuyishan City in Fujian Province, which are places of origin and major plantation regions for Oolong tea. As of the Latest Practicable Date, the taxation amounts we paid to the tax authorities of Anxi County and Wuyishan City, respectively, ranked first among the local tea companies for over ten consecutive years and five consecutive years, respectively. We procure green tea leaves primarily from a major plantation region of Xihu Longjing, namely, Shifengshan (獅峰山) in Longjing Village (龍井村), Zhejiang Province. We maintained rights to source finished products made from tea leaves harvested from certain tea trees in the core Pu’er tea production area in Yunnan Province, including (i) Laobanzhang Chawang Tree (老班章茶王樹) in Banzhang (班章) Village for five consecutive years from 2021 to 2025, and (ii) Bingdao Wuzhai Chawang Tree (冰島五寨茶王樹) in Bingdao (冰島) Village for six consecutive years from 2020 to 2025, which are well-known rare tea trees with hundreds of years of history. For further details, please refer to “— Our Brands and Products — Xinjihao — Pu’er Tea” in this section.

Our exceptional tea-making technique is one of our core competencies. The technique involved in making Oolong tea, especially Tieguanyin, is relatively more complex than that for other categories of tea leaves, with high standards for the producers’ required experience and skills. Our founder and chairman, Mr. Wang Wenli, is recognized as a representative inheritor of the National Intangible Cultural Heritage Project of Oolong Tea Production Techniques (Tieguanyin). Under the guidance of Mr. Wang Wenli, we have transformed close to 300 years of Tieguanyin craftsmanship into a unique modern production technique, with which we developed high-end popular products such as the Saizhenzhu Series. The Saizhenzhu Series tea leaves are famous for their unique scent with three layers, namely, dry tea leaves spreading the scent of parches rice, tea soup spreading the sweet and fruity scent, and the taste spreading the scent of orchid (聞乾茶炒米香, 聞茶湯果味甜香, 品滋味蘭花香), and the long-lasting aftertaste which still remains after seven rounds of brewing (七泡後仍有餘香). Building upon the Oolong techniques and production experiences, we mastered key production processes for other major tea leaf categories, including, among others, the pan-frying process for green tea, the sun-drying process for white tea, the yellowing process for yellow tea, the withering and fermentation process for black tea, the roasting process for Wuyi Yan Cha and the material

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selection and blending process for Pu’er tea. Our technical capabilities have been recognized by various authorities and industry players. We are a member of the National Tea Standardization Technical Committee (全國茶葉標準化技術委員會委員單位) and a member of the Fujian Tea Industry Standardization Technical Committee (福建省茶產業標準化技術委員會委員單位), among other industry associations. As of the Latest Practicable Date, we participated in the formulation of nine national standards, five local standards, one industry standard, six group standards and six enterprise standards.

The quality of our products is highly recognized by consumers. Consumers are generally of the view that our tea leaf products have characteristics such as authentic flavor, good taste, high-quality raw materials and stable and excellent quality (口味正宗,適口度高,原料優質,品質穩定卓越), and a super majority of consumers surveyed are willing to continuously drink our products for an extensive period.

Insightful Innovations and Stringent Quality Control

Guided by a consumer-centric and market-driven product development philosophy, we are able to quickly capture the needs of target consumers to develop new products that lead market trends. For example, we launched products including cold-brewed tea, lemon black tea, herbal tea, pure tea leaf beverages and other products that are popular among young consumers. Our product exterior designs have earned multiple international awards over the years. Our research and development initiatives are supported by our experienced research and development team consisting of members with tea-related educational background, and/or professional qualifications and recognitions such as Senior Tea-making Engineers (製茶高級工程師), National Level 1 Tea Connoisseur (國家一級評茶師) and National Level 1 Tea Leaves Processing Worker (國家一級茶葉加工技師). This professional team enables us to integrate tea theories with tea industry practices in our research and development initiatives. In addition, we strictly control the hygiene, safety and quality of our products, which we believe enabled us to maintain quality control. We formulated a series of standardized quality control procedures covering all stages of our procurement of raw materials, production, transportation and warehousing. As of the Latest Practicable Date, we adopted 132 inspection indicators in our quality inspection procedures for raw materials and finished products. We established the “One-Box-One-Code” Anti-Counterfeiting and Tracking System (一盒一碼防偽溯源體系), which enables us to track our products in the market, thereby safeguarding the authenticity of our products sold to consumers. We also actively adopt advanced quality management systems in our operation. As of the Latest Practicable Date, we have achieved certifications including, among others, FSSC22000, HACCP and ISO9001.

Omni-channel sales network and quality service to support our continuous business development and expansion

We have established a nationwide omni-channel sales network with a combination of self-operated and franchised stores as well as online and offline stores. We have been promoting the integration of our online channels and offline channels.

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Offline Stores with Wide Coverage and Quality Customer Experiences

We are one of the very few premium tea leaf providers in China with strong cross-region operations. As of the Latest Practicable Date, we had 3,633 offline stores covering major large and mid-sized cities in all of the provinces in mainland China, with 10.9%, 20.8%, 28.6% and 39.7%, of our offline stores located in first-tier cities, new first-tier cities, second-tier cities and third-tier and below cities, respectively. The extensive coverage of our offline stores enables our products to reach consumers more easily, thereby strengthening our brand influence and solidifying our consumer recognition. For the years ended December 31, 2022, 2023 and 2024, the average annual purchase amount of our members at our self-operated offline stores was RMB2,860.4, RMB2,840.2 and RMB2,469.6, respectively. Our offline stores have demonstrated the ability to operate consistently regardless of economic cycles. As of June 30, 2025, the number of our self-operated offline stores which had been continuously operated for over ten years, over five years and over three years, respectively, accounted for approximately 27.0%, 56.6% and 84.8% of our total number of self-operated offline stores.

We believe our capability to conduct cross-region operations is mainly attributable to:

- *Standardized store operation.* We have standardized store operation procedures to display a unified brand image and to implement unified standards at our offline stores in terms of store areas, styles of decoration, layout of store spaces, staffing arrangements, staff outfit and services. We provide consistently high-quality products and services to consumers in our self-operated offline stores, and enhance our customer satisfaction through standardized store operation and service, such as the Eight Steps of Services (服務八步曲). We also guide our franchisees to provide such services at the franchised stores.
- *Store site location selection.* We believe store location is critical to the financial performance of an offline store. Our sophisticated site selection model and professional site selection teams give us site selection capabilities and also enable us to provide full support to our franchisees in their site selection. We identify suitable store locations based on geographical characteristics and help offline stores to gain stable consumer traffic by placing the stores in urban commercial districts, office buildings, industrial parks and high-quality residential areas.
- *Management and training of store staff.* We have extensive experience in selecting store management personnel to help ensure the stores’ development under capable leaders. We formulated an incentive mechanism for our self-operated stores to effectively retain and motivate our store staff. We also encourage our franchisees to formulate staff incentive mechanisms at their franchised stores. In addition, we offer online and offline training to the staff of our self-operated stores and our franchisees to familiarize them with our standard operation procedures. The training content covers consumer needs, product knowledge, brand knowledge, service specifications and SOPs, sales specifications and team building. We aim to cultivate future store managers and tea sommeliers through these training programs.

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- *Services and experiences.* We believe our offline stores are not only sales channels for our products, but also strategically important places for demonstrating our brand culture and offering quality tea-drinking experiences. Guided by our store operation principle of “offering heartwarming products and operating heartwarming tea stores”, we strive to cultivate every consumer walking into our offline stores into our consumer for a lifetime. To this end, we have designed unified store image and layout, and built exclusive and private tea drinking spaces, and together with our professional tea-drinking services, we aim to provide consumers with an immersive experience in the tea culture and venues for business communications and other social events in high-end, comfortable and exclusive spaces. Our Bama brand ranked first among China’s tea brands operating chained stores for two consecutive years from 2023 to 2024 in terms of consumers’ satisfaction, according to the China Customer Satisfaction Index (C-CSI) reports released by Chnbrand in 2023 and 2024. We also ranked first among consumers’ favorite local teahouses (茶館好評榜) in multiple cities listed on Dianping.com in 2023.
- *Mutually beneficial cooperation with franchisees.* We support our franchisees in various aspects of their operation. This support mechanism has attracted and retained a large group of competitive and loyal franchisees who identify with our corporate culture. The number of franchisees with average annual sales amount per store over RMB2.0 million increased from 80 for the year ended December 31, 2022 to 116 for the year ended December 31, 2024. As of June 30, 2025, we had 778 franchisees that had maintained continuous cooperation with us for over three years, representing approximately 63.4% of our total number of franchisees. The average number of franchised stores operated by each of our franchisees increased, and reached 2.7 as of June 30, 2025, and the number of franchisees which operated over 100, 50 and 10 franchised stores amounted to three, nine and 44, respectively.

Rapidly Developing Online Channels

We recognized as early as 2011 the growth trends in online consumption in the tea leaf market, and have been proactively developing our online channels. As of the Latest Practicable Date, we sold products through Wechat mini-program (微信小程序), and all mainstream e-commerce platforms in China, including JD.com (京東), Tmall (天貓), Douyin (抖音), VIP.com (唯品會) and Pinduoduo (拼多多), targeting the online consumers in pursuit of quality of life and with a mature online shopping habit. Our main products that were sold through offline channels are widely welcomed by online consumers. We have also developed products with differentiated tastes in response to the needs and spending habits of online consumers. Our Bama Oolong tea leaf products ranked first among all Oolong tea leaf products in terms of gross sales amount during each annual Single Day sales event of Tmall for ten consecutive years from 2015 to 2024. We ranked first for 2023 and 2024 in terms of GMV among all stores that sell tea on JD.com. Our online sales recorded rapid growth for the years ended December 31, 2022, 2023 and 2024. The GMV of sales through online channels increased from RMB567.1 million for the year ended December 31, 2022 to RMB685.5 million for the year ended December 31, 2023, and further increased to RMB838.3 million for the year ended

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December 31, 2024. The GMV of sales through online channels slightly decreased from RMB456.2 million for the six months ended June 30, 2024 to RMB445.8 million for the six months ended June 30, 2025. The number of purchase orders placed by online consumers increased from 2.0 million for the year ended December 31, 2022 to 2.4 million for the year ended December 31, 2023, and further increased to 3.0 million for the year ended December 31, 2024. The number of purchase orders placed by online consumers increased from 1.5 million for the six months ended June 30, 2024 to 1.6 million for the six months ended June 30, 2025. The average purchase amount of our online consumers remained stable at RMB180 to RMB300 per order during the Track Record Period.

Robust Integration of Online and Offline Channels

We seek to integrate our businesses in offline and online channels to attract consumer traffic and enhance the performances of our offline stores. As online channels are generally accessible to a wider consumer group as compared with offline channels, we try to attract consumers to come to our offline stores through online marketing initiatives. For example, we utilize big data analysis and other internet-based technologies to attract consumers to visit our offline stores to taste tea or engage in social or commercial interactions at our tea lounges in offline stores, thereby leading to more opportunities for offline sales. In addition, we periodically conduct various marketing and promotional activities at offline stores leveraging the consumer traffic from local communities, which are then broadcasted through online resources such as live-streaming, to guide consumers to our offline channels.

Forward-thinking market deployment and flexible and diversified marketing strategies to expand our customer base

While consistently maintaining an unswerving focus on the core consumer groups of tea products in China, we noticed early on the growing passion for tea consumption among other groups, such as young consumers and female consumers, and have been actively developing and selling products that meet their preferences in terms of design and taste. For example, we launched the Xiaozhenzhu Series which offers high quality Tieguanyin at affordable pricing, which allowed allows consumers to try Tieguanyin at lower prices and, as the next step, to become potential customers for our premium Tieguanyin tea leaf products such as the Saizhenzhu Series. We also launched quality products under our middle-end and basic consumption sub-brand, Wanshanhong, aiming to provide consumers with tea drinking experiences and tea leaf products that had brand identity and appealing design at relatively low pricing, targeting young consumers and female consumers looking for diverse flavors and high cost-effectiveness in products. To enable more novice tea drinkers to find products appealing to their individualized needs, we also designed diversified types of tea products beyond the traditional pure tea leaf products, including herbal tea, cold brew tea, small compressed tea brick (小方片) and small jar (小罐) tea leaves. We believe these efforts will attract more female consumers and young consumers to purchase our high quality products with affordable pricing, and gradually turn them into our long-term consumers purchasing products with various price ranges.

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We also actively conduct marketing activities both online and offline through innovative marketing initiatives. We explore new offline marketing channels to enhance our marketing plan in premium areas street-facing stores and office buildings. We also publish digitalized marketing content on social media platforms such as Weibo, Douyin and Xiaohongshu. Such digitalized marketing content includes, among others, brand stories, promotion of products, tea talk with celebrities and tea culture introduction. We collaborate with celebrities and KOLs to enhance our brand exposure and sales revenue through innovative promotional activities. We host various activities periodically for tea culture exchange. As of June 30, 2025, we had successfully held our global tasting tours in over 30 countries, including the United States, the United Kingdom and France. We also pursue crossover collaboration involving renowned brand names. For example, during the Mid-Autumn Festival season in 2022, we launched a series of activities together with China National Geography and Douyin E-commerce Super Brand Day with the subject of “Exploration of Tea in China, and Experiencing Scent in Mid-Autumn Festival (茶探中國, 香遇中秋)”. The relevant short videos on Douyin generated approximately 230 million views during the Mid-Autumn Festival season in 2022. During the Mid-Autumn Festival season in 2023, we launched “Bama × Gansu Dunhuang Museum” live-streaming activity on Douyin, which was a tea talk event with the theme of “Inheriting the Culture through a Tea Tourney of Thousands of Miles (茶行萬里,共續傳承)”. This event reached over 350 million viewers during the Mid-Autumn Festival season in 2023.

We believe our marketing strategies and initiatives were effective in cultivating and expanding our diversified consumer base. Our Bama brand is the most recognized brand by young consumers and female consumers among the top five brands in terms of sales revenue of tea leaves in each of China’s tea leaf market and China’s premium tea leaf market in 2023.

Robust and efficient business operation supported by high level of digitalization, standardization and stable supply chain

High Level of Digitalization

We have a high level of digitalization in our operations. We have constructed an integrated information technology system to digitalize our corporate decisions, management, business and operation, by connecting the data flow in key aspects of our operation, including procurement, research and development, production, logistics, channels and finance. We are one of the very few companies in China’s tea industry that has constructed the secondary nodes for the industrial internet identification analysis system (工業互聯網標識解析二級節點) of tea leaves refinement. Driven by our strengths in operation and technology, we have created a standardized, credible and traceable service system for our consumers.

In terms of our production, we use big data, IoT, cloud services and other technologies to create a visualized, intelligent and digital “intelligent tea garden + intelligent factory + intelligent storage” complex, which enables the intelligent monitoring of pest control in the tea plantation, real-time tracking of regional meteorological changes, and continuous observation of soil conditions. Our intelligent complex has been selected as a 2021 IoT Demonstration Project (2021年物聯網示範項目) by the MIIT. On the management side, we have integrated our

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operation data covering research and development, production, supply and sales. In addition, we continue to use digitalization to empower the management of our membership program and marketing to fuel our consumer insights and precision marketing. Our membership base continues to expand, with the number of our members exceeding 26.0 million as of the Latest Practicable Date.

Comprehensive Standardization

We implemented standardized measures and requirements in the key aspects of our operation, including production, procurement, warehousing, logistics and store management. For example, we formulated the Management Handbook for Quality, Environment and Food Safety (《質量-環境-食品安全管理手冊》) for our staff as guidelines on standardized working procedures and requirements to ensure product quality and safety. These efforts allow us to expand our sales network rapidly, while maintaining the quality of our products and consistent customer services to our consumers.

Efficient and Stable Supply Chain

The high degree of digitalization and standardization of our supply chain equipped us with strong supply chain management ability. Specifically:

- *Procurement:* We seek to procure top-notch raw materials and finished products from the places of origins of such tea leaves. During the Track Record Period, we procured tea leaves from numerous major tea plantation regions and areas in China, which enables us to maintain the high quality of our products from the origin of supplies.
- *Production:* We have established production bases in Anxi County and Wuyishan City in Fujian Province, which are equipped with technologies that enabled the relevant production lines to achieve high level of automation in the production. Our seventh generation intelligent production line at the Wuyishan Production Base (the “Seventh Generation Intelligent Production Line”) is a digital and informationized production line for Wuyi Yan Cha. Our sixth-generation production line at the Anxi Production Base has been awarded the Grand Prize of China Tea Science and Technology Innovation Competition (中國茶科技創新大賽特等獎), among others.
- *Warehousing and logistics:* Our warehousing and logistics layout covers our sales across China. Our warehouses are equipped with advanced facilities, including intelligent temperature and humidity control systems and cold storage facilities, which allow us to meet the storage conditions of tea leaves. In particular, our Xinjihao Pu’er tea intelligent warehousing system is able to control the temperature and humidity, and monitor the environment data remotely on real-time basis for 24 hours every day. We are able to maintain reasonable turnover rates of our inventories. For the product categories such as green tea leaf products and fragrant type (清香型) Tieguanyin tea leaf products, which generally have more strict

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requirements on freshness as compared to other product categories, we aim to maintain faster turnover rates. For the product categories such as dark tea and white tea, whose value may increase after years of storage, we may strategically maintain extra storage. We launched AGV and PTL lighting system, which improves the automation level of our warehousing operations. We have built a digital supply chain platform, which integrated information technology systems such as SCM, WMS, MES and OMS. The adoption of these technologies and systems enables us to manage and coordinate various aspects of our supply chain operations, including supplier management, procurement planning, procurement source tracing, assessment of procurement and collection of business and finance data.

Empowered by our experienced and visionary management, corporate culture, and highly qualified professional team

We are led by a management team with outstanding strategic vision, commitment to promoting Chinese tea culture and abundant experience in the tea industry. Our founder and Chairman, Mr. Wang Wenli, has a deep understanding of and keen insights into the development of the tea industry and tea companies in China. He is a representative inheritor of the National Intangible Cultural Heritage Project of Oolong Tea Production Techniques (Tieguanyin). His contribution to China’s tea industry and success as an entrepreneur were recognized in the form of industry awards and professional recognitions including, among others, Talent of Science and Technology Innovation in the Innovative Talent Promotion Program (創新人才推進計劃科技創新創業人才) and Fujian Province Outstanding Entrepreneur (福建省優秀企業家). Our management consists of talents who accumulated years of industry experience in China’s tea industry and/or corporate management experience through serving in management positions in renowned companies. These tea industry talents and professional elites are equipped with abundant professional knowledge, progressive management concepts, visionary corporate operation strategies and strong corporate management abilities. Our Directors and senior management had an average of approximately 15 years of relevant industry experience, with an average age of 40.

Under the leadership of this management team, we adhere to our corporate mission to introduce to people around the world the wellbeing and joy brought by tea, follow our corporate value (企業價值觀) of “Integrity, Altruism and Genuine Craftmanship (正、利他、真本事)” which echoes with the spirit of Chinese tea, and advocate the “family culture (家文化)” and “quality culture (品質文化)” of our Group to guide our employees to bring love, trust and commitment to their work. Our corporate mission, value and culture constructed a distinctive corporate culture recognized by our employees, which we believe forged their loyalty and cohesion to our Group, serving as a foundation for our long-term development.

We believe a group of highly qualified, capable, young and energetic employees serve as the cornerstone of our development. We have cultivated an outstanding research and development team for tea leaves, and an experienced and professional sales team. We explore multi-layered human resources strategies towards different types of talents, and constantly optimize plans on incentives, training and promotion for employees to motivate them and help

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them grow professionally. We provide training to our staff and franchisees through our online training platform, Fortune Creation Academy (創富學院), and established training bases (實訓基地), to offer training to improve their skills. We had established 25 training bases as of the Latest Practicable Date.

OUR BUSINESS STRATEGIES

As a provider of a full range of tea products with an omni-channel sales network and cross-region operations, we intend to continue to abide by our corporate mission and values, provide high-quality tea leaf products, open high-quality stores and actively pursue technological innovations and digitalization. We plan to expand our store coverage to include more cities and more areas within cities, improve the integrated brand value of our brand and sub-brands, and gradually achieve our long-term goal of becoming the leading tea company in the world. To achieve these goals, we intend to pursue the following business strategies:

Continue to expand our production capabilities and enhance our supply chain management

Production

In the next three to five years, we aim to establish a number of additional tea processing facilities integrating intelligence, digitalization and informationization in the major tea production regions across China are dedicated to achieve independent production of all six major raw tea leaf categories, leveraging our founders’ family heritage of close to 300 years of tea-processing and the advantages we have in supply chain management and our production techniques. We plan to steadily increase our production capacity, optimize our cost structure to increase operational efficiency and lead the tea industry towards modernized production.

Specifically, we plan to upgrade and expand production facilities at our existing Wuyishan production base and Anxi production base to significantly increase the production capacity of high-quality Oolong tea, black tea, and white tea, establish a new production line in Yunnan Province to focus on the production of high quality Pu’er tea, and build a new production line in Zhejiang Province to focus on the production of high-quality green tea.

We plan to incorporate the core processing techniques of the six major tea leaf categories into our production lines, and continuously improve and innovate to enhance the quality of our products. In addition to our efforts of carrying forward our distinctive tea-making techniques, we will also focus on technological innovation to build an intelligent and modernized production and management system. Each production line will gradually achieve automation of the whole process — from raw material input to refining and processing, packaging, boxing and tiling of tea leaves. We aim to maintain the high standard of clean production through our intelligent de-contamination technology. At the same time, we will accurately control and trace the whole tea production process through digitization from picking to processing and from packaging to warehousing, to ensure the purity, safety, hygiene, and consistent quality for the tea leaf products delivered to our customers.

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Procurement

We will continue to secure the stable supply of tea leaves that can meet our quality standards for raw materials from qualified suppliers, leveraging our brand reputation and bargaining power. For instance, we will continue to increase bulk procurement from major suppliers, thereby reducing procurement costs resulting from piecemeal procurement and improving the overall quality control of our raw materials. We strive to establish long-term and strategic cooperation with high-quality suppliers to further improve the quality of our procured tea leaves.

Warehousing and Logistics

We plan to further enhance our warehousing capabilities building upon our existing warehousing and logistics facilities in Anxi City, Shenzhen City, Wuyishan City and Zhengzhou City operated by us or third parties, thereby arranging delivery of products to our offline stores and consumers in a more cost-effective manner to support our businesses across China. We also plan to continue to improve the intelligent level of our warehouses by adopting more advanced technologies and facilities.

Further expand and optimize our offline store network and develop online sales channels

We plan to further expand and optimize our sales network in terms of both online and offline channels to enhance our industry position and further improve our profitability.

We plan to expand and optimize our offline channels to expand our store coverage in multiple areas to include more cities and more areas within cities. Specifically:

- *Expansion of offline stores and further penetration into the markets leveraging existing advantages:* We believe there remain vast market opportunities in offline channels in the tea industry in China, as offline stores offer tasting opportunities, direct experience with products and in-person social interaction which cannot be replaced by other sales channels. Leveraging our extensive experience in the operation of offline stores and sophisticated site location selection expertise, we plan to (i) open more high-quality offline stores and flagship stores in regions where we have built local advantages, such as Southern China and Eastern China, train store employees to enhance their operations and instill our brand culture in them, thereby improving the consumer experience and our brand influence; and (ii) further enhance our operations nationwide, open new flagships stores in regions where we have not yet opened stores, increase our penetration in cities of various tiers in China, gradually achieve our overall plan to have more stores in more cities. We currently plan to gradually open a total of 1,500 offline stores in the next three years.

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- *Optimization of offline stores and build “Urban Living Room (城市會客廳)”*: We plan to continue to upgrade our self-operated offline and make them suitable for business meetings with their elegant ambiance and private setting. We will also encourage and guide our franchisees to complete similar upgrades at franchised stores. We intend to build our offline stores into “Urban Living Room” in the eyes of consumers with the immersive tea culture experience we offer and the high-quality and comfortable space we provide for business meetings and social interaction. We believe this tea culture experience will also help drive the sales of products at our offline stores. To increase the revenue of offline stores and consumer stickiness, we will continue to guide consumer traffic from online channels to our offline stores through online marketing activities.
- *Overseas expansion*: We plan to expand our offline channels to overseas markets. We believe that there is significant potential in overseas markets for tea products. We intend to begin our trial expansion in Southeast Asia and selected countries along the One Belt One Road, and seek opportunities to expand into European and American markets.
- *Strategic investment and acquisition*: We intend to pursue selected targets for strategic investment or acquisitions, in particular targets that have synergies with us in product offerings or geographical coverage and can increase our production ability, market share and competitiveness.

We plan to further develop our online channels and launch more popular products. Specifically:

- *Launch popular products targeting consumers*: In response to the habits and preferences of consumers, we plan to develop high-quality and top-selling products with appealing aesthetics and innovative, personalized features designed to cater to a broad market distribution.
- *Improve membership program*: We plan to increase the number of members, increase members’ loyalty to us through differentiated product and service offerings, increase the repeat purchase rate of our members, and optimize our online sales revenue structure.
- *Strengthen online channel development*: We plan to continue to devote efforts to promote our stable development on well-established e-commerce platforms, strengthen in-depth collaboration with strategic partners in e-commerce, increase our exposure in social media platforms, create and disseminate digitalized content on social media platforms, improve our ability to conduct live-streaming activities through our inhouse teams, and accurately advertise our products to our major target consumers through social media platforms.

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Further broaden our product portfolio and provide consumers with more diversified tea consumption experience

Leveraging our insights into market trends and consumer preferences, our ability to offer full-range tea leaf products, and our operations encompassing the full industry chain, we intend to further optimize and broaden our product portfolio to provide more diversified, convenient and stylish tea drinking experiences to our consumers. Specifically:

- *Tea leaf products:* We plan to continue to (i) increase our market share in different tea leaf products; and (ii) diversify our product portfolio by launching more products with different price ranges and target consumers. Specifically, we plan to further solidify our position in the premium tea leaf market through designing more premium tea leaf products with the potential to become top-selling products. We also plan to launch more cost-effective products to meet the demands of novice tea drinkers, especially young consumers and female consumers. We will focus our resources on launching more “star products” as popular as our Saizhenzhu Series. We plan to continue to develop and improve our existing products targeting these consumers, such as products under our Wanshanhong sub-brand. We plan to build our Wanshanhong sub-brand into a representative brand of tea leaf products targeting mass market consumers. We also plan to launch more reprocessed tea leaf products, such as herbal tea, cold-brew tea and compressed tea, and help our reprocessed tea leaf products gain market acceptance and popularity.
- *Instant tea beverages:* Leveraging our brand value and advantages in supply chain and tea-making techniques, we plan to continue to develop more tea beverage products made from tea leaves and create tea beverage products with our Bama brand characteristics. We also plan to expand the sales network of our existing tea beverage product, Bama Chuncha, with the expectation that it will become an additional growth driver of our Group.
- *Other tea-related products:* We plan to develop more tea ware suitable for different occasions, and more tea snacks that are healthy, tasty and unique. We plan to enhance our technological innovations in our product development to further explore the possibilities of deep processing and comprehensive utilization of tea leaves. To this end, we plan to develop tea-related products, such as dietary supplements with tea extracts.

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Continue to implement our multi-brand strategy and tailor our marketing efforts to address consumer needs

Strengthen our core brand and actively explore more sub-brands. We plan to continue to enhance our brand marketing by adopting a multi-brand strategy. We intend to continue to solidify our Bama brand image as a representative brand for “Premium Chinese Tea” through, among others, improving our product quality, optimizing customer services and strengthening brand promotion, thereby promoting consumers’ emotional attachment and loyalty to our Bama brand. In addition to our existing sub-brands Wanshanhong and Xinjihao, we plan to leverage our professional expertise and expand our portfolio of sub-brands to attract more diversified consumer groups. Specifically, we plan to cover a wider price range, serve more consumer groups and cater to more tea drinking scenarios under different sub-brands. We aim to build a robust brand portfolio consisting of our Bama brand and multiple strong sub-brands, and create synergy among our brands.

Further increase interactions with consumers and brand promotion across all sales channels. We plan to strengthen our interaction with consumers in our marketing initiatives to promote their emotional attachment to our brands and products. To gain insights into consumer demands, we intend to utilize our data analysis resources to analyze the data and information garnered from the market. In addition, we plan to make more efforts in our online and offline marketing activities and create more effective marketing contents. For example, we intend to continue to host offline marketing events, and strengthen our brand IP activities such as Bama Tea Talk and Tea Culture Festival (茶文化節) to directly interact with consumers and media. We also plan to explore more innovative marketing initiatives that can reach consumers effectively, such as crossover collaboration and co-branded products. We intend to utilize the marketing resources of celebrities and media to improve our brand recognition.

Promote Chinese tea culture through international events. We intend to continue to strengthen our overseas marketing and promotional activities. In addition, we intend to continue to seek opportunities to serve as the tea caterer for important international events, such as the global tasting tours, where we can showcase the image of Chinese tea to the world. We also plan to continue to host more global tasting tours around the world. We believe these events will contribute to the popularity of Chinese tea in the world, and help strengthen the image of our Bama brand as a brand representing “No. 1 sales revenue among Premium Chinese Tea (高端中國茶全國銷量第一)”.

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Continue to improve our operational efficiency through upgrading our information technology systems

Accurate insights into consumer demands. We plan to utilize customer-end digitalized tools to directly interact with consumers, thereby collecting data and information about consumers more accurately and effectively. We believe the data and information collected from such direct interaction will help improve our understanding of consumer demands, thereby enhancing our operational efficiency and consumers’ experiences. We seek to analyze the consumer data and use our resources to meet consumers’ differentiated demands both in terms of product offerings and our operational process.

Upgraded digitalization of operation. We plan to further improve the digitalization level of key aspects of our operation, including research and development, production, procurement and sales, to build a more integrated information technology system. In particular, we plan to construct the QMS and TQM to further improve our quality control ability.

Construction of a digital command center. We plan to construct a digital command center which integrates information technology systems involving various back-end aspects of our Group, including business operation, finance, taxation, legal compliance and data security. We will also accelerate the construction of our cloud data sharing platform, where the data from our procurement, sales, inventories, production and research and development teams shall be shared and analyzed, to improve our management of operations.

Attract more talents and enhance team vitality to drive the continuous and healthy development of our business

Attracting talents. Adhering to our aspiration of building a long-lasting enterprise, we plan to take various initiatives to introduce talents into our Group leveraging our advantage in China’s tea industry and our sincerity in retaining talents. We seek to attract industry elites and cross-industry talents to build a high-quality talent pool.

Enhancing team vitality. We plan to build a team revolving around the implementation of corporate development strategies. To this end, we plan to align the corporate development strategies with various levels of organizations within our Group, allocation of power and obligation and the standards on talent selection and promotion. We will also continue to improve our incentive mechanisms with market competitiveness and motivational effect for our employees. We plan to continue to improve our employee development approaches emphasizing the needs of individual employees based on their seniority and job functions, thereby providing clear development paths for our employees and the relevant support.

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OUR BRANDS AND PRODUCTS

Overview

Our core brand, Bama, covers a full-range product portfolio consisting of all six major types of tea leaves in China. Our Xinjihao sub-brand, focuses on offering premium aged Pu’er tea (高端年份普洱茶), and our Wanshanhong focuses on offering products that cater to young consumers and female consumers looking for diverse flavors with high quality and affordable pricing. Our Bama brand has been recognized as a “Well-known Trademark of the PRC” since 2010 by the Trademark Office of the State Administration for Industry and Commerce of the PRC, and our Xinjihao sub-brand has been recognized as a China Time-honored Brand since 2024 by, MOFCOM, the Ministry of Culture and Tourism, State Administration for Market Regulation, China National Intellectual Property Administration and National Cultural Heritage Administration. Our brand and sub-brands have strengthened our brand effect and boost our recognition by consumers continuously. The table below sets forth a brief introduction of our brand and sub-brands as of the Latest Practicable Date:

Brand/Sub-brand	Launch Time	Main Product Categories	Target Consumers	Sales and Marketing Modes	Typical Price Range ⁽¹⁾
	1997	Full-range tea leaves, tea ware and tea snacks	Commercial professionals and other tea leaf consumers with strong purchase power	Omni-channel sales and marketing covering online and offline channels	Tea-leaf products: RMB727 to RMB240,000 per kg Tea ware: RMB98 to RMB60,000 per unit Tea snacks: RMB88 to RMB499 per unit
	2019	Premium aged Pu’er tea	Sophisticated tea consumers and Pu’er tea lovers	Omni-channel sales and marketing covering online and offline channels	Tea-leaf products: RMB807 to RMB224,087 per kg Tea ware: RMB120 to RMB1,680 per unit

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Brand/Sub-brand	Launch Time	Main Product Categories	Target Consumers	Sales and Marketing Modes	Typical Price Range ⁽¹⁾
	2024	Black tea with various flavors, flavored tea and substitute tea products ⁽²⁾	Young consumers and female consumers looking for diverse flavors and high cost-effectiveness in products	Sales and marketing mainly on online channels	Tea-leaf products: RMB840 to RMB2,200 per kg

Notes:

- (1) The typical suggested retail price ranges of our Major Products during the Track Record Period.
- (2) Substitute tea products refer to beverages that are made in a manner similar to that of tea from edible raw materials such as leaf buds, flowers, fruits, roots and stems.

During the Track Record Period and as of the Latest Practicable Date, our product portfolio mainly consists of (i) tea leaf products, which mainly include Oolong tea, black tea, dark tea, white tea and green tea; (ii) tea ware, which mainly includes teapots, teacups and other utensils for making tea; and (iii) tea snacks, which mainly include nuts, dried fruit and dried meat. During the Track Record Period and as of the Latest Practicable Date, we also offered other tea leaf products such as yellow tea, tea combination set and reprocessed tea, and other non-tea-leaf products such as tea beverages, incense sticks and tea toys.

The following table sets forth a breakdown of our revenue by product for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,					
	2022		2023		2024		2024		2025			
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Sales of Tea-leaf Products												
• Oolong tea	577,259	31.8	637,161	30.0	640,910	29.9	315,641	28.4	305,177	28.7		
– Among which:												
Tieguanyin	307,415	16.9	311,437	14.7	285,806	13.3	150,562	13.6	136,851	12.9		
– Among which:												
Wuyi Yan Cha	249,160	13.7	295,465	13.9	321,709	15.0	147,842	13.3	153,943	14.5		
• Black tea	264,797	14.6	336,393	15.9	416,148	19.4	207,331	18.7	204,707	19.3		
• Dark tea	223,658	12.3	294,489	13.9	231,938	10.8	108,395	9.8	103,629	9.7		
– Among which:												
Pu'er	221,803	12.2	292,204	13.8	229,569	10.7	107,433	9.7	102,037	9.6		

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	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
• Green tea.	110,271	6.1	122,008	5.7	127,460	5.9	109,204	9.8	106,032	10.0
• White tea.	227,946	12.5	271,396	12.8	222,247	10.4	112,018	10.1	85,522	8.0
• Tea combination set ⁽¹⁾ . .	93,802	5.2	135,597	6.4	176,135	8.2	109,773	9.9	112,023	10.5
• Other tea leaves ⁽²⁾	73,819	4.0	85,480	4.0	86,193	4.0	33,640	3.0	41,728	4.0
Subtotal	1,571,552	86.5	1,882,524	88.7	1,901,031	88.6	996,002	89.7	958,818	90.2
Sales of Non-tea-leaf Products										
Sales of tea ware	101,819	5.6	115,296	5.4	130,507	6.1	60,929	5.5	61,447	5.7
Sales of tea snacks	94,937	5.2	95,338	4.5	81,206	3.8	35,291	3.2	28,329	2.7
Sales of other products ⁽³⁾	38,563	2.1	23,307	1.1	23,873	1.1	14,372	1.3	10,481	1.0
Subtotal	235,319	12.9	233,941	11.0	235,586	11.0	110,592	10.0	100,257	9.4
Other Revenue										
Gross rentals from investment properties	1,014	0.1	1,153	0.1	1,216	0.1	595	0.1	558	0.1
Others ⁽⁴⁾	9,655	0.5	4,687	0.2	5,426	0.3	2,612	0.2	3,561	0.3
Subtotal	10,669	0.6	5,840	0.3	6,642	0.4	3,207	0.3	4,119	0.4
Total	1,817,540	100.0	2,122,305	100.0	2,143,259	100.0	1,109,801	100.0	1,063,194	100.0

Notes:

- (1) Tea combination set refers to a set of tea leaf products consisting of two or more types of tea leaves.
- (2) Other tea leaves include, among others, yellow tea and reprocessed tea.
- (3) Other products primarily include liquor manufactured by third parties and derivative products such as tea beverages, incense sticks and tea toys.
- (4) Others primarily include the revenue generated from the provision of tea lounge services and franchise fees from franchisees for the license to operate franchised stores under our brand. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025 the franchise fees amounted to RMB7.4 million, RMB0.5 million, RMB1.5 million, RMB0.5 million and RMB1.4 million, respectively. For reasons of the fluctuation of our franchise fees, please refer to “— Our Sales Network — Our Offline Channels — Franchising Mode — Contracts with Franchisees” in this section.

During the Track Record Period, a majority of our revenue was generated from the sales of premium tea leaves, which accounted for 77.9%, 82.7%, 82.0% and 83.2% of our total revenue, for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025 respectively.

BUSINESS

The following table sets forth the sales volume and average sales price by product category for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,
	2022		2023		2024		2025
	Sales Volume ⁽¹⁾	Average Sales Price ⁽²⁾	Sales Volume ⁽¹⁾	Average Sales Price ⁽²⁾	Sales Volume ⁽¹⁾	Average Sales Price ⁽²⁾	Sales Volume ⁽¹⁾
	kg/unit	RMB per kg/unit	kg/unit	RMB per kg/unit	kg/unit	RMB per kg/unit	kg/unit
Tea leaves ⁽³⁾	2,256,356	694	2,752,016	680	2,930,399	646	1,452,323
Tea ware	2,115,044	48	2,553,466	45	3,541,091	37	1,710,269
Tea snacks	1,825,579	52	1,887,556	51	1,810,554	45	668,901
Other products ⁽⁴⁾	1,888,544	20	1,521,888	15	1,849,730	13	916,809

Notes:

- (1) The sales volume is denominated in (a) kg for tea leaves; and (b) unit for tea ware, tea snacks and other products, covering, among others, sets, boxes and bags.
- (2) The average sales price is calculated by dividing the revenue generated from the relevant products by the respective sales volume. As our revenue from sales of products consists of direct sales to consumers, sales to franchisees and sales to e-commerce platforms, the average sales prices reflect both retail prices to consumers and wholesale prices to franchisees and e-commerce platforms.
- (3) For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, a small portion of our revenue of tea leaves, which amounted to RMB5.0 million, RMB9.8 million, RMB6.8 million and RMB3.3 million, respectively, was not generated from sales of finished tea-leaf products, primarily including (i) sales of packages, such as gift bags and gift boxes, used by consumers for packaging the tea leaf products; and (ii) sales of miscellaneous items facilitating the sales of tea leaf products at offline stores, such as price tags and display shelf, which were sold to franchisees. The calculation of sales volume and average sales price of tea leaves excluded the revenue and sales volume of these products because they were not finished products of tea leaves.
- (4) Other products primarily include liquor manufactured by third parties and derivative products such as tea beverages, incense sticks and tea toys.

BUSINESS

The average sales prices of tea leaves and tea ware decreased during the years ended December 31, 2022, 2023 and 2024, and the average sales price of tea snacks decreased from the year ended December 31, 2022 to the year ended December 31, 2023, mainly because the revenue generated from the sales of products with relatively lower retail prices increased, while the revenue generated from the sales of products with relatively higher retail prices decreased. We believe such increase and decrease were resulted from the decrease of revenue generated from self-operated offline stores as a result of the decrease of the number of self-operated offline stores, which generally had higher gross profit margin than that of sales to franchisees and sales through online channels. The average sales price of tea snacks decreased from the year ended December 31, 2023 to the year ended December 31, 2024, mainly because sale prices of our mooncake products decreased in general. We reduced our sale prices of mooncake products mainly due to reduced market demand. The average sales prices of tea leaves increased from the year ended December 31, 2024 to the six months ended June 30, 2025, mainly because we enhanced the marketing and promotion on certain black tea leaf and Oolong tea leaf products with relatively higher suggested retail prices in line with our business strategies, which resulted in the increase of sales of such products.

The following table sets forth the revenue, sales volume and average sales price of our products by brand and sub-brand for the periods indicated:

For the Year Ended December 31,									For the Six Months Ended June 30,			
2022			2023			2024			2025			
Revenue	Sales Volume ⁽¹⁾	Average Sales Price ⁽²⁾	Revenue	Sales Volume ⁽¹⁾	Average Sales Price ⁽²⁾	Revenue	Sales Volume ⁽¹⁾	Average Sales Price ⁽²⁾	Revenue	Sales Volume ⁽¹⁾	Average Sales Price ⁽²⁾	
RMB'000	kg/unit	RMB per kg/unit	RMB'000	kg/unit	RMB per kg/unit	RMB'000	kg/unit	RMB per kg/unit	RMB'000	kg/unit	RMB per kg/unit	
Bama												
Tea leaves ⁽³⁾	1,373,616	2,036,647	674	1,609,933	2,393,774	673	1,661,667	2,584,337	643	841,556	1,261,635	667
Non-tea-leaf products	232,149	5,799,543	40	230,317	5,929,399	39	220,285	6,781,568	32	96,372	3,132,978	31
Xinjihao												
Tea leaves ⁽³⁾	197,936	219,709	901	272,591	358,242	761	219,214	301,903	726	97,723	136,629	715
Non-tea-leaf products	3,170	29,624	107	3,624	33,512	108	13,963	287,876	49	3,341	101,232	33
Wanshanhong												
Tea leaves ⁽³⁾	—	—	—	—	—	—	20,150	44,159	456	19,539	54,059	361
Non-tea-leaf products	—	—	—	—	—	—	1,338	131,932	10	544	61,769	9

BUSINESS

Notes:

- (1) The sales volume is denominated in (a) kg for tea leaves; and (b) unit for non-tea-leaf products, covering, among others, sets, boxes and bags.
- (2) The average sales price is calculated by dividing the revenue generated from the relevant products by the respective sales volume. As our revenue from sales of products consists of direct sales to consumers, sales to franchisees and sales to e-commerce platforms, the average sales prices reflect both retail prices to consumers and wholesale prices to franchisees and e-commerce platforms.
- (3) For the years ended December 31, 2022, 2023 and 2024, and the six months ended June 30, 2025, a small portion of our revenue of tea leaves, which amounted to RMB5.0 million, RMB9.8 million, RMB6.8 million and RMB3.3 million, respectively, was not generated from sales of finished tea-leaf products, primarily including (i) sales of packages, such as gift bags and gift boxes, used by consumers for packaging the tea leaf products; and (ii) sales of miscellaneous items facilitating the sales of tea leaf products at offline stores, such as price tags and display shelf, which were sold to franchisees. The calculation of sales volume and average sales price of tea leaves excluded the revenue and sales volume of these products because they were not finished products of tea leaves.

Bama

Our core brand, Bama, is a well-known brand in China’s tea industry. Our Bama brand covers a wide range of tea leaves and other products. We have launched various renowned and popular products, including tea leaf products such as Saizhenzhu Series for Tieguanyin, Niuyi Series (牛一系列) for Wuyi Yan Cha, Dinghong Series (鼎紅系列) for black tea, Shijian Shaoyou Series (世間少有系列) for white tea and Mingzuo Series (茗作系列) for green tea, tea ware and tea snacks. We strive to build Bama into a benchmarking brand that leads the growth of China’s tea industry through continuously offering healthy, authentic and high-quality tea products, leveraging our advantages in omni-channel operation, brand value and supply chain management.

As of the Latest Practicable Date, under our Bama brand, we primarily offered (i) tea-leaf products, which primarily included Oolong tea, black tea, white tea and green tea; (ii) tea ware; and (iii) tea snacks.

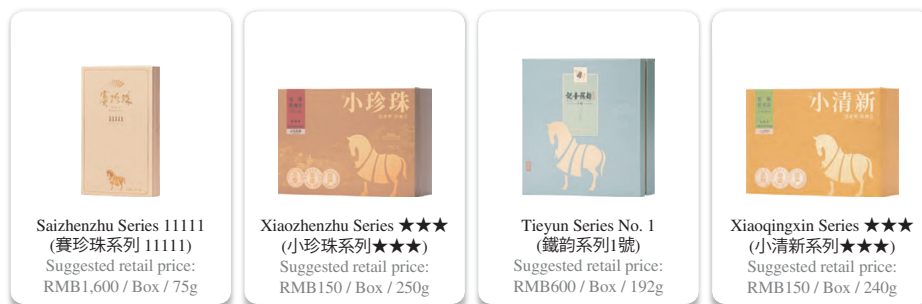
Oolong Tea

Oolong tea is the only semi-fermented tea among the six major tea leaves in China. Oolong tea leaves have a unique taste which combines the natural freshness of green tea and the rich sweetness of black tea. The production process of Oolong tea leaves is relatively complicated as compared with that of other tea leaf categories, consisting of multiple processes including, among others, picking, sun exposure, drying, tossing, fixation, kneading (rolling), blending and roasting. Based on the origins of the tea leaf raw materials, the Oolong tea leaves can be categorized into, among others, (i) Minnan (閩南) Oolong, with Tieguanyin being the representative type; (ii) Minbei (閩北) Oolong, with Wuyi Yan Cha being the representative type; and (iii) Guangdong Oolong, with Dancong (單叢) being the representative type. As of the Latest Practicable Date, our Oolong tea leaf products primarily included Tieguanyin and Wuyi Yan Cha.

BUSINESS

Our founder and chairman, Mr. Wang Wenli, was recognized as a representative inheritor of the National Intangible Cultural Heritage Project of Oolong Tea Production Techniques (Tieguanyin) in 2009. He is the 13th generation of his family with almost 300 years of tea-processing history for Tieguanyin. The tea-processing history of our founders’ family laid the foundation of our position in China’s tea leaf market, especially in the Tieguanyin segment. During the Track Record Period, all of our Tieguanyin tea leaf products were produced by ourselves, which can be mainly categorized into fragrant type (清香型) and strong flavor type (濃香型) based on their features of aroma, taste and production techniques. Among these Tieguanyin tea leaf products, the Saizhenzhu Series products, which were first launched in 2008 and belong to the strong flavor type Tieguanyin tea leaf products, stand out as our star products. The Saizhenzhu Series tea leaves are famous for their unique scent with three layers, namely, dry tea leaves spreading the scent of parches rice, tea soup spreading the sweet and fruity scent, and the taste spreading the scent of orchids, and the long-lasting aftertaste which still remains after seven rounds of brewing. Our other Tieguanyin tea leaf products, such as Xiaozhenzhu Series (小珍珠系列), Xiaoqingxin Series (小清新系列) and Tieyun Series (鐵韻系列), were also widely welcomed by consumers for their high quality.

The following diagram sets forth our major Tieguanyin tea leaf products offered under our Bama brand as of the Latest Practicable Date:



Note:

- (1) *The actual versions and prices of these products sold by us are subject to adjustment according to our sales and marketing strategies from time to time. The suggested retail price is the price at which we recommend our products be sold to consumers.*

Leveraging our advantages and experience accumulated for years in the Tieguanyin segment, we extended our product layout to cover Wuyi Yan Cha. During the Track Record Period, we launched various high-quality Wuyi Yan Cha products, which were primarily produced by ourselves. We launched various Wuyi Yan Cha products with unique scent and mellow flavor leveraging our grasp of ideal roasting temperature and time, such as Niuyi Series, Yanke Series (岩苛系列), Mashuo Series (馬說系列) and Ma Dao Cheng Gong Series (馬到成功系列). These products further improved our brand recognition among consumers.

BUSINESS

The following diagram sets forth our major Wuyi Yan Cha products offered under our Bama brand as of the Latest Practicable Date:



Note:

- (1) The actual versions and prices of these products sold by us are subject to adjustment according to our sales and marketing strategies from time to time. The suggested retail price is the price at which we recommend our products be sold to consumers.

Black Tea

Black tea is a type of fully fermented tea leaf with fermentation degree generally ranges from 70% to 95%. The taste of black tea leaves is generally mellow and sweet, with a long aftertaste. As of the Latest Practicable Date, our black tea leaf types primarily included Jinjunmei (金駿眉) and Zhenshan Xiaozhong (正山小種) sourced from Fujian Province, Dianhong (滇紅) sourced from Yunnan Province, Lichuan Black Tea (利川紅茶) sourced from Hubei Province and Keemun (祁門紅茶) sourced from Anhui Province. We primarily source Jinjunmei and Zhenshan Xiaozhong from Wuyishan City, one of the places of origin of black tea leaves. In addition, we launched various products catering to the tastes and preferences of consumers from different geographical regions, such as Dianhong under the Dinghong Series, Lichuan Black Tea under the Donghu Zhiguang Series (東湖之光系列) and Keemun under the Ma Dao Cheng Gong Series.

BUSINESS

The following diagram sets forth our major black tea leaf products offered under our Bama brand as of the Latest Practicable Date:



Note:

- (1) The actual versions and prices of these products sold by us are subject to adjustment according to our sales and marketing strategies from time to time. The suggested retail price is the price at which we recommend our products be sold to consumers.

White Tea

White tea is a major type of tea leaves with a low degree of fermentation. The key to the production of white tea leaf products is natural withering (萎凋) without stirring (炒) or kneading, which help preserve the substances of the tea leaves and create a mellow, sweet and refreshing flavor. As of the Latest Practicable Date, our white tea leaf types primarily included Shoumei (壽眉) and Bai Mudan (白牡丹). We have launched various white tea leaf products which were carefully crafted to appeal to consumers' tea drinking preferences. The production of our Laoshu Mudan Five Tea Cake Set (老樹牡丹五子餅) is supervised by two representative inheritors of the National Intangible Cultural Heritage Project, including our founder, Mr. Wang Wenli. Our Shijian Shaoyou Refreshing Laobaicha • Shoumei (世間少有冰涼感老白茶•壽眉) generally has multiple scents, including dried lychee, dried pineapple and dried plum, with a refreshing and sweet flavor.

BUSINESS

The following diagram sets forth our major white tea leaf products offered under our Bama brand as of the Latest Practicable Date:



Note:

- (1) The actual versions and prices of these products sold by us are subject to adjustment according to our sales and marketing strategies from time to time. The suggested retail price is the price at which we recommend our products be sold to consumers.

Green Tea

Green tea is a major type of non-fermented with a refreshing flavor. As of the Latest Practicable Date, our green tea leaf types primarily included Longjing, Queshe, Biluochun, and Enshi Yulu (恩施玉露). In 2024, we were recognized by the China Tea Industry Circulation Association as a Key Green Tea Enterprise (綠茶重點企業). We procure green tea leaves primarily from a major plantation region of Xihu Longjing, namely, Shifeng Shan in Longjing Village, Zhejiang Province, which helps ensure the quality of our green tea leaf products. The production of our Lilian Series • Xihu Longjing (歷煉系列 • 西湖龍井) is supervised by a representative inheritor of the National Intangible Cultural Heritage Project of Xihu Longjing Harvesting and Production (國家級非物質文化遺產西湖龍井採摘和製作技藝傳承人). The raw materials of our Mingzuo Series are sourced from core plantation area of green tea leaves in China, including, among others, Hangzhou City in Zhejiang Province for Longjing and Pujiang County in Sichuan Province for Queshe. Our Donghu Zhiguang Series • Enshi Yulu (東湖之光系列 • 恩施玉露) was selected as the tea served at Donghu Tea Meeting (東湖茶叙), which was an informal meeting between top leaders of China and India held in 2018.

BUSINESS

The following diagram sets forth our major green tea leaf products offered under our Bama brand as of the Latest Practicable Date:



Note:

- (1) The actual versions and prices of these products sold by us are subject to adjustment according to our sales and marketing strategies from time to time. The suggested retail price is the price at which we recommend our products be sold to consumers.

Other Tea Leaf Products

In addition to above representative tea leaf products, we constantly explore the evolving demands of online and offline consumers to offer other tea leaf products, including, among others, tea combination sets with festival themes and features offered through online channels, herbal tea with multiple flavors and substitute tea products. These tea leaf products diversified our product portfolio. The following diagram sets forth our major other tea leaf products offered under our Bama brand as of the Latest Practicable Date:



Note:

- (1) The actual versions and prices of these products sold by us are subject to adjustment according to our sales and marketing strategies from time to time. The suggested retail price is the price at which we recommend our products be sold to consumers.

BUSINESS

Tea Ware

As of the Latest Practicable Date, we offered various teapots, teacups and other tea-making utensils. We strive to offer tea ware that combines practical value and aesthetic value. Our Donghu Zhiguang Tea Ware Set of 18 (東湖之光十八頭茶具套組) was used at Donghu Tea Meeting, an informal meeting between top leaders of China and India held in 2018. Its design was inspired by the Chinese Jingchu (荊楚) culture, with reference to oriental aesthetic elements such as the nine phoenixes (九鳳神鳥) and the decorations on the chimes (編鐘紋飾). In 2022, we launched the Titanium Crystal series of tea ware, which is lightweight, corrosion-resistant and durable, with the aim of serving the repetitive brewing (燜泡) needs of consumers to preserve the original flavor of tea soup. Our Minglyu (茗侶) tea broiling pot serves the tea broiling needs of consumers.

The following diagram sets forth our major tea ware offered under our Bama brand as of the Latest Practicable Date:



Note:

- (1) *The actual versions and prices of these products sold by us are subject to adjustment according to our sales and marketing strategies from time to time. The suggested retail price is the price at which we recommend our products be sold to consumers.*

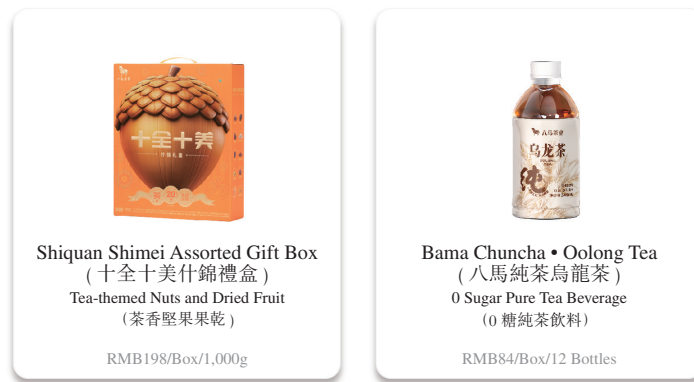
Tea Snacks and Other Products

Our tea snacks can be classified into (i) tea-made snacks (茶製零食), which are tea flavor snacks with tea as an ingredient; and (ii) tea-serving snacks (佐茶零食), which are various snacks that are typically enjoyed while drinking tea. As of the Latest Practicable Date, we offered various tea-made snacks and tea-serving snacks under our Bama brand, such as nuts, dried fruit and dried meat.

In addition, leveraging our access to tea leaves from the core production areas of tea leaves such as Anxi County, Wuyishan City and Shifengshan in Longjing Village, as well as our brand value, we are expanding our product offerings in the tea beverage market. As at the Latest Practicable Date, we have launched Bama Chuncha, which are bottled tea beverage products produced using cold brew technology. Our Bama Chuncha products adopt technologies including low-temperature extraction and sterile cold-filling to preserve the unique flavor and sweet and mellow taste of the original tea leaves.

BUSINESS

The following diagram sets forth our major tea snacks and tea beverages offered under our Bama brand as of the Latest Practicable Date:



Note:

- (1) The actual versions and prices of these products sold by us are subject to adjustment according to our sales and marketing strategies from time to time. The suggested retail price is the price at which we recommend our products be sold to consumers.

Xinjihao – Pu’er Tea

Overview

Dark tea is the only post-fermented tea among the six major tea leaves in China, which is fermented by through the unique stacking process (渥堆工藝), resulting in a unique and mellow flavor. As of the Latest Practicable Date, our dark tea leaf types primarily included Pu’er tea, which are mainly offered under our Xinjihao sub-brand.

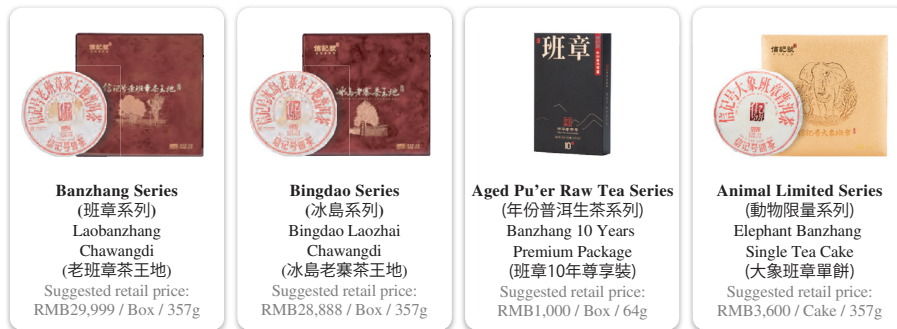
Under our Xinjihao sub-brand, we focus on exploring and offering premium aged Pu’er tea. Our Xinjihao sub-brand originated from “Xinji Chahang (信記茶行)”, a historically honored brand in China created by our founders’ family. We strive to build our Xinjihao sub-brand into a globally recognized brand of Pu’er tea through continuously offering high-quality products made from the selected Pu’er tea raw materials in the core production area of Pu’er in Yunnan Province, such as Banzhang Series, Bingdao Series and Aged Pu’er Raw Tea Series (年份普洱生茶系列). To this end, we established three product strategies under Xinjihao sub-brand, namely, resources of rare, old and high-quality tea trees (珍稀古樹資源), traditional tea-making techniques (古法製茶技藝) and key warehousing technologies (關鍵倉儲技術), which guide our procurement and warehousing of Pu’er tea leaves. We maintained rights to source finished products made from tea leaves harvested from certain tea trees in the core Pu’er tea production area in Yunnan Province, including (i) Laobanzhang Chawang Tree (老班章茶王樹) in Banzhang Village for five consecutive years from 2021 to 2025, and (ii) Bingdao Wuzhai Chawang Tree (冰島五寨茶王樹) in Bingdao Village for six consecutive years from 2020 to 2025, which are well-known rare tea trees with hundreds of years of history.

BUSINESS

Such rights are set out in the relevant procurement agreements and/or collaboration agreements with the relevant parties. Specifically:

- **Banzhang:** We entered into the cooperation agreements with the authorized user of a parcel of land named Mina (米那地塊) (“Mina Parcel”) and/or the procurement agreements with a third-party manufacturer from 2021 to 2025 for sourcing (i) the rough tea leaves, including those harvested from Laobanzhang Chawang Tree; and (ii) the finished products made from these tea leaves. Pursuant to these agreements, (i) the authorized user of Mina Parcel shall supply to us or the third-party manufacturer the rough tea leaves harvested from the tea trees grown at Mina Parcel with an annual volume of 800 to 900 kilograms (subject to the actual harvest volume of the year) (“Laobanzhang Tea Leaves”), subject to the actual yield of these tea trees; and (ii) the third-party manufacturer shall produce finished products on an OEM basis according to our specifications, including using the Laobanzhang Tea Leaves.
- **Bingdao:** We entered into the cooperation agreements and procurement agreements with the exclusive contracted operator (獨家承包經營人) engaged by the owners of the certain tea trees in Bingdao Village (“Bingdao Tea Trees”) from 2020 to 2025 for sourcing (i) the rough tea leaves, including those harvested from Bingdao Wuzhai Chawang Tree; and (ii) the finished products made from these tea leaves. Pursuant to these agreements, this exclusive contracted operator shall produce finished products on an OEM basis according to our specifications, including using the rough tea leaves harvested from Bingdao Tea Trees. We do not set limit on the volume of tea leaves to be harvested from Bingdao Tea Trees for producing the finished products for us.

The following diagram sets forth our major products under our Xinjihao sub-brand as of the Latest Practicable Date:



Note:

- (1) The actual versions and prices of these products sold by us are subject to adjustment according to our sales and marketing strategies from time to time. The suggested retail price is the price at which we recommend our products be sold to consumers.

BUSINESS

Aged Pu’er Tea (年份普洱茶)

In China’s tea leaf industry, Pu’er tea is generally classified into two categories based on its aging characteristics: (i) new Pu’er tea, which refer to tea leaves that were aged for less than five years from the harvest of tea leaves; and (ii) aged Pu’er tea, which refer to tea leaves that were aged for more than five years from the harvest of tea leaves. Aged Pu’er tea is further classified by storage duration, including (i) early-stage aged tea leaves, which were aged for 5 to 10 years; (ii) mid-stage aged tea leaves, which were aged for 10 to 20 years; and (iii) old tea leaves, which were aged for over 20 years. For further details, including the analysis of the prices of the aged Pu’er tea, please refer to “Industry Overview — The Tea Leaf Market in China — Overview” in this document.

The following table sets forth the price appreciation for certain of our major Pu’er tea leaf products over years of preservation:

	Launch year	Suggested retail price during the launch year	Suggested retail price during the year after the launch year	Suggested retail price during the second year after the launch year
Laobanzhang				
Chawangdi				
(2022) ⁽¹⁾	2022	RMB29,999/Box/357g	RMB59,999/Box/357g	RMB69,999/Box/357g
Bingdao Laozhai				
Chawangdi				
(2022) ⁽¹⁾	2022	RMB28,888/Box/357g	RMB58,888/Box/357g	RMB68,888/Box/357g
Elephant				
Banzhang Five				
Tea Cake				
(2022) ⁽¹⁾	2022	RMB11,000/Pile of five/357g each	RMB14,000/Pile of five/357g each	RMB18,000/Pile of five/357g each
Peacock				
Banzhang Five				
Tea Cakes				
(2021) ⁽¹⁾	2021	RMB14,000/Pile of five/357g each	RMB18,000/Pile of five/357g each	RMB22,500/Pile of five/357g each

Notes:

- (1) The years at the end of the names of the products refer to the years when the tea leaf raw materials for these products were harvested.
- (2) Typically, the extended aging process of Pu’er tea leaves enhances their smoothness and deepens their aroma. We adjust the prices of our Pu’er tea leaf products taking into account of, among others, features of the products (including the aging period taken) and the market conditions.

BUSINESS

Inventory Management of Pu’er Tea

During the Track Record Period, we preserved certain amount of Pu’er tea leaves for aging to improve their value to facilitate future sales. In determining whether and which Pu’er tea leaves should be preserved, we take into account of factors including, among others, (i) market demand and consumer preferences. To appeal to the different preferences of consumers, we strive to launch products with diversified features, including Pu’er tea leaf products with different periods of aging. In addition, we may preserve additional Pu’er tea leaf products for aging if our management believes that the current market tends to prefer Pu’er tea leaves with longer period of aging; (ii) fluctuations of procurement prices. For instance, we may procure relatively larger amount of new Pu’er tea leaves if their procurement prices dropped in order to lower our costs, and preserve them for aging to facilitate future sales of aged Pu’er tea leaves; and (iii) features of Pu’er tea leaves and our inventory management strategies. The aging feature of Pu’er tea leaves gives rise to the possibility of long-term preservation and the necessity of preserving certain amount of Pu’er tea leaves to facilitate future sales or launch of new products, especially Pu’er tea leaves that are rare and/or highly valuable. As a result, we intentionally preserve certain amount of Pu’er tea leaves in our inventories to respond to the evolving market.

The following table sets forth a breakdown of our revenue generated from sales of Pu’er tea leaf products by instant sales and future sales:

	For the Year Ended December 31,			For the Six Months Ended June 30,
	2022	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000
Instant sales ⁽¹⁾	130,006	151,595	173,287	93,869
Future sales ⁽²⁾	91,797	140,609	56,282	8,168
Total	221,803	292,204	229,569	102,037

Notes:

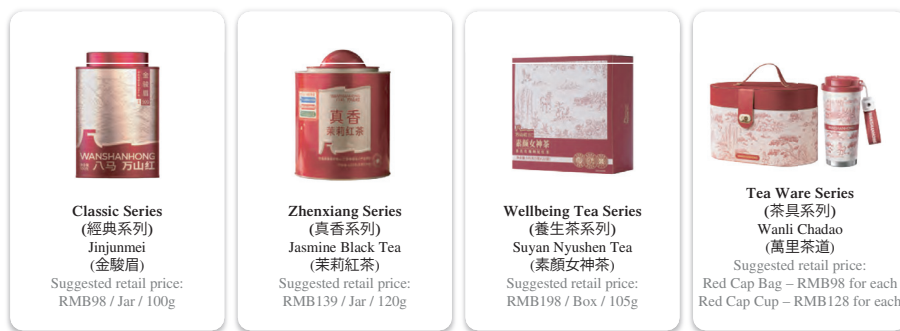
- (1) Include the revenue generated from the sales of the Pu’er tea leaves that were sold in the same year of procurement.
- (2) Include the revenue generated from the sales of the Pu’er tea leaves that were sold after the year of procurement.

BUSINESS

Wanshanhong

Wanshanhong sub-brand was launched by us in 2024 to cater to the young consumers and female consumers looking for diverse flavors and high cost-effectiveness in products. Our Wanshanhong sub-brand targets the mass market, with an aim to provide a wide group of consumers with tea drinking experiences and tea leaf products that had brand identity and appealing design at relatively low pricing. We launched diversified categories of products under our Wanshanhong sub-brand, including black tea with various flavors, flavored tea and substitute tea products.

The following diagram sets forth our major products under our Wanshanhong sub-brand as of the Latest Practicable Date:



Note:

- (1) The actual versions and prices of these products sold by us are subject to adjustment according to our sales and marketing strategies from time to time. The suggested retail price is the price at which we recommend our products be sold to consumers.

Tea Lounge Services

We offer tea lounge services (茶飲包廂服務) to consumers at our self-operated offline stores. We strive to offer elegant and comfortable social interaction spaces at our self-operated offline stores, and guide our franchisees to offer such spaces at franchised stores through combining the Chinese traditional culture and modern aesthetic value in our store design, as well as providing professional tea drinking services. We believe these efforts also help improve our brand image, increase customers’ loyalty and drive the sales of our products. For details of our tea lounge services, please refer to “— Our Sales Network — Our Offline Channels — Offline Self-operation Mode” in this section.

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OUR SALES NETWORK

Overview

We sell our products through both offline channels and online channels. As of the Latest Practicable Date, our offline sales network covered major large and mid-sized cities in all of the provinces in mainland China, and our online sales channels covered all major e-commerce platforms in China. During the Track Record Period, we primarily sold our products through the following channels: (i) self-operated offline stores, where we directly sold products to consumers; (ii) franchisees, which procured products from us and sold our products to consumers at the franchised stores operated and managed by them; (iii) self-operated online stores, where we directly sold products to consumers; and (iv) e-commerce platforms, which procured products from us and sold them to consumers.

The following table sets forth a breakdown of our revenue by sales channel for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Sales of Products										
Offline channels	1,312,777	72.2	1,493,716	70.4	1,443,776	67.4	721,105	64.9	683,181	64.2
• Direct sales through self-operated offline stores . .	401,047	22.0	421,106	19.8	353,583	16.5	188,746	17.0	160,724	15.1
• Sales to franchisees ⁽¹⁾	911,730	50.2	1,072,610	50.6	1,090,193	50.9	532,359	47.9	522,457	49.1
Sales of Products										
Online channels	494,094	27.2	622,749	29.3	692,841	32.2	385,489	34.8	375,894	35.4
• Direct sales through self-operated online stores . .	387,210	21.3	454,251	21.4	509,189	23.6	285,898	25.8	282,643	26.6
• Direct sales to e-commerce platforms	106,884	5.9	168,498	7.9	183,652	8.6	99,591	9.0	93,251	8.8
Other Revenue										
Gross rentals from investment properties	1,014	0.1	1,153	0.1	1,216	0.1	595	0.1	558	0.1
Others ⁽²⁾	9,655	0.5	4,687	0.2	5,426	0.3	2,612	0.2	3,561	0.3
Total	1,817,540	100.0	2,122,305	100.0	2,143,259	100.0	1,109,801	100.0	1,063,194	100.0

Notes:

- (1) Represents our sales to whom we entered into agreements for distribution of our products, including (i) directly licensed franchisees; and (ii) regionally licensed franchisees.

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- (2) Primarily includes the revenue generated from the provision of tea lounge services and franchise fees from franchisees for the license to operate franchised stores under our brand. For the years ended December 31, 2022, 2023 and 2024, the franchise fees amounted to RMB7.4 million, RMB0.5 million and RMB1.5 million, respectively. For the six months ended June 30, 2024 and 2025, the franchise fees amounted to RMB0.5 million and RMB1.4 million, respectively. For reasons of the fluctuation of our franchise fees, please refer to “— Our Sales Network — Our Offline Channels — Franchising Mode — Contracts with Franchisees” in this section.

Our Offline Channels

Overview

As of the Latest Practicable Date, we had a total of 3,633 offline stores, including self-operated offline stores and franchised stores, covering 297 cities in all provinces in mainland China. As of the same date, we had 396 offline stores in first-tier cities, 755 offline stores in new first-tier cities, 1,039 offline stores in second-tier cities and 1,443 offline stores in third-tier and other cities. Our offline stores densely covered economically advanced regions such as Southern China and Eastern China, to capture the growth opportunities in these regions.

As of December 31, 2022, 2023 and 2024 and June 30, 2025, our offline stores amounted to 2,931, 3,370, 3,504 and 3,585, respectively. The following table sets forth our offline stores as of the dates indicated:

	As of December 31,			As of June 30,
	2022	2023	2024	2025
Eastern China	1,034	1,197	1,263	1,295
Northern China	542	627	629	629
Southern China	502	513	512	524
Central China	362	416	433	433
Northwestern China	239	294	310	328
Southwestern China	153	189	208	219
Northeastern China	99	134	149	157
Total ⁽¹⁾	<u>2,931</u>	<u>3,370</u>	<u>3,504</u>	<u>3,585</u>

Note:

- (1) None of our offline stores were located in Hong Kong Special Administrative Region, Macau Special Administrative Region or Taiwan as of the dates indicated.

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The following table sets forth our revenue generated from sales of products through offline channels by geographic regions for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Eastern China	552,971	42.1	636,056	42.6	638,063	44.3	317,508	44.1	306,296	44.8
Northern China	190,619	14.5	214,221	14.3	196,840	13.6	96,188	13.3	94,195	13.8
Southern China	292,042	22.2	309,060	20.7	290,897	20.1	146,175	20.3	130,102	19.0
Central China	121,449	9.3	142,451	9.5	128,205	8.9	67,690	9.4	61,186	9.0
Northwestern China	75,241	5.7	94,202	6.3	90,057	6.2	43,543	6.0	44,919	6.6
Southwestern China	47,886	3.6	55,917	3.7	58,329	4.0	30,715	4.3	26,332	3.9
Northeastern China	32,569	2.5	41,809	2.8	41,170	2.9	19,071	2.6	20,151	2.9
Others ⁽¹⁾	—	—	—	—	215	*	215	*	—	—
Total revenue generated from sales of products through offline channels ⁽²⁾⁽³⁾	<u>1,312,777</u>	<u>100.0</u>	<u>1,493,716</u>	<u>100.0</u>	<u>1,443,776</u>	<u>100.0</u>	<u>721,105</u>	<u>100.0</u>	<u>683,181</u>	<u>100.0</u>

Notes:

* Less than 0.1

- (1) For the year ended December 31, 2024, we sold a small amount of our products to a customer located in Thailand. Others are mainly the revenue from this customer.
- (2) None of our offline stores were located in Hong Kong Special Administrative Region, Macau Special Administrative Region or Taiwan as of the dates indicated.
- (3) Offline sales revenue from self-operated offline stores is calculated based on the area where the self-operated offline stores are located; offline sales revenue from franchisees is calculated based on the area where the franchisees are located.

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The operation modes of the offline stores include (i) self-operation mode, under which we operate our self-operated offline stores to directly sell the products to consumers; and (ii) franchising mode, under which we involve franchisees to operate franchised stores, which procure products from us and sell them to consumers at these stores. During the Track Record Period and up to the Latest Practicable Date, all of our self-operated offline stores and franchised stores are specialty stores which only sold our products. The following table sets forth a breakdown of our offline stores by self-operated offline stores and franchised stores in China and their changes during the periods indicated:

	For the Year Ended December 31,			For the Six Months Ended June 30,
	2022	2023	2024	2025
Self-operated offline stores				
Number at the beginning of the period	410	352	316	249
Change of number of stores	(58)	(36)	(67)	(5)
At the end of the period	352	316	249	244
Franchised stores of directly licensed franchisees				
Number at the beginning of the period	1,182	1,388	1,653	1,658
Change of number of stores	206	265	5	11
At the end of the period	1,388	1,653	1,658	1,669
Franchised stores of regionally licensed franchisees⁽¹⁾				
Number at the beginning of the period	1,021	1,191	1,401	1,597
Change of number of stores	170	210	196	75
At the end of the period	1,191	1,401	1,597	1,672
Total offline stores at the end of the period	2,931	3,370	3,504	3,585

Note:

- (1) The franchised stores of regionally licensed franchisees include the stores operated by themselves and the stores operated by third parties under their supervision.

BUSINESS

The number of our self-operated offline stores decreased during the Track Record Period, primarily because we strategically closed certain self-operated offline stores or converted them into franchised stores. This was because our management decided to focus on operating large self-operated offline stores as flagship stores to demonstrate our brand image more effectively. Consequently, we decided to shut down some self-operated stores where our continued self-operation of such stores was not in line with such development strategy, or convert them into franchised stores.

The number of our franchised stores increased during the Track Record Period, primarily due to (i) our active expansion of store coverage through franchised stores, thereby rapidly expanding our market share and enhancing our brand influence; (ii) certain self-operated offline stores were converted into franchised stores for the reasons as mentioned above; and (iii) the increase in the number of franchisees. We believe that increasingly more franchisees are willing to cooperate with us, mainly due to the improvement of our brand value, the success of our store operation model and the strong operational support and franchisee training programs we provide.

As of the Latest Practicable Date, the number of our offline stores was 3,633, consisting of 241 self-operated offline stores, 1,698 franchised stores of directly licensed franchisees and 1,694 franchised stores of regionally licensed franchisees, respectively.

The following table sets forth our revenue generated from sales of products through offline channels by self-operated offline stores and franchised stores for periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Self-operated offline stores . . .	401,047	30.5	421,106	28.2	353,583	24.5	188,746	26.2	160,724	23.5
Franchised stores	911,730	69.5	1,072,610	71.8	1,090,193	75.5	532,359	73.8	522,457	76.5
Total revenue generated from sales of products through offline channels	<u>1,312,777</u>	<u>100.0</u>	<u>1,493,716</u>	<u>100.0</u>	<u>1,443,776</u>	<u>100.0</u>	<u>721,105</u>	<u>100.0</u>	<u>683,181</u>	<u>100.0</u>

BUSINESS

The following table sets forth the growth or decrease of the GMV of our self-operated offline stores under continuous operation for the periods indicated:

	For the Year Ended December 31, 2023 as Compared to the Year Ended December 31, 2022 ⁽¹⁾	For the Year Ended December 31, 2024 as Compared to the Year Ended December 31, 2023 ⁽²⁾	For the Six Months Ended June 30, 2025 as Compared to the Six Months Ended June 30, 2024 ⁽³⁾
	%	%	%
Self-operated offline stores	8.3	(11.2) ⁽⁴⁾	(9.9) ⁽⁴⁾

Notes:

- (1) We define the offline stores under continuous operation for the calculation of this comparison as the stores under continuous operation from January 1, 2022 to December 31, 2023. Based on this definition, there were 285 such self-operated offline stores.
- (2) We define the offline stores under continuous operation for the calculation of this comparison as the stores under continuous operation from January 1, 2023 to December 31, 2024. Based on this definition, there were 226 such self-operated offline stores.
- (3) We define the offline stores under continuous operation for the calculation of this comparison as the stores under continuous operation from January 1, 2024 to June 30, 2025. Based on this definition, there were 226 such self-operated offline stores.
- (4) The GMV of the self-operated offline stores under continuous operation decreased primarily due to the downturn trend of offline channels mainly resulted from the impact of the growth of online shopping and consumers’ increasing habit of online shopping in China, which negatively affected offline shopping. According to Frost & Sullivan, such impact is common in China’s tea leaf industry during the year ended December 31, 2024 and the six months ended June 30, 2025.

Offline Stores with Bama Features

We operate our offline stores and guide our franchisees to operate the offline stores following the principle of “offering heartwarming products and operating heartwarming tea stores”. We continuously innovate our store operation strategies, and have formulated a strategy where we plan to turn our offline stores into what we term as the “Urban Living Room”, essentially devising them to function as multi-faceted stores that combine both the tea purchasing and tea drinking functions. In these spaces, consumers have the opportunity to taste tea, purchase tea, partake in business meetings and encouraging social interactions. Our aim is to provide a level of customer service that is both considerate and attentive, in the hope of creating an ambiance akin to that found in the comfort of one’s living room.

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- *Tea purchase:* We understand and value consumers’ tea purchase demands. We formulated an operation guide covering the pre-sale, sales and aftersales procedures of our store staff, which illustrates detailed routines on the sales of tea to help guide their sales activities, thereby improving the tea purchase experiences of our consumers. With respect to the design of the stores, we strive to combine Chinese aesthetic values with modern trends, taking into account the reasonable coordination of internal displays, with an aim to provide consumers a smooth and comfortable shopping experience. We have a dedicated in-house team to continuously upgrade the design of our offline stores, including the store decoration and the standards on product display. We believe that a unified store design applied in all our offline stores will help immerse consumers in the traditional Chinese tea culture and an elegant tea-tasting space, thereby reinforcing our brand image and improving consumers’ brand loyalty.
- *Tea drinking:* We understand and value consumers’ demands in tea drinking experiences. We upgraded our store design with an aim of providing consumers with an immersive tea culture experience and a high-class and comfortable space for business and social interactions at our offline stores. We also formulated standardized service routines, namely, the Eight Steps of Services, to guide store staff to offer considerate and attentive services to consumers. The Eight Steps of Services cover every stage of a consumer’s shopping experiences at our offline stores, including welcoming the customers (迎賓), tea serving (奉茶), invitation for tea tasting (邀請品鑑), professional introduction of products (專業介紹), satisfactory marketing (滿意營銷), sending off the customers (真誠送客), team experience sharing (團隊分享) and periodic follow-up calls or messages (定期回訪). We set up tea lounges at many offline stores, which are generally equipped with professional tea sommeliers (茶藝師) to provide tea lounge services to consumers.

BUSINESS

The following pictures illustrate the store front and interior decoration of our eighth-generation offline stores:

Store Front



Interior



BUSINESS



To standardize the operation of our offline stores, we provide training to our staff and franchisees through our online training platform, Fortune Creation Academy to keep them updated with the latest service routines, thereby providing consistently attentive services to our consumers. We have also established multiple training bases to offer training on skills for staff at the offline stores, which aim at standardizing and improving the ability of customer services and store operation of our offline stores. Such training courses are accessible to all the staff at our self-operated offline stores and franchised stores. As of the Latest Practicable Date, we had established 25 training bases in 25 different cities in China.

Offline Self-operation Mode

Under the self-operation mode, we sell our products directly to consumers at our self-operated offline stores. We believe our direct interaction with consumers through on-site sales personnel enables us to receive first-hand feedback from consumers, thereby timely adjusting our product strategies and research and development directions in response to the latest market demands. We strive to build our self-operated offline stores into representative stores that set industry benchmarks in the global tea industry, and therefore have benchmark-level requirements for our self-operated offline stores in terms of locations, operation, decoration, staff training and marketing activities. We select store locations that we believe can better reach these consumers. We aim to allow more consumers to purchase our high-quality products conveniently.

BUSINESS

Our self-operated offline stores consist of standalone stores (獨立門店) and affiliated counters (聯營門店). The standalone stores are independent stores that are typically located at commercial centers and transportation hubs with appealing store decoration and design. The affiliated counters are located in shopping malls and supermarkets, which give them access to the large volume of consumer traffic in these shopping malls and supermarkets. The following table sets forth details of the operation of our standalone stores and affiliated counters:

	Standalone Stores	Affiliated Counters
Counterparties.	Property owners	Shopping malls or supermarkets
Types of agreements. . .	Lease agreements	Cooperative operation agreements
Terms of agreements . .	Usually three years or above	Usually one year or above
Rents and settlement . .	The rents typically consist of (i) a fixed rent as specified under the relevant lease agreements; or (ii) a percentage of the monthly revenue generated by the stores. We typically collect the payment from consumers ourselves at the stores, and separately pay the rent to the property owners.	The rents are typically determined based on the percentage of the monthly revenue generated by the stores. Payments from the sales of our products at the stores are typically collected by the shopping malls and supermarkets on behalf of us before transferring to us the portion of the monthly sales proceeds we are entitled to receive under the agreements (i.e., the sales revenue after deducting the rents and other fees and expenses, if any).
Deposits	We may be required to pay deposits to the property owners, which are refundable after the termination of the agreements.	We may be required to pay deposits to the shopping malls or supermarkets, which are refundable after the termination of the agreements.
Other fees	We may also be required to pay a maintenance fee, utilities and other applicable expenses generated by the operation of these stores.	We may also be required to pay a maintenance fee, utilities and other applicable expenses generated by the operation of these stores.

For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, the value of the products returned at the self-operated offline stores accounted for 0.2%, 0.2%, 0.2% and 0.3%, respectively, of our total revenue.

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We offer tea lounge services to consumers at our self-operated offline stores. We are dedicated to building our offline stores into commercial and social interaction spaces for our consumers to which our tea lounge services form significant parts. We generally require the employees providing such services at our self-operated offline stores to obtain qualifications as tea sommeliers to improve the tea drinking experience of our consumers. In addition, we combine the Chinese traditional culture with modern aesthetic values in the interior design of our tea lounges to appeal to our consumers and boost our Bama brand image.

The following picture illustrates our tea lounge services:



Franchising Mode

Overview

Under the franchising mode, we guide the franchisees to operate the franchised stores, and the franchisees purchase products from us and sell them to consumers at their franchised stores. For the years ended December 31, 2022, 2023 and 2024, and the six months ended June 30, 2025, revenue generated from sales to franchisees represented 50.2%, 50.6%, 50.9% and 49.1% of our total revenue, respectively. As of December 31, 2022, 2023 and 2024, and June 30, 2025, we had 1,033, 1,202, 1,252 and 1,228 franchisees, respectively. As of the Latest Practicable Date, we had 1,246 franchisees. As of the Latest Practicable Date, the number of franchisees which operated over 100, 50 and 10 franchised stores amounted to three, nine and 44, respectively. We adopt the franchising mode in our business because we believe it is key to our rapid expansion of sales network and contributes to our business development. Selling products through franchisees is a common practice in the tea leaf industry. We recognize sales revenue when the products are delivered to and accepted by franchisees at the locations specified in the purchase orders. During the Track Record Period and up to the Latest Practicable Date, we had not provided any financial assistance to any of our franchisees for any purpose.

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Our franchisees can be classified into (i) directly licensed franchisees (直接特許加盟商), to which we directly grant the right to sell our products to consumers at designated store(s) only; and (ii) regionally licensed franchisees (區域複合特許加盟商), to which we grant the right to sell our products in designated geographic region(s). For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, the revenue generated from our sales to directly licensed franchisees amounted to RMB502.1 million, RMB588.5 million, RMB594.5 million and RMB275.8 million, representing 27.6%, 27.7%, 27.7% and 25.9% of our total revenue, respectively. For the same periods, the revenue generated from our sales to regionally licensed franchisees amounted to RMB409.4 million, RMB484.1 million, RMB495.7 million and RMB246.6 million, representing 22.5%, 22.8%, 23.1% and 23.2% of our total revenue, respectively.

The following table sets forth the changes in the number of our franchisees for the periods indicated:

	For the Year Ended December 31,			For the Six Months Ended June 30,
	2022	2023	2024	2025
Directly licensed franchisees				
Number at the beginning of the period	881	984	1,151	1,175
Increase	180	261	157	43
Decrease	(77)	(94)	(133)	(66)
At the end of the period	984	1,151	1,175	1,152
Regionally licensed franchisees				
Number at the beginning of the period	46	49	51	77
Increase	3	2	26	5
Decrease	—	—	—	(6)
At the end of the period	49	51	77	76

Notes:

- (1) The increase of franchisees represented the number of new franchisees which opened their first franchised stores and placed the first order with us during the period.
- (2) The decrease of franchisees represented the number of terminated franchisees with which our franchise agreements were terminated or not renewed, and it closed the account for the last franchised store during the period. During the Track Record Period, the decreases in franchisees primarily consist of franchisees with which our Group’s franchise agreements were not renewed, mainly due to the commercial decisions made by our franchisees or us.

BUSINESS

The number of our franchisees increased for the years ended December 31, 2022, 2023 and 2024, primarily because more franchisees chose to cooperate with us due to, among others, the continuous improvement of our brand value and strong support to franchisees and franchised stores. The number of our franchisees decreased during the six months ended June 30, 2025, primarily because (i) we took a more cautious approach in our invitation of collaboration with franchisees in light of our assessment of the offline market conditions and our business strategies, which led to higher standards on new franchisee candidates; and (ii) we terminated business relationships with certain franchisees with unsatisfactory performances.

As of the Latest Practicable Date, the number of our franchisees was 1,246, consisting of 1,170 directly licensed franchisees and 76 regionally licensed franchisees, respectively.

For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, revenue generated from our five largest franchisees by revenue contribution in each period during the Track Record Period amounted to RMB181.6 million, RMB213.6 million, RMB199.3 million and RMB91.4 million, respectively. The following table sets forth the details of our five largest franchisees in each period during the Track Record Period:

For the Year Ended December 31, 2022

Rank	Franchisee	Main Types of Products Sold	Year of Commencement of Business Relationship	Number of Stores Operated as of the End of the Year	Location and Background	Amount of Revenue	As Percentage of our Total Revenue
						RMB'000	%
1.	Wuhan Zheshuiwan Trading Development Co., Ltd (武漢浙水灣商貿發展有限公司)	Tea leaves, tea ware and tea snacks	2010	159	A limited liability company located in Hubei Province, the PRC	53,915	3.0
2.	Henan Ruizhiming Trading Co., Ltd (河南瑞之茗商貿有限公司)	Tea leaves, tea ware and tea snacks	2007	104	A limited liability company located in Henan Province, the PRC	36,876	2.0
3.	Xi'an Jiadeng Xiangzhiqin Trading Co., Ltd (西安嘉登祥之秦商貿有限公司)	Tea leaves, tea ware and tea snacks	2009	98	A limited liability company located in Shaanxi Province, the PRC	35,043	1.9

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Rank	Franchisee	Main Types of Products Sold	Year of Commencement of Business Relationship	Number of Stores Operated as of the End of the Year	Location and Background	Amount of Revenue	As Percentage of our Total Revenue
						<i>RMB'000</i>	<i>%</i>
4. . .	Fujian Fengling Tea Co., Ltd (福建鳳翎茶業有限公司)	Tea leaves, tea ware and tea snacks	2010	61	A limited liability company located in Fujian Province, the PRC	30,912	1.7
5. . .	Shanxi Huachatang Trading Co., Ltd (山西華茶堂商貿有限公司)	Tea leaves, tea ware and tea snacks	Before 2011	71	A limited liability company located in Shanxi Province, the PRC	24,814	1.4
Total.						<u>181,560</u>	<u>10.0</u>

For the Year Ended December 31, 2023

Rank	Franchisee	Main Types of Products Sold	Year of Commencement of Business Relationship	Number of Stores Operated as of the End of the Year	Location and Background	Amount of Revenue	As Percentage of our Total Revenue
						<i>RMB'000</i>	<i>%</i>
1. . .	Wuhan Zheshuiwan Trading Development Co., Ltd (武漢浙水灣商貿發展有限公司)	Tea leaves, tea ware and tea snacks	2010	174	A limited liability company located in Hubei Province, the PRC	58,569	2.8
2. . .	Henan Ruizhiming Trading Co., Ltd (河南瑞之茗商貿有限公司)	Tea leaves, tea ware and tea snacks	2007	121	A limited liability company located in Henan Province, the PRC	48,500	2.3
3. . .	Fujian Fengling Tea Co., Ltd (福建鳳翎茶業有限公司)	Tea leaves, tea ware and tea snacks	2010	69	A limited liability company located in Fujian Province, the PRC	43,725	2.1
4. . .	Xi'an Jiadeng Xiangzhiqin Trading Co., Ltd (西安嘉登祥之秦商貿有限公司)	Tea leaves, tea ware and tea snacks	2009	115	A limited liability company located in Shaanxi Province, the PRC	39,301	1.9

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Rank	Franchisee	Main Types of Products Sold	Year of Commencement of Business Relationship	Number of Stores Operated as of the End of the Year	Location and Background	Amount of Revenue	As Percentage of our Total Revenue
						<i>RMB'000</i>	<i>%</i>
5 . .	Hebei Zhenqitang Tea Leaf Trading Co., Ltd. (河北振淇堂茶葉貿易有限公司)	Tea leaves, tea ware and tea snacks	2019	96	A limited liability company located in Hebei Province, the PRC	23,503	1.1
Total.						<u>213,598</u>	<u>10.1</u>

For the Year Ended December 31, 2024

Rank	Franchisee	Main Types of Products Sold	Year of Commencement of Business Relationship	Number of Stores Operated as of the End of the Year	Location and Background	Amount of Revenue	As Percentage of our Total Revenue
						<i>RMB'000</i>	<i>%</i>
1 . .	Wuhan Zheshuiwan Trading Development Co., Ltd (武漢浙水灣商貿發展有限公司)	Tea leaves, tea ware and tea snacks	2010	168	A limited liability company located in Hubei Province, the PRC	50,788	2.4
2 . .	Fujian Fengling Tea Co., Ltd (福建鳳翎茶業有限公司)	Tea leaves, tea ware and tea snacks	2010	83	A limited liability company located in Fujian Province, the PRC	45,774	2.1
3 . .	Henan Ruizhiming Trading Co., Ltd (河南瑞之茗商貿有限公司)	Tea leaves, tea ware and tea snacks	2007	129	A limited liability company located in Henan Province, the PRC	44,012	2.1
4 . .	Xi'an Jiadeng Xiangzhiqin Trading Co., Ltd (西安嘉登祥之秦商貿有限公司)	Tea leaves, tea ware and tea snacks	2009	114	A limited liability company located in Shaanxi Province, the PRC	36,307	1.7

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Rank	Franchisee	Main Types of Products Sold	Year of Commencement of Business Relationship	Number of Stores Operated as of the End of the Year	Location and Background	Amount of Revenue	As Percentage of our Total Revenue
						RMB'000	%
5 . .	Franchisee A	Tea leaves, tea ware and tea snacks	Before 2011	65	A limited liability company located in Shandong Province, the PRC	22,420	1.0
Total.						199,301	9.3

For the Six Months Ended June 30, 2025

Rank	Franchisee	Main Types of Products Sold	Year of Commencement of Business Relationship	Number of Stores Operated as of the End of the Year	Location and Background	Amount of Revenue	As Percentage of our Total Revenue
						RMB'000	%
1 . .	Wuhan Zheshuiwan Trading Development Co., Ltd (武漢浙水灣商貿發展有限公司)	Tea leaves, tea ware and tea snacks	2010	179	A limited liability company located in Hubei Province, the PRC	24,195	2.3
2 . .	Henan Ruizhiming Trading Co., Ltd (河南瑞之茗商貿有限公司)	Tea leaves, tea ware and tea snacks	2007	143	A limited liability company located in Henan Province, the PRC	21,863	2.1
3 . .	Fujian Fengling Tea Co., Ltd (福建鳳翎茶業有限公司)	Tea leaves, tea ware and tea snacks	2010	84	A limited liability company located in Fujian Province, the PRC	17,834	1.7
4 . .	Xi'an Jiadeng Xiangzhiqin Trading Co., Ltd (西安嘉登祥之秦商貿有限公司)	Tea leaves, tea ware and tea snacks	2009	125	A limited liability company located in Shaanxi Province, the PRC	16,836	1.6

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Rank	Franchisee	Main Types of Products Sold	Year of Commencement of Business Relationship	Number of Stores Operated as of the End of the Year	Location and Background	Amount of Revenue	As Percentage of our Total Revenue
						RMB'000	%
5 . .	Nanjing Jiuyunyuan Tea Co., Ltd. (南京久韻緣茶業有限公司)	Tea leaves, tea ware and tea snacks	2012	56	A limited liability company located in Jiangsu Province, the PRC	10,633	1.0
Total.						<u>91,361</u>	<u>8.7</u>

For further details of the franchisees which were our five largest customers by revenue contribution for each period during the Track Record Period, please refer to “— Customers” in this section.

We entered into supply framework agreements with Guangxi Jiuyun, Mr. Wu Qingtuan and Jiangxi Youyuan (the “Connected Franchisees”), which are our connected persons, pursuant to which our Company will supply tea leaves and other products to them and/or their controlled companies acting as our franchisees. For further details of these franchisees which are our connected persons, please refer to “Connected Transactions — Continuing Connected Transactions” in this document. Except for these franchisees, our Directors, having made all reasonable enquiries, confirmed that to the best of their knowledge and belief, all of our other franchisees were Independent Third Parties during the Track Record Period.

As of June 30, 2025, we had 93 franchisees which were our former employees, or were companies controlled by our former employees (the “Former Employee Franchisees”). As of the same date, the number of franchised stores operated by these Former Employee Franchisees amounted to 333. Two of the Former Employee Franchisees were controlled by our minority Shareholders, namely, Ms. Liao Yunjin and Ms. Zheng Liqu (鄭麗秋), as of the Latest Practicable Date, each of which held less than 0.05% of the Shares as of the same date. Ms. Liao Yunjin is also a Pre-[REDACTED] Investor. For details, please refer to “History and Corporate Structure — Pre-[REDACTED] Investments” in this document.

In addition, the controlling shareholder of Henan Ruizhiming Trading Co., Ltd (河南瑞之茗商貿有限公司) (together with the Former Employee Franchisees and Connected Franchisees, collectively the “Non-independent Franchisees”), which is one of our five largest customers during each period of the Track Record Period, is the spouse of one of our employees. For details, please refer to “— Customers” in this section.

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The following table sets forth details of the revenue, gross profit and gross profit margin of our sales to the Non-independent Franchisees and other franchisees for the periods indicated:

	For the Year Ended December 31,			For the Six Months Ended June 30,
	2022	2023	2024	2025
Non-independent Franchisees				
Revenue (RMB'000)	134,141	158,751	162,342	84,482
Gross profit (RMB'000)	57,770	68,316	75,384	37,012
Gross profit margin (%)	43.1	43.0	46.4	43.8
Other franchisees				
Revenue (RMB'000)	777,589	913,859	927,851	437,975
Gross profit (RMB'000)	341,218	387,903	425,859	193,768
Gross profit margin (%)	43.9	42.4	45.9	44.2

During the Track Record Period, our terms and conditions to transactions with the Non-independent Franchisees are the same with those with the independent franchisees in all material aspects, except for below terms and condition which were insignificant in terms of the impact on our revenue:

- (i) we generally categorize our franchisees into different levels based on their annual procurement amount, with the level 1 franchisees, namely, the highest level of franchisees whose procurement amount passed our specified threshold, enjoying the highest discounts for their procurement. For the years ended December 31, 2022 and 2023, we offered discounts to Former Employee Franchisees that were equivalent to those offered to our level 1 franchisees;
- (ii) for the year ended December 31, 2024, we adopted preferential sales rebate policy for new Former Employee Franchisees, under which (a) the former employees who became our franchisees before October 31, 2024 can receive the sales rebates with an amount of RMB100,000; (b) the former employees who became our franchisees from November 1, 2024 to December 31, 2024 can receive the sales rebates with an amount of RMB50,000; and (c) the new Former Employee Franchisees can receive sales rebates of RMB50,000 to RMB100,000 based on their procurement amount; and
- (iii) we adopted a policy to waive the franchise fees for the new Former Employee Franchisees, with the effect from May 2024.

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Product Return and Replacement Policies for Franchisees

Our relationship with our franchisees is a buyer and seller relationship, as franchisees typically acquire ownership of the products we deliver to them, and no return, exchange or refund is allowed except for limited circumstances, including the following:

- (i) Upon termination of our business relationship with the franchisees, we may allow them to sell the unsold products to us at a 20% discount of their original procurement prices, provided that (a) the unsold products were procured from us; (b) the unsold products and their packaging are non-defective and can be sold again; (c) the remaining shelf lives of the unsold products are more than six months; (d) the ancillary packages and/or gifts of the unsold products are also returned; and (e) the franchisees shall bear all the transportation fees for delivering the unsold products to us.
- (ii) For the first order placed by the franchisees with us, we may allow them to exchange the products with the value of not more than 25% of the total value of the order within 60 days from the date of delivery, provided that these products are non-defective tea leaves and are not green tea leaves.
- (iii) We may allow franchisees to return the defective products, provided that such defectiveness is not caused by the franchisees, such as their poor storage or preservation of the products. We will also indemnify the franchisees against the compensation paid by them to third parties, if any.
- (iv) We will allow franchisees to return the products if they are completely different from the ones specified in the purchase orders.

For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, the revenue attributed to the returned products from franchisees accounted for 0.2%, 0.3%, 0.3% and 0.4% of our total revenue, for the same periods, respectively.

Our product return and exchange policies for franchisees are in line with the industry practice.

Selection and Assessment of Franchisees

We have established strict standards and a comprehensive process for selecting franchisees. We have designated staff for reviewing the qualifications of franchisee candidates and conducting market research, based on which we will decide whether a franchisee candidate should be selected. In selecting potential franchisees, we primarily consider, among others, (i) their historical performance and operation scale; (ii) the ability for team management; (iii) the market influence and ability for market operation; (iv) knowledge and experience in the tea leaf industry and the retail industry; and (v) understanding and recognition of our corporate culture.

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We stringently review our business relationship with existing franchisees through an annual assessment. Besides taking into account major considerations of our selection mechanism for new franchisees, we also evaluate the performance of a franchisee by assessing its actual annual purchase amount with us. We may terminate our business relationship with exiting franchisees for, among others, breach of the franchise agreement, materially disrupting the suggested retail prices of our products, and failure to satisfy our selection standards on an on-going basis.

Management of Franchisees and Franchised Stores

We believe that effective management of our franchisees and the franchised stores is crucial to our success. We provide guidance to franchisees with respect to all the key aspects of the operation of the franchised stores through offering services, guidelines, support and training to franchisees, and learning their operation status through various approaches. The management of our franchisees is led by our comprehensive retail business team, which consisted of 14 regional teams covering all seven geographical regions of China as of June 30, 2025.

To build mutually beneficial cooperative relationships with our franchisees, we adopted multiple approaches to facilitate the growth of our franchisees, which help improve their loyalty to us, operation ability and scale. We believe these efforts will in turn promote the rapid and sustainable growth of our own businesses. Our management of franchisees and franchised stores primarily comprise the following:

- *Well-rounded operational guidance:* Our comprehensive retail business group provides well-rounded guidance to our franchisees covering all the aspects of their operation, including, among others, (i) investment introduction and expansion, which covers guidance on expanding their business scale; (ii) merchandise management, which covers modernizing and standardizing the management of inventories and sales of products; (iii) retail operation, which covers operation of their franchised stores; (iv) staff training, which covers training and recruiting store staff; (v) financial guidance, which covers efficient and modernized bookkeeping and financial management; and (vi) digital operation, which covers utilizing online channels to attract consumer traffic and conduct online marketing. We also assist our franchisees in analyzing the competitiveness of their stores, consumer demand, store conditions and their daily operation plans. We generally assign an operation manager to each franchisee. The operation managers are responsible for providing ongoing assistance and guidance to their respective franchisees. Franchisees may consult with their operations managers with respect to the day-to-day operation of their stores.

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- *Support on marketing and promotional activities:* We assist the franchisees to conduct marketing and promotional activities in their stores and/or regions, including, among others, brand image, promotion of products and consumer rewards activities. These marketing and promotional activities are conducted according to our overall marketing strategies to maintain a unified brand and product image. We may also organize cross-region, cross-province or nationwide marketing and promotional activities with multiple franchisees.
- *Retail management system:* We have established a digitalized retail management system, namely, MENDIANBAO System (門店寶系統), to standardize and modernize our store operation. This system is not only used at our self-operated offline stores, but also our franchised stores. It covers all the main aspects of the store operation, including, among others, payment collection, members’ information collection, recording sales data and inventory checking. Our franchisees are required to use this system at their franchised stores.
- *Inventory management:* Our franchisees are required to make purchase orders on our ordering website. We will provide our franchisees with the account numbers and passwords for our ordering website after we enter into the franchise agreements with them. On this website, they are able to conveniently view all our available products and selling prices, order the desired amount of products and directly make payments, subsequent to which we shall arrange the delivery of products to them. For further details of our inventory management, please refer to “— Warehousing, Inventory Management and Logistics — Inventory Management” in this section.
- *Standardized operation:* We formulated standard operation procedures (the “SOP”) based on our 20 years of store operation and management experience, and strive to train the franchisees to follow this SOP. The SOP covers operation guidance for, among others, store opening and operation, daily responsibilities of different staff, customer service, team building and membership management. To ensure standardized store design and customer services among our offline stores, (i) our designated staff periodically visits the offline stores, including the franchised stores; (ii) we require the franchisees to report the store operation and service status to us periodically; and (iii) our franchisees generally have contractual obligations under the franchise agreements to follow our unified requirements in connection with the store operation.

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- Training:** We provide various online and offline training programs to our franchisees. We launched an online training platform, Fortune Creation Academy (創富學院), in early 2020 for our franchisees to efficiently and effectively receive training on, among others, SOPs, consumer demands, introduction of our brands and products, services and sales routine. We also invite the sales personnel of the franchisees to visit our headquarter and tea plantation bases to gain onsite knowledge of our Group and our brands and products. The following diagrams demonstrate the interfaces of our online training platform, Fortune Creation Academy.



The Fortune Creation Academy is a training platform, which was operated by a third party from whom we procured platform operation services solely for providing training to our franchisees and internal staff during the Track Record Period. The Fortune Creation Academy has never been opened to public, and has never issued any certificates recognized by any governmental authorities to anyone who has completed such training. In the light of the above, as advised by our PRC Legal Advisor, we are not required to acquire any license for the operation of the Fortune Creation Academy under the applicable PRC laws.

Our regionally licensed franchisees are entitled to operating the franchised stores by themselves, or onselling the products they procured from us to third parties engaged by them, which shall in turn sell the products to consumers at the franchised stores operated by these third parties. We do not enter into agreements with these third parties or enter into transactions with them. These third parties directly procure the products from our regionally licensed franchisees. Under our agreements with regionally licensed franchisees, the regionally licensed franchisees shall supervise the operation of these third parties through, among others,

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providing training to them, guiding them to conduct the promotional and marketing activities, reviewing the qualifications of them and entering into written agreements with them to set out their contractual obligations. We do not allow these third parties to further delegate the operation of the relevant franchised stores to others. In addition, we require every franchised store, including those operated by these third parties, to use our MENDIANBAO System. We are able to monitor the sales and inventory status of franchised stores operated by these third parties through this system. As of December 31, 2022, 2023 and 2024 and June 30, 2025, the franchised stores directly operated by regionally licensed franchisees amounted to 371, 418, 527 and 545, and the franchised stores operated by third parties engaged by them amounted to 820, 983, 1,070 and 1,127, respectively.

Contracts with Franchisees

We generally enter into franchise agreements with our franchisees. During the Track Record Period, the agreements with our franchisees typically contained the following principal terms:

<i>Duration and renewal</i>	The duration of the agreements is usually two years to three years, subject to renewal upon mutual consent of the parties.
<i>Store locations</i>	Each of our franchisees is required to operate the franchised store in the designated locations as specified under the relevant franchise agreement. The agreements with directly licensed franchisees shall specify the address of the franchised store(s), while the agreements with regionally licensed franchisees shall designate the regions where the franchisees are allowed to operate the franchised stores.
<i>Minimum purchase requirements</i>	We generally specify the minimum purchase requirements in the franchise agreements. During the Track Record Period, the annual minimum purchase requirement of the franchisees usually ranged from RMB150,000 to RMB1,000,000, which is determined based on, among others, the length of cooperation with the franchisees, and the regions where such franchisees operate the franchised stores.

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- Sales targets* We generally do not set any sales target for our franchisees under the franchise agreement. However, we may provide sales rebates to franchisees who satisfy relevant requirements according to our agreements or franchisees incentivizing policies from time to time. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, the sales rebates we provided to franchisees accounted for 1.3%, 5.1%, 1.8% and 1.8% of our revenue generated from sales to franchisees for the respective same periods.
- Franchise fee and deposit* The franchisees are required to pay an one-off franchise fee under the franchise agreement. The franchisees are not required to pay additional franchise fees upon renewal of the agreement, unless the renewed agreement expanded the geographical coverage where the franchisees are permitted to operate the franchised stores. The franchise fees are generally non-refundable, unless (i) the franchisees unilaterally terminated the agreement within a specified period of signing pursuant to the franchise agreements; or (ii) the franchisees and us agreed to refund the franchise fees. The franchisees are also generally required to pay a franchise deposit to ensure their compliance with the terms of the franchise agreements.
- Suggested retail prices* We set uniform suggested retail prices based on the product types. Unless otherwise agreed by the franchisees and us, the franchisees shall not sell the products at the prices lower than our suggested retail prices. We shall inform the franchisees of any adjustment to the suggested retail prices by written notification.
- Logistics* We typically arrange delivery of products to designated locations of franchisees, which shall bear the relevant costs and expenses arising from such delivery.
- Product return* We generally do not allow return, exchange or refund except for limited circumstances. For details, please refer to “— Our Sales Network — Our Offline Channels — Franchising Mode — Product Return and Replacement Policies for Franchisees” in this section.

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- Payment and credit terms* The franchisees shall place purchase orders with us through our ordering website, based on which we shall issue notifications of product supply that set out the specifications and amounts of the products requested. The franchisees are generally required to make full payment to us prior to the delivery of products pursuant to the agreements.
- Intellectual properties* Our franchisees are generally allowed to use our brand(s) and trademarks for the purpose of operation under the franchise agreements. They are not allowed to expand the use of our brand(s) and trademarks beyond the permitted scopes.
- Termination* The franchise agreement may be terminated under the following circumstances, among others: (i) in the event that the franchisees fail to meet the minimum purchase requirements under the franchise agreements, we are entitled to unilaterally terminate the franchise agreements; (ii) franchisees may unilaterally terminate the agreement within a specified period of signing, which is usually seven days; (iii) the directly licensed franchisees may unilaterally terminate the agreements if we authorized another franchisee to operate the franchised store(s) at the same location without their consent; (iv) we may unilaterally terminate the franchise agreements without refund of the franchise fee and deposit if there is a material breach of the agreement by franchisees, including selling counterfeited products or products procured from third parties without our consent; and (v) the franchise agreement may also be terminated in advance upon mutual consent.
- Misconduct of franchisees* If franchisees infringed the rights of third parties, or otherwise caused economic losses to third parties, due to their own fault, the franchisees shall bear the compensation liabilities, and we are entitled to be reimbursed if we compensated such third parties on their behalf. The franchisees shall also bear the costs and liabilities arising from their activities conducted in violation of the terms of our agreements, and shall compensate us for any losses resulted therefrom.

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Other terms Under our agreements with regionally licensed franchisees, the regionally licensed franchisees shall supervise the operation of the third parties delegated by them to operate the franchised stores. We do not allow these third parties to further delegate the operation of the relevant franchised stores to others. For details, please refer to “— Our Sales Network — Our Offline Stores — Franchising Mode — Management of Franchisees and Franchised Stores” in this section.

We have discretion to make special arrangements with some franchisees from time to time to allow them to purchase our products first and make payment at a later date. We generally require franchisees to settle all outstanding payments under this credit system by the end of each quarter.

The following table sets forth a breakdown of the average franchise fees and average franchise deposit paid by our franchisees during the Track Record Period:

	As of/For the Year Ended December 31,			As of/For the Six Months Ended June 30,
	2022	2023	2024	2025
	(RMB)	(RMB)	(RMB)	(RMB)
Average franchise fees⁽¹⁾⁽²⁾				
Directly licensed franchisees . . .	40,108 ⁽⁴⁾	40,965 ⁽⁴⁾	47,170 ⁽⁴⁾	47,170 ⁽⁴⁾
Regionally licensed franchisees . .	83,333 ⁽⁵⁾	— ⁽⁶⁾	25,943 ⁽⁵⁾	— ⁽⁷⁾
Average franchise deposit⁽³⁾				
Directly licensed franchisees . . .	41,319	41,869	44,379	41,942
Regionally licensed franchisees . .	189,575	205,592	208,249	214,968

Notes:

- (1) The franchisees are generally required to pay a one-off franchise fee under the franchise agreement. The franchisees are not required to pay additional franchise fees upon renewal of the agreement, unless the geographical coverage under the franchise arrangement of the franchisee was expanded. As a result, not all the franchisees at the end of a particular period paid franchise fees during the period. Under our franchising policies applied during the Track Record Period, the applicable franchise fee for each directly licensed franchisees was RMB50,000, and the applicable franchise fee for each regionally licensed franchisees ranged from RMB130,000 to RMB300,000. The actual amount of franchise fees collected from the franchisees was subject to adjustment as illustrated in notes (4) and (5) below.
- (2) The average franchise fees are calculated by dividing the total amount of franchise fees paid by the directly licensed franchisees or regionally licensed franchisees for the period by the number of the respective types of franchisees which paid franchise fees during the period. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, the number of directly licensed franchisees which paid franchise fees amounted to 173, 13, 30 and 30, and the number of regionally licensed franchisees which paid franchise fees amounted to six, nil, four and nil, respectively.

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- (3) The average franchise deposit is calculated by dividing the balance of franchise deposit of the directly licensed franchisees or regionally licensed franchisees at the end of the period by the number of the respective types of franchisees at the end of the period. As of December 31, 2022, 2023 and 2024 and June 30, 2025, the number of directly licensed franchisees amounted to 984, 1,151, 1,175 and 1,152, and the number of regionally licensed franchisees amounted to 49, 51, 77 and 76, respectively. As of the same dates, all of our franchisees had balances of franchise deposit.
- (4) The average franchise fees of directly licensed franchisees were lower than the applicable franchise fee under our policies, mainly because (i) the franchise fees under our policies are adjusted from time to time according to our business strategies. The applicable franchise fee for directly licensed franchisees from 2019 to 2021 was RMB30,000. Certain directly licensed franchisees who signed and entered into the letters of intent of franchising with us before the Track Record Period and officially became our franchisees during the Track Record Period, mainly because they needed time to identify the suitable locations of the franchised store(s) before entering into franchise agreements with us, enjoyed the lower franchise fee of RMB30,000, which was the applicable franchise fee from 2019 to 2021 when the letters of intent were signed; and (ii) the amount of franchise fees recorded in our revenue, which were used for calculating the average franchise fees in the table, deducted the value-added tax.
- (5) The average franchise fees of regionally licensed franchisees were substantially lower than the applicable franchise fee under our policies, mainly because most of our regionally licensed franchisees which paid the franchise fees were converted from directly licensed franchisees. As mentioned above, the franchisees may be required to pay additional franchise fees when the renewed agreements expanded the geographical coverage where the franchisees are permitted to operate the franchised stores. Such expansion of geographical coverage includes the conversion from directly licensed franchisees, which are authorized to operate designated store(s), to regionally licensed franchisees, which are authorized to operate stores in designated geographical region(s). In the event that the directly licensed franchisees are converted into regionally licensed franchisees, we only require them to pay the franchise fees that are applicable to regionally licensed franchisees after deducting the franchise fees that they have already paid as directly licensed franchisees. In particular, certain regionally licensed franchisees for the year ended December 31, 2024 paid the franchise fees with the amount of less than RMB30,000, because the applicable franchise fees for them when they were directly licensed franchisees were up to RMB110,000.
- (6) During the year ended December 31, 2023, we only collected franchise fees from directly licensed franchisees because we adopted a policy for the year ended December 31, 2023 to waive franchise fees of the first 300 franchisees that joined us who paid the franchise deposit in full, which was implemented in May 2023, while all the regionally licensed franchisees that joined us during this year satisfied these conditions. As a result, we waived the franchise fees for all the regionally licensed franchisees that joined us during the year ended December 31, 2023.
- (7) During the six months ended June 30, 2025, we only collected franchise fees from directly licensed franchisees because we adopted a policy for the year ending December 31, 2025 to waive franchise fees of the regionally licensed franchisees which were converted from directly licensed franchisees during the same year. All the new regionally licensed franchisees during the six months ended June 30, 2025 were converted from directly licensed franchisees.

The average franchise fees of our regionally licensed franchisees decreased from RMB83,333 for the year ended December 31, 2022 to nil for the year ended December 31, 2023. Such decrease was mainly attributable to our policy for the year ended December 31, 2023 which was implemented in May 2023, under which franchise fees of the first 300 franchisees that joined us and paid the franchise deposit in full were waived (the “Franchise Fee Waiving Policy”). As all the regionally licensed franchisees that joined us during the year ended December 31, 2023 satisfied the aforementioned conditions of the Franchise Fee Waiving Policy, we waived the franchise fees for all these regionally licensed franchisees and only collected franchise fees from directly licensed franchisees. The average franchise fees of our regionally licensed franchisees then increased to RMB25,943 as we did not adopt the Franchise Fee Waiving Policy for the year ended December 31, 2024. The average franchise

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fees of our regionally licensed franchisees decreased from RMB25,943 for the year ended December 31, 2024 to nil for the six months ended June 30, 2025, mainly because we adopted a policy for the year ending December 31, 2025 to waive franchise fees of the regionally licensed franchisees which were converted from directly licensed franchisees during the same year. All the new regionally licensed franchisees during the six months ended June 30, 2025 were converted from directly licensed franchisees.

The average franchise fee of our regionally licensed franchisees for the year ended December 31, 2024 was significantly lower than that for the year ended December 31, 2022. As mentioned under footnote (5) to the table above, when directly licensed franchisees are converted into regionally licensed franchisees, they are only required to pay franchise fees with the amount calculated by deducting the franchise fees that they have already paid as directly licensed franchisees from the franchise fees that are applicable to regionally licensed franchisees. Most of the regionally licensed franchisees that paid franchise fees during the year ended December 31, 2022 (the “FY22 Relevant Regionally Licensed Franchisees”) and the year ended December 31, 2024 (the “FY24 Relevant Regionally Licensed Franchisees”) were franchisees converted from directly licensed franchisees. However, as the aggregate original franchise fees paid as directly licensed franchisees by the FY22 Relevant Regionally Licensed Franchisees before their conversion were lower than those paid by the FY24 Relevant Regionally Licensed Franchisees before their conversion (RMB50,000 and RMB110,000, respectively), the franchise fees paid by the FY22 Relevant Regionally Licensed Franchisees upon their conversion were therefore higher than those paid by the FY24 Relevant Regionally Licensed Franchisees upon their conversion.

The average franchise deposit of our regionally licensed franchisees increased during the Track Record Period, mainly because we require the franchisees to increase their balances of franchise deposit as their geographical coverage expands, and the geographical coverage of certain regionally licensed franchisees increased during the Track Record Period.

During the Track Record Period, the annual amount of sales rebates we offered to the directly licensed franchisees and regionally licensed franchisees ranged from nil to RMB1.2 million and nil to RMB5.2 million, respectively. We provide sales rebates to franchisees who satisfy relevant requirements specified in the purchase agreements and our franchisees incentive policies, which include, among others, (i) achieving the annual purchase amount target; (ii) referring new franchisees; and (iii) opening new stores according to our specifications in connection with, among others, locations and branding effect.

During the Track Record Period, we did not experience any material breach of franchise agreements that had a significant impact on our business. During the same period, we did not have any material disputes with our franchisees that had a significant impact on our business.

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Our Online Channels

Our online channels consist of (i) self-operated online stores, which are online stores operated by us on the e-commerce platforms to directly sell products to online consumers; and (ii) e-commerce platforms, which procure products from us and sell them to online consumers. We started to sell our products through online channels in 2011 when we opened our first online store on Tmall. We also offered bespoke and exclusive (定製專供) products for certain e-commerce platform customers during the Track Record Period, which were tailor-made for consumers of these e-commerce platforms and were exclusively sold to them. We believe offering these bespoke and exclusive products enabled us to explore the individualized demands of different consumer groups, and strengthened our business relationships with relevant e-commerce platforms.

We maintain consistent visual design of interfaces, sales strategies and marketing approaches on different e-commerce platforms to maintain a unified brand image. We may, however, set different flagship products on different e-commerce platforms based on the features of the users of the e-commerce platforms and according to the marketing and promotional activities of the e-commerce platforms from time to time.

During the Track Record Period, our online marketing and promotional activities were primarily conducted by our in-house teams. We have designated employees who are responsible for conducting live-streaming sales and marketing of our products. We also collaborated with MCNs that represent or collaborate with the KOLs with whom we work to further promote our products online through live-streaming sessions and social media platforms. The duration of the agreement with the MCNs is typically less than 12 months. The agreement usually specifies the products to be promoted through the live-streaming session, the KOL(s) who will conduct the live-streaming session, the retail price offered during each live-streaming session and the commission rate and the amount of fixed service fees of the MCNs. We are entitled to determine the time of each live-streaming session. We regularly monitor the publicity of KOLs engaged by us and may negotiate with the relevant MCNs to replace any KOL who is found with deterioration of image or misconduct, including, but not limited to, inappropriate speech, unethical behavior or offense against the relevant laws and regulations.

For the years ended December 31, 2022, 2023 and 2024, and the six months ended June 30, 2025, the revenue attributed to the returned products from the online channels accounted for 1.0%, 1.1%, 2.0% and 2.3%, respectively, of our total revenue. We had relatively higher level of returned products from the online channels as compared to that of sales to franchisees or through self-operated offline stores during the Track Record Period, primarily because (i) the rate of product returns from online channels is generally higher than that from other channels in China, according to Frost & Sullivan; and (ii) the e-commerce platforms usually have more flexible product return policies which allow consumers to return the products unconditionally, and we follow such policies for the self-operated online stores at these platforms.

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Self-operated Online Stores

As of December 31, 2022, 2023 and 2024 and June 30, 2025, our self-operated online stores amounted to 82, 79, 113 and 128, respectively. As of the Latest Practicable Date, our self-operated online stores amounted to 139. As of the Latest Practicable Date, we sold products through Wechat mini-program, and all mainstream e-commerce platforms in China, including JD.com, Tmall, Douyin, VIP.com and Pinduoduo, targeting the online consumers in pursuit of quality of life and with a mature online shopping habit.

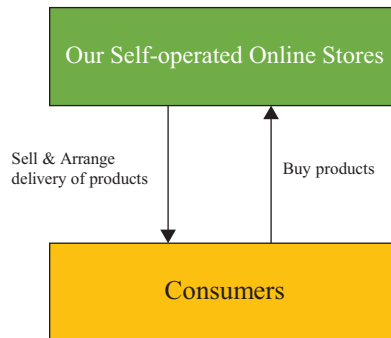
During each period of the Track Record Period, we generated over 85% of the revenue of direct sales through self-operated online stores from our self-operated online stores on seven e-commerce platforms. The following table sets forth the number of our self-operated online stores on these e-commerce platforms for the periods indicated:

	As of December 31,			As of June 30,
	2022	2023	2024	2025
Douyin	6	6	24	27
JD.com	3	4	4	5
Kuaishou (快手)	2	2	5	5
Pinduoduo	4	6	20	20
Taobao (淘寶)	1	6	7	3
Tmall	3	3	3	3
VIP.com	1	1	2	2
Total	20	28	65	65

Each of our self-operated online stores is usually set up to focus on a single category or sub-brand of products, such as Oolong tea leaves, black tea leaves or Wanshanhong products. Therefore, we operated multiple self-operated online stores within the same e-commerce platform. We believe this arrangement improves our visibility and accessibility to the online consumers in the relevant markets, as they are more likely to be guided to our respective self-operated online stores when they search relevant key words such as “Oolong”, “black tea” or “Wanshanhong” when our self-operated online stores are set up solely for the relevant categories or sub-brands, which in turn facilitates our penetration into the relevant markets. In addition, selling products through multiple stores rather than one store on the same e-commerce platforms helps mitigate the risks associated with the store operation, as the potential disruption of operation of one store will not affect the operation of others. Such arrangement also enables us to test the market through the new stores without affecting the operation of the existing stores on the same e-commerce platforms.

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We directly make sales to online consumers in our self-operated online stores. Our OMS is linked to the systems of the e-commerce platforms where we operate our self-operated online stores, which can automatically synchronize consumers’ order information, arrange delivery of products and update our inventory information. The following diagram illustrates our sales to consumers through our self-operated online stores:



The pictures below demonstrate the interfaces of our self-operated online stores:



During the Track Record Period, our costs associated with setting up and operating self-operated online stores mainly included (i) management and/or service fees charged by e-commerce platforms; and (ii) staff costs of employees operating the stores. The amount of management and/or service fees is usually calculated as a percentage of the transaction amount of the online consumers who purchased our products through the relevant online stores according to the policies published by the e-commerce platforms from time to time. During the Track Record Period, the percentage applied to our sales through the self-operated online stores typically ranged from 2% to 5%, depending on the transaction amount and product categories. During each period of the Track Record Period, the total amount of management and/or service fees charged by e-commerce platforms accounted for less than 3% of our revenue generated from direct sales through self-operated online stores.

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E-commerce Platforms

In addition, as of December 31, 2022, 2023 and 2024 and June 30, 2025, we had three, four, four and four e-commerce platforms, respectively, as our customers. As of the Latest Practicable Date, we had four e-commerce platforms as our customers. The e-commerce platforms sell the products they procured from us to online consumers on their platforms, and are responsible for the payment, delivery and aftersales services of their own sales. Our sales through e-commerce platforms are recognized when our products are sold to end-customer by the e-commerce platform, as this is when the control of our products has been passed. The following diagram illustrates our sales to e-commerce platforms:



We typically enter into sales agreements with e-commerce platforms for selling the products to them. During the Track Record Period, the agreements with the e-commerce platforms typically contained the following principal terms:

- Duration* The duration of the agreements is usually one year, subject to renewal by mutual consent of the parties.
- Minimum purchase requirements* We do not set minimum purchase requirements.
- Sales targets* We do not set sales targets.
- Pricing policy* We normally set uniform suggested retail prices based on the product types.
- Product return* The e-commerce platforms are generally allowed to return the defective products and/or products returned by their end-consumers to them pursuant to their product return policies.
- Payment and credit terms* The e-commerce platform customers usually place orders with us on their ordering website or platform, based on which we shall issue notifications of product supply that set out the specifications and amounts of the products requested. The e-commerce platform customers shall settle the payment with us (i) within a specified period under the agreements; or (ii) on a monthly basis. The credit terms we granted to the e-commerce platform customers are usually 30 days starting from the invoice date.
- Termination* The sales agreement may be terminated upon mutual consent of the parties, or due to breach of agreements by the parties.

BUSINESS

Measures to Prevent Channel Stuffing and Cannibalization in our Sales Network

We believe that our sales correspond to actual consumer demand and our products are at a low risk of channel stuffing in our sales network, primarily because (i) we generally require full payment before delivering products to our franchisees; (ii) we generally do not allow return, exchange or refund by our franchisees except for limited circumstances; and (iii) although there were minimum purchase requirements in the franchise agreements with franchisees, which usually ranged from RMB150,000 to RMB1,000,000 during the Track Record Period, (a) we maintain a seller-buyer relationship with our franchisees, under which we typically do not set minimum sales targets to specify the amount of products that the franchisees are obligated to sell; and (b) we shall adjust the requirements on a case-by-case basis, such as lowering the purchase requirements or extending the time limit for satisfying the purchase requirements, in the event that the franchisees are unable to meet the requirements. We believe such approach encourages the franchisees to procure products from us on one hand, and avoids unreasonable hoarding of products by franchisees on the other.

Despite the low risk, we have adopted measures to prevent channel stuffing in our sales network, which primarily include the following:

- (i) The opening of each franchised store is subject to our approval after comprehensively conducting the market research and analysis involving, among others, the competitive landscape in the surrounding market and consumption capability of local consumers. We believe such pre-opening market analysis helps ensure that the sales correspond to the demand of the local consumers.
- (ii) We use the MENDIANBAO System at our self-operated offline stores, and require our franchisees to use this system at the franchised stores and timely report the sales and inventory data through this system to us, so that we can monitor the inventory level at our self-operated offline stores and the franchised stores to avoid inventory backlog.
- (iii) We also make periodic and ad-hoc visits to the franchised stores to monitor the actual inventory status and operation.
- (iv) We generally do not allow returns or exchange of products sold to our customers, except for the limited circumstances including defective products, with proof that the defects resulted from the quality issue of the products and not more than 25% of the first procurement order from certain franchisees upon commencement of business relationship with us.

Based on the due diligence work performed by the Joint Sponsors, nothing material has come to the attention of the Joint Sponsors that contradicts the Company’s view disclosed above regarding the Group’s channel stuffing risks and actual end-customer demand.

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To prevent cannibalization in our sales network, as of the Latest Practicable Date, we had adopted the following strategies:

- (i) We specify the stores and/or the geographical regions where our franchisees are permitted to sell our products in the agreements with them. They are not allowed to operate beyond the scope specified in the agreements with them. The franchisees must seek our approval to operate the businesses beyond such specified scope, such as selling our products through online channels. During the Track Record Period, we did not grant approval to any franchisees to sell our products through e-commerce platforms, except that we allowed certain franchisees to sell our products through in-house platforms of some enterprises, which strictly restricted the sales to the employees of these enterprises who were users of such platforms.
- (ii) When selecting our franchisees, we take into account the target geographic locations and coverage in order to avoid potential competition among our franchisees within a region. During the Track Record Period and as of the Latest Practicable Date, we engaged directly licensed franchisees in certain regions that were simultaneously covered by regionally licensed franchisees. To prevent the cannibalization among these franchisees, we require the directly licensed franchisees and the regionally licensed franchisees with overlapping coverage to make sure that their franchised stores will maintain a reasonable distance from the franchised stores operated by other franchisees, and require all the franchisees to strictly abide by our uniform pricing strategies to avoid price wars in the same regions.
- (iii) We set the same suggested retail prices on the same products, and have designated staff who regularly check retail prices of products sold at different channels to alleviate the risks of malicious competition among the channels.
- (iv) In the event we discover that any franchisees have engaged in practices or taken any action that could give rise to any material and adverse impact on our business and operations, we may impose penalties, including the suspension of product supply from us or the termination of our business relationships with them.

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The table below sets forth a breakdown of the unsold inventory volume held by our franchisees and the percentage of the procurement of the respective franchisees from us during the Track Record Period:

	As of/For the Year Ended December 31,									As of/For the Six Months Ended June 30,		
	2022			2023			2024			2025		
	Unsold Inventory Volume ⁽¹⁾	Procurement Volume ⁽²⁾	Percentage ⁽³⁾	Unsold Inventory Volume ⁽¹⁾	Procurement Volume ⁽²⁾	Percentage ⁽³⁾	Unsold Inventory Volume ⁽¹⁾	Procurement Volume ⁽²⁾	Percentage ⁽³⁾	Unsold Inventory Volume ⁽¹⁾	Procurement Volume ⁽²⁾	Percentage ⁽³⁾
	kg/unit	kg/unit	%	kg/unit	kg/unit	%	kg/unit	kg/unit	%	kg/unit	kg/unit	%
Directly licensed franchisees												
Tea leaves	282,121	495,055	57.0	316,772	614,517	51.5	301,128	604,822	49.8	276,807	281,293	N.M. ⁽⁵⁾
Tea ware	484,090	816,658	59.3	539,079	921,004	58.5	625,700	1,231,797	50.8	683,201	593,873	N.M. ⁽⁵⁾
Tea snacks	109,494	860,647	12.7	116,889	935,814	12.5	111,572	827,705	13.5	79,599	286,090	N.M. ⁽⁵⁾
Other products . .	275,464	541,446	50.9	277,574	510,428	54.4	319,399	571,259	55.9	389,857	284,477	N.M. ⁽⁵⁾
Regionally licensed franchisees⁽⁴⁾												
Tea leaves	240,936	371,663	64.8	308,920	493,160	62.6	315,848	488,829	64.6	332,359	248,277	N.M. ⁽⁵⁾
Tea ware	504,848	949,407	53.2	801,954	1,145,314	70.0	1,150,145	1,635,243	70.3	1,313,059	843,035	N.M. ⁽⁵⁾
Tea snacks	123,803	797,810	15.5	171,841	834,235	20.6	228,514	863,898	26.5	244,648	325,480	N.M. ⁽⁵⁾
Other products . .	289,385	461,653	62.7	323,840	388,004	83.5	426,162	539,475	79.0	550,011	305,489	N.M. ⁽⁵⁾

Notes:

- (1) The unsold inventory volume of the franchisees refers to the volume of the balance of the inventories as of the end of the year/period, which is denominated in (a) kg for tea leaves; and (b) unit for tea ware, tea snacks and other products, covering, among others, sets, boxes and bags. Such data was recorded by the employees of the franchisees in the Mendianbao System used at the franchised stores during the Track Record Period.
- (2) The procurement volume of the franchisees refers to the volume of the products procured by the franchisees during the year/period, which is denominated in (a) kg for tea leaves; and (b) unit for tea ware, tea snacks and other products, covering, among others, sets, boxes and bags.
- (3) The percentage is calculated by dividing the unsold inventory volume as of the end of the year/period by the procurement volume of the franchisees for the relevant categories of products during the year/period.
- (4) The data of the regionally licensed franchisees was recorded in Mendianbao System used at their franchised stores, which were either operated by themselves or by third parties under their supervision during the Track Record Period.
- (5) The percentages of unsold inventory volume against the procurement volume of the franchisees for the six months ended June 30, 2025 are not meaningful as they are not comparable to annual percentages.

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As confirmed by the Frost & Sullivan, the level of unsold inventory held by our franchisees during the Track Record Period was generally in line with the industry norm. According to Frost & Sullivan, in China’s tea leaf industry, (i) the proportion of unsold tea leaves or tea ware held by franchisees at the end of a particular period typically ranges from 40% to 60% of their procurement volume during the same period; and (ii) the proportion of unsold tea snacks held by the franchisees at the end of a particular period typically ranges from 10% to 20% of their procurement volume during the same period. However, due to the unique characteristics of the tea industry, actual inventory levels of certain types of tea leaves held by franchisees may exceed such typical ranges. For instance, in China’s tea leaf industry, the value of certain types of tea leaves, such as Pu’er tea leaves, generally increases as the period of storage for aging increases, which could result in strategic stockpiling by franchisees, thereby leading to higher amount of unsold inventory held by franchisees who mainly sell these types of tea leaves. Additionally, pre-stocking made by franchisees during holiday seasons, such as Chinese New Year holidays, for the purpose of fulfilling the increased purchase orders, can further contribute to temporary increases in inventory levels as at the end of a particular period.

The level of unsold inventory held by our regionally licensed franchisees was generally higher than that held by our directly licensed franchisees, primarily because, as compared to our directly licensed franchisees, each of our regionally licensed franchisees usually covers more franchised stores, including both stores operated by such franchisees themselves and those operated by the third parties involved by them. As a result, they tend to retain higher level of inventories to cater for the expected and unexpected demands of our products from such stores.

The data of unsold inventory of our franchisees was collected through the Mendianbao Systems at their franchised stores. As of June 30, 2025, Mendianbao Systems were used at all of our franchised stores. Based on the unsold inventory data available to us in the Mendianbao Systems as of the end of each period and the procurement amount of the franchisees for each period during the Track Record Period, it usually took (i) six to seven months and seven to eight months, respectively, for our directly licensed franchisees and regionally licensed franchisees to sell the tea leaf products procured from us at their franchised stores; (ii) six to eight months and six to nine months, respectively, for our directly licensed franchisees and regionally licensed franchisees to sell the tea ware procured from us at their franchised stores; and (iii) one to two months and one to four months, respectively, for our directly licensed franchisees and regionally licensed franchisees to sell the tea snacks procured from us at their franchised stores. We have designated staff who visit the franchised stores periodically to inspect the status of Mendianbao Systems, including the data recording status, and provide guidance and support at the franchised stores. Accordingly, our Directors are of the view that our systems and policies in connection with franchisees are effective in monitoring our franchisees, including their inventory status.

We set uniform suggested retail prices based on the product types. In the event of change of our suggested retail prices or promotional activities that may involve discounts from our suggested retail prices, we would inform our franchisees of the adjusted prices or discounts before the new prices or discounts take effect. If the franchisees would like to sell the products

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at prices that are lower than our suggested retail prices, they shall seek our prior approval with an application form setting out, among others, product codes, reasons for the application, degree of the discounts and length of promotion period. Our Directors believe that such deviation will not give rise to cannibalization among our franchisees, mainly because we carefully consider various factors in determining whether to grant the discounts to avoid price wars among our franchisees. These factors include, among others, (i) whether such discounts are in line with our business development strategies, pricing policies, brand image and product positioning; (ii) whether the adoption of the discounts will result in the conflict of interests among our franchisees; (iii) whether the profit margin of the franchisees is still reasonable after the adoption of the discounts; and (iv) whether the discounts will negatively affect the interests of other franchisees and our consumers. During the Track Record Period, the highest discount we approved upon application of franchisees was 35% from our suggested retail prices.

PRODUCTION

Our Core Production Techniques

Leveraging our long-term accumulation of production techniques for Oolong tea leaves, a professional team of tea-making talents and our experience and industry influence gained from our involvement in setting national, industrial and local standards, we are able to continuously produce and offer consistently high-quality and diversified tea leaf products. Specifically:

- *Accumulation of production techniques:* Oolong tea is the foundation of our business. We launched a variety of well-received Oolong tea leaf products leveraging our access to high-quality tea leaf raw materials from Anxi County and Wuyishan City in Fujian Province, as well as years of accumulation of key production techniques of Oolong tea leaves such as blending (拼配) and roasting (烘焙). As of the Latest Practicable Date, we maintained multiple patents in connection with our Oolong tea production techniques. For details, please refer to “B. Further Information about Our Business — 2. Intellectual Property Rights” under Appendix VI to this document. Building upon the Oolong tea techniques and production experiences, we mastered key production processes for other major tea leaf categories, including, among others, the pan-frying (炒青) process for green tea, the sun-drying (晾曬) process for white tea, the yellowing (悶黃) process for yellow tea, the withering and fermentation (萎凋發酵) process for black tea, the roasting (焙火) process for Wuyi Yan Cha and the material selection (選料) and blending (拼配) processes for Pu’er tea. We believe these core production techniques demonstrate our leadership in China’s tea industry.
- *Professional tea-making talents and team:* We have a professional team consisting of seasoned tea-making talents. Our chairman, Mr. Wang Wenli, a representative inheritor of the National Intangible Cultural Heritage Project of Oolong Tea Production Techniques (Tieguanyin), mastered the Oolong tea production techniques. In addition, we have two employees who were recognized as Chinese

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Tea-Making Masters (中國製茶大師) by China Tea Industry Circulation Association. We have also established multiple departments to handle or support the market studies and the research and development of tea leaf products, including the Oolong tea business department (烏龍茶事業部) and comprehensive tea business department (綜合茶類事業部) and research and development department. We also established an assessment committee to be responsible for the taste assessment to help ensure the quality of our products.

- *Standard formulation:* To ensure quality, we have established and implemented our four standards for good tea, namely safety, taste, authenticity and stability (安全、對口、正宗、穩定). As a member of the National Tea Standardization Technical Committee and a member of the Fujian Tea Industry Standardization Technical Committee, we have led or participated in the formulation of a number of standards in China’s tea industry. As of the Latest Practicable Date, we participated in the formulation of nine national standards, five local standards, one industry standard, six group standards and six enterprise standards. Our participation in the formulation of these standards, together with our deep understanding of the tea production processes, enabled us to continuously provide consumers with tea products that meet various standards.

Production Process, Production Bases and Production Lines

The production process from fresh tea leaves to refined tea leaves generally comprises two stages, namely, (i) preliminary process (初製), which refers to the production of rough tea leaves (毛茶) from fresh tea leaves through cooling (攤涼), forming (做形) and drying (乾燥). The rough tea leaves shall retain the original flavor and natural characteristics of the tea leaves; and (ii) refinement process (精製), including processes such as screening (篩沫), sorting (色選), blending (拼配) and roasting (烘焙), during which the rough tea leaves are first made into net rough tea leaves (毛淨) through certain steps of refinement processes, which are then further processed to produce refined tea leaves (精製茶葉). During the Track Record Period, we primarily engaged in the refinement process.

As of the Latest Practicable Date, we had two production bases for refinement processes of tea leaves, namely, Anxi Production Base (安溪生產基地) and Wuyishan Production Base (武夷山生產基地). The Anxi Production Base is located in Anxi County, Fujian Province, with a GSA of approximately 100,000 square meters, which is mainly engaged in the refinement process of Tieguanyin tea leaves and tea combination set. The Wuyishan Production Base is located in Wuyishan City, Fujian Province, with a GSA of approximately 60,000 square meters, which is mainly engaged in the refinement process of Wuyi Yan Cha and black tea leaves.

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Anxi Production Base

The Anxi Production Base is our first production base. The Oolong tea production line of the Anxi Production Base was awarded the special award of China Agricultural Innovation Technology Entrepreneurship Competition (中國農業創新科技創業大賽特別獎) and the Grand Prize of China Tea Science and Technology Innovation Competition (中國茶科技創新大賽特等獎). After several expansions and upgrades, the Anxi Production Base is currently equipped with the sixth generation Tieguanyin intelligent refining production line (the “Sixth Generation Intelligent Production Line”), which is able to perform the production process from processing raw materials into refined tea leaves, and then into finished products, utilizing intelligent equipment and facilities.

The Sixth Generation Intelligent Production Line is able to automatically operate processes including impurities removal (除雜), sorting (色選), stacking (勻堆), roasting (烘焙) and metal detection (金屬探測). Its photoelectric filtration device and roller stacking device can accurately eliminate the impurities and uniformly blend tea leaves, thereby ensuring the consistently stable flavor of tea leaves. The Sixth Generation Intelligent Production Line uses a flexible and automated production model (柔性自動化生產模式), which reduces the frequency of human contact with the raw materials and the frequency of movement of raw materials between production steps, improving the safety, stability and efficiency of production.

Wuyishan Production Base

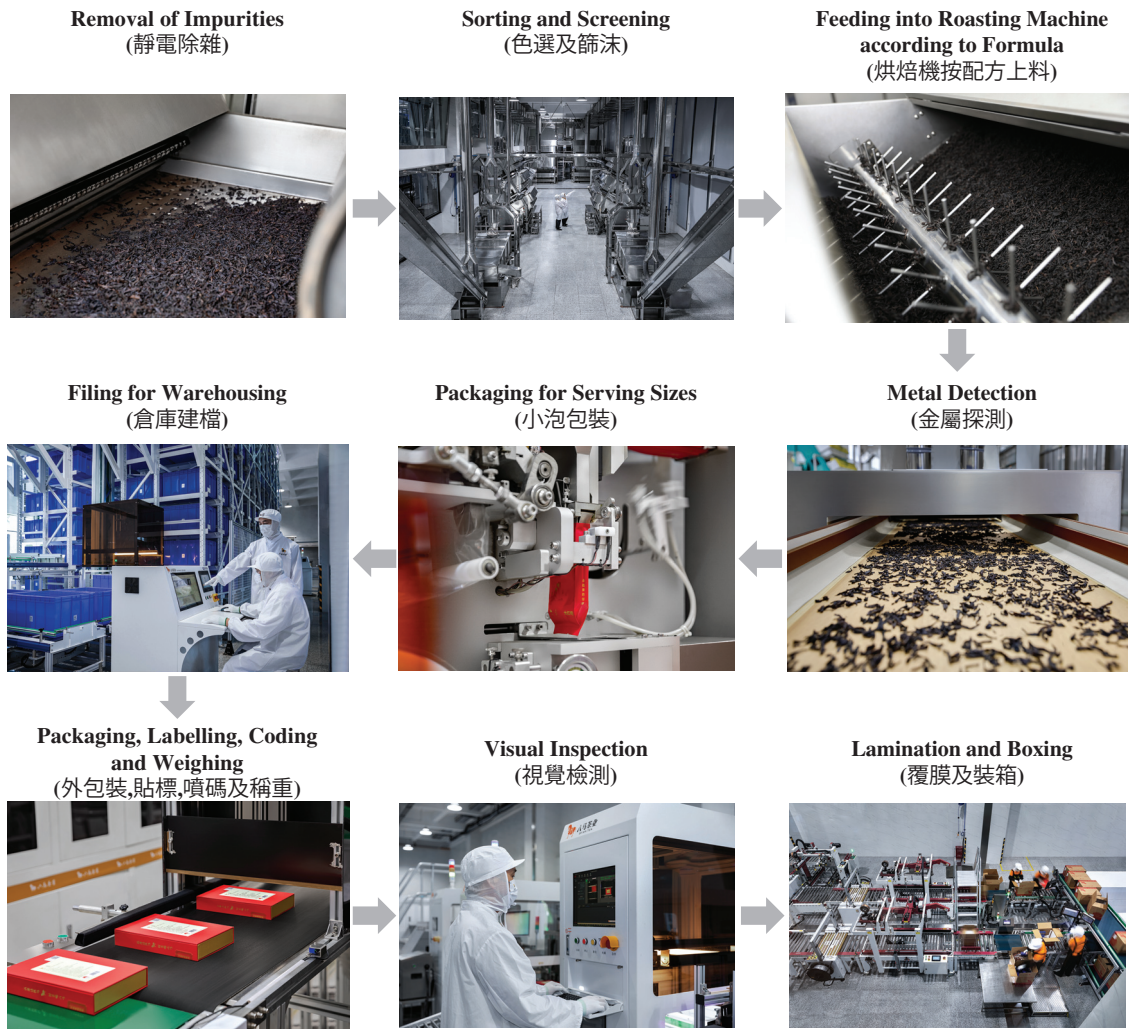
Wuyishan Production Base is our second production base, for which we have upgraded the intelligent production line to the seventh generation. Our Seventh Generation Intelligent Production Line at the Wuyishan Production Base is a digital and informationized production line for Wuyi Yan Cha. The key features of the Seventh Generation Intelligent Production Line included:

- *Feeding method:* Intelligent robots which detect tea quality to reduce omissions in manual inspections and improve the stability of product quality.
- *Roasting technique:* Automatic control of roasting temperature to maintain the ideal temperature during the roasting process.
- *Stacking method:* A low-nitrogen-oxide natural gas control system adopted to further reduce carbon emissions during the production process.
- *Intelligent arrangement:* Automated, unmanned intelligent transportation system, which improved the utilization of space.
- *Printing technology:* Visual recognition technology, which helps accurately identify errors in the printing and assembly process.
- *Lamination method:* Adoption of the passive lamination method, which reduces the risk of damage during the packaging process.

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Production Process

The following diagram summarizes the key steps of the production processes for our refinement of tea leaves:



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The following table sets forth the details of the key production processes for our refinement of tea leaves:

Process	Description
Removal of Impurities .	The light impurities are removed from the tea leaves.
Sorting and Screening .	We use the advanced infrared lens to detect the impurities and further remove the non-tea-leaf objects.
Feeding into Roasting Machine according to Formula	The tea leaves are fed into the roasting machine according to the formula.
Metal Detection	We detect and remove the metal impurities in the tea leaves utilizing the automatic filtering (自動濾波) technology.
Packaging for Serving Sizes	The processed tea leaves are packaged into serving sizes.
Filing for Warehousing	The packaged tea leaves are stacked and recorded in our system.
Packaging, Labelling, Coding and Weighing	We pack serving sizes into packages and print and affix the labels and codes to the packaged products, and weigh them.
Visual Inspection	We visually inspect the products to detect the exterior defects.
Lamination and Boxing	The products are laminated and boxed.

To ensure production safety and efficiency, we regularly inspect and maintain our key production equipment and machinery. During the Track Record Period, our major production equipment and machinery have an estimated useful life of three to 20 years. We use straight-line basis to make depreciation, with an annual rate of 5%-33%. The remaining useful life of such equipment and machinery was approximately one to nine years as of June 30, 2025.

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Production Capacity

The following table sets forth the production capacity of our production bases during the periods indicated:

	For the Year Ended December 31,									For the Six Months Ended June 30,		
	2022			2023			2024			2025		
	Production capacity ⁽¹⁾	Production volume	Utilization rate ⁽²⁾	Production capacity ⁽¹⁾	Production volume	Utilization rate ⁽²⁾	Production capacity ⁽¹⁾	Production volume	Utilization rate ⁽²⁾	Production capacity ⁽¹⁾	Production volume	Utilization rate ⁽²⁾
	(tons)	(tons)	(%)	(tons)	(tons)	(%)	(tons)	(tons)	(%)	(tons)	(tons)	(%)
Anxi Production Base	995.0	981.1	98.6	966.5 ⁽³⁾	951.6	98.5	1,159.5 ⁽⁵⁾	1,150.8	99.3	475.9	471.7	99.1
Wuyishan Production Base	239.7	238.1	99.3	329.1 ⁽⁴⁾	322.5	98.0	623.4 ⁽⁶⁾	553.6	88.8	354.6	332.2	93.7

Notes:

- (1) The production capacity is calculated based on the assumption that our production facilities operate for 2,000 hours for each of the years ended December 31, 2022, 2023 and 2024, and for 1,000 hours for the six months ended June 30, 2025.
- (2) Utilization rate is calculated by dividing the production volume of a given period by the production capacity of the same period.
- (3) The decrease of production capacity was mainly because our production capacity fluctuates according to our product mix from time to time. This is because we adopt flexible design for our production line, which enables us to adjust our production line according to the production requirements of the products under our production plans for the year.
- (4) The increase of production capacity was mainly because we upgraded our production line at Wuyishan Production Base.
- (5) The increase of production capacity was mainly because (i) we purchased new equipment to upgrade our production facilities, which improved the production efficiency; and (ii) the number of production staff increased.
- (6) The increase of production capacity was mainly because (i) we purchased new equipment to upgrade our production facilities, which improved the production efficiency; and (ii) the number of production staff increased.

We plan to use net [REDACTED] from the [REDACTED] to further expand and upgrade our production facilities, as well as our supply chain facilities, for our Wuyishan Production Base and Anxi Production Base. In addition, we plan to construct a new production base for Pu’er tea leaf products in Yunnan Province. For details, please refer to “Future Plans and Use of [REDACTED]” in this document.

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PROCUREMENT AND SUPPLIERS

During the Track Record Period, we mainly procured (i) raw materials used for our production which were generally procured from suppliers in the PRC; and (ii) finished products produced by third-party manufacturers according to our requirements and specifications on an OEM basis, which mainly included packaged tea leaves, tea ware and tea snacks. The raw materials include all the goods and materials that may be used during our production process, including, among others, unprocessed tea leaf raw materials, processed tea leaves and packaging materials, while the finished products refer to the products that have been packed and are ready for delivery and sales. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, our revenue generated from sales of products produced by ourselves amounted to RMB674.5 million, RMB987.0 million, RMB1,060.6 million, RMB528.1 million and RMB594.6 million, respectively. For the same periods, our revenue generated from sales of products produced by third-party manufacturers amounted to RMB1,132.4 million, RMB1,129.4 million, RMB1,076.0 million, RMB578.5 million and RMB464.5 million, respectively. We believe we did not experience any material disruption in our supply chain or other aspects of our business operation due to the COVID-19 pandemic during the Track Record Period, considering that, during the same period, (i) we did not experience any material delay of delivery with respect to the procurement from our suppliers and sales to our customers as a result of the COVID-19 pandemic; (ii) our sales network continued to expand. The number of our offline stores increased from 2,931 as of December 31, 2022 to 3,370 as of December 31, 2023, to 3,504 as of December 31, 2024, and further to 3,585 as of June 30, 2025; and (iii) the business operation of our Group was not materially interrupted as a result of the COVID-19 pandemic.

Procurement Process

We established strict rules for the selection of suppliers and procurement, under which we only procure suppliers from the suppliers which have passed our assessment and were among our Qualified Supplier Pool. For instance, the following table illustrates our supplier selection and procurement processes in connection with tea leaves:

Process	Details
Qualification review . .	Our procurement department reviews the qualifications of potential suppliers to formulate a list of candidate suppliers.
Inspection of the suppliers' factories . .	Our procurement department, quality control center, and product center (產品中心) conduct on-site reviews of candidate suppliers' factories, including, among others, the environment, equipment, facilities, production processes, product management and personnel management.

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Process	Details
Guidance on specifications and requirements of samples	With respect to the candidate suppliers on OEM basis, our product center provides detailed specifications and other requirements on the target products to the candidate suppliers. Our designated staff will supervise and guide the entire production process of samples at the factories of the candidate suppliers.
Submission of samples for blind review	Our review committee conducts a blind review of samples from candidate suppliers based on the national sensory review standards, during which multiple reviewers conduct on-site reviews to determine whether the samples are shortlisted.
Retaining samples in the review room	The selected samples are retained in the review sample room of each business department and placed according to the type and numbering of the assessed raw materials or finished products.
Selection of suppliers	Suppliers which passed the review will become a member of our Qualified Supplier Pool. We will establish the files for these suppliers accordingly. Our criteria for selecting the suppliers, including the suppliers on OEM basis, include their performances during our review, qualifications, reputation, track record and industry experience.
Annual framework agreement	We enter into annual framework agreements with the selected suppliers.
Placing purchase orders	The procurement department places purchase orders with the suppliers through our SCM according to our demands. The products are generally produced under our guidance and supervision.
Inspection and review of the procurement	Our quality control center inspects the procured raw materials or finished products based on various indicators, and formulate an inspection report. In the meantime, the procurement department shall review the qualifications of the suppliers.
Receipt and warehousing	Raw materials and finished products which passed the inspection shall be warehoused. If they did not pass the inspection, we shall inform the suppliers to deal with them according to our agreements and policies.

BUSINESS

Process	Details
Continuous management of supplier pool	Our suppliers are rated according to our continuous assessment into suppliers with ratings A, B, C and D. We will consider establishing long-term cooperation with suppliers with an A rating, and will remove the suppliers with a D rating from the supplier pool.

In addition to complying with various standards, laws and regulations in our procurement of raw materials and finished products, we have established three product selection standards, namely, they are to be produced by well-known experts, with traditional techniques and/or from the best production regions. Under the masterpieces standard, we procure tea leaves from reputable suppliers, such as the inheritors of the National Intangible Cultural Heritage Project, enterprises with a long history in tea production and recognized players in the tea industry, which are produced under our guidance and supervision. Under the traditional techniques standard, we procure tea leaves produced following the traditional techniques with craftsmanship. Under the golden production region standard, we procure tea leaves from major tea production regions. In addition, guided by the concept of “each place nurtures its own fine tea”, we are committed to procuring tea leaf raw materials and finished products from the original plantation areas of the relevant tea leaves recognized by governmental authorities through geographical indication trademarks (地理標誌商標). In addition, our key technology personnel visit famous tea production areas to record the tea plantation status and supervise and guide the production processes of the suppliers to ensure that the raw materials and finished products procured by us are authentic and suitable.

Suppliers

Five Largest Suppliers

Our suppliers mainly include suppliers of raw materials and finished products, as well as suppliers of logistics, warehousing and other services. Our main payment methods for the five largest suppliers for each period during the Track Record Period were bank transfer. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material shortage or delay in the supply of raw materials and finished products from our suppliers. We believe there are abundant qualified suppliers in the market. As such, we currently do not expect to experience difficulties in securing alternative suppliers in case of disputes with our existing suppliers. However, in the event that any of our major suppliers terminate their business relationships with us, our business, financial condition, results of operations and prospects could be materially and adversely affected if we cannot secure adequate number of alternative suppliers in a timely manner. See also “Risk Factors — If we are not able to source adequate raw materials and finished products from suppliers or fail to maintain good relationships with them, our business, financial condition and results of operations could be materially and adversely affected.” in this document.

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To the best knowledge of our Directors, in each period during the Track Record Period, all of our five largest suppliers were Independent Third Parties. None of our Directors, their respective close associates, or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued capital, had any interest in these suppliers during the Track Record Period and up to the Latest Practicable Date.

For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, purchases from our five largest suppliers in each period during the Track Record Period amounted to RMB201.8 million, RMB252.9 million, RMB264.5 million and RMB127.3 million, accounting for 18.8%, 21.9%, 23.2% and 22.6% of our total purchases, respectively, for the same periods. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, purchases from our largest supplier amounted to RMB42.1 million, RMB54.3 million, RMB65.8 million and RMB32.1 million, accounting for 3.9%, 4.7%, 5.8% and 5.7%, respectively, of our total purchases, respectively, for the same periods. We primarily purchased finished products from our five largest suppliers in each period during the Track Record Period, which were produced on OEM basis according to our requirements and specifications.

The following tables set forth details of our five largest suppliers in each period during the Track Record Period:

For the Year Ended December 31, 2022

Rank	Supplier	Main Types of Products/ Services Procured	Year of Commencement of Business Relationship	Typical Credit Terms	Location and Background	Transaction Amount	As Percentage of our Total Purchases
				Days		RMB'000	%
1. . .	Fuding City Mingchun Tea Leaf Co., Ltd (福鼎市茗春茶葉有限公司)	Finished products and raw materials for white tea	2020	30	A limited liability company located in Fujian Province, the PRC	42,059	3.9
2. . .	Fujian Province Wuyishan Guanqing Tea Co., Ltd (福建省武夷山市冠清茶業有限公司)	Finished products for black tea and raw materials for Wuyi Yan Cha	2020	30 to 60	A limited liability company located in Fujian Province, the PRC	41,560	3.9
3. . .	Menghai County Xinji Tea Co., Ltd. (勐海縣信記茶業有限公司)	Finished products and raw materials for Pu'er tea	2021	30	A limited liability company located in Yunnan Province, the PRC	40,817	3.8

BUSINESS

Rank	Supplier	Main Types of Products/ Services Procured	Year of Commencement of Business Relationship	Typical Credit Terms	Location and Background	Transaction Amount	As Percentage of our Total Purchases
				Days		RMB'000	%
4 . . .	Supplier A	Finished products for white tea and marketing and promotional services	2014	30	A limited liability company located in Fujian Province, the PRC	40,478	3.8
5 . . .	Menghai County Yangpinhao Tea Leaf Co., Ltd (勐海縣楊聘號茶葉有限公司)	Finished products and raw materials for Pu'er tea	2015	30	A limited liability company located in Yunnan Province, the PRC	36,872	3.4
Total .						201,786	18.8

For the Year Ended December 31, 2023

Rank	Supplier	Main Types of Products/ Services Procured	Year of Commencement of Business Relationship	Typical Credit Terms	Location and Background	Transaction Amount	As Percentage of our Total Purchases
				Days		RMB'000	%
1 . . .	Fujian Dingke Tea Co., Ltd (福建鼎苛茶業有限公司)	Finished products and raw materials for white tea	2019	30	A limited liability company located in Fujian Province, the PRC	54,335	4.7
2 . . .	Wuyishan Wuhong Tea Co., Ltd (武夷山武鴻茶業有限公司)	Finished products and raw materials for black tea	2021	30 to 60	A limited liability company located in Fujian Province, the PRC	52,522	4.5
3 . . .	Fujian Province Wuyishan Guanqing Tea Co., Ltd (福建省武夷山市冠清茶業有限公司)	Finished products for black tea and raw materials for Wuyi Yan Cha	2020	30 to 60	A limited liability company located in Fujian Province, the PRC	51,712	4.5
4 . . .	Supplier B	Marketing and promotional services	2020	30	A limited liability company located in Anhui Province, the PRC	50,776	4.4
5 . . .	Menghai County Yangpinhao Tea Leaf Co., Ltd (勐海縣楊聘號茶業有限公司)	Finished products and raw materials for Pu'er tea	2015	30	A limited liability company located in Yunnan Province, the PRC	43,543	3.8
Total .						252,888	21.9

BUSINESS

For the Year Ended December 31, 2024

Rank	Supplier	Main Types of Products/ Services Procured	Year of Commencement of Business Relationship	Typical Credit Terms	Location and Background	Transaction Amount	As Percentage of our Total Purchases
				Days		RMB'000	%
1. . .	Wuyishan Wuhong Tea Co., Ltd (武夷山武鴻茶 業有限公司)	Finished products and raw materials for black tea	2021	30 to 60	A limited liability company located in Fujian Province, the PRC	65,809	5.8
2. . .	Fujian Dingke Tea Co., Ltd (福建 鼎苛茶業有限公 司)	Finished products and raw materials for white tea	2019	30	A limited liability company located in Fujian Province, the PRC	55,603	4.8
3. . .	Supplier B	Marketing and promotional services	2020	30	A limited liability company located in Anhui Province, the PRC	49,380	4.3
4. . .	Fujian Province Wuyishan Guanqing Tea Co., Ltd (福建 省武夷山市冠清 茶業有限公司)	Finished products for black tea and raw materials for Wuyi Yan Cha	2020	30 to 60	A limited liability company located in Fujian Province, the PRC	48,613	4.3
5. . .	Shenzhen Qihe Technology Co., Ltd (深圳市器 禾科技有限公 司)	Finished products for tea ware and certain packaging materials	2015	30	A limited liability company located in Guangdong Province, the PRC	45,132	4.0
Total .						264,537	23.2

BUSINESS

For the Six Months Ended June 30, 2025

Rank	Supplier	Main Types of Products/ Services Procured	Year of Commencement of Business Relationship	Typical Credit Terms Days	Location and Background	Transaction Amount RMB'000	As Percentage of our Total Purchases %
1 . .	Wuyishan Wuhong Tea Co., Ltd (武夷山武鴻茶業有限公司)	Finished products and raw materials for black tea	2021	30 to 60	A limited liability company located in Fujian Province, the PRC	32,128	5.7
2 . .	Shenzhen Qihe Technology Co., Ltd (深圳市器禾科技有限公司)	Finished products for tea ware and certain packaging materials	2015	30	A limited liability company located in Guangdong Province, the PRC	26,822	4.8
3 . .	Fujian Province Wuyishan Guanqing Tea Co., Ltd (福建省武夷山市冠清茶業有限公司)	Finished products for black tea and raw materials for Wuyi Yan Cha	2020	30 to 60	A limited liability company located in Fujian Province, the PRC	25,886	4.6
4 . .	Fujian Dingke Tea Co., Ltd (福建省鼎苛茶業有限公司)	Finished products and raw materials for white tea	2019	30	A limited liability company located in Fujian Province, the PRC	24,958	4.4
5 . .	Shenzhen Xinboda Packaging Products Co., Ltd. (深圳市鑫博大包裝製品有限公司)	Gift boxes and handbags	2018	60	A limited liability company located in Guangdong Province, the PRC	17,553	3.1
Total .						127,347	22.6

Key OEM Manufacturers

For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, our aggregate procurement amount of finished products from the Key OEM Manufacturers, namely, the five largest OEM manufacturers in terms of the procurement amount of finished products by our Group for each period during the Track Record Period, amounted to RMB193.2 million, RMB219.3 million, RMB222.3 million and RMB103.1 million, respectively. During the Track Record Period, our Key OEM Manufacturers were located in Fujian Province, Yunnan Province and Guangdong Province.

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The following tables set forth details of our Key OEM Manufacturers in each period during the Track Record Period:

For the Year Ended December 31, 2022

Rank	Key OEM Manufacturer	Main Types of Finished Products Procured	Year of Commencement of Business Relationship	Transaction Amount <i>RMB'000</i>	Total Purchases <i>%</i>
1 . . .	Menghai County Xinji Tea Co., Ltd.	Pu'er tea	2021	40,810	3.8
2 . . .	Fuding City Mingchun Tea Leaf Co., Ltd	White tea	2020	40,636	3.8
3 . . .	Supplier A	White tea	2014	40,455	3.8
4 . . .	Fujian Province Wuyishan Guanqing Tea Co., Ltd	Black tea	2020	35,678	3.3
5 . . .	Menghai County Yangpinhao Tea Leaf Co., Ltd	Pu'er tea	2015	35,588	3.3
Total .				<u>193,168</u>	<u>18.0</u>

For the Year Ended December 31, 2023

Rank	Key OEM Manufacturer	Main Types of Finished Products Procured	Year of Commencement of Business Relationship	Transaction Amount <i>RMB'000</i>	Total Purchases <i>%</i>
1 . . .	Fujian Dingke Tea Co., Ltd	White tea	2019	53,789	4.7
2 . . .	Fujian Province Wuyishan Guanqing Tea Co., Ltd	Black tea	2020	44,267	3.8
3 . . .	Menghai County Yangpinhao Tea Leaf Co., Ltd	Pu'er tea	2015	42,020	3.6
4 . . .	Menghai County Xinji Tea Co., Ltd.	Pu'er tea	2021	39,933	3.5
5 . . .	Wuyishan Wuhong Tea Co., Ltd	Black tea	2021	39,326	3.4
Total .				<u>219,335</u>	<u>19.0</u>

BUSINESS

For the Year Ended December 31, 2024

Rank	Key OEM Manufacturer	Main Types of Finished Products Procured	Year of Commencement of Business Relationship	Transaction Amount	Total Purchases
				<i>RMB'000</i>	<i>%</i>
1 . . .	Fujian Dingke Tea Co., Ltd	White tea	2019	53,459	4.7
2 . . .	Shenzhen Qihe Technology Co., Ltd	Tea ware	2021	45,101	4.0
3 . . .	Wuyishan Wuhong Tea Co., Ltd	Black tea	2021	43,588	3.8
4 . . .	Menghai County Yangpinhao Tea Leaf Co., Ltd	Pu'er tea	2015	41,548	3.6
5 . . .	Fujian Province Wuyishan Guanqing Tea Co., Ltd	Black tea	2020	38,643	3.4
Total .				<u>222,339</u>	<u>19.5</u>

For the Six Months Ended June 30, 2025

Rank	Key OEM Manufacturer	Main Types of Finished Products Procured	Year of Commencement of Business Relationship	Transaction Amount	As Percentage of our Total Purchases
				<i>RMB'000</i>	<i>%</i>
1 . . .	Shenzhen Qihe Technology Co., Ltd	Tea ware	2021	26,806	4.8
2 . . .	Fujian Dingke Tea Co., Ltd	White tea	2019	23,992	4.3
3 . . .	Wuyishan Wuhong Tea Co., Ltd	Black tea	2021	20,431	3.6
4 . . .	Fujian Province Wuyishan Guanqing Tea Co., Ltd	Black tea	2020	16,496	2.9
5 . . .	Jiangmen Xinhui District Heyi Ecological Agriculture Co., Ltd. (江門市新會區合益生態農業有限公司)	Dark tea, white tea and tangerine peels	2016	15,387	2.7
Total.				<u>103,112</u>	<u>18.3</u>

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Contracts with Suppliers

During the Track Record Period, we primarily entered into procurement agreements with our suppliers. These agreements typically contain the following key terms:

<i>Duration and renewal</i>	The duration of the agreements is usually one year. The agreements are renewable upon mutual consent of the parties.
<i>Product specification and samples</i>	We usually specify the specifications for the products we procure from the suppliers in the agreements. We also agree with suppliers that they must provide us with samples for inspection and retention to ensure product quality and safety. The suppliers seek our consent in writing to any changes to the specifications of the products, and provide new samples accordingly. The product quality shall comply with international standards, national standards, enterprise standards, industry standards and/or other standards as agreed by the parties. Under the agreements with suppliers on OEM basis, if we cease to engage the suppliers to produce the products, we may require the suppliers to destroy the samples for the relevant products after a prescribed period upon our written consent.
<i>Minimum procurement amount</i>	The agreements usually do not specify a minimum procurement amount.
<i>Price</i>	The agreements typically specify the unit prices of the products for our orders within the duration of the agreements. In the event that there will be additional or less products to be procured, the parties shall enter into supplemental agreements.
<i>Ordering</i>	We send purchase orders to the suppliers through our SCM, which shall specify, among others, the codes of the products, the names of the product, unit prices, quantities and delivery dates. The suppliers shall strictly arrange the delivery of products according to the specifications and details of the orders.

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Product quality The suppliers shall ensure that the products supplied by them comply with the standards under the agreements. In the event that the products supplied by the suppliers fail to comply with the standards under the agreements, we are entitled to (i) unconditionally exchange the non-compliant products; (ii) deduct the price of the non-compliant products from the payment; or (iii) refuse to accept the entire batch of the products and terminate the relevant purchase order(s).

Payment and credit terms We typically settle the payment with suppliers according to the invoices they issue to us within the prescribed period under the agreements. The credit terms granted by our suppliers to us are generally 30 or 60 days.

Termination The agreements can be terminated on mutual consent or for cause.

WAREHOUSING, INVENTORY MANAGEMENT AND LOGISTICS

Warehousing and Logistics Management

As of the Latest Practicable Date, we had three warehouses located in Anxi County, Wuyishan City and Shenzhen City, which were warehouses operated by us on our owned or leased properties. We also store our products in the warehouses operated by third-party warehousing and service providers, including a warehouse in Zhengzhou City, which covers our delivery of products in Northern China, Northeastern China and Northwestern China. These warehouses operated by third parties are also part of our nationwide supply chain layout, which improved our logistics efficiency. Our raw materials and products were primarily stored at these warehouses as of the Latest Practicable Date. We have built an efficient digitalized platform for warehousing and logistics, which consists of, among others, intelligent tea storage systems, intelligent warehousing systems and automated logistics management. These systems help improve our warehousing and delivery ability. Specifically:

- *Intelligent tea storage system:* We have an intelligent tea storage system to meet the storage requirements of different tea leaves. Our tea warehouses use intelligent fresh air systems and temperature and humidity controlling devices to warehouse the tea leaf raw materials and finished products in an environment without odors and strong light, and with low oxygen level and suitable temperature and humidity. In addition, we adopted technologies including facial recognition, whole-body sterilization and air quality detection to create a highly hygienic environment to help ensure the taste and quality of the raw materials and finished products of tea leaves.

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- *Intelligent warehousing system:* We have built an intelligent warehouse management system that automatically collects inventory data through the PDA scanning technology. In addition, we use PTL intelligent picking and AGV robots to assist manual picking, which improved the efficiency of the operation of our warehouses.
- *Automated logistics management:* During the Track Record Period and up to the Latest Practicable Date, we primarily engaged third-party service providers to deliver the finished products from our warehouses to our offline stores and customers. We use our WMS to track the delivery process.

The term of our agreements with the third-party service providers we engaged for logistics generally range from one year to two years, subject to renewal and termination pursuant to the agreements. We typically settle the service fees with the service providers on a monthly basis, which shall be calculated based on, among others, the weight and size of the goods delivered by the service providers during the month, delivery locations and delivery time. The service providers are generally obligated to guarantee the safety of the goods, and shall compensate us for any loss caused by them.

Inventory Management

During the Track Record Period, our inventories mainly included raw materials, work in progress, finished products and goods in transit. For details about our inventories, please refer to “Financial Information — Description of Certain Key Items from Our Consolidated Statements of Financial Position — Inventories” in this document.

To enhance our effective management and control of inventories, we have formulated the Inventory Management Measures, which covers, among others, warehousing, placement/sales/stock-out, product return procedures, procedures for handling deteriorated products, stocktaking and disposal, daily storage, store inventory management and accounting treatment for inventories. We maintain reserves of raw materials and finished products to ensure the normal operation of our production and sales. We also dynamically manage our inventory plans according to the features of the raw materials and finished products. Our inventory level varies by product base on, among others, different shelf lives and features of the products.

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The following table sets forth the details of the usual shelf life for each of our product types during the Track Record Period, which were generally in line with national and industry standards in mainland China:

Product Type	Usual Shelf Life
<u>Tea-leaf Products</u>	
Tieguanyin tea leaves	18 months for fragrant type, 24 months for strong flavor type and long term for aged type (陳香型)
Wuyi Yan Cha	Long term
Black tea leaves	36 months
Dark tea leaves	Long term
White tea leaves	Long term, but recommended to be consumed within 15 years
Green tea leaves	18 months
Yellow tea leaves and other tea-leaf products	18 months
<u>Non-tea-leaf Products</u>	
Tea snacks	8 to 9 months
Tea beverages	12 months

QUALITY CONTROL

We have a comprehensive quality control system and food safety mechanism. As of the Latest Practicable Date, we obtained multiple certifications, including, among others, ISO9001 Quality Management System Certification, Hazard Analysis and Critical Control Point (HACCP) system certification, ISO14001 Environmental Management System Certification, ISO45001 China Occupational Health and Safety Management System Certification, FSSC22000 Certification, and Green Food Certification, which help effectively guarantee the quality and safety of our supply chain management, procurement, production, warehousing and other business stages, thereby offering high-quality products to our consumers.

Quality Control of Raw Material Procurement

We are able to source tea leaf raw materials from suppliers with stable track records, long-term cooperation with us and relevant qualifications. We provide training to our tealeaf suppliers on our specific requirements in respect of the quality of raw materials. In order to ensure the safety and stability of the raw materials for production, we conduct strict testing and acceptance of each batch of purchased raw materials.

After the review, we inspect multiple indicators of the tea leaves, such as sensory quality, physical and chemical condition, hygiene (heavy metals) as well as assessing pesticide levels in accordance with national and industry standards. As of the Latest Practicable Date, we were in the process of developing computer-based technologies to help inspect the indicators of tea

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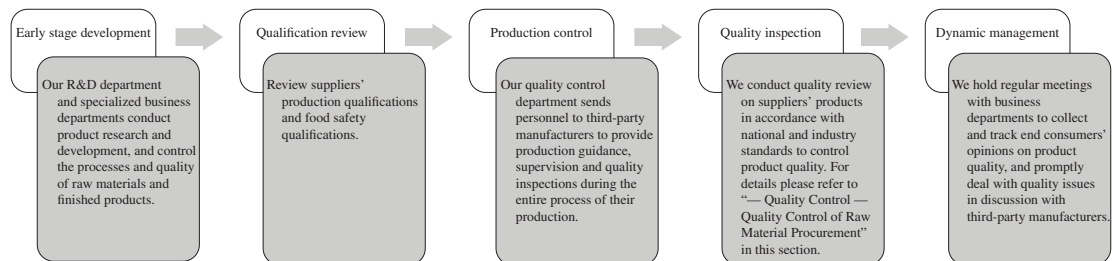
leaves. Raw materials will be accepted into our warehouse only after passing the tests on all indicators during such inspection. If the inspection fails, we will notify the suppliers to deal with this batch of raw materials, including arranging return, exchange and/or to compensate us for the loss. We also conduct periodic and *ad hoc* on-site inspections at the production locations of our suppliers to check whether their production processes comply with our requirements on product quality, safety and hygiene.

Quality Control of the Production Process

We established the Sixth Generation Intelligent Production Line and the Seventh Generation Intelligent Production Line at our Anxi Production Base and Wuyishan Production Base, respectively. Through information technology systems such as MES and QMS, our production lines are able to automatically control the entire production process, including feeding of raw materials, refined processing, detection and removal of impurities and packaging and plastic sealing. Such automatic control helps minimize human contact and intervention with the raw materials and the work-in-progress, thereby ensuring the hygiene and safety of the finished products. For details, please refer to the “— Production” in this section. Our relevant staff strictly inspects and test the finished product before warehousing them. In addition, we have established a “One-Box-One-Code” Anti-Counterfeiting and Tracking System, which provides technological support for tracking our finished products. For details, please refer to “— Information Technology” in this section.

Quality Control of Finished Products

We established strict quality inspection standards and processes to ensure the product safety of the finished products procured by us. The diagram below sets forth the processes of our quality control of finished products:



We have taken various measures to control the quality of procured products, which we believe will help ensure that the quality of products procured by us is equivalent to the quality of products produced by us. These measures include, among others, (i) strictly selecting our OEM manufacturers based on their qualifications, sample products provided by them, our site visits to their factories and review opinions of responsible persons of multiple departments of our Group, and periodically reviewing their performances; (ii) engaging in the product development process and production process to ensure that the development plans and use of raw materials are in line with our requirements; (iii) checking and testing the samples by our inhouse teams and third-party institutions; and (iv) inspection of products upon their delivery according to our internal policies and guidebooks.

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BRANDING AND MARKETING

Our brand originates from a family with close to 300 years of history of processing tea leaves. Our founders, as the 13th generation of their family, created our Bama brand in 1997. After decades of development, we formed a brand portfolio consisting of our core brand, Bama, and two sub-brands, Xinjihao and Wanshanhong. We promote our brand slogan, “Stay Tuned and Drink Bama (認準這匹馬,好茶喝八馬)” under these brand and sub-brands to continuously improve our brand value.

We have a professional branding and marketing team, which is able to market and promote our brand, sub-brands and products through online and offline channels. We are able to conduct various marketing and promotional initiatives through our nationwide store coverage. We strive to strengthen our brand image as a representative brand of Premium Chinese Tea through diversified marketing and promotional campaigns and comprehensive operation system. These efforts led to the improvement of our industry position and recognition among consumers.

Our branding and marketing activities mainly include:

- *Offline mega event and global tasting tours:* We held many offline mega events and global tasting tours, through which we effectively advertised our brand image and solidified our position in China’s tea industry. Since 2011, we have been hosting global tasting tours in China and other countries to introduce Chinese tea and tea drinking tradition in China. As of June 30, 2025, we had held tasting tours in over 30 countries. We believe these events advertised the charm of Chinese tea, showcased our position in China’s tea industry, and will continuously bring us business development opportunities.
- *Live-streaming and KOL marketing:* We have launched live-streaming programs conducted by our inhouse teams to provide interactive online shopping experience to consumers. We proactively expand the exposure of our brand, sub-brands and products through collaboration with MCNs representing the KOLs to seize the market opportunities of live-streaming. We believe these efforts effectively enlarged our branding effect and promoted our sales.
- *IP marketing:* We leverage our brand IP, Bama, to promote our brand image. We created multiple marketing slogans for branding programs that revolve around our brand IP, such as the “Bama Tea Talk (八馬茶叙)” and the “Remarkable Chinese Tea (了不起的中國茶)”, which contributed to the exposure of these marketing initiatives. As of June 30, 2025, we launched five live-streaming activities under the Bama Tea Talk and 25 online marketing programs under the Remarkable Chinese Tea slogan, during which we invited tea industry players, celebrities from commercial, entertainment and sports fields and experts to attend these events and interact with viewers and netizens.

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- *Social media exposure:* We have built a full-coverage, robust online presence through exposure on social media platforms. We gain access to our target consumer base through well-known mainstream social media platforms such as Weibo, Weixin, Xiaohongshu and Douyin, thereby improving our brand recognition and customer experiences. For instance, we strive to integrate the hit topics that are trending among consumers, including the Chinese traditional festival seasons such as the Dragon Boat Festival, Mid-autumn Festival and Chinese New Year, in our marketing content on social media platforms. These efforts helped drive consumers’ attention to our festival-themed products, thereby increasing their sales and our brand exposure.
- *Crossover marketing and collaboration with brand names:* We actively pursue crossover collaborations to broaden our consumer reach and appeal to potential consumers driven from other industries, effectively boosting our brand visibility, thereby driving our product sales. Our major crossover programs include, among others “China Aerospace • Space Creativity Co-Branded Gift Tea Set (中國航天•太空創想聯名茶禮盒)”, “Liufu Linmen Series” National Treasure Co-branded Tea Gift (國家寶藏聯名“六福臨門”系列茶禮盒), Mingjia Series Chow Tai Fook Co-branded Gift Set (周大福聯名茗家禮盒), and multiple co-branded tea gift sets of Gansu Dunhuang Museum (甘肅敦煌博物館), including Feihuang Tengda (飛黃騰達) and Haoyun Lianlian (好運連連).
- *Competitions for tea leaves:* We held competitions for tea leaves in Anxi County and Wuyishan City for years with an aim to guide and incentivize local tea producers to produce high-quality tea leaves, and provide a communication platform for industry players. The judges of the competitions select the winning tea leaves based on strict standards. Producers of the winning tea leaves will be awarded cash, and may be selected as our suppliers of tea leaves to expand our supplier pool. We believe these competitions further improved our brand image as an established brand in China’s tea industry, and provided development opportunities to various local tea producers.
- *Immersive experiences for tea drinking and tea culture:* We believe that a unified store design applied in all our offline stores will help immerse consumers in the traditional Chinese tea culture and an elegant tea-tasting space, thereby reinforcing our brand image and improving consumers’ loyalty to us. As at the Latest Practicable Date, we have upgraded our offline store design to the eighth generation, which combined Chinese aesthetic values with modern trends in our design of offline stores, taking into account the reasonable coordination of internal displays and movement lines. In addition, we established our Bama Culture Center (八馬文化館) in Wuyishan City in Fujian Province with a GFA of approximately 1,500 sq.m. as a comprehensive exhibition space integrating functions of cultural communication, sales and tea drinking experiences to immerse consumers in our brand culture and charm of Chinese tea, thereby enhancing our brand image of “Bama Quality Tea (八馬品質好茶)”.

BUSINESS

PRICING STRATEGY

We set our sale prices and suggested retail prices of products after considering various factors, including cost, product category, price levels of competitors, market demand, the market positioning of our brand and sub-brands, sales channels and profit margin. For details of the suggested retail prices of our Major Products during the Track Record Period, please refer to “— Our Brands and Products” in this section.

Our product lines in online channels focus on more cost-effective products with relatively more affordable prices as compared to those offered in the offline channels. The suggested retail prices of products sold through online channels are generally determined with reference to the suggested retail prices, with certain discounts determined according to our promotion policies and membership policies.

We determine the sale prices to franchisees based on the franchise policies from time to time. Such sale prices are generally calculated as a discount against the suggested retail prices. We may provide sale rebates to franchisees in accordance with the overall business development strategies to encourage them to purchase and sell our products. Such sale rebates can be applied to their purchase of our products on our ordering website.

The following table sets forth the suggested retail price range for Major Products, for the years indicated:

	For the Year Ended December 31,			For the Six Months Ended June 30,
	2022	2023	2024	2025
	<i>RMB per kg/unit</i>	<i>RMB per kg/unit</i>	<i>RMB per kg/unit</i>	<i>RMB per kg/unit</i>
Tea-leaf Products				
Tea leaves ⁽¹⁾	727 to 240,000	727 to 240,000	800 to 168,064	931 to 70,196 ⁽²⁾
Non-tea-leaf Products				
Tea ware ⁽¹⁾	118 to 60,000	128 to 45,000	158 to 6,580	98 to 4,480
Tea snacks ⁽¹⁾	108 to 499	118 to 499	88 to 388	138 to 238

Notes:

- (1) The suggested retail price range is denominated in (a) RMB per kg for tea leaves; and (b) RMB per unit for tea ware and tea snacks.
- (2) The high end of suggested retail prices of our Major Products for the six months ended June 30, 2025 was lower than those for each of the years ended December 31, 2022, 2023 and 2024, mainly because the sales of tea-leaf products with suggested retail prices of over RMB70,196 per kg substantially decreased during the six months ended June 30, 2025. As a result, our Major Products for the six months ended June 30, 2025 did not include such products.

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The above suggested retail price range of our Major Products during the Track Record Period was in line with industry average of products with similar market positioning, according to Frost & Sullivan.

CUSTOMERS

Five Largest Customers

During the Track Record Period, we primarily sold products to franchisees, e-commerce platforms and retail consumers through our self-operated online and offline stores. The main payment methods of the five largest customers in each period during the Track Record Period were bank transfer. To the best knowledge of our Directors, all of our five largest customers in each period during the Track Record Period were Independent Third Parties. None of our Directors, their respective close associates, or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued capital, had any interest in these customers during the Track Record Period and up to the Latest Practicable Date.

The controlling shareholder of Henan Ruizhiming Trading Co., Ltd (河南瑞之茗商貿有限公司), which is one of our five largest customers in each period during the Track Record Period, is the spouse of one of our employees, Ms. Wang Rui (王瑞), who joined our Group in December 2023. She joined our Group as the responsible person for the overall retail operation (全面零售運營負責人) and continued to serve this position as of the Latest Practicable Date. She is primarily responsible for leading the overall retail operation working group (全面零售事業群) to, among others, formulate standardized operation guidelines and generic operation plans for the offline stores and train the franchisees and their employees. She is experienced in store management, store operation and customer services in China’s tea industry, especially the standardization of store operation. Our management is of the view that Ms. Wang Rui contributed to the standardization of the operation of our offline stores through her position held in our Group, and expects to further enjoy her relevant experiences and talents. We believe Ms. Wang Rui being the spouse of the primary contact person and decision maker of Henan Ruizhiming Trading Co., Ltd in its transactions with our Group did not lead to conflict of interest arising from the position of Ms. Wang Rui held in our Group, primarily because, during the Track Record Period and up to the Latest Practicable Date, (i) we imposed strict employee policies and contractual obligations on Ms. Wang Rui, which forbade her from seeking interests at the cost of our Group; (ii) the transactions with and management of franchisees were handled by the departments and personnel which were not subject to the direction of Ms. Wang Rui. As a result, by nature of the role and responsibilities of Ms. Wang Rui in our Group, she was unable to directly manage our franchisees or gain knowledge of our transaction details with franchisees and she was not involved in the decisions made in respect of the transactions with any of our franchisees, including Henan Ruizhiming Trading Co., Ltd., on behalf of our Group; (iii) there was no material change to our contractual terms and business relationships with Henan Ruizhiming Trading Co., Ltd after Ms. Wang Rui joined our Group, which were similar to those with other major franchisees of our Group; (iv) Henan Ruizhiming Trading Co., Ltd was not offered more favourable contractual terms by our Group as a result of Ms. Wang Rui’s position in or her joining our Group; and (v) to the best of our knowledge, Ms. Wang Rui was

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not involved in the decisions made in respect of the transactions with Henan Ruizhiming Trading Co., Ltd on its behalf. We expect to continue to maintain the abovementioned arrangements to prevent any conflict of interest that may arise from the position of Ms. Wang Rui held in our Group. For further details of Henan Ruizhiming Trading Co., Ltd, including its principal business, year of commencement of business relationship with us and transaction amounts during the Track Record Period, please refer to below.

For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, revenue generated from our five largest customers in each period during the Track Record Period amounted to RMB251.7 million, RMB344.9 million, RMB344.3 million and RMB163.8 million, accounting for 13.8%, 16.3%, 16.1% and 15.4%, respectively, of our total revenue, respectively, for the same periods. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, revenue generated from our largest customer amounted to RMB95.0 million, RMB154.8 million, RMB167.4 million and RMB83.0 million, accounting for 5.2%, 7.3%, 7.8% and 7.8%, respectively, of our total revenue, respectively, for the same periods.

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

For the Year Ended December 31, 2022

Rank	Customer	Main Types of Products Sold	Year of Commencement of Business Relationship	Typical Credit Term	Location and Background	Amount of Revenue	As Percentage of our Total Revenue
				Days		RMB'000	%
1. . .	Customer A and its subsidiary	Tea leaves, tea ware and tea snacks	2015	30	A limited liability company located in Beijing, the PRC, which is a subsidiary of a company whose securities are traded on the NASDAQ and the Stock Exchange	94,978	5.2
2. . .	Wuhan Zheshuiwan Trading Development Co., Ltd (武漢浙水灣商貿發展有限公司)	Tea leaves, tea ware and tea snacks	2010	Cash before delivery	A limited liability company located in Hubei Province, the PRC	53,915	3.0

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Rank	Customer	Main Types of Products Sold	Year of Commencement of Business Relationship	Typical Credit Term	Location and Background	Amount of Revenue	As Percentage of our Total Revenue
				<i>Days</i>		<i>RMB'000</i>	<i>%</i>
3. . .	Henan Ruizhiming Trading Co., Ltd (河南瑞之茗商貿有限公司)	Tea leaves, tea ware and tea snacks	2007	Cash before delivery	A limited liability company located in Henan Province, the PRC	36,876	2.0
4. . .	Xi'an Jiadeng Xiangzhiqin Trading Co., Ltd (西安嘉登祥之秦商貿有限公司)	Tea leaves, tea ware and tea snacks	2009	Cash before delivery	A limited liability company located in Shaanxi Province, the PRC	35,043	1.9
5. . .	Fujian Fengling Tea Co., Ltd (福建鳳翎茶業有限公司)	Tea leaves, tea ware and tea snacks	2010	Cash before delivery	A limited liability company located in Fujian Province, the PRC	30,912	1.7
Total.						<u>251,724</u>	<u>13.8</u>

For the Year Ended December 31, 2023

Rank	Customer	Main Types of Products Sold	Year of Commencement of Business Relationship	Typical Credit Term	Location and Background	Amount of Revenue	As Percentage of our Total Revenue
				<i>Days</i>		<i>RMB'000</i>	<i>%</i>
1. . .	Customer A and its subsidiary	Tea leaves, tea ware and tea snacks	2015	30	A limited liability company located in Beijing, the PRC, which is a subsidiary of a company whose securities are traded on the NASDAQ and the Stock Exchange	154,782	7.3

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Rank	Customer	Main Types of Products Sold	Year of Commencement of Business Relationship	Typical Credit Term <i>Days</i>	Location and Background	Amount of Revenue <i>RMB'000</i>	As Percentage of our Total Revenue <i>%</i>
2. . .	Wuhan Zheshuiwan Trading Development Co., Ltd (武漢浙水灣商貿發展有限公司)	Tea leaves, tea ware and tea snacks	2010	Cash before delivery	A limited liability company located in Hubei Province, the PRC	58,569	2.8
3. . .	Henan Ruizhiming Trading Co., Ltd (河南瑞之茗商貿有限公司)	Tea leaves, tea ware and tea snacks	2007	Cash before delivery	A limited liability company located in Henan Province, the PRC	48,500	2.3
4. . .	Fujian Fengling Tea Co., Ltd (福建鳳翎茶業有限公司)	Tea leaves, tea ware and tea snacks	2010	Cash before delivery	A limited liability company located in Fujian Province, the PRC	43,725	2.1
5. . .	Xi'an Jiadeng Xiangzhiqin Trading Co., Ltd (西安嘉登祥之秦商貿有限公司)	Tea leaves, tea ware and tea snacks	2009	Cash before delivery	A limited liability company located in Shaanxi Province, the PRC	39,301	1.8
Total.						<u>344,877</u>	<u>16.3</u>

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For the Year Ended December 31, 2024

Rank	Customer	Main Types of Products Sold	Year of Commencement of Business Relationship	Typical Credit Term	Location and Background	Amount of Revenue	As Percentage of our Total Revenue
				Days		RMB'000	%
1. . .	Customer A and its subsidiary	Tea leaves, tea ware and tea snacks	2015	30	A limited liability company located in Beijing, the PRC, which is a subsidiary of a company whose securities are traded on the NASDAQ and the Stock Exchange	167,371	7.8
2. . .	Wuhan Zheshuiwan Trading Development Co., Ltd (武漢浙水灣商貿發展有限公司)	Tea leaves, tea ware and tea snacks	2010	Cash before delivery	A limited liability company located in Hubei Province, the PRC	50,788	2.4
3. . .	Fujian Fengling Tea Co., Ltd (福建鳳翎茶業有限公司)	Tea leaves, tea ware and tea snacks	2010	Cash before delivery	A limited liability company located in Fujian Province, the PRC	45,774	2.1
4. . .	Henan Ruizhiming Trading Co., Ltd (河南瑞之茗商貿有限公司)	Tea leaves, tea ware and tea snacks	2007	Cash before delivery	A limited liability company located in Henan Province, the PRC	44,012	2.1
5. . .	Xi'an Jiadeng Xiangzhiqin Trading Co., Ltd (西安嘉登祥之秦商貿有限公司)	Tea leaves, tea ware and tea snacks	2009	Cash before delivery	A limited liability company located in Shaanxi Province, the PRC	36,307	1.7
Total.						<u>344,252</u>	<u>16.1</u>

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For the Six Months Ended June 30, 2025

Rank	Customer	Main Types of Products Sold	Year of Commencement of Business Relationship	Typical Credit Terms	Location and Background	Amount of Revenue	As Percentage of our Total Revenue
				<i>Days</i>		<i>RMB'000</i>	<i>%</i>
1. . .	Customer A and its subsidiary	Tea leaves, tea ware and tea snacks	2015	30	A limited liability company located in Beijing, the PRC, which is a subsidiary of a company whose securities are traded on the NASDAQ and the Stock Exchange	83,025	7.8
2. . .	Wuhan Zheshuiwan Trading Development Co., Ltd (武漢浙水灣商貿發展有限公司)	Tea leaves, tea ware and tea snacks	2010	Cash before delivery	A limited liability company located in Hubei Province, the PRC	24,195	2.3
3. . .	Henan Ruizhiming Trading Co., Ltd (河南瑞之茗商貿有限公司)	Tea leaves, tea ware and tea snacks	2007	Cash before delivery	A limited liability company located in Henan Province, the PRC	21,863	2.1
4. . .	Fujian Fengling Tea Co., Ltd (福建鳳翎茶業有限公司)	Tea leaves, tea ware and tea snacks	2010	Cash before delivery	A limited liability company located in Fujian Province, the PRC	17,834	1.7
5. . .	Xi'an Jiadeng Xiangzhiqin Trading Co., Ltd (西安嘉登祥之秦商貿有限公司)	Tea leaves, tea ware and tea snacks	2009	Cash before delivery	A limited liability company located in Shaanxi Province, the PRC	16,836	1.5
Total.						<u>163,753</u>	<u>15.4</u>

BUSINESS

Customer Services, Warranty and Product Replacement/Return Policy

We established a comprehensive customer services mechanism involving multiple departments. Our customer services department is responsible for receiving feedback from customers about the product quality, preliminarily communicating with them and providing solutions based on the issues. It also records and files any complaints from customers to support the subsequent analysis of consumers’ demands and training. Our quality control center is responsible for checking, analyzing and confirming any customers’ complaints, and providing relevant solutions and rectification measures. Our product center is responsible for, among others, liaising with the suppliers from which we procured the potentially problematic products to confirm their responsibilities. Our supply chain center is responsible for, among others, the transportation in connection with the product returns and exchanges, and identification of the logistics service providers that might have damaged the products during their delivery. Our franchise business department is responsible for, among others, assisting the customer services department to handle the customer complaints from franchised stores. We formulated three principles in dealing with the customer complaints: (i) the principle of first responsible person (首人負責原則), which requires the first person or department that received the customer complaint to follow up the entire procedure until the relevant issues are resolved; (ii) the principle of swift response (迅速處理原則), which requires all the departments to actively coordinate with each other to timely deal with the complaint; and (iii) the principle of written report (書面匯報原則), which requires the customer services department to submit written reports to the relevant responsible persons of the quality control center and product center when the customer complaints involve special circumstances.

Pursuant to the franchise agreements between our franchisees and us, the franchisees shall follow our standards on the services and product quality warranty, and timely deal with the complaints from the consumers. In the event that the consumers suffered losses resulting from the faults of the franchised stores, and the consumers directly filed complaints against us, where appropriate following review; we shall compensate the consumers for their losses, and are entitled to be reimbursed by the franchisees. We generally do not allow franchisees to make returns, exchanges or refunds for products they purchase from us, except in limited circumstances. For details, please refer to “— Our Sales Network — Our Offline Channels — Franchising Mode — Product Return and Replacement Policies for Franchisees” in this section.

According to our agreements with e-commerce platform customers, we are generally required to cooperate with the e-commerce platform customers to handle complaints, lawsuits or claims from consumers. If the relevant agreement allows e-commerce platform customers to return defective products, unsold products and/or products returned by their online consumers to us, we need to arrange returns and/or exchanges in accordance with the procedures stipulated in the agreement. If the reason for the product return is that the products are defective, we generally need to bear the relevant transportation costs.

We generally allow customers to return the defective products that were not damaged by customers, or products that are completely different from the ones they ordered.

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In line with the industry practice, we established a three-tier food recall system based on the severity and urgency of food safety risks. For tier 1, where severe health damage or even death has already been caused or may potentially be caused, the recall must commence within 24 hours after we become aware of the food safety issue. For tier 2, where general health concerns are involved, the recall must commence within 48 hours after we become aware of the food safety issue. For tier 3, where any food is falsely labeled or marked, the recall must commence within 72 hours after we become aware of the food safety issue.

The main reasons for product returns or exchanges include consumers’ seven-day unconditional returns or exchanges in accordance with the e-commerce platform policies and logistics delays. The level of product return and exchange in our sales network during the Track Record Period was in line with industry average, according to Frost & Sullivan.

During the Track Record Period and up to the Latest Practicable Date, we had not encountered any material product recall or experienced any material consumer complaints with respect to our product quality, and had not experienced any material food safety incidents.

Membership Program for Consumers

After consumers make purchases in our offline stores, they can become our offline store members by recording their information in the Mendianbao System installed at our offline stores. We categorize our offline store members into three tiers, including points members (積分會員), premium members (優享會員) and exclusive members (尊享會員), based on their purchase history and length of membership. The members earn points on their purchases with us to level up their tiers, which allow them to enjoy various benefits, such as welcoming coupons, birthday gifts and membership discounts. We also utilize the information and insights gained from our interaction with customers through our membership programs to optimize our product offerings and customer services. In addition, the consumers can register as members through various online channels. The number of our members has exceeded 26.0 million as of Latest Practicable Date.

Third-party Payment Arrangement

Background

For the years ended December 31, 2022, 2023 and 2024, a total of 195 franchisees (the “Relevant Customers”) settled their payments with our Group’s certain entities through the accounts of third parties designated by these Relevant Customers (the “Third-party Payment Arrangement”). From January 1, 2025 and up to the Latest Practicable Date, our Group had ceased the Third-party Payment Arrangement. We required franchisees to provide their bank account information for transactions with us, which shall be recorded in our ordering system, during the Track Record Period and up to the Latest Practicable Date. As such, we are able to identify the payments made through the accounts that were not the same with the bank accounts recorded in our ordering system by checking the payment accounts against the recorded accounts. It is not uncommon to accept payment from third parties designated by customers in the industry.

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For the years ended December 31, 2022, 2023 and 2024, the aggregate amount of payment from designated third parties to our Group was RMB19.5 million, RMB18.2 million and RMB24.3 million, respectively, representing approximately 1.1%, 0.9% and 1.1% of our revenue for the same respective periods. During the same periods, no individual Relevant Customer had made material contribution to our Group’s revenue.

For the years ended December 31, 2022, 2023 and 2024, the third parties designated by the Relevant Customers primarily consisted of entities controlled by the same individuals, business partners and family members. To the best of our knowledge, our Directors confirm that none of the designated third parties of any Relevant Customers during the same periods is a connected person of our Group.

Our Directors confirm that, during the years ended December 31, 2022, 2023 and 2024, (i) our Group had not proactively initiated any Third-party Payment Arrangement or participated in other forms in any of such arrangement; (ii) our Group had not provided any discount, commission, rebate or other benefit to any of the Relevant Customers to facilitate or incentivize the Third-party Payment Arrangement; and (iii) the pricing and payment terms of the agreements we entered into with the Relevant Customers were in line with franchisees not involved in the Third-party Payment Arrangement.

The Relevant Customers requested to utilize Third-party Payment Arrangement to settle their payments with us primarily because (i) to avoid the complexity of setting up and using corporate bank accounts, some franchisees have arrangements with third-party payors relating to settlements for their payments, such as using bank accounts of entities controlled by the same individuals, business partners or family members; and (ii) at the early stage of operating small-sized businesses, some franchisees may prefer to make payments to us through third-party payors, which is sufficient for their current needs and may offer more flexibility in terms of handling transactions.

To ascertain the implications of the Third-party Payment Arrangement, we communicated with the Relevant Customers and have obtained confirmations from substantially all of the Relevant Customers that made payments under the Third-party Payment Arrangement for the years ended December 31, 2022, 2023 and 2024. The confirmations include:

- (i) payments under the Third-party Payment Arrangement were made to settle payments for the products we sold to them and the franchise fees (if any);
- (ii) the Third-party Payment Arrangement was voluntarily proposed by the Relevant Customers for their convenience, and we have not provided any discount, brokerage, rebate or any other form of benefits to the Relevant Customers or their designated third-party payors to promote or encourage the adoption of the Third-party Payment Arrangement;
- (iii) the amount of payments made under the Third-party Payment Arrangement as recorded by members of our Group are complete and accurate;

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- (iv) all payments made under the Third-party Payment Arrangement were made to the account of members of our Group;
- (v) all Third-party Payment Arrangement have ceased between the Relevant Customers and us, and no Third-party Payment Arrangement will be adopted in the future;
- (vi) the Relevant Customers have completed settlement with the designated third-party payors of all payments made under the Third-party Payment Arrangement;
- (vii) no dispute or potential dispute exists in respect of any payment made under the Third-party Payment Arrangement, and no payment made under the Third-party Payment Arrangement involves illegal activities, such as money laundering, corruption and other forms of financial crimes; and
- (viii) the Relevant Customers confirm and warrant that their financial sources are legitimate and independent from our Group, and they will not require our Group to return any payments made under the Third-party Payment Arrangement. If the designated third-party payors require our Group to return any payment made under the Third-party Payment Arrangement, the Relevant Customers is obligated to properly resolve such issue and be jointly liable, so as to keep our Group from any harm so arisen.

In consideration of the above, and on the basis that (i) settlement under the Third-party Payment Arrangement was supported by genuine transactions; (ii) the Third-party Payment Arrangement in China is not explicitly prohibited by the Civil Code of the PRC (《中華人民共和國民法典》) or other pertinent PRC laws or regulations; (iii) with respect to the Relevant Customers who have duly made the aforementioned confirmations, all designated third-party payors are independent third parties whom are neither institution directly or indirectly controlled by shareholders, directors or senior managers of any members of our Group, nor any person that has any other business or personal relationship either directly or indirectly with our Group; (iv) the sources of payments by the designated third-party payors are affiliated with neither any members of our Group nor their liaisons; (v) during the Track Record Period up to the Latest Practicable Date, we are neither aware of any money laundering, corruption, financial crimes, tax evasion, disputes, litigation or other form of legal proceedings in connection with or arisen from any payments made under the Third-party Payment Arrangement, nor aware of any claims, disputes or litigation by any Relevant Customers, their designated third-party payors or their liquidators for the return of any payment made under the Third-party Payment Arrangement; and (vi) our Group had not been subject to any administrative penalties, litigations, investigation or any other forms of disputes, whether actual or pending, related to the Third-party Payment Arrangement during the Track Record Period and up to the Latest Practicable Date, as advised by the PRC Legal Advisors, (i) the Third-party Payment Arrangement does not violate any mandatory provisions of applicable PRC laws or regulations and (ii) with respect to the Relevant Customers who have duly made

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the aforementioned confirmations, the risks of our Group to be obligated to return the payments under the Third-party Payment Arrangement to the Relevant Customers and/or their designated third parties on a mass scale which would have a material adverse impact on our business and operations are low.

We believe the cessation of the Third-party Payment Arrangement would not result in any material adverse impact on our operations and financial performances, primarily because (i) the historical amount from the designated third parties of the Relevant Customers only accounted for a small percentage of our total revenue, representing 1.1%, 0.9% and 1.1% of our total revenue for the years ended December 31, 2022, 2023 and 2024, respectively; (ii) we communicated with the Relevant Customers before we ceased the Third-party Payment Arrangement to ensure that the payment procedures will not be affected after the cessation of the Third-party Payment Arrangement; and (iii) our internal control measures were effective in identifying the payments from third parties other than the accounts of our customers, and we required customers to make payment through their accounts.

Internal Control Measures

As of the Latest Practicable Date, we adopted internal control measures to mitigate related risks and prevent future occurrences of the Third-party Payment Arrangement, including but not limited to the following:

- (i) We require all of our existing franchisees to settle payment with us through their own bank accounts, and no third-party payors would be allowed.
- (ii) We require franchisees to provide their bank account information for transactions with us, which shall be recorded in our ordering system. We will check the information of the paying bank account against the information recorded in our system when we receive the payment from franchisees. Our staff will communicate with the franchisees when the names of the bank account recorded in our system are different from the names of the payors, and require them to keep the names of the payors consistent with the names recorded in our system.
- (iii) Our franchisees are required to make purchase orders on our ordering website. We will provide our franchisees with the account numbers and passwords for our ordering website after we enter into the franchise agreements with them. Our franchisees are able to directly place orders on these websites, which shall generate an ordering number. We are able to trace the ordering information, including the bank account information, to check the names of the payor.

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Contracts with Customers

During the Track Record Period, we primarily enter into franchise agreements with our franchisee customers, and sales agreements with e-commerce platform customers. For details of the principal terms of these agreements, please refer to “— Our Sales Network” above in this section.

OVERLAPPING OF CUSTOMERS AND SUPPLIERS

To the best knowledge and belief of our Directors, (i) one of our five largest customers in each period during the Track Record Period, Customer A, was also our supplier on a group basis during the same period; and (ii) none of our five largest suppliers in each period during the Track Record Period was our customer during the same period. During the Track Record Period, we sourced marketing and promotional services from a subsidiary of Customer A, and primarily sold tea leaf products, tea ware and tea snacks to it and another subsidiary of it. To the best knowledge and belief of our Directors, (i) negotiations of the terms of our sales to and purchases from Customer A and its subsidiaries were conducted on an individual basis and the sales and purchases were neither inter-connected with nor inter-conditional upon each other; (ii) the major terms of transactions with Customer A and its subsidiaries were similar to those with our other customers and suppliers and were in line with normal commercial terms; and (iii) we did not purchase back any products from Customer A or its subsidiaries that were sold to them.

We have such overlapping customer and supplier primarily because Customer A is a group company with various subsidiaries covering multiple business segments, including marketing and promotional services on the e-commerce platform operated by it, which were provided to us during the Track Record Period as we operate self-operated online stores on this e-commerce platform.

For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, our expenses on the services provided by the subsidiary of Customer A amounted to RMB15.6 million, RMB23.4 million, RMB29.8 million and RMB14.9 million, respectively. For the same periods, the revenue generated from the sales to this customer on group basis amounted to RMB95.0 million, RMB154.8 million, RMB167.4 million and RMB83.0 million, accounting for 5.2%, 7.3%, 7.8% and 7.8% of our total revenue, respectively. For the same periods, the gross profit generated from this customer amounted to RMB51.9 million, RMB82.3 million, RMB92.6 million and RMB45.7 million, accounting for 5.4%, 7.4%, 7.9% and 7.8% of our total gross profit, respectively. For the same periods, the gross profit margin of the sales to this customer amounted to 54.6%, 53.2%, 55.3% and 55.0%, respectively.

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COMPETITION

In 2024, we are the largest tea company in China in terms of sales revenue of premium tea leaves and the largest tea company in China in terms of sales revenue of Oolong tea leaves. We believe by leveraging our advantages in among others, brand value, product portfolio, sales network, market deployment and digitalized operation, we will increase our market share and capture more opportunities in the business segments that we operate in the future. We believe that we are well-positioned to excel in the competition within our industry. However, some of our current and potential competitors may enjoy several competitive advantages over us, including, but not limited to, more financial resources, longer operating history, and/or more marketing initiatives. We may not be able to effectively compete with them. See the section headed “Risk Factors — Risks Relating to Our Industry — We operate in a highly competitive industry. If we fail to compete effectively, our business and operating results could be adversely affected.” in this document for details.

SEASONALITY

Our financial condition and results of operations are subject to fluctuations during holiday and festival seasons. We typically carry out more sales and marketing activities before and during holiday seasons and other traditional festivities, such as the mid-autumn festival and Chinese New Year holidays. We also actively participate in shopping events and promotional activities organized by third-party e-commerce platforms, such as Singles’ Day Shopping Carnival and June 18 Shopping Carnival, to capture more sales opportunities. We typically have increased sales before and during the holiday seasons, festivals and events. See also the section headed “Risk Factors — Our sales volume may fluctuate due to seasonality.” in this document.

OUR EMPLOYEES

As of June 30, 2025, we had a total of 2,004 full-time employees. The table below sets forth a breakdown of our employees by function as of the same date:

Function	Number of employees	Percentage of total
Channels and sales	1,240	61.9%
Supply chain and production	438	21.9%
Management and administration	199	9.9%
Branding and marketing	62	3.1%
Product center and tea industry research center	44	2.2%
Quality control	21	1.0%
Total	2,004	100.0%

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We believe that our success depends in part on our ability to attract, recruit and retain quality employees. We have established a salary management system that takes into account both external competitiveness and internal fairness, which helps ensure employee stability and loyalty.

In addition, we have an effective training system. In May 2020, we launched the “Fortune Creation Academy” online platform. Through providing online courses on, among others, product expertise, employee career management, store operations and sales skills, we seek to continuously improve our employees’ professional skills. We created a variety of trainings and programs in connection with various aspects of our businesses, such as product launches, online tea tastings and online knowledge competitions, to offer our employees personalized training. We believe these efforts facilitate the sustainable development of our Group and our employees. We adopt various recruitment approaches by ourselves and through external institutions. When considering and selecting qualified employment candidates, we take into consideration, among others, their education background, work experience, relevant expertise and specific skills, as well as the demand for and the objectives of the vacant positions.

Our employees have formed an employee union. We believe we have maintained and will maintain a cordial and fruitful working relationship with our employees, and we have not experienced any material labor disputes during the Track Record Period.

We participated in various employee social security plans for our employees that are administered by local governments, including housing, pension, medical insurance, maternity insurance and unemployment insurance. We also purchased commercial health insurance for our Directors and key personnel, purchased accidental insurance for our production staff and purchased comprehensive travel insurance for our staff during overseas business travel.

We are required by PRC social insurance and housing provident fund laws and regulations to make contributions for mandatory social insurance and housing provident funds for our employees. During the Track Record Period, we did not make adequate contributions to the social insurance and housing provident funds with respect to certain of our employees as required by the relevant PRC laws and regulations. For further details, please refer to “— Legal Proceedings and Compliance — Social Insurance and Housing Provident Funds” in this sections.

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INFORMATION TECHNOLOGY

We have established a comprehensive digitalized operation system to support every aspect of our business operation to improve our operation efficiency. It covers, among others, production, supply chain, sales, product tracking and the internal operation of our Group. The table below sets forth the details of this system:

Production	We established production digitalization systems to further improve the digitalization and informatization level of our production. Such systems are built according to the requirements on the tea leaf production and techniques and the production automation. We use management software such as MES and ERP as the core systems, and utilize the devices including vision cameras, RFID tags, scanners and sensors equipped at the production lines, to digitally manage the entire production process, from the pre-processing of raw materials, to refinement processing, small packaging and boxing. The adoption of such systems improved the efficiency and safety of our production.
Supply Chain . . .	Supply chain related information technology systems are mainly applied in our procurement, warehousing and logistics. We have established a digital supply chain platform, with SCM as the core system, which integrated a number of information technology systems applied to supply chain management, such as WMS, PTL, WCS and AGV. In particular, we improved the efficiency of our warehouse staff in locating goods through the application of AGV and PTL in our warehouses.
Sales	We adopted a number of information technology systems and digital tools to support our sales management, including, among others, our MENDIANBAO System, franchisee ordering system and inventory management system. These systems and digital tools help us connect upstream customer orders with downstream deliveries and settlements more efficiently, thereby ensuring the speed and accuracy of communication of the information and demands of our customers.

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Product Tracking We established the “One-Box-One-Code” Anti-Counterfeiting and Tracking System, under which we attach a unique QR code to every box of finished products. The information of the products attached with the QR code, including the production date, will be automatically uploaded to the national identification analysis platform on a real-time basis. Our customers can confirm the authenticity of the products through tracing the information based on the QR code attached to the boxes of the products. The QR code also allows us to trace the sales channels of the products, thereby identifying non-compliant activities of our franchisees, such as sales of our products outside the permitted locations.

Our Operations . We utilize various information technology systems to continuously improve the digital operational efficiency within our Group, including, among others, (i) a financial sharing system, which standardizes and streamlines our financial management work and enhances our internal operational efficiency through the integration and information sharing within our Group; (ii) an ERP system, which covers, among others, financial accounting, inventory management, management accounting, supply chain management and production management. It enables us to track the production and business operation; (iii) a BI system, which integrates and efficiently handles a variety of data resources from departments with respect to procurement, production, sales and finance, and generates targeted data analysis reports, to timely and efficiently provide operational advices to our management; and (iv) human resource sharing system, which serves our human resources matters including recruitment and remuneration management.

Data Privacy and Security

We are committed to complying with data protection and privacy laws and protecting data security. Our business operations involve the collection, use, storage, retention, transfer, disclosure and other processing of personal data of our customers. Our customers interact with us primarily via the following channels: (i) Wechat mini programs; (ii) our online stores on e-commerce platforms; and (iii) self-operated offline stores and franchised stores.

In the process of providing sales services to our customers through third-party e-commerce platforms, we mainly have access to order information obtained during online sales, such as consumer addresses, contact information, purchase details and payment information. Generally, the e-commerce platforms encrypt such data before transmitting them to us.

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When consumers apply for membership through offline stores or online mini-programs, we will obtain their authorization and collect necessary personal information such as their names, mobile phone numbers, birthdays and genders for the purpose of providing membership services.

We have devised a number of strict data protection policies and measures to ensure that our personal information protection and the sourcing, processing, storage and usage of data are in compliance with applicable laws and in line with prevalent industry practice. These policies and measures mainly include:

- *Data collection.* We have stipulated measures to assure we obtain the authorized consent of the data subjects when collecting personal information, or do so on the basis of necessity for the purpose of contract performance or fulfillment of legal obligations.
- *Data processing.* We have stipulated measures to assure that we process data for specific and reasonable purposes, and limit our data processing activities to the minimum scope necessary for achieving such purposes.
- *Data storage.* We have established data backup and recovery management practices to ensure the timely recovery of critical information.
- *Data transmission.* We have adopted HTTPS encryption for data transmission.

In particular, to preserve confidentiality of information obtained from membership programs, we have taken the following measures:

- *Establishing and implementing security policies for personal information, data processing, and cybersecurity to govern the protection of membership program data.* These policies include (i) the Cybersecurity, Data Security, and Personal Information Protection Incident Emergency Plan, which defines the organizational framework for emergency response, along with mechanisms to address network security incidents, data security incidents, and personal information protection incidents; (ii) the Cybersecurity Management Regulations and Network Log Management Guidelines, which govern the monitoring, recording, and retention of network logs; (iii) the System Vulnerability Management Guidelines, which identifies and addresses cybersecurity vulnerabilities; (iv) the Data Classification and Grading Management Regulations, which stipulate classification of the personal information of members by sensitivity level and the encryption of member data; (v) the Cybersecurity and Data Compliance Training Management Guidelines, which require annual training for all our staff handling member data, emphasizing confidentiality and regulatory compliance; and (vi) the Information System

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Permission Management Regulations and Personal Information Protection Management Regulations, which restrict employees’ access to member data to a “need-to-know” basis, ensuring that their access is limited to what is necessary for their job responsibilities.

- *Adopting technical measures to protect the security of collected membership information and data.* These measures include (i) using systematic tools to allocate and manage employees’ access to ensure that only authorized personnel can access member data; (ii) retaining network security logs for at least six months to facilitate incident analysis and compliance audits; (iii) using firewalls and intrusion detection systems (IDS) to intercept real-time attacks and block malicious IP access. Antivirus software with regularly updated virus definitions is also installed on servers to proactively detect and block ransomware activities; (iv) analyzing employees’ internet traffic to block access to malicious websites and non-work-related applications, reducing the risk of data exfiltration or phishing attacks; and (v) conducting regular data backups for core business systems, with quarterly recovery drills to ensure operational continuity and data resilience.

On December 28, 2021, the CAC and several other administrations jointly promulgated the Cybersecurity Review Measures (《網絡安全審查辦法》), which took effective on February 15, 2022 and stipulate that (i) critical information infrastructure operators purchasing network products and services which affect or may affect national security must file for the cybersecurity review; (ii) internet platform operators holding the personal information of more than one million users seeking a listing in a foreign country must file for the cybersecurity review; and (iii) if the member of the working mechanism for cybersecurity review 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 and then conduct a review in accordance with the Cybersecurity Review Measures. In addition, on September 24, 2024, the State Council promulgated the Regulations on the Administration of Cyber Data Security (《網絡數據安全管理條例》), which is applicable to network data processing activities and the security supervision and administration thereof conducted within the territory of the PRC and took effect on January 1, 2025 and such regulations stipulate that data processors engaging in data processing activities that affect or may affect national security shall be subject to cybersecurity review in accordance with relevant laws and regulations. Based on the consultations conducted by our PRC legal advisor as to PRC cybersecurity and data privacy protection laws in November 2024 with the China Cybersecurity Review, Certification and Market Regulation Big Data Center (formerly known as the China Cybersecurity Review Technology and Certification Center), the competent institution entrusted by the CAC to set up cybersecurity review consultation hotlines, the listing in Hong Kong does not fall within the definition of a listing in a foreign country, and therefore the obligation to proactively apply for a cybersecurity review by an entity seeking listing in a foreign country shall not be applicable to us. In addition, as of the Latest Practicable Date, we had not received any inquiry, notice, warning from any PRC government authority, and have not been subject to any investigation, sanctions or penalties made by any PRC government authority regarding cybersecurity review.

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During the Track Record Period and as of the Latest Practicable Date, we have not been subject to fines or penalties for non-compliance with laws and regulations related to data privacy, nor have we been investigated by relevant governmental authorities in relation to the protection of personal information. Furthermore, we (i) adopted various measures to protect such data from being misused, attacked, or leakage; (ii) did not experience any incidents in breach of users’ confidential information or any other relevant cybersecurity and data security incidents which could cause a material adverse effect on our reputation, business, financial condition or results of operations; and (iii) were not subject to any enquiry, notice, review, warning or investigation by any government authorities in respect of any laws, regulations or policies relevant to data privacy protection with material adverse effect. Based on the above, we and our PRC legal advisor as to PRC cybersecurity and data privacy protection laws are of the view that we complied with personal data and privacy protection laws and regulation in all material respects.

Despite that we have taken abovementioned measures to protect our data, unauthorized parties may attempt to or successfully gain access to and use information that we regard as proprietary. See “Risk Factors — Privacy and cybersecurity concerns relating to our use of customer information, or any actual or perceived failure by us or third parties to protect cybersecurity, our proprietary data and customer information, or otherwise comply with applicable data protection laws and regulations or privacy policies, could negatively impact our reputation, subject us to governmental or legal obligations and substantially harm our business.”

AWARDS AND RECOGNITION

During the Track Record Period, we have received recognition for the quality and popularity of our products. Some of the significant awards and recognition we have received are set forth below:

Award Year	Award/Recognition	Awarding Institution/Authority	Entity/Product/Brand
2025	2025 Hurun China Tea Industry Model Enterprise List (2025 胡潤中國茶葉領域典範企業榜)	Hurun Report (胡潤百富)	Our Group
2024 – 2025	China’s Top 500 Agricultural Enterprises (中國農業企業500強)	Farmers Daily (農民日報社)	Our Group
2023 – 2024	The Iconic Brand of China Tea Industry (9th batch) (第九屆中國茶葉行業標誌性品牌)	Brand Observer Magazine and China Industry Iconic Brand Review Committee (中國行業標誌性品牌評審委員會)	Our Group

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Award Year	Award/Recognition	Awarding Institution/Authority	Entity/Product/Brand
2022 – 2024	National Product and Service Quality Integrity Demonstration Enterprise (全國產品和服務質量誠信示範企業)	China Association for Quality Inspection (中國質量檢驗協會)	Our Group
2016 – 2024	China’s Top 500 Brand Value (中國品牌價值500強)	Brand Observer Magazine (品牌觀察雜誌社) and China’s Top Brand Value Assessment Committee (中國品牌價值500強評審委員會)	Our Group
2024	China’s Most-loved Tea Brands Amongst Global Consumers (外國人喜愛的中國茶品牌)	Brand Work Office of Xinhua News Agency (新華社品牌工作辦公室), China Economic Information Service (中國經濟信息社) and Economic Reference Daily (經濟參考報)	Our Group
2024	2024 China Tea Enterprises Top 10 Brands (2024中國茶企業品牌Top 10)	China Economic Information Service (中國經濟信息社) and China Tea Industry Circulation Association	Our Group
2024	2024 Comprehensively Competitive Enterprise in the Tea Industry (2024年度茶業綜合競爭強力企業)	China Tea Marketing Association	Our Group
2011 – 2023	National Key Leading Enterprise of Agricultural Industrialization (農業產業化國家重點龍頭企業)	Ministry of Agriculture and Rural Affairs of the PRC (中華人民共和國農業部)	Fujian Bama
2022 – 2023	National Tea Industry Leading Quality Enterprise (全國茶葉行業質量領先企業)	China Association for Quality Inspection	Our Group
2022 – 2023	National Quality Inspection Stable and Qualified Products (全國質量檢驗穩定合格產品)	China Association for Quality Inspection	Our Group
2023	China’s Leading Tea Enterprise Brand (中國茶葉企業領軍品牌)	China Tea Marketing Association, China International Tea Culture Institute (中國國際茶文化研究會), China Tea Science Society (中國茶葉學會) and China Chamber of Commerce of Import and Export of Foodstuffs, Native Produce and Animal By-Products (中國食品土畜進出口商會)	Our Group

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Award Year	Award/Recognition	Awarding Institution/Authority	Entity/Product/Brand
2023	Comprehensive Strength Leading Tea Enterprise of the Year (年度綜合實力引領茶企)	China Tea Marketing Association	Our Group
2023	Key Tea Enterprise of the Year (年度重點茶企)	China Tea Marketing Association	Our Group
2023	Tea Industry Social Responsibility Benchmark of 2022 (2022年度茶業社會責任標桿)	China Tea Marketing Association	Our Group
2023	Top 100 Tea Enterprises of 2022 (2022年度茶業百強企業)	China Tea Marketing Association	Our Group
2023	Popular Chinese Tea Brands (大眾喜愛的中國茶企品牌)	China Economic Information Service of Xinhua News Agency (新華社中國經濟信息社)	Our Group

RESEARCH AND DEVELOPMENT

Overview

As of June 30, 2025, we had 32 employees with education backgrounds in respect of tea industry-related fields, and 18 employees with long-term working experience in the tea industry, who had an average of over 20 years of relevant working experience. As of the same date, we had two employees recognized by China Tea Marketing Association as Chinese Tea-making Masters, three Senior Tea-making Engineers (製茶高級工程師), 13 National Level 1 Tea Connoisseurs (國家一級評茶師) and three National Level 1 Tea Leaves Processing Workers (國家一級茶葉加工技師), who are generally involved in our R&D initiatives.

We have the tea-making experience and techniques our founders inherited from their family with close to 300 years of history of processing tea leaves, and continuously strengthen our R&D ability and develop new techniques for tea leaves. We established a laboratory, which is accredited as the Key Laboratory of Processing Techniques for Oolong Tea Leaves of the Ministry of Agriculture and Rural Affairs (農業農村部烏龍茶加工技術重點實驗室) by the Ministry of Agriculture and Rural Affairs of the PRC. We also established a Postdoctoral Research Station (博士後科研工作站) approved by the Human Resources and Social Security Office of Fujian Province (福建省人力資源和社會保障廳), which gained us access to the top-tier research products and talents. In addition, our Bama Tea Industry Research Institute (八馬茶產業研究院), is a research institute jointly established by Fujian Academy of Agricultural Sciences (福建省農業科學院) and us. We believe these institutions demonstrated the recognition of the relevant authorities on our R&D capabilities.

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We are a member of the National Tea Standardization Technical Committee (全國茶葉標準化技術委員會) and a member of the Fujian Tea Standardization Technical Committee (福建省茶產業標準化技術委員會). As of the Latest Practicable Date, we participated in the formulation of nine national standards, five local standards, one industry standard, six group standards and six enterprise standards. Through performing our duties as a member of the industry committee and participation in the formulation of these standards, we further enhanced our insights of the R&D directions in China’s tea industry.

R&D Mechanism

We strive to combine technological innovations with China’s traditional tea-manufacturing techniques in our R&D initiatives. We have established a R&D mechanism consisting of exploration on production process, R&D collaboration, intelligent tea garden (智慧茶園) and product design and optimization. Specifically:

Exploration on Production Process	We constantly explore the technologies and techniques to innovate and optimize the production techniques for tea leaves leveraging our accumulated experience and know-how. We have a number of patents in connection with the production process of tea leaf products, and applied the relevant technologies in the development of new products. Our patent, “a Production Method of Strong Flavor Tieguanyin (濃香型鐵觀音的生產方法)”, was awarded the Third-class Prize of Fujian Provincial Patent Award (福建省專利獎三等獎). The key production processes that we mastered include, among others, the pan-frying process for green tea, the sun-drying process for white tea, the yellowing process for yellow tea, the withering and fermentation process for black tea and the roasting process for Wuyi Yan Cha.

R&D Collaboration .	We launched a number of R&D projects in collaboration with research institutions and universities, which gained us awards including, among others, (i) the First Class Award of Fujian Province Science and Technology Progress Award (福建省科學技術進步獎一等獎) for our R&D project titled “R&D and Application of Key Technologies for Ecological Prevention and Control of Major Pests of Famous Oolong Tea (名優烏龍茶害蟲生態防控關鍵技術研發與應用); and (ii) the Third Prize of Quanzhou City Science and Technology Award for Scientific and Technological Progress (泉州市科學技術獎科技進步獎三等獎) for our R&D project titled “Research on the Integration and Application of Continuous Intelligent Finishing Technology for Oolong Tea (烏龍茶連續化智能化精加工技術集成研究與應用)”. During the Track Record Period, our collaborated R&D projects also involved, among others, technologies used in the production of Oolong tea leaves, plantation of tea leaves, and assessment of tea leaf raw materials.

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Intelligent Tea Garden	We built a tea ecological demonstration base, namely, Hongxing Tea Garden (紅星茶場), which was awarded recognitions including the Demonstration Base for the Standardization of Quality Agricultural Products (優質農產品標準化示範基地), the Most Beautiful Ecological Tea Garden in China’s Tea Industry T20 (中國茶產業T20最美生態茶園), the Organic Tea Plantation (有機產品認證). Hongxing Tea Garden is our experimental field where we conduct research on the plantation of tea leaves utilizing various digitalized and intelligent technologies and tools. For instance, we conducted a trial plantation of the new “Strong Fragrance Chungui (濃香春閨)” Oolong tea leaves and a research on intelligent cultivation technologies at Hongxing Tea Garden. We applied intelligent agricultural technologies including, among others, 5G+, big data and the IoT to monitor the meteorological environment, soil, pests and diseases, and agricultural activities at Hongxing Tea Garden. These research results serve as theoretical guidance to our R&D on tea leaf types and production techniques. Other than the tea trees grown at Hongxing Tea Garden, we did not own any tea leaf plantations during the Track Record Period and up to the Latest Practicable Date.
Product Design and Optimization . .	Our product design and optimization mainly consist of the following: • <i>Tea leaf assessment:</i> Tea leaf assessment is a preliminary step of our development of new products. For the products that are produced by ourselves, we assess the quality and features of the tea leaf raw materials to explore their advantages and form an optimal plan for producing the ideal products. For the products that are procured from our suppliers, we assess the samples of the tea leaf products and rate them based on various indicators, including appearance, soup color, scent and taste.

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- *Product development:* We strive to develop products with distinctive flavors and appealing designs, which combine the Chinese traditional techniques for manufacturing tea leaves with trending consumption preferences and aesthetic values among consumers. Our R&D team strive to develop products catering to wide range of ages, tastes, drinking occasions and consumption demands based on their continuous market research. For instance, our innovatively created Saizhenzhu, our representative products of strong flavor type of Tieguanyin with unique scent with three layers, namely, dry tea leaves spreading the scent of parches rice, tea soup spreading the sweet and fruity scent, and the taste spreading the scent of orchid. We also launched Wuyi Yan Chan with featured roasting scent and Zhenxiang Series (真香系列) jasmine black tea and to cater to consumers’ diversified demands on the flavors of tea leaf products. We launched Chaorou Bingdao Series (超柔冰島系列) Pu’er tea to cater to consumers with extra requirements on the smooth and long aftertastes of tea leaf products. In terms of the package design, our R&D team take into consideration our brand positioning, features of products and consumers’ preferences to devise appealing packages.

INTELLECTUAL PROPERTY

Our intellectual property rights are key to our success and competitiveness, primarily consisting of trademarks, patents, works copyrights and domain names. As of the Latest Practicable Date, we had (i) 1,013 trademarks registered in the PRC; (ii) 60 patents registered in the PRC; (iii) 123 works copyrights registered in the PRC; (iv) two software copyrights; and (v) 11 domain names. As of the same date, we also had 64 trademarks registered in countries other than the PRC. See the section headed “Appendix VI — Statutory and General Information — B. Further Information about our Business — 2. Intellectual Property Rights” in this document for more information of our intellectual properties.

We rely, in some circumstances, on trade secrets and/or confidential information to protect certain aspects of the technologies we utilize. We seek to protect our proprietary technologies and processes, in part, by entering into confidentiality arrangements with all of our Directors, senior management and other key personnel.

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During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material infringement of our intellectual properties or any material disputes or claims against us in relation to the infringement of the intellectual properties of third parties arising from our business. Please see the section headed “Risk Factors — Risks Relating to Our Business — We may be unable to protect our intellectual properties, and may be subject to infringement claims from third parties, either of which could reduce the value of our brands and harm our business and competitive market position.” in this document.

LICENSES, PERMITS AND APPROVALS

The following table sets out a list of material licenses and permits currently held by us for our operations in the PRC:

No.	Entity	License	Issue date	Expiry date
1 . . .	Company	Food Distribution License Filing (食品經營許可備案)	March 19, 2025	—
2 . . .	Company	Sanitation License for Frontier Ports (國境口岸衛生許可證)	December 13, 2024	December 12, 2028
3 . . .	Beijing Bajun (北京八駿)	Food Distribution License Filing (食品經營許可備案)	May 14, 2024	— ⁽¹⁾
4 . . .	Guangzhou Bama (廣州八馬)	Food Distribution License Filing (食品經營許可備案)	May 11, 2024	— ⁽¹⁾
5 . . .	Fujian Bama (福建八馬)	Export Food Production Enterprise Filing Certificate (出口食品生產企業備案證明)	August 31, 2023	long-term
6 . . .	Fujian Bama	Food Distribution License (食品經營許可證)	April 19, 2022	July 12, 2026
7 . . .	Fujian Bama	Food Production License (食品生產許可證)	May 6, 2024	March 18, 2026
8 . . .	Fujian Bama	HACCP System Certification (HACCP體系認證證書)	September 27, 2023	October 21, 2026

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No.	Entity	License	Issue date	Expiry date
9 . . .	Fujian Bama	Environmental Management System Certification (環境管理體系認證證書)	October 7, 2023	October 20, 2026
10 . .	Fujian Bama	Quality Control System Certification (質量管制體系認證證書)	September 26, 2023	October 20, 2026
11 . .	Fujian Bama	Occupational Health and Safety Management System Certification (職業健康安全管理体系認證證書)	September 1, 2022	August 31, 2025
12 . .	Fuzhou Xinbama (福州鑫八馬)	Food Distribution License Filing (食品經營許可備案)	June 11, 2024	— ⁽¹⁾
13 . .	Quanzhou Bama (泉州八馬)	Food Distribution License Filing (食品經營許可備案)	June 9, 2021	— ⁽¹⁾
14 . .	Quanzhou Fengze Bama (泉州豐澤八馬)	Food Distribution License Filing (食品經營許可備案)	September 4, 2023	— ⁽¹⁾
15 . .	Xiamen Xinbama (廈門鑫八馬)	Food Distribution License Filing (食品經營許可備案)	July 25, 2023	— ⁽¹⁾
16 . .	Wuyishan Wangxinji (武夷山王信記)	Food Production License (食品生產許可證)	January 15, 2024	January 14, 2029
17 . .	Yunnan Xinjihao (雲南信記號)	Food Production License (食品生產許可證)	August 14, 2023	June 25, 2028
18 . .	Hangzhou Bama (杭州八馬)	Food Production License (食品生產許可證)	December 29, 2021	December 28, 2026
19 . .	Tianjin Xinbama (天津鑫八馬)	Food Distribution License Filing (食品經營許可備案)	October 24, 2022	— ⁽¹⁾
20 . .	Shenzhen Wanshanhong (深圳萬山紅)	Food Distribution License Filing (食品經營許可備案)	June 21, 2024	— ⁽¹⁾

Note:

(1) The licenses has no expiration date.

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As advised by our PRC Legal Advisors and confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite licenses, certificates and permits from relevant authorities that are material to our operations in the PRC.

We are required to renew such licenses and permits from time to time. As advised by our PRC Legal Advisors, subject to our fulfillment of relevant requirements of applicable PRC laws, they do not expect any material legal impediment in such renewal.

For details of the PRC laws and regulations that are applicable to our Group’s business operations, please see the section headed “Regulatory Overview” in this document.

INSURANCE

As of the Latest Practicable Date, we maintained insurance in respect of our operation in the PRC, including fire insurance and cargo transportation insurance. We do not maintain product liability insurance. These insurance policies cover the risk of damage arising from natural disasters and certain accidents. Most of our insurance policies are subject to standard deductions, exclusions and limitations. We are required by the PRC social insurance laws and regulations to make contributions for social insurance funds for our employees. We do not maintain relevant employees’ compensation and public liability insurances in the PRC.

Our Directors believe, and as concurred by the Frost & Sullivan, that our insurance coverage is in line with industry practice in the PRC, including with respect to the terms and coverage of the insurance policies. However, there is no assurance that the insurance policies we maintain are sufficient to cover all of our operational risks. For more information, please refer to “Risk Factors — Risks Relating to Our Business — We have limited insurance coverage, and any claims beyond our insurance coverage may result in us incurring substantial costs and a diversion of resources” in this document.

PROPERTIES

As of the Latest Practicable Date, we owned the land use rights for 11 parcels of land in the PRC with a total GSA of 162,184.7 sq.m., and owned 20 buildings in the PRC with a total GFA of 137,813.9 sq.m. In addition, as of the same date, we leased 236 buildings in China with a total GFA of 49,516.2 sq.m. The properties we owned or leased are primarily used for offline stores, production, warehouse or office purposes.

As of June 30, 2025, no single property interest that forms part of non-property activities has a carrying amount of 15%, and no single property interest that forms part of property activities has a carrying amount of 1%, of our total assets. Therefore, according to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Cap. 32L of the Laws of Hong Kong), this document is exempted from compliance with the requirements of section 342(1)(b) of the

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Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to all our Group’s interests in land or buildings.

Owned Properties

Land

As of the Latest Practicable Date, we obtained land use rights certificates for 11 parcels of land with an aggregate GSA of approximately 162,184.7 sq.m. in Fujian Province. These parcels of land are generally used for industrial purposes.

Buildings

As of the Latest Practicable Date, we obtained building ownership certificates for 20 buildings or units with an aggregate GFA of approximately 137,813.9 sq.m. in the PRC. These buildings are located in Anxi County, Fujian Province and Shenzhen City, Guangdong Province and Wuyishan City, Fujian Province, and are primarily used as warehouses, offices and offline stores.

Leased Properties

As at the Latest Practicable Date, we leased 236 buildings in China with a total GFA of approximately 49,516.2 sq.m. The lease agreements for these properties generally have a term of more than three years. These leased properties are primarily used as offline stores, offices and warehouses.

As of the Latest Practicable Date, 102 leased properties with the total GFA of 26,224.1 sq.m. had defects including (i) lessors not providing us with valid title certificates with respect to the leased properties or other ownership or relevant documents evidencing their rights to lease such properties; and/or (ii) our actual usage of properties being inconsistent with the prescribed usage under the relevant title documents.

In addition, as of the Latest Practicable Date, the lease registration and filing (租賃登記備案) in relation to 223 properties leased by us in the PRC had not been completed. These properties were used by us as offline stores, offices and warehouses. For further details, please refer to “— Legal Proceedings and Compliance — Leased Properties” in this section.

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LEGAL PROCEEDINGS AND COMPLIANCE

Overview

From time to time, we may become involved in legal proceedings in the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition, and results of operations.

Below sets forth the details of certain historical immaterial and non-systemic non-compliance incidents or defects of our Group during the Track Record Period and up to the Latest Practicable Date. In the view of our Directors, the non-compliance incidents described below, taken as a whole, would not have any material adverse effect on our business or results of operation. Our Directors are of the view that we had complied, in all material respects (other than the non-compliance incidents described below), with all relevant laws and regulations in the PRC during the Track Record Period and up to the Latest Practicable Date.

Leased Properties

As of the Latest Practicable Date, 102 leased properties (the “Leased Properties with Defects”) with the total GFA of 26,224.1 sq.m. had defects including (i) lessors not providing us with valid title certificates with respect to the leased properties or other ownership or relevant documents evidencing their rights to lease such properties; and/or (ii) our actual usage of certain properties, which were generally used as self-operated offline stores or offices, being inconsistent with the prescribed usage under the relevant title documents, which were generally educational facilities, residences, industrial compounds, factories, recreational sport facilities, and offices.

We face uncertainties of our leases if third parties claim or challenge the leases. If the lessors are found not to have the requisite rights to lease these properties, our relevant lease agreements with them may be deemed invalid, and as a result we may be required to vacate these leased properties. See also “Risk Factors — We may face penalties, other administrative fines or challenges from third parties arising from the defects of certain properties owned or leased by us, or otherwise fail to continue to use our owned or leased properties” in this document.

As of the Latest Practicable Date, out of the Leased Properties with Defects, 94 properties were used by us as self-operated offline stores. Typically, for a self-operated offline store which would need to be relocated, we estimate that (i) such relocation would involve around RMB160 to RMB250 per square meter as demolition costs, and around RMB3,000 to RMB5,000 per square meter as upfront expenses for opening a new store; (ii) it would usually take two months for the relocation. We believe there are comparable properties in proximity to the Leased Properties with Defects on comparable lease terms. For the years ended December

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31, 2022, 2023 and 2024 and the six months ended June 30, 2025, the GMV of the self-operated offline stores located on the Leased Properties with Defects was RMB107.9 million, RMB133.8 million, RMB121.4 million and RMB63.2 million, respectively.

Considering that (i) none of these properties individually are material to our operation; (ii) the GFA of these leased properties constitutes a relatively small portion of our overall properties, which represented approximately 14.0% of the total GFA of all of our owned buildings and leased properties as of the Latest Practicable Date; (iii) we would be able to relocate to suitable alternatives if we must stop occupying any of these properties; (iv) during the Track Record Period and up to the Latest Practicable Date, we did not receive any claims or challenges from third parties to vacate any of these properties; and (v) it is unlikely that we would be subject to claims of rights from third parties with respect to a significant number of the Leased Properties with Defects at the same time or within a short period, considering that these properties are geographically dispersed and are leased from different counterparties, our Directors are of the view that the likelihood of our business and results operation being materially and adversely affected by these defects, including the relocation of the Leased Properties with Defects, is remote.

In addition, as of the Latest Practicable Date, the lease registration and filing (租賃登記備案) in relation to 223 properties leased by us in the PRC had not been completed (together with the Leased Properties with Defects, the “Concerned Properties”). These properties were used by us as offline stores, offices and warehouses. Any failure to register such lease agreements with the relevant PRC government authorities does not affect the validity of the lease agreements, but the relevant PRC government authorities may order us or the lessors to, within a prescribed time limit, register the lease agreements. Failure to do so within the time limit may subject us to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease. In the event we fail to register the lease agreements according to the requirements of the relevant PRC government authorities, we may be subject to a fine with the maximum amount of RMB2,230,000 as of the Latest Practicable Date. Our failure to complete the lease registration and filing was mainly due to our lessors being unwilling to cooperate with us to complete the lease registration and filing. See also “Risk Factors — We may face penalties, other administrative fines or challenges from third parties arising from the defects of certain properties owned or leased by us, or otherwise fail to continue to use our owned or leased properties” in this document.

As of the Latest Practicable Date, we had not received any registration request from or become subject to any such fine levied by the relevant government authorities. We will take all practicable and reasonable steps to ensure that the relevant leases are registered and continue to communicate with such lessors to seek their cooperation to complete the registration and filing process.

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Considering the relevant laws, regulations and regulatory policies, as well as the facts stated above, our Directors are of the view that the failure to register these lease agreements would not materially and adversely affect our business operations. Based on the foregoing, our Directors believe that such defects and non-compliances would not have any material adverse effect on our business or results of operation, and the relevant remedies and internal control measures implemented by our Group are adequate and effective.

We have enhanced our internal control measures with respect to our leased properties, including, among others, requiring the relevant employees to check the title certificates and other relevant documents evidencing the rights of lessors to lease the properties, reviewing the compliance of leased properties with applicable laws and regulations, requiring the relevant employees to conduct the lease registration and filing in a timely manner and recording detailed information of the lease agreements.

Based on the foregoing, our Directors are of the view that the above-mentioned remedies and internal control measures our Group implemented are adequate and effective.

Social Insurance and Housing Provident Funds

We are required by PRC social insurance and housing provident fund laws and regulations to make contributions for mandatory social insurance and housing provident funds for our employees. During the Track Record Period, we did not make adequate contributions to the social insurance and housing provident funds with respect to certain of our employees as required by the relevant PRC laws and regulations, primarily because certain employees were unwilling to pay the social insurance and housing provident fund because they were approaching retirement or resignation from our Group. See also “Risk Factors — Failure to make adequate contributions to various employee benefits plans according to the procedures under the relevant PRC laws and regulations may subject us to penalties or other consequences” in this document. The total unpaid amount of the social insurance and housing provident funds calculated based on the minimum contribution base of social insurance and housing provident funds is RMB0.2 million, RMB0.2 million, RMB0.2 million and RMB0.1 million, respectively, for the years ended December 31, 2022, 2023 and 2024, and the six months ended June 30, 2025. For the same periods, the number of affected employees amounted to 254, 225, 207 and 77, respectively.

As advised by our PRC Legal Advisors, if the PRC government is of the view that our contributions to employees’ social insurance do not comply with the requirements under the relevant PRC laws and regulations, we may be ordered to pay the shortfall amount and may be required to pay a late payment fee of up to 0.05% of the shortfall amount for each day of delay within a prescribed time limit, and if we fail to pay up the shortfall amount and the late payment fee within the newly prescribed time limit, we may be imposed fines in an aggregate amount ranging from one to three times of the shortfall amount. Notwithstanding the above-mentioned shortfall amount, the MOHRSS issued the Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilization the Levy of Social Insurance Payment (《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

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急通知》) on September 21, 2018, which promotes the reduction in the amount of social insurance contributions by companies to avoid overburdening enterprises, and prohibits local authorities from self-organizing collection and clearance of all past arrears of enterprises.

Our PRC Legal Advisor has also advised us that, in the event that we fail to pay the housing provident fund in full, the housing provident fund management center may order us to pay the shortfall amount within a prescribed time limit. If we fail to do so upon the expiration of the abovementioned time limit, further application may be made to the People’s Court for compulsory enforcement.

In view of above and based on the estimation of our Directors, the amount of maximum potential penalty due to the Group’s total unpaid amount of the social insurance and housing provident funds calculated based on the minimum contribution base of social insurance and housing provident funds during the Track Record Period is approximately RMB2.7 million.

As of the Latest Practicable Date, (i) we were not subject to any administrative actions, fines or penalties due to shortfalls of social insurance and housing provident fund contributions; (ii) we had not received any notification from the relevant PRC authorities requiring us to pay for or otherwise make up the shortfalls or any late payment fees with respect to social insurance contributions or housing provident fund contributions; and (iii) we were not aware of any employee complaints filed against us nor were we involved in any material labor disputes with our employees with respect to social insurance or housing provident fund contributions that would result in an investigation against us. If we were to receive notifications from the relevant government authorities, we would pay any underpaid contribution and the related late payment fees within the prescribed period. In addition, we will keep abreast of latest developments in PRC laws and regulations in relation to social insurance and housing provident fund. We will consult our legal counsel on a regular basis to keep us abreast of relevant regulatory developments.

We have taken the following rectification and internal control measures to ensure compliance with the social insurance and housing provident fund contribution requirements under the relevant laws and regulations to the extent practicable:

- *Training.* Strengthen the training of our personnel, including training on various compliance-related topics for our employees;
- *Internal control measures.* Monitor our ongoing compliance with the social insurance and housing provident fund contributions regulations and oversee the implementation of any necessary measures;
- *Increasing awareness of developments in the law.* Regularly keep abreast of the latest developments in PRC laws and regulations relating to social insurance and housing provident funds; and

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- *External counsel.* Consult external legal counsel for advice on relevant PRC laws and regulations.

Going forward, we will continue to implement the above measures to ensure that we are in compliance with the social insurance and housing provident fund contributions requirements under the relevant laws and regulations. We undertake to fully comply with the relevant laws and regulations as soon as practicable, subject to the cooperation of each of our employees to make full contributions of social insurance and housing provident funds going forward. If the relevant authorities order us to fully contribute the social insurance and/or housing provident funds, we would make full contributions and rectification measures as soon as possible within the specified period. In addition, we will proactively communicate with relevant local authorities to keep up to date with the applicable laws and regulations concerning social insurance and housing provident funds. We will also communicate such updates with our employees to allow them to better understand the relevant laws and regulations, increasing their understanding of the regulatory requirements so as to enhance our compliance with the applicable laws and regulations.

Considering the relevant laws, regulations and regulatory policies, as well as the facts stated above, our PRC Legal Advisors are of the view that as of the Latest Practicable Date the likelihood that we would be required by relevant authorities to pay the shortfall for social insurance and housing provident fund contributions on a mass scale and further being subject to material administrative penalties due to our failure to provide full social insurance and housing provident fund contributions within the stipulated period for our employees is remote. Therefore, our Directors believe that such non-compliance would not have any material adverse effect on our business or results of operation. As a result, we did not make any provisions in connection with such non-compliances during the Track Record Period and up to the Latest Practicable Date.

Based on the foregoing, our Directors are of the view that the above-mentioned remedies and internal control measures our Group implemented are adequate and effective.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

As a corporate citizen, we are fully aware of our responsibilities toward the society. We actively implement and continue to develop effective measures to integrate environmental, social and governance (“ESG”) principles into all major aspects of our business operations. We have implemented a set of ESG policies based on the applicable laws and regulations, which set forth our internal policies and measures in respect of, among other things, environmental protection, labor protection, food safety, corporate governance and code of ethics upon [REDACTED].

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We will comply with the ESG reporting requirements after [REDACTED] and the responsibility to publish ESG report on an annual basis in accordance with Appendix C2 to the Listing Rules. We will focus on all aspects specified in Appendix C2 to the Listing Rules to analyze and disclose significant ESG matters, including but not limited to the following:

- ESG governance structure and its responsibilities and rights;
- ESG strategy development;
- ESG risk management and monitoring, including climate-related risks and opportunities;
- Identification key shareholders and communication channels;
- Emissions, resources and waste management;
- Employment, employee development and training, safety management, labor standards;
- Supply chain management, product responsibility, compliance and risk management, anti-corruption, community investment;
- Climate related risks and opportunities management; and
- Corporate governance and other aspects that may materially affect the sustainability of our operations and that are of interest to our Shareholders.

Sustainability Governance

We established an ESG governance system with the Board of Directors as the highest decision-making level. The Strategy Committee of the Board of Directors is responsible for regulating the ESG matters of our Group, and enhancing our ESG management level and execution capabilities on an ongoing basis.

In accordance with our ESG governance system, which will be specified in details after the [REDACTED], the Strategy Committee will have collective and overall responsibilities as the decision-making level for the following:

- Comply with the Stock Exchange’s Environmental, Social and Governance Reporting Codes and related guidelines;
- Monitor and review our Group’s ESG strategy, goals and targets;
- Monitor ESG risk and climate-related risk management mechanisms and regularly assess their effectiveness;

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- Evaluate ESG and climate-related opportunities in accordance with our ESG-related policies; and
- Review existing progress against ESG goals and targets and review relevant disclosures.

The Strategy Committee will set up the ESG Working Group as the organizational management of the ESG governance system. Main responsibilities of the ESG Working Group include:

- Coordinate the planning, promotion and implementation of ESG work;
- Monitor the progress of strategy implementation and review the annual work plan; and
- Identify and evaluate substantive issues of sustainable development and establish working mechanisms for planning, monitoring and evaluation of key issues.

Our Group will set up a Sustainable Development Promotion Working Group as the executive level of the ESG governance system, covering all business units and functional departments of our Group, and appointing the corresponding sustainability specialist. For key ESG issues, we will set up Cross-departmental Special Working Groups to promote the effective improvement of the issues. The main responsibilities of the Sustainable Development Promotion Working Group are as follows:

- Discuss and formulate annual sustainability goals and plans with various departments of our Group;
- Maintain communication with internal and external stakeholders and actively respond to inquiries from relevant parties; and
- Implementing and enforcing ESG-related policies, procedures and measures approved by the Board of Directors.

The expertise of our Directors on ESG matters enhances our ESG governance. Our executive Director, Mr. Wu Qingbiao once led the construction of Wuyi Mountain Intelligent Ecological Industrial Park, which included the seventh generation intelligent production line of the Group, promoted us to launch a “Peace of Mind Code” (安心碼) system to provide digital ID cards for products to achieve full traceability and enhance consumer trust and led the conservation mining of ancient tea trees and set up the “Ancient Tea Tree Protection and Development Fund” (古茶樹保護發展基金). Mr. Wu once promoted the construction of “China Tea Industry Collaboration” (中國茶產業協作體), and helped tea farmers in core tea production areas such as Anxi and Wuyishan to improve their planting techniques and drive local economic development through the model of “Helping Farmers with Tea” (以茶助農).

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Our executive Director, Mr. Wang Kunheng promoted and deepened the cooperation between the Group and suppliers in product research and development, quality control, logistics operation and other levels, shortened the supply chain links through the “Direct Supply from Origin” model, reduced the waste of transportation and packaging resources, and improved the transportation timeliness of spring tea. He also promoted our Group to launch a “Peace of Mind Code” system to provide digital ID cards for products to achieve full traceability and enhance consumer trust, and promoted the construction of intelligent warehousing systems and digital supply chain platforms to optimize production efficiency and inventory management. Mr. Wang was awarded “2024 Outstanding ESG Contributor in the Greater Bay Area” (2024年大灣區ESG傑出貢獻人物) and “2024 Outstanding Organizational Operator in Shenzhen” (2024年深圳市卓越組織經營者).

To further strengthen our ESG governance, we have engaged an independent ESG consultant to advise the Board and management to ensure that we are aware of and comply with the latest ESG requirements of the regulatory authorities and to meet our ESG-related responsibilities. Our engagement with the ESG consultant started from October 2024, and our ESG consultant has long-term experience in the ESG field and it provides ESG consulting services to a number of listed companies.

We are committed to complying with PRC regulatory requirements, preventing and reducing hazards and risks associated with our operation, and ensuring the health and safety of our employees and surrounding communities. Additionally, we value the stakeholders’ expectations and requirements in terms of ESG matters. Hence, we proactively communicate with our stakeholders to address their concerns.

After [REDACTED], we will comply with the requirements of the Listing Rules and invite stakeholders to conduct an annual materiality assessment to ensure our ESG governance direction.

Risks and Opportunities Assessment

We believe that the identification and management of environmental, social, and climate-related risks has a significant impact on our sustainability governance. We conduct materiality assessment for ESG matters in light of national policy trends, industry development and requirements under applicable ESG standards. In considering the materiality of ESG matters, we evaluate the performance and measures of comparable market players and assess impact of these matters to us and our stakeholders.

Currently, we consider product quality management, supply chain management, risk control, compliance, customer satisfaction, employee rights and franchisee management as the key ESG issues in our business. In addition, we have attached great importance to the impact brought by climate change on our financial operations and sustainable development.

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We have identified several climate change-related risks that may adversely affect our business operations by reviewing our internal policies, understanding current situations in business operations, and studying relevant government policies, and list out the potential impacts and responses correspondingly.

- *Physical Risks.* In the medium to long term, typhoons, extreme rainfall, floods, hailstorms, extreme heat, extreme cold, and other extreme weather conditions can potentially cause damage to product materials and impact the supply of raw materials. Additionally, extreme weather can also affect store operations and logistics distribution. In response to this, we have developed contingency plans and preventive measures for severe weather conditions. We proactively adjust store operations and logistics distribution based on weather alerts to mitigate the impacts caused by climate-related issues.
- *Transition Risks.* We have also identified the changes in policies and regulations as transition risks that may adversely affect our business, strategy, and financial risks in the short and medium term. Such short- and medium-term transition risks mainly come from the updating of environmental laws and regulations and the issuance of Carbon Peaking and Carbon Neutrality Policies, as well as the increasing emphasis on sustainable low-carbon consumption. In recent years, consumers may pay greater attention to product quality and have a broader demand for green and healthy products. Environmental policies such as regulations related to agricultural products, may draw more attention to tea plantations and affect our daily operations. Environmental policies such as plastic reduction regulations may bring about increased focus on environmentally friendly and low-carbon packaging, affecting our daily operations. Therefore, we are required to diversify our products and services, ensure food quality and safety, and implement carbon reduction measures to meet regulatory requirements and consumer expectations.
- *Potential Opportunities.* With the growing popularity of the concept of sustainable production and consumption, we make efforts to advance the development of green, low-carbon business and operation model. We explore the promotion and use of environmental-friendly products and packaging materials, which we believe will earn us more opportunities to receive consumers’ recognition and acceptance, build our image as a socially responsible company, and enable us to have more market opportunities.

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We are actively pursuing professional qualifications to ensure compliance with our products and operations while contributing to low carbon operations. During the Track Record Period and up to the Latest Practicable Date, our compliance and low carbon operating costs are as follows:

					For the Six Months Ended June 30,

With the continuous development of the company’s business, our estimated compliance costs and low-carbon operating costs in 2025 are basically RMB3,400,000 and RMB75,000.

During the Track Record Period and up to the Latest Practicable Date, we were not subject to any penalties for violations of health, safety, social or environmental regulations, and we had not experienced any actual impacts or anticipate potential material impacts caused by environmental, social and climate-related risks on our business, strategy and financial performance. After the [REDACTED], we will continue to optimize our risk identification and assessment procedures, enhance our risk management capabilities, and disclose ESG reports on a regular basis.

Environmental Matters

Our Group understand that addressing climate change and reducing our environmental impact are essential for achieving a sustainable future. Our Group will make best efforts to minimize the environmental impact of its business operations, and is committed to reducing the adverse effects of corporate operations on the environment as much as possible. During the Track Record Period and up to the Latest Practicable Date, our Group complies with relevant environmental laws and regulations of the PRC in all material respects, including but not limited to the Environmental Protection Law of the People’s Republic of China (《中華人民共和國環境保護法》), Prevention and Control of Water Pollution Law of the People’s Republic of China (《中華人民共和國水污染防治法》), Atmospheric Pollution Prevention and Control Law of the People’s Republic of China (《中華人民共和國大氣污染防治法》), Law of the People’s Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》), the Regulations on the Administration of Pollutant Discharge Permits (《排污許可管理條例》) and the Administrative Measures on Pollutant Discharge Licensing (《排污許可管理辦法》).

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We actively manage the environmental impact of our business and have obtained several certifications such as ISO14001 International Environmental Management System, Good Agricultural Practice certificate. We use the following measures in our tea garden:

- Implement retention height treatment for moderately dwarfed tea gardens to promote the absorption and utilization of deep nutrients in tea roots and improve tea quality.
- Leave grass on the tea garden ladder wall to ensure that the tea garden ladder wall is covered by green plants all the year round, optimize the surrounding ecology of the tea garden, provide more habitats for natural enemies of tea tree diseases and pests, improve the ecological diversity of the tea garden and promote the ecological balance of the tea garden.
- Implement weed backfill to further increase the organic matter of tea garden soil, improve the tea garden soil, and reduce the soil erosion.
- Implement the technology of replacing nitrogen fertilizer with organic fertilizer in tea gardens, develop ecological and circular agriculture, and promote the improvement of tea quality and efficiency.
- Implement the plant protection principle of “prevention first and integrated control”, scientifically applying chemical control techniques in accordance with the occurrence patterns and economic thresholds of diseases and pests in tea gardens.
- Select pesticides that are suitable for tea gardens in accordance with national standards, strictly manage the procurement, acceptance, storage, use and recycling of pesticides, and eliminate and/or reduce the impact of pesticides on the ecological environment of tea gardens and product safety.

Metrics and Targets

We advocate for energy conservation and emission reduction among employees and actively promotes green office practices in our ordinary course of business. Furthermore, we integrate the concept of low-carbon environmental protection into our daily business operations and production activities.

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Energy and Resource Usage

The following table sets forth the metrics of the resource consumption at our Fujian Bama, Wuyishan Wangxinji and self-operated offline stores for the periods indicated:

	Unit	For the Year Ended December 31,			For the Six Months Ended June 30,
		2022	2023	2024	2025
Electricity ¹	kWh	12,115,269	12,486,327	14,249,425	6,044,462
Intensity	kWh/per	6.67	5.88	6.65	5.69
	RMB’000				
Water	m ³	67,509	92,144	104,747	45,462
Intensity	m ³ /per	0.04	0.04	0.05	0.04
	RMB’000				
Packaging material	kg	5,327,569	5,642,305	6,770,178	3,100,569
Intensity	kg/per	2.93	2.66	3.16	2.92
	RMB’000				

Our electricity usage mainly comes from the use of various power-consuming equipment in our operations. Our Group has formulated the following energy-saving management measures to minimize waste of energy:

- Implement photovoltaic power generation projects, make full use of solar energy, promote the use of clean energy; and
- Select new electrical appliances and lighting fixtures with higher energy-efficiency labels to enhance energy efficiency and reduce electricity consumption in all aspects.

Our water usage is mainly generated from factories production and stores. Our Group has formulated the following energy-conservation management measures to minimize water consumption:

- Install and update water saving devices in the workplace to reduce water waste; and

¹ Refers to the power consumption of our Fujian Bama, Wuyishan Wangxinji and self-operated offline stores (such as factory equipment, lamps, air conditioners and office equipment) during the relevant period, as most store data have not been effectively recorded and included in the packaged property management fee charged by the lessor, which cannot be calculated separately, and shall be estimated for stores of the same type and area. Such estimation was also made for water consumption and greenhouse gas emission. The increase in water and electricity consumption and packaging material usage during the Track Record Period was due to the expansion of our business in China.

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- Post water-saving signs, encourage office employees to conserve water, thereby reducing water resource consumption and the electricity consumption for water supply.

Our packaging materials are mainly used for product packaging and sales. Our Group has developed the following packaging material management measures to minimize the use of packaging materials:

- Design more lightweight recyclable packaging to reduce waste of packaging materials and waste pollution.

Greenhouse Gas (“GHG”) Emission

We identify the range of GHG emissions that we mainly generate as Scope 1 and Scope 2 emissions according to the Greenhouse Gas Accounting System – Enterprise Accounting and Reporting Standard. Scope 1 emissions refer to direct GHG emissions primarily from the consumption of direct energy in our operations, namely the fuel consumed by our owned vehicles. Scope 2 emissions refer to indirect GHG emissions primarily from the consumption of electricity at our Fujian Bama, Wuyishan Wangxinji and self-operated offline stores.

The following table sets forth the GHG emission for the periods indicated:

	For the Year Ended December 31,			For the Six Months Ended June 30,
	2022	2023	2024	2025
Total GHG Emission				
(kg CO ₂ e)	6,163,685	6,300,187	6,835,604	2,930,156
Scope 1(kg CO ₂ e)	62,615	74,222	74,962	32,273
Scope 2(kg CO ₂ e)	6,101,070	6,225,965	6,760,642	2,897,883
Intensity (kg CO₂e/per RMB’000)	3.39	2.97	3.19	2.76

During the Track Record Period, the annual diesel consumption was 4,882 liters, 2,148 liters and 1,065 liters, and the annual petrol consumption was 18,685 liters, 25,768 liters and 25,333 liters, respectively, representing the amount of fuel used by the company owned vehicles of our Fujian Bama and Wuyishan Wangxinji. The increase in fuel consumption was primarily due to the increased use of vehicles as our business grew.

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We have adopted the following measures to minimize GHG emissions from our operations:

- Encouraging employees to use public transportation;
- Adopting corresponding power-saving measures, including posting reminders in factories and stores to turn off unused equipment such as machines, air conditioners and lighting systems;
- Prioritizing the purchase of energy-efficient office equipment to reduce electricity consumption in all aspects.

We plan to initiate the assessment of our Scope 3 GHG emissions in 2025. We plan to reduce Scope 3 GHG emissions through the following key measures, among others: (i) to collaborate with suppliers who have lower carbon emissions per unit while maintaining the same product or service standards, (ii) to encourage employees to take public transportation, such as high-speed rail, during their business travels, and (iii) to have service providers use new energy vehicles with lower energy consumption per unit for delivery during upstream and downstream transportation and distribution.

Waste discharge

Our waste discharge is primarily from the factory production, our non-hazardous waste discharge is tea dust and cartons, and our hazardous waste is waste mineral oil. Our operations do not generate chemical waste, exhaust gases, or wastewater requiring special treatment.

The following table sets forth the waste discharge for the periods indicated:

					For the Six Months Ended June 30,
For the Year Ended December 31,					
	Unit	2022	2023	2024	2025
Hazardous waste					
Waste mineral oil	kg	4	4	6	*
Intensity	kg/per RMB'000	*	*	*	*
Non-hazardous waste					
Tea dust	kg	38,173	35,440	52,132	26,260
Cartons	kg	194,928	252,804	425,527	237,989
Total	kg	233,101	288,244	477,659	264,249
Intensity	kg/per RMB'000	0.11	0.12	0.20	0.22

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Note:

* less than 0.01

Our Group has formulated the following waste management measures to minimize waste discharge:

- Recycle cartons to improve utilization and reduce waste; and
- Optimize production lines, minimize material loss and waste discharge.

We have completed data collection for 2024, which will serve as our baseline for future data, and we will set corresponding quantitative KPIs by the end of 2025. We plan to complete the data collection for 2025 at the beginning of 2026.

With the expansion of our business in the near future, we expect the resource consumption will continue to fluctuate. For instance, as our business expands, our product production is expected to grow further in the near future, and with a further increase in the number of stores, we expect the overall electricity consumption may continue to grow. Once our business development becomes more stabilized, we will set down specific quantitative ESG targets with the reference to the actual business conditions and requirements as well as our aspiration to achieve ESG objectives. Our ESG targets are set based on business development and peer experience. Based on the resource consumption data in 2024, we plan to reduce the per RMB'000 of electricity and water by approximately 5% by 2030, as measured by the cubic meter of water and kilowatt-hour of electricity consumed per RMB'000. Based on the GHG emission data in 2024, we plan to reduce the per RMB'000 GHG emission (Scope 1 and Scope 2) by approximately 5% by 2030, as measured by the kg CO₂e of GHG emission per RMB'000.

Governance Matters

We are committed to promoting a sustainable enterprise governance and integrate it into all major aspects of our business operations, particularly the franchisee management and food safety management. Additionally, we cultivate the culture of integrity, and promote a series of strict internal rules regarding anti-money laundering, anti-bribery and anti-corruption to uphold business integrity.

Franchisee Management

We consider franchisees as our crucial partners and continuously improve our franchisee management system. We comply with the Administrative Regulations on Commercial Franchise Operations (《商業特許經營管理條例》) and the Administrative Measures on Filing of Commercial Franchise (《商業特許經營備案管理辦法》). We have established a management model to ensure the integrity, confidentiality and ethical business system of franchisees, mainly includes three aspects: franchisee investment system, franchisee service system and franchisee management system, to achieve win-win development with franchisees.

BUSINESS

Franchisee investment system mainly controls the selection process of franchisees, and requires franchisees to sign a contract. Franchisee service system provides support services such as business guidance, operation assistance, promotion support and training for franchisees. Franchisee management system formulates management standards such as franchisee cooperation mode, cooperation scope and settlement method.

Supply Chain Management

We strictly abide by relevant laws and regulations, and develop the Supplier Assessment and Hierarchical Management Methods and other internal systems to provide institutional basis for supplier management.

We have a supply chain center and a supplier management system to improve the efficiency of supply chain management. Our supplier management system covers five parts: development access, classification management, daily transactions, performance assessment and withdrawal mechanism.

- *Development Access.* We have established a strict supplier selection system and established a “Qualified Supplier Pool” for qualified suppliers. Comprehensive review of potential suppliers’ qualifications, product quality, service capability, plant and equipment, etc., to confirm the approved suppliers.
- *Classification Management.* According to the actual situation of our business, we divide our suppliers into four categories: tea, tea ware, tea snacks and peripheral products, and adopt targeted management strategies according to qualified suppliers of each category.
- *Daily Transactions.* We have established a supplier product review system to help us carry out strict quality control from all aspects of procurement requirements, sample audit, material inspection and so on.
- *Performance Assessment.* Performance evaluation. We implement the supplier assessment management mechanism, conduct annual assessment of suppliers according to the Supplier Assessment Plan established by us, and classify suppliers according to the evaluation results.
- *Withdrawal Mechanism.* We make corresponding provisions for serious violations and re-entry of suppliers after withdrawal, and continuously optimize the quality of suppliers in the database through dynamic assessment management.

BUSINESS

In order to involve suppliers in our environmental work and purchase environmentally friendly materials:

- We encourage suppliers to establish a sound quality management system and obtain professional system certification in the field of ESG;
- We encourage our suppliers to use environmentally friendly packaging materials and to co-design their packaging with us to promote innovation and environmental protection in the packaging sector.

For the procurement of our main raw material, tea leaves, we visit and investigate the original production areas of major famous teas, delve into the production areas to understand the tea gardens, record the production and planting conditions of tea, and safeguard the quality of tea and the fairness of procurement and selection. Meanwhile, we carry out activities to assist farmers with science and technology. By providing tea farmers with technical training on tea quality and safety management and scientific guidance on pest and disease control, we help the main tea-producing areas produce qualified tea, benefiting the tea farmers in these areas. We also include qualified tea in our procurement scope to ensure fair trade.

Food Safety

We strictly abide by the Food Safety Law of the People’s Republic of China (《中華人民共和國食品安全法》), the Product Quality Law of the People’s Republic of China (《中華人民共和國產品質量法》), the Safety and Quality of Agricultural Products Law of the People’s Republic of China (《中華人民共和國農產品質量安全法》), the Food Recall Management Measures (《食品召回管理辦法》) and other relevant laws and regulations. We have established a food safety management system with reference to ISO9001 Quality Management System Certification, Hazard Analysis and Critical Control Point (HACCP) system certification, ISO45001 China Occupational Health and Safety Management System Certification, and Green Food Certification and performance excellence management model and other standards, covering quality safety, food safety, equipment safety and other aspects, to ensure the excellent stability of product quality and safety and health.

Anti-monopoly and Anti-unfair Competition

We firmly support and implement the Anti-Monopoly Law of the People’s Republic of China (《中華人民共和國反壟斷法》). We conduct special inspections on franchisees, direct stores, online e-commerce stores, third-party companies and other behaviors that may disrupt reasonable prices in the market without authorization of our Group, so as to ensure good price order and long-term interests of our Group and its partners.

BUSINESS

Anti-corruption

We have established a series of policies such as the “Bama Staff Code of Conduct” and other systems, and the Legal Department is responsible for the training and publicity within our Group to build up employees’ awareness of rule of law and ethics. We require managers at all levels to lead by example, be honest and self-disciplined, and have zero tolerance for fraud, bribery, corruption and other violations of laws and regulations.

For our value chain partners, we require them to sign an honesty and integrity agreement that commits them to our anti-corruption, anti-unfair competition, anti-bribery and anti-money laundering requirements. For example, the Integrity Agreement prohibits our suppliers from engaging in any form of bribery and from receiving or giving any improper payments in connection with business cooperation. As of the Latest Practicable Date, we had not been involved in any legal proceedings in relation to fraud or bribery.

Social Matters

Set out below are our policies in addressing different social issues pertinent to our Group:

Employee Care

Our employee are our greatest assets. We strive to fully protect the legitimate rights and interests of employees on recruitment, dismissal, salary, and benefits to ensure equal opportunities and create a diverse and inclusive working atmosphere to all our employees. See the paragraph headed “— Employees” in this section for details related to the employee benefits, recruitment, career progression, training and development opportunities, as well as our policies on diversity and equal opportunity. We have developed a series of internal guidelines on compensation and incentives, and implemented a comprehensive employee benefits system to ensure that employee rights are protected. We have set up multiple employee incentive awards to provide recognition and bonuses for outstanding employees. We have offered festival benefits and activity benefits to our employees. Festival benefits include traditional Chinese festival gifts and birthday gifts. Activity benefits include team-building activities, rewarding trips for outstanding employees, etc.

Occupational and Workplace Safety

The Group strictly abides by the Law of the People’s Republic of China on Work Safety (《中華人民共和國安全生產法》) and Law of the People’s Republic of China on Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》). As of the Latest Practicable Date, we have complied in all material respects with applicable laws and regulations relating to health and occupational safety.

BUSINESS

We purchase workplace injury insurance for employees and proactively carry out trainings for workplace injury prevention. We hold health and safety training to improve employees’ health and safety awareness and skills. During the Track Record Period and up to the Latest Practicable Date, our Group had not experienced any significant incidents or accidents in relation to workers’ safety.

We are committed to creating an equal, diverse and non-discriminatory workplace. We provide equal career opportunities for employees of different ethnicities, ages, genders and beliefs. As of June 30, 2025, we had 71 ethnic minority employees from different ethnic minorities in China and 1,508 female employees which represented 76.2% of our total employees.

Furthermore, we have not been subject to any material claim, whether for personal or property damage, or penalty in relation to health, work safety, social and environmental protection and have not been involved in any accident or fatality and have been in compliance with the applicable laws and regulations of the relevant jurisdictions in all material aspects during the Track Record Period and up to the Latest Practicable Date.

Community Engagement

We are committed to philanthropy and actively contributed to charitable causes, demonstrating our corporate social responsibility and dedication to stable employment and community empowerment.

Over the years, we actively participated in social welfare undertakings and rural revitalization work, and gave back to the society with practical actions.

- *Rural Revitalization.* Under the initiative of promoting rural revitalization, we actively undertake corporate social responsibility, feed back the origin of tea, build a Chinese tea industry collaboration, deeply help dozens of tea producing areas in Yunnan Province, Guangxi Zhuang Autonomous Region, Hunan Province, Hubei Province, etc., build bridges for tea producing areas, tea farmers and consumers, and promote the development of rural revitalization.
- *Social Welfare Undertakings.* We focus on supporting the development of the tea industry, education, poverty alleviation and rural revitalization and provide the relevant budget every year to promote the comprehensive development of the tea industry through supporting tea farmers.

Our total donation amount for the year ended December 31, 2022 was RMB1,178,700, total donation amount for the year ended December 31, 2023 was RMB690,888, total donation amount for the year ended December 31, 2024 was RMB347,000, and total donation amount for the six months ended June 30, 2025 was RMB213,878.

BUSINESS

RISK MANAGEMENT AND INTERNAL CONTROL

Internal Control

During the process of preparing for the [REDACTED], we engaged an internal control consultant (the “Internal Control Consultant”), to perform a review in connection with the internal control of our Group and to report factual findings on our Group’s entity-level controls and internal controls of various processes in accordance with AATB1 issued by the Hong Kong Institute of Certified Public Accountants, including financial reporting and disclosure controls, sales, accounts receivable and collection, procurement, accounts payable and payment, inventory and logistics management, management of fixed assets and intangible assets, human resources and payroll management, cash and treasury management, taxation management, general controls of IT system (including protection of data and privacy), research and development management, insurance management, production management.

We have adopted various measures and procedures regarding each aspect of our operations, such as protection of intellectual property, environmental protection and occupational health and safety. We provide periodic training on these measures and procedures to our employees as part of our employee training program. We also regularly monitor the implementation of those measures and procedures through our internal control personnel for each stage of the production process. Our Directors (who are responsible for overseeing our corporate governance) with assistance from our legal advisors, will periodically review our compliance status with all relevant laws and regulations after the [REDACTED].

Below is a summary of the internal control policies, measures and procedures we have implemented or plan to implement:

- establish an Audit Committee to review and supervise our financial reporting process and internal control system. See “Directors and Senior Management” for the qualifications and experience of the committee members;
- adopt various policies to help ensure compliance with the Listing Rules, including but not limited to aspects related to risk management, connected transactions and information disclosure;
- execute anti-corruption and anti-bribery compliance management on our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations, and include relevant policies against non-compliance in employee handbooks;
- organize training sessions for our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong;

BUSINESS

- enhance our reporting and records system for production facilities, including centralizing their quality control and safety management systems and conducting regular inspections of the facilities;
- establish a set of emergency procedures in the event of major quality-related issues; and
- provide enhanced training programs on quality assurance and product safety procedures.

The packaging of our products is subject to requirements under various laws, regulations and industry standards in the PRC, including, among others, the Measures for the Supervision and Administration of Food Labeling and the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste. For details, please refer to “Regulatory Overview — Laws and Regulations Relating to Food Safety and Food Production and Operation — Administration for Food Labelling” and “— Laws and Regulations Relating to Environmental Protection — Prevention and Control of Pollution” in this document. Our Directors are of the view that we had complied with the applicable laws and regulations with respect to the packaging of products in all material respects during the Track Record Period and up to the Latest Practicable Date. To ensure our ongoing compliance with the applicable requirements on our packaging of products, we have taken internal control measures including, among others, (i) trainings on the interpretation of the relevant laws, regulations and industry standards; (ii) periodic inspection on the compliance of our product packaging with the applicable standards; (iii) formulation of standard procedures to guide the store staff to record the sample checks conducted by relevant regulatory authorities to facilitate the subsequent analysis by our management; and (iv) formulation of internal policies, including Notice on Prohibition of Stock-in of Over-packaged Products (關於禁止過度包裝產品入庫的通知), to guide our employees to prevent the overpackaging of our products.

Our advertisements are subject to requirements under various laws and regulations in the PRC, including, among others, the Advertising Law of the PRC. For details, please refer to “Regulatory Overview — Laws and Regulations Relating to Advertising” in this document. To ensure our ongoing compliance with the applicable requirements on our advertisement, we have taken internal control measures including, among others, (i) conducting trainings on the legal compliance of advertisement; (ii) requiring the employees to check the advertisements and publications of our Group against the relevant laws, regulations and authorizations periodically and before they are published; and (iii) verification of the identities of cooperation partners who are involved in our advertisement initiatives and advertising materials.

BUSINESS

Risk Management

We recognize that risk management is critical to the success of our business operation. Key operational risks faced by us include changes in the general market conditions and the regulatory environment of tea industry, our ability to offer quality services, our ability to manage our anticipated growth and to execute on our growth strategies, and our ability to compete with our competitors. See the section headed “Risk Factors” in this document for a discussion of various risks and uncertainties we face. We also face various market risks. In particular, we are exposed to market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. See “Financial Information — Quantitative and Qualitative Disclosures about Market Risk” for a discussion of these market risks.

In order to meet these challenges, our Audit Committee, which consists of three Directors, namely Ms. Chiu Mun Wai, Ms. Tong Naqiong and Mr. Wang Yuefei, and is chaired by Ms. Chiu Mun Wai, is responsible for reviewing and supervising our financial reporting process, risk management and internal control system.

We maintain a set of accounting policies in connection with our financial reporting risk management. We also have various procedures and IT systems to implement our accounting policies, and our finance department reviews our management accounts accordingly. We provide regular training to our finance department employees to ensure that they understand our financial management and accounting policies and strictly enforce them in our daily operations.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Wang Wenbin, Mr. Wang Wenli, Ms. Chen Yajing, Ms. Wu Xiaoning, Mr. Wang Wenchao and Ms. Wang Xiaoping, our Controlling Shareholders, by virtue of the acting-in-concert arrangement, are entitled to exercise or control the exercise of an aggregate of 55.90% voting rights at the general meeting of our Company.

Immediately after completion of the [REDACTED], our Controlling Shareholders, by virtue of the acting-in-concert arrangement, will be entitled to exercise or control the exercise of an aggregate of [REDACTED]% voting rights at the general meeting of our Company (assuming the [REDACTED] is not exercised). Therefore, Mr. Wang Wenbin, Mr. Wang Wenli, Ms. Chen Yajing, Ms. Wu Xiaoning, Mr. Wang Wenchao and Ms. Wang Xiaoping will constitute a group of Controlling Shareholders of our Company under the Listing Rules.

Mr. Wang Wenbin, Mr. Wang Wenli, Ms. Chen Yajing, Ms. Wu Xiaoning, Mr. Wang Wenchao and Ms. Wang Xiaoping are family members, with Mr. Wang Wenbin, Mr. Wang Wenli and Mr. Wang Wenchao being brothers of each other, Ms. Chen Yajing being the spouse of Mr. Wang Wenbin, Ms. Wu Xiaoning being the spouse of Mr. Wang Wenli and Ms. Wang Xiaoping being the sister of Mr. Wang Wenbin, Mr. Wang Wenli and Mr. Wang Wenchao.

On August 9, 2019, Mr. Wang Wenbin, Mr. Wang Wenli, Ms. Chen Yajing, Ms. Wu Xiaoning, Mr. Wang Wenchao and Ms. Wang Xiaoping entered into the 2019 Concert Party Agreement, pursuant to which, they have agreed and confirmed that they would act in concert (i) as the Shareholders of the Company in respect of their rights to call for general meetings, to make proposals and to vote on the general meetings, and (ii) where the relevant parties in the Concert Party Group act as the Directors, in respect of their rights as Directors in the decision-making process of the Board. If the Concert Party Group could not reach consensus on certain issues in respect of the Company’s operation and management, the proposal which is approved by half or more than half of the total number of Shares held by the Concert Party Group will be implemented and if no proposal is approved by half or more than half of the total number of Shares held by the Concert Party Group, the Concert Party Group should follow Mr. Wang Wenli’s decisions. On September 9, 2024, the Concert Party Group entered into a supplemental agreement to the 2019 Concert Party Agreement which confirms the acting-in-concert arrangements among the Concert Party Group.

OTHER BUSINESS OR INTEREST OF OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Wang Wenbin, Mr. Wang Wenli and Mr. Wang Wenchao held 51%, 39% and 10% equity interest in Fujian Anxi Xiyuan Investment Company Limited (福建省安溪溪源投資有限公司) (“Anxi Xiyuan”), a limited liability company established in the PRC in June 1993. Anxi Xiyuan is primarily engaged in investment activities, financial information consulting and corporate management consulting, which are different from the business operation of the Group. Therefore, Anxi Xiyuan is not engaged in any competing business against the Group.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Our Controlling Shareholders confirmed that as of the Latest Practicable Date, none of our Controlling Shareholders and their respective close associates had any interest in any business that competes or is likely to compete, either directly or indirectly with our Group’s business, which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, we believe that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective close associates after the [REDACTED]:

Management Independence

Our business is managed and conducted by our Board and senior management. Upon the [REDACTED], our Board will consist of five executive Directors, one non-executive Director and three independent non-executive Directors. Please refer to the section headed “Directors and Senior Management” in this document for details. Each of Mr. Wang Wenli and Mr. Wang Wenchao, two of our Controlling Shareholders, is our executive Director.

Our Directors believe that our Board and senior management have been and will continue to be able to independently manage our business and function independently from our Controlling Shareholders based on the following grounds:

- (i) each of our Directors is aware of his or her fiduciary duties as a Director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest;
- (ii) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between us and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum;
- (iii) our daily management and operations are carried out by our executive Directors and our senior management team, all of whom have substantial experience in the industry in which our Company is engaged and/or business management in general, and will therefore be able to make business decisions that are in the best interest of our Group;
- (iv) we have three independent non-executive Directors who have extensive experience in different professions. They have been appointed to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions. Our Directors believe that the presence of our independent non-executive Directors from different backgrounds provides a balance of views and opinions; and

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (v) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. See “— Corporate Governance Measures” in this section below.

Having considered the above factors, our Directors are satisfied that our Board together with the senior management team as a whole is able to perform their roles independently from our Controlling Shareholders and their close associates after the [REDACTED].

Operational Independence

We operate independently from our Controlling Shareholders and their respective close associates, including:

- (i) we have established our own organizational structure, which comprises individual departments and each department has its own administrative and corporate governance infrastructure;
- (ii) we hold all of the relevant licenses and intellectual property rights material to our business operation and have sufficient capital, facilities, equipment and employees to operate our business independently;
- (iii) our Controlling Shareholders have no interest in any of our top five suppliers and customers during the Track Record Period. We do not rely on our Controlling Shareholders or their close associates and have independent access to our suppliers and customers; and
- (iv) we have established a set of internal control procedures to facilitate the effective operation of our business independent from our Controlling Shareholders.

Having considered the above factors, our Directors are of the view that we are capable of carrying on our business independently from our Controlling Shareholders and their respective close associates.

Financial Independence

Our Group has an independent financial, internal control and accounting system. We make financial decisions according to our own business needs. We also have an independent finance department responsible for discharging the treasury function, and the Audit Committee to oversee our accounting and financial reporting processes. We have sufficient capital to operate our business independently, and has adequate internal resources and a strong credit profile to support our daily operations. During the Track Record Period, our Group obtained certain banking facilities where Mr. Wang Wenbin, Mr. Wang Wenli and Mr. Wang Wenchao, three of our Controlling Shareholders, provided personal guarantees which have already been released. See note 28 to the Accountants’ Report in Appendix I to this document for more information.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Other than the above, our source of funding and our finances are independent from our Controlling Shareholders and none of our Controlling Shareholders or their respective close associates financed our operations during the Track Record Period. Our Directors confirm that our Group does not intend to obtain any further borrowing, guarantees, pledges and mortgages from any of our Controlling Shareholders or their respective close associates. Having considered the above factors, our Directors are of the view that we have no financial dependence on our Controlling Shareholders.

CORPORATE GOVERNANCE MEASURES

Our Company will comply with the provisions of the Corporate Governance Code in Appendix C1 to the Listing Rules, which sets out principles of good corporate governance.

Our Directors recognize the importance of good corporate governance in protection of our Shareholders’ interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders:

- (i) in preparation for the [REDACTED], we have amended the Articles of Association which complies with the Listing Rules. In particular, pursuant to our Articles of Association, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other arrangement in which such Director or any of his/her associates (other than any member of our Group) has a material interest nor shall such Director be counted in the quorum present at the meeting;
- (ii) where a Shareholders’ meeting is to be held for considering proposed transactions in which any of our Controlling Shareholders or their respective 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;
- (iii) our Company has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if our Company enters into connected transactions with our Controlling Shareholders or any of their respective associates, our Company will comply with the applicable Listing Rules;
- (iv) the independent non-executive Directors will review, on an annual basis, whether there is any conflict of interests between our Group and the Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (v) our Company will disclose decisions (with basis) on matters reviewed by the independent non-executive Directors either in its annual report or by way of announcements;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (vi) 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
- (vii) we have appointed UOB Kay Hian (Hong Kong) Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders, and to protect minority Shareholders’ interests after the [REDACTED].

CONNECTED TRANSACTIONS

OVERVIEW

Upon [REDACTED], certain transactions between us and our connected persons, which are entered into in our ordinary course of business, will constitute one-off connected transactions or continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSONS

Upon completion of the [REDACTED], the following persons with whom we have entered into transactions will be regarded as our connected persons under the Listing Rules.

Name of our connected persons	Connected relationship
Mr. Chen Xin (陳昕)	Mr. Chen Xin is the sibling of Ms. Chen Yajing (our Controlling Shareholder), and therefore a connected person of our Company
Ms. Liu Chaolan (劉超蘭)	Ms. Liu Chaolan is the spouse of Mr. He Lei (our former Director in the last 12 months), and therefore a connected person of our Company
Fujian Anxi Yuanfang Tea Co., Ltd. (福建省安溪源芳茶葉有限公司) (“Anxi Yuanfang”)	Anxi Yuanfang is held as to 12.7% by Ms. Wei Xiuyan (魏秀燕), 6.3% by Mr. Wang Peikun (王培坤), who is the spouse of Ms. Wei Xiuyan, 74.7% by Mr. Wang Xiaowei (王曉偉), who is the son of Ms. Wei Xiuyan and Mr. Wang Peikun, and 6.3% by Mr. Ma Jijie (馬吉杰), who is the son-in-law of Ms. Wei Xiuyan and Mr. Wang Peikun. Ms. Wei Xiuyan is the aunt and Mr. Wang Xiaowei is the cousin of Mr. Wang Wenbin, Mr. Wang Wenli and Mr. Wang Wenchao, each being a Director and the Controlling Shareholder of our Company, and therefore Anxi Yuanfang is a connected person of our Company.

CONNECTED TRANSACTIONS

Name of our connected persons	Connected relationship
Guangxi Jiuyun Tea Industry Co., Ltd. (廣西九雲茶業有限公司) (“ Guangxi Jiuyun ”)	Guangxi Jiuyun is held as to 90% by Ms. Nie Wen (聶文) and 10% by Mr. Wang Yuanming (王淵銘), who is the spouse of Ms. Nie Wen and the brother of Mr. Wang Wenlong, our executive Director, the secretary of the Board of Directors and one of the joint company secretaries, and the cousin of Mr. Wang Wenbin, Mr. Wang Wenli and Mr. Wang Wenchao, each being a Director and the Controlling Shareholder of our Company and therefore a connected person of our Company
Mr. Wu Qingtuan and his controlled companies, including but not limited to Shenzhen Yintai Tea Industry Co., Ltd. (深圳市銀泰茶業有限公司) (“ Shenzhen Yintai ”), Shenzhen Yunxiang Tea Industry Co., Ltd. (深圳市雲祥茶業有限公司) (“ Shenzhen Yunxiang ”) and Guangzhou Xiangtai Tea Industry Co., Ltd. (廣州市祥泰茶業有限公司) (“ Guangzhou Xiangtai ”)	Mr. Wu Qingtuan (吳清團) is the brother of Mr. Wu Qingbiao, our executive Director and the general manager and the cousin of Mr. Wang Wenbin, Mr. Wang Wenli and Mr. Wang Wenchao, each being a Director and the Controlling Shareholder of our Company, and therefore a connected person of our Company; Mr. Wu Qingtuan holds 51% equity interest of each of Shenzhen Yintai, Shenzhen Yunxiang and Guangzhou Xiangtai
Jiangxi Youyuan Industrial Co., Ltd. (江西優源實業有限公司) (“ Jiangxi Youyuan ”)	Jiangxi Youyuan is held as to 60% by Mr. Zeng Guowen (曾國文), who is the uncle of Ms. Wu Xiaoning (our Controlling Shareholder), and therefore a connected person of our Company.

ONE-OFF CONNECTED TRANSACTIONS

Property lease agreement with Mr. Chen Xin

Principal terms

Xiamen Xin Bama Tea Co., Ltd. Hui’an Julong Xiaozhen Branch (廈門鑫八馬茶業有限公司惠安聚龍小鎮店), originally a branch of Xiamen Xin Bama (a wholly-owned subsidiary of our Company) prior to its deregistration, as tenant, entered into a property lease agreement (“**Julong Xiaozhen Lease Agreement**”) with Mr. Chen Xin as landlord on November 15, 2023, pursuant to which Mr. Chen Xin agreed to lease to us his self-owned property with a total gross area of approximately 107 sq.m. located at Store No. 29, Taoranjū, Julong Xiaozhen, Huangtang Town, Hui’an County, Quanzhou, Fujian Province, the PRC (中國福建省泉州市惠

CONNECTED TRANSACTIONS

安縣黃塘鎮聚龍小鎮陶然居29號店面) (the “**Julong Xiaozhen Store**”), as one of our self-operated stores in Hui’an County for the purposes of our business operations and supply of our tea products, for a lease term from November 24, 2023 to November 23, 2028. Pursuant to the Julong Xiaozhen Lease Agreement, the monthly rental of the Julong Xiaozhen Store is RMB7,500. On April 20, 2024, Mr. Chen Xin, the original tenant under the Julong Xiaozhen Lease Agreement and Quanzhou Fengze Bama Tea Co., Ltd. Hui’an Julong Xiaozhen Branch (泉州豐澤八馬茶業有限公司惠安聚龍小鎮分店) (“**Julong Xiaozhen Branch**”), a branch of Quanzhou Fengze (a wholly-owned subsidiary of our Company), entered into a contractual rights and obligations transfer agreement, pursuant to which the original tenant transferred all its rights and obligations under the Julong Xiaozhen Lease Agreement to Julong Xiaozhen Branch since May 1, 2024 with the other terms of the Julong Xiaozhen Lease Agreement remaining unchanged.

The Julong Xiaozhen Lease Agreement was entered into (i) in the ordinary and usual course of business of our Group, (ii) on an arm’s length basis, and (iii) on normal commercial terms with the rent being determined with reference to, among others, the prevailing market rates for similar properties in the same area and the corresponding property management costs for the Julong Xiaozhen Store. The Julong Xiaozhen Lease Agreement has a term of five years which is more than three years. We believe such five-year term can ensure the stability of the business operations of the Julong Xiaozhen Store, and is in the interest of our Company and our Shareholders as a whole and will be beneficial to our Group. We believe self-operated stores with long lease term is in line with industry norm and the lease agreements for some of our self-operated stores with Independent Third Parties have even longer lease terms, for example, six years for our self-operated store located at No.27 Qinshan Road, Huanggu District, Shenyang and 12 years for our self-operated store located at Phase II of Jiazhou Haoyuan, South side of Binhe Dadao, Futian District, Shenzhen.

The balance of the lease liabilities, being the present value of lease payments recognized by our Group in relation to the Julong Xiaozhen Store according to IFRS 16 as of December 31, 2024 amounted to RMB309,000. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, the payment of lease liabilities to Mr. Chen Xin was RMB91,000, RMB91,000, RMB86,000 and RMB43,000, respectively.

Reasons for and benefits of the transaction

Xiamen Xin Bama has been using the Julong Xiaozhen Store for store operations and supply of our tea products in Hui’an County since November 2012. Any relocation of the store may cause unnecessary disruption to our business operations and incur additional costs. The continuation of such lease of the Julong Xiaozhen Store is cost efficient and beneficial to our operations. In light of the above, our Directors are of the view that such arrangement is fair and reasonable and is in the best interest of our Group and our Shareholders as a whole.

CONNECTED TRANSACTIONS

Listing Rules implications

In accordance with IFRS 16 “Leases”, our Group recognized a right-of-use asset on the statement of financial position in connection with the lease of the Julong Xiaozhen Store from Mr. Chen Xin. Therefore, the lease of the Julong Xiaozhen Store under the Julong Xiaozhen Lease Agreement is regarded as an acquisition of a capital asset of our Group and a one-off connected transaction entered into by our Group prior to the [REDACTED], rather than a continuing connected transaction, for the purposes of the Listing Rules. Accordingly, the reporting, announcement, annual review, circular and independent shareholders’ approval requirements in Chapter 14A of the Listing Rules will not be applicable to it.

Property lease agreement with Ms. Liu Chaolan

Principal terms

Our Company as tenant entered into a property lease agreement (“**Zhengzhou Office Lease Agreement**”) with Ms. Liu Chaolan as landlord on November 12, 2023, pursuant to which Ms. Liu Chaolan agreed to lease to our Company her self-owned property with a total gross area of approximately 204.63 sq.m. located at No. 801, 8/F, Unit 2, Building 1, No. 88 Jinshui East Road, Zhengdong New District, Zhengzhou, Henan Province, the PRC (中國河南省鄭州市鄭東新區金水東路88號1號樓2單元8層801號) (the “**Zhengzhou Office**”), as an office for the purposes of our business operations in Zhengzhou, for a lease term from November 28, 2023 to November 27, 2025. Pursuant to the Zhengzhou Office Lease Agreement, the monthly rental of the Zhengzhou Office is RMB17,116.

The Zhengzhou Office Lease Agreement was entered into (i) in the ordinary and usual course of business of our Group, (ii) on an arm’s length basis, and (iii) on normal commercial terms with the rent being determined with reference to, among others, the prevailing market rates for similar properties in the same area and the corresponding property management costs for the Zhengzhou Office.

The balance of the lease liabilities, being the present value of lease payments recognized by our Group in relation to the Zhengzhou Office according to IFRS 16 as of December 31, 2024 amounted to RMB96,000. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, the payment of lease liabilities to Ms. Liu Chaolan was RMB221,000, RMB219,000, RMB196,000 and RMB98,000, respectively.

Reasons for and benefits of the transaction

Our Company has been using the Zhengzhou Office as our office for business operations in Zhengzhou since November 2018. Any relocation of the office may cause unnecessary disruption to our business operations and incur additional costs. The continuation of such lease of the Zhengzhou Office is cost efficient and beneficial to our operations. In light of the above, our Directors are of the view that such arrangement is fair and reasonable and is in the best interest of our Group and our Shareholders as a whole.

CONNECTED TRANSACTIONS

Listing Rules implications

In accordance with IFRS 16 “Leases”, our Group recognized a right-of-use asset on the statement of financial position in connection with the lease of the Zhengzhou Office from Ms. Liu Chaolan. Therefore, the lease of the Zhengzhou Office under the Zhengzhou Office Lease Agreement is regarded as an acquisition of a capital asset of our Group and a one-off connected transaction entered into by our Group prior to the [REDACTED], rather than a continuing connected transaction, for the purposes of the Listing Rules. Accordingly, the reporting, announcement, annual review, circular and independent shareholders’ approval requirements in Chapter 14A of the Listing Rules will not be applicable to it.

CONTINUING CONNECTED TRANSACTIONS

Upon the [REDACTED], the following transactions between our Group and our connected persons will constitute continuing connected transactions under the Listing Rules.

Transaction	Applicable Listing Rules	Waiver sought	Proposed annual caps for the year ending December 31,		
			2025	2026	2027
(RMB in thousands)					
Fully-exempt continuing connected transactions					
Leasing a premise to Anxi Yuanfang	Rule 14A.76(1)	N/A	N/A	N/A	N/A
Partially-exempt continuing connected transactions					
Supply of tea leaves and other products to Guangxi Jiuyun . .	Rule 14A.76(2)	Waiver from announcement requirement	13,500	16,000	19,000
Supply of tea leaves and other products to Mr. Wu Qingtuan and his controlled companies	Rule 14A.76(2)	Waiver from announcement requirement	18,000	21,600	26,000
Supply of tea leaves and other products to Jiangxi Youyuan .	Rule 14A.76(2)	Waiver from announcement requirement	5,900	7,000	8,300

CONNECTED TRANSACTIONS

Fully-exempt Continuing Connected Transactions

Property lease agreement with Anxi Yuanfang

Fujian Bama, a wholly-owned subsidiary of our Company, and Anxi Yuanfang have entered into a property lease agreement (the “**Property Lease Agreement**”) on August 16, 2022, pursuant to which Fujian Bama agreed to lease to Anxi Yuanfang its self-owned premises, including an office building, a dormitory building and a factory, with a total gross area of approximately 4,474.58 sq.m. and some ancillary facilities located at No. 12 Xiangming Street, Xiping Town, Anxi County, Quanzhou, Fujian Province, the PRC (中國福建省泉州市安溪縣西坪鎮香茗街12號) (the “**Anxi Yuanfang Leased Premise**”) for a term from August 26, 2022 to August 25, 2025 (which is expected to be renewed in September 2025) and at an annual rental of RMB309,000 (tax exclusive).

The Property Lease Agreement was entered into (i) in the ordinary and usual course of business of our Group, (ii) on an arm’s length basis, and (iii) on normal commercial terms with the rent being determined with reference to, among others, the prevailing market rates for similar properties in the same area and the corresponding property management costs for the Anxi Yuanfang Leased Premise.

Reasons for and benefits of the transaction

Anxi Yuanfang has been using the Anxi Yuanfang Leased Premise for its business operations since August 2016. By entering into the Property Lease Agreement, the Group could make full use of its vacant properties and generate additional income. In light of the above, our Directors are of the view that such arrangement is fair and reasonable and is in the best interest of our Group and our Shareholders as a whole.

Listing Rules implications

The highest applicable percentage ratios (other than the profit ratio) calculated for the purpose of Chapter 14A of the Listing Rules for the transactions under the Property Lease Agreement will be less than 0.1% on an annual basis. Accordingly, under Rule 14A.76(1) of the Listing Rules, the transactions under the Property Lease Agreement will be exempted from the reporting, announcement, annual review and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

Partially-exempt Continuing Connected Transactions

1.1 Supply of tea leaves and other products to Guangxi Jiuyun

Principal terms

Our Company and Guangxi Jiuyun entered into a supply framework agreement (“**Guangxi Jiuyun Supply Agreement**”) on [●], pursuant to which our Company will supply tea leaves and other products to Guangxi Jiuyun as one of our franchisees for a term commencing from the [REDACTED] till December 31, 2027.

Reasons for and benefits of the transaction

Guangxi Jiuyun is one of our franchisees. The supply of tea leaves and other products to our franchisees is in our ordinary and usual course of business. Guangxi Jiuyun operates or engages third parties to operate franchised stores to sell our products in Nanning, Guangxi Zhuang Autonomous Region, which constitutes an important part of our offline store coverage in the PRC. We consider the Guangxi Jiuyun Supply Agreement to be consistent with our business and commercial objectives and the long-term collaboration with Guangxi Jiuyun enables us to further leverage its market presence in Nanning, Guangxi Zhuang Autonomous Region to promote our products.

Pricing policy

We apply the same sale prices policies to all franchisees including both connected persons and Independent Third Parties. We set the suggested retail prices of our products and our sale prices to franchisees are generally calculated as a discount against such suggested retail prices. Franchisees at the same level, which are categorized based on the amounts of products procured by them, enjoy the same discount against the suggested retail prices of the same product. The suggested retail prices of our products are formulated after considering various factors, including cost, product category, price levels of competitors, market demand, the market positioning of our brand and sub-brands, sales channels and profit margin.

The Directors consider that the transactions under the Guangxi Jiuyun Supply Agreement have been and will be conducted on an arm’s length basis and on normal commercial terms and not prejudicial to the interests of our Company and our Shareholders.

Historical transaction amounts

For each of the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, the total amount received by our Group for the supply of tea leaves and other products to Guangxi Jiuyun was RMB11,468,000, RMB9,804,000, RMB8,596,000, RMB5,138,000 and RMB3,297,000, respectively. The decreases in the transaction amounts in the years ended December 31, 2023 and 2024 and the six months ended June 30, 2025 were mainly due to (i) its intention to manage inventory in 2024 and the first half of 2025 that its

CONNECTED TRANSACTIONS

inventory volumes of tea leaves (as denominated in kg) and of tea ware and tea snacks (as denominated in unit) (a) as of December 31, 2024 were decreased by approximately 38.8% and 28.3% as compared to the inventory volumes as of December 31, 2023, and (b) as of June 30, 2025 were decreased by approximately 22.1% and 15.1% as compared to the inventory volumes as of June 30, 2024, respectively, and (ii) the closure of several loss-making franchising stores, which led to a reduction in its purchases from us in each relevant year. Since (i) Guangxi Jiuyun’s inventory amount as of June 30, 2025 was at the relatively low level during the Track Record Period, (ii) its loss-making franchising stores have already closed and new franchised stores at better locations with good customer flow will be opened within the franchised regions for the next three years as disclosed below, and (iii) the Company intends to engage in more promotion activities which will reduce the customer acquisition costs of franchisees and increase their revenue, it is expected that its purchases from us will increase in the next three years.

Annual caps

For each of the years ending December 31, 2025, 2026 and 2027, the total amount receivable by our Group for the supply of tea leaves and other products to Guangxi Jiuyun under the Guangxi Jiuyun Supply Agreement shall not exceed RMB13.5 million, RMB16.0 million and RMB19.0 million, respectively.

Basis of annual caps

The proposed annual caps are estimated with reference to, among others, (i) the historical transaction amount for the year ended December 31, 2022 with an expected annual growth rate from approximately 17.7% to 18.8% over the next three years; (ii) anticipated increase in the number of franchised stores operated by Guangxi Jiuyun or the third parties engaged by Guangxi Jiuyun in Nanning, Guangxi Zhuang Autonomous Region by nine franchised stores every year for the next three years from 39 franchised stores as of June 30, 2025; and (iii) anticipated increase in the demand of our tea leaves and other products by consumers, considering our continued efforts in expanding our business and enhancing our brand competitiveness and recognition.

1.2 Supply of tea leaves and other products to Mr. Wu Qingtuan and his controlled companies

Principal terms

Our Company entered into a supply framework agreement with Mr. Wu Qingtuan (“**WQT Supply Agreement**”) on [●], pursuant to which our Company will supply tea leaves and other products to Mr. Wu Qingtuan and his controlled companies, including but not limited to Shenzhen Yintai, Shenzhen Yunxiang and Guangzhou Xiangtai, for a term commencing from the [REDACTED] till December 31, 2027.

CONNECTED TRANSACTIONS

Reasons for and benefits of the transaction

Shenzhen Yintai, Shenzhen Yunxiang and Guangzhou Xiangtai are our franchisees. The supply of tea leaves and other products to our franchisees is in our ordinary and usual course of business. The controlled companies of Mr. Wu Qingtuan operate or engage third parties to operate franchised stores to sell our products in Guangzhou and Huizhou, Guangdong Province. These regions constitute an important part of our offline store coverage in the PRC. We consider WQT Supply Agreement to be consistent with our business and commercial objectives and the long-term collaboration with Mr. Wu Qingtuan and his controlled companies enables us to further leverage its market presence in Guangzhou and Huizhou, Guangdong Province to promote our products.

Pricing policy

We apply the same sale prices policies to all franchisees including both connected persons and Independent Third Parties. We set the suggested retail prices of our products and our sale prices to franchisees are generally calculated as a discount against such suggested retail prices. Franchisees at the same level, which are categorized based on the amounts of products procured by them, enjoy the same discount against the suggested retail prices of the same product. The suggested retail prices of our products are formulated after considering various factors, including cost, product category, price levels of competitors, market demand, the market positioning of our brand and sub-brands, sales channels and profit margin.

The Directors consider that the transactions under the WQT Supply Agreement have been and will be conducted on an arm's length basis and on normal commercial terms and not prejudicial to the interests of our Company and our Shareholders.

Historical transaction amounts

For each of the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, the total amount received by our Group for the supply of tea leaves and other products to Mr. Wu Qingtuan and his controlled companies was RMB9,733,000, RMB12,409,000, RMB14,573,000, RMB7,132,000 and RMB7,309,000, respectively.

Annual caps

For each of the years ending December 31, 2025, 2026 and 2027, the total amount receivable by our Group for the supply of tea leaves and other products to Mr. Wu Qingtuan and his controlled companies under the WQT Supply Agreement shall not exceed RMB18.0 million, RMB21.6 million and RMB26.0 million, respectively.

CONNECTED TRANSACTIONS

Basis of annual caps

The proposed annual caps are estimated with reference to, among others, (i) the historical transaction amounts as set out above; (ii) anticipated increase in the number of franchised stores operated by Mr. Wu Qingtuan and his controlled companies or the third parties engaged by Mr. Wu Qingtuan and his controlled companies in their respectively licensed region or store in Guangdong Province by 11 franchised stores every year for the next three years from 47 franchised stores as of June 30, 2025; (iii) an expected annual growth rate of approximately 20% over the next three years; and (iv) anticipated increase in the demand of our tea leaves and other products by consumers, considering our continued efforts in expanding our business and enhancing our brand competitiveness and recognition.

Listing Rules implications of the Guangxi Jiuyun Supply Agreement and the WQT Supply Agreement

Pursuant to Rule 14A.81 of the Listing Rules, a series of connected transactions will be aggregated and treated as if they were one transaction if they were all conducted within a 12-month period or were otherwise related. As the Guangxi Jiuyun Supply Agreement and the WQT Supply Agreement are of the same nature and are entered into with parties who are connected with each other, the transactions under the Guangxi Jiuyun Supply Agreement and the transactions under the WQT Supply Agreement shall be aggregated. The highest applicable percentage ratios (other than the profit ratio) calculated for the purpose of Chapter 14A of the Listing Rules for these transactions under the Guangxi Jiuyun Supply Agreement and the WQT Supply Agreement (on an aggregated basis) will exceed 0.1% but will be less than 5% on an annual basis. Accordingly, under Rule 14A.76(2) of the Listing Rules, the transactions under the Guangxi Jiuyun Supply Agreement and the WQT Supply Agreement will be exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules, but will be subject to the reporting, annual review and announcement requirements.

2. Supply of tea leaves and other products to Jiangxi Youyuan

Principal terms

Our Company and Jiangxi Youyuan entered into a supply framework agreement (“**Jiangxi Youyuan Supply Agreement**”) on [●], pursuant to which our Company will supply tea leaves and other products to Jiangxi Youyuan as one of our franchisees for a term commencing from the [REDACTED] till December 31, 2027.

Reasons for and benefits of the transaction

Jiangxi Youyuan is one of our franchisees. The supply of tea leaves and other products to our franchisees is in our ordinary and usual course of business. Jiangxi Youyuan operates or engages third parties to operate franchised stores to sell our products in (i) Nanchang, and (ii) a defined area on Chaoyang Road, Zhushan District, Jingdezhen, Jiangxi Province as agreed by both parties, which constitute an important part of our offline store coverage in the PRC. We

CONNECTED TRANSACTIONS

consider the Jiangxi Youyuan Supply Agreement to be consistent with our business and commercial objectives and the long-term collaboration with Jiangxi Youyuan enables us to further leverage its market presence in Nanchang and Jingdezhen, Jiangxi Province to promote our products.

Pricing policy

We apply the same sale prices policies to all franchisees including both connected persons and Independent Third Parties. We set the suggested retail prices of our products and our sale prices to franchisees are generally calculated as a discount against such suggested retail prices. Franchisees at the same level, which are categorized based on the amounts of products procured by them, enjoy the same discount against the suggested retail prices of the same product. The suggested retail prices of our products are formulated after considering various factors, including cost, product category, price levels of competitors, market demand, the market positioning of our brand and sub-brands, sales channels and profit margin.

The Directors consider that the transactions under the Jiangxi Youyuan Supply Agreement have been and will be conducted on an arm’s length basis and on normal commercial terms and not prejudicial to the interests of our Company and our Shareholders.

Historical transaction amounts

For each of the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, the total amount received by our Group for the supply of tea leaves and other products to Jiangxi Youyuan was RMB4,269,000, RMB5,032,000, RMB3,769,000, RMB2,371,000 and RMB1,575,000, respectively. The decrease in the transaction amount in the year ended December 31, 2024 and the six months ended June 30, 2025 was mainly due to (i) its intention to manage inventory that its inventory volumes of tea leaves (as denominated in kg) and of tea ware and tea snacks (as denominated in unit) (a) as of December 31, 2024 were decreased by approximately 17.9% and 12.6% as compared to the inventory volumes as of December 31, 2023, and (b) as of June 30, 2025 were decreased by approximately 26.2% and 6.9% as compared to the inventory volumes as of June 30, 2024, respectively, and (ii) the closure of several loss-making franchising stores, which led to a reduction in its purchases from us. Since (i) Jiangxi Youyuan’s inventory amount as of June 30, 2025 was at a relatively low level during the Track Record Period, (ii) its loss-making franchising stores have already closed and new franchised stores at better locations with good customer flow will be opened within the franchised regions for the next three years as disclosed below, and (iii) the Company intends to engage in more promotion activities which will reduce the customer acquisition costs of franchisees and increase their revenue, it is expected that its purchases from us will increase in the next three years.

CONNECTED TRANSACTIONS

Annual caps

For each of the years ending December 31, 2025, 2026 and 2027, the total amount receivable by our Group for the supply of tea leaves and other products to Jiangxi Youyuan under the Jiangxi Youyuan Supply Agreement shall not exceed RMB5.9 million, RMB7.0 million and RMB8.3 million, respectively.

Basis of annual caps

The proposed annual caps are estimated with reference to, among others, (i) the historical transaction amount for the year ended December 31, 2023 with an expected annual growth rate from approximately 17.2% to 18.6% over the next three years; (ii) anticipated increase in the number of franchised stores operated by Jiangxi Youyuan or the third parties engaged by Jiangxi Youyuan in Nanchang and Jingdezhen in Jiangxi Province by five franchised stores every year for the next three years from 21 franchised stores as of June 30, 2025; and (iii) anticipated increase in the demand of our tea leaves and other products by consumers, considering our continued efforts in expanding our business and enhancing our brand competitiveness and recognition.

Listing Rules implications

The highest applicable percentage ratios (other than the profit ratio) calculated for the purpose of Chapter 14A of the Listing Rules for the transactions under the Jiangxi Youyuan Supply Agreement will exceed 0.1% but will be less than 5% on an annual basis. Accordingly, under Rule 14A.76(2) of the Listing Rules, the transactions under the Jiangxi Youyuan Supply Agreement will be exempted from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules, but will be subject to the reporting, annual review and announcement requirements.

WAIVER APPLICATION FOR PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Under Rule 14A.76(2) of the Listing Rules, the transactions under the subsection headed “Partially-exempt Continuing Connected Transactions” will constitute our continuing connected transactions subject to the reporting, annual review and announcement requirements but are exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules upon the [REDACTED].

As those partially-exempt continuing connected transactions are expected to continue on a recurring and continuing basis and to extend over a period of time and have been fully disclosed in this document, our Directors consider that the strict compliance with the announcement requirement thereof immediately after the [REDACTED] would be impractical and unduly burdensome, and would lead to unnecessary administrative costs to us.

CONNECTED TRANSACTIONS

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted], waivers exempting us from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in “— Partially-exempt Continuing Connected Transactions” in this section, subject to the condition that the aggregate amounts of the continuing connected transactions for each financial year shall not exceed the relevant amounts set forth in the respective annual caps (as stated above). Apart from the announcement requirement for which a waiver has been sought, we will comply with the applicable requirements under Chapter 14A of the Listing Rules, and will immediately inform the Hong Kong Stock Exchange if there are any changes to such continuing connected transactions.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this document, we will take immediate steps to ensure compliance with such new requirements within reasonable time.

CONFIRMATIONS

Directors’ Confirmation

Our Directors (including our independent non-executive Directors) are of the view that the partially-exempt continuing connected transactions as set out above have been and will be entered into on normal commercial terms or better and in our Group’s ordinary and usual course of business and are fair and reasonable and in the interests of our Company and Shareholders as a whole, and the proposed annual caps for those transactions are fair and reasonable and in the interest of our Shareholders as a whole.

Joint Sponsors’ Confirmation

Based on (i) the relevant documents and information provided by the Company in relation to the foregoing partially-exempt continuing connected transactions; (ii) their participation in due diligence and discussions with the Company; and (iii) the confirmation from the Directors disclosed above, the Joint Sponsors are of the view that the partially-exempt continuing connected transactions as set out above have been and will be entered into on normal commercial terms or better and in the Group’s ordinary and usual course of business and are fair and reasonable and in the interests of the Company and its Shareholders as a whole; and the proposed annual caps are fair and reasonable and in the interests of the Group’s Shareholders as a whole.

CONNECTED TRANSACTIONS

INTERNAL CONTROL MEASURES TO SAFEGUARD SHAREHOLDERS’ INTERESTS

In order to further safeguard the interests of the Shareholders as a whole (including the minority Shareholders), our Group has implemented the following internal control measures in relation to the continuing connected transactions:

- Our Group has established internal guidelines designating the relevant staff to (i) keep track of any changes in the connected person list from time to time, and (ii) where the value of any proposed connected transaction is anticipated to exceed specific thresholds, notify the head of the relevant business department to conduct necessary additional assessment and approval processes, so as to ensure compliance with the applicable requirements under Chapter 14A of the Listing Rules;
- Our Group will provide the independent non-executive Directors and auditors with relevant information and supporting documents to facilitate their annual review of the continuing connected transactions of our Group. In accordance with the requirements under Chapter 14A of the Listing Rules, the independent non-executive Directors will confirm to the Board whether these continuing connected transactions are conducted in the ordinary course of business, on normal commercial terms, and in accordance with relevant agreements that are fair and reasonable and in the interests of our Group and the Shareholders as a whole. The auditors will also confirm to the Board on an annual basis on whether anything has come to their attention to cause them to believe that the continuing connected transactions have not been approved by the Board, are not in accordance with the pricing policies of our Group in all material respects, or not entered into in accordance with the relevant agreements governing the transactions in all material respects or have exceeded the cap;
- Our Group has implemented pricing policies to assess and verify the nature, types, specifications, market price and historical transaction amounts of the relevant products or services involved in the continuing connected transactions to ensure these transactions are entered into in a fair and reasonable manner, on normal commercial terms and in the interests of our Group and our Shareholders as a whole; and
- In case of any renewal or revision to the framework agreements after the [REDACTED], our Group has policies in place to ensure the interested Directors and Shareholders abstain from voting on the resolutions to approve such transactions in board meetings or shareholders’ meetings (as the case may be). If our Group cannot obtain such approval from the independent Directors or independent Shareholders, we shall refrain from continuing the transactions under the framework agreements if such transactions constitute non-exempt continuing connected transactions under the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

Our Board is responsible and has general powers for the management and conduct of our business. Our Board currently consists of nine Directors, including five executive Directors, one non-executive Director and three independent non-executive Directors. The following table sets forth key information about our Directors:

Name	Age	Position	Time of joining our Group	Date of appointment as a Director	Roles and responsibilities	Relationship with other Directors and senior management
Mr. Wang Wenli (王文禮) . . .	55	Chairman of the Board and executive Director	July 1997	May 13, 2011	Responsible for the overall strategic planning and day-to-day business operation of our Group	Sibling of Mr. Wang Wenbin and Mr. Wang Wenchao; uncle of Mr. Wang Kunheng; and cousin of Mr. Wu Qingbiao and Mr. Wang Wenlong
Mr. Wang Wenchao (王文超) . . .	50	Executive Director and deputy general manager	April 1998	January 23, 2018	In charge of the product center (產品中心) of the Company and responsible for its development strategy, tasks, business planning and implementation	Sibling of Mr. Wang Wenbin and Mr. Wang Wenli; uncle of Mr. Wang Kunheng; and cousin of Mr. Wu Qingbiao and Mr. Wang Wenlong
Mr. Wu Qingbiao (吳清標) . . .	51	Executive Director and general manager	July 1997	May 6, 2009	Responsible for the overall management of day-to-day business operation of our Group	Cousin of Mr. Wang Wenbin, Mr. Wang Wenli, Mr. Wang Wenchao and Mr. Wang Wenlong; and uncle of Mr. Wang Kunheng

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Time of joining our Group	Date of appointment as a Director	Roles and responsibilities	Relationship with other Directors and senior management
Mr. Wang Kunheng (王焜恒) . . .	30	Executive Director and co-general manager	July 2016	February 21, 2024	Responsible for assisting the general manager in managing the day-to-day business operation of our Group	Son of Mr. Wang Wenbin; and nephew of Mr. Wang Wenli, Mr. Wang Wenchao, Mr. Wu Qingbiao and Mr. Wang Wenlong
Mr. Wang Wenlong (王文龍) . . .	38	Executive Director, secretary of the Board of Directors and joint company secretary	February 2024	January 8, 2025	Responsible for general asset and financing management, investor relations management and information disclosure management	Cousin of Mr. Wang Wenbin, Mr. Wang Wenli, Mr. Wang Wenchao and Mr. Wu Qingbiao; and uncle of Mr. Wang Kunheng
Mr. Wang Wenbin (王文彬) . . .	58	Non-executive Director	July 1997	May 13, 2011	Responsible for providing guidance for the overall development of our Group	Sibling of Mr. Wang Wenli and Mr. Wang Wenchao; father of Mr. Wang Kunheng; and cousin of Mr. Wu Qingbiao and Mr. Wang Wenlong
Mr. Wang Yuefei (王嶽飛) . . .	57	Independent non-executive Director	February 2024	February 21, 2024	Responsible for supervising and providing independent judgment to our Board	None

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Time of joining our Group	Date of appointment as a Director	Roles and responsibilities	Relationship with other Directors and senior management
Ms. Tong Naqiong (童娜瓊) . . .	45	Independent non-executive Director	January 2021	January 27, 2021	Responsible for supervising and providing independent judgment to our Board	None
Ms. Chiu Mun Wai (招敏慧)	55	Independent non-executive Director	January 2025	January 8, 2025	Responsible for supervising and providing independent judgment to our Board	None

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Wenli (王文禮), aged 55, has been the chairman of the Board and a Director of our Company since May 2011. Mr. Wang Wenli was re-designated as an executive Director on January 8, 2025. Mr. Wang Wenli is responsible for the overall strategic planning and day-to-day business operation of our Group.

Mr. Wang Wenli has more than 28 years of experience in tea manufacturing and trading business. Mr. Wang Wenli and Mr. Wang Wenbin established Shenzhen Xiyuan Tea Co., Ltd. (深圳市溪源茶業有限公司) in July 1997 and Mr. Wang Wenli served as the supervisor from July 1997 to May 2011.

Mr. Wang Wenli served as the vice chairman of the 11th, 13th and 14th Executive Committee of Quanzhou Federation of Industry and Commerce (Chamber of Commerce) (泉州市工商聯(總商會)) in November 2001, December 2011 and January 2017, respectively, vice chairman of the 12th Council of Quanzhou General Chamber of Commerce (泉州市總商會) in July 2007, and vice chairman of the Fourth Council of China Tea Marketing Association in December 2007. Mr. Wang Wenli has also been the vice chairman of the Second Council of Cross-Strait Tea Exchange Association (海峽兩岸茶業交流協會) since December 2021 and vice chairman of the 15th Executive Committee of Quanzhou Federation of Industry and Commerce (Chamber of Commerce) since May 2022.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wang Wenli obtained his diploma in history from Fujian Normal University (福建師範大學) in the PRC in May 1992. Mr. Wang Wenli was honored as a Representative Inheritor of Oolong Tea Production Skills (Tieguanyin Production Skills) (烏龍茶製作技藝(鐵觀音製作技藝)代表性傳承人) in the National Intangible Cultural Heritage Project (國家級非物質文化遺產項目) by the Ministry of Culture of the PRC (中華人民共和國文化部) in June 2009. Mr. Wang Wenli was honored as a Representative Inheritor of Oolong Tea Production Skills (Tieguanyin Production Skills) in the Traditional Tea Processing Techniques and Associated Social Practices in China (中國傳統製茶技藝及其相關習俗) which was officially inscribed on the UNESCO Representative List of the Intangible Cultural Heritage of Humanity in November 2022.

The table below sets forth some of the other significant awards and recognitions received by Mr. Wang Wenli:

Award Year	Award/Recognition	Awarding Institution/Authority
2008	Top Ten People at the 30th Anniversary Ceremony of Anxi County Reform and Opening (安溪改革開放30周年十大風雲人物)	Anxi County Committee of the Chinese Communist Party (中共安溪縣委員會) and Anxi County People’s Government (安溪縣人民政府)
2011	Outstanding Entrepreneur of Fujian Province in the 14th Awarding Ceremony (第十四屆福建省優秀企業家)	Fujian Economic and Trade Commission (福建省經濟貿易委員會) and Fujian Federation of Enterprises and Entrepreneurs (福建省企業與企業家聯合會)
2012	Entrepreneurial Talent of the Western Taiwan Straits Economic Zone (海西創業英才)	Talent Work Leadership Group of Fujian Provincial Committee of the Chinese Communist Party (中共福建省委人才工作領導小組)
2018	Talent of Science and Technology Innovation in the Innovative Talent Promotion Program (創新人才推進計劃科技創新創業人才)	Ministry of Science and Technology of the PRC (中華人民共和國科學技術部)

DIRECTORS AND SENIOR MANAGEMENT

Award Year	Award/Recognition	Awarding Institution/Authority
2020	Fujian Province High Level (Level A) Talent Certificate (福建省級高層次人才(A類)認定證書)	Talent Work Leadership Group of Fujian Provincial Committee of the Chinese Communist Party
2022	Outstanding Leader in the Private Sector of Economy in Fujian Province (福建省非公有經濟 優秀建設者)	Fujian Provincial People’s Government (福建省人民政府)
2024	Leader in the 2023 Rural Culture and Tourism Support Project (2023年度鄉村文化和旅遊帶頭 人支持項目)	Ministry of Culture and Tourism of the PRC (formerly known as Ministry of Culture of the PRC)

Mr. Wang Wenchao (王文超), aged 50, has been a Director of our Company since January 2018, and the deputy general manager since October 2023. Mr. Wang Wenchao was re-designated as an executive Director on January 8, 2025. Mr. Wang Wenchao has also been a supervisor of Fujian Bama since September 2010. Mr. Wang Wenchao is in charge of the product center of our Company and responsible for its development strategy, tasks, business planning and implementation.

Mr. Wang Wenchao has more than 27 years of experience in tea manufacturing and trading business. Mr. Wang Wenchao served as our executive Director and manager from April 1998 to July 2001, from August 2001 to May 2002, and from July 2003 to February 2005. Mr. Wang Wenchao served as the director of research and development department, general manager of the product center and general manager of Pu’er business department (普洱茶事業部) of our Company from April 1998 to October 2023. Mr. Wang Wenchao also served as the chairman of the supervisory committee of the Company from May 2011 to September 2014.

Mr. Wang Wenchao was selected as the permanent honorary chairman of Shenzhen Anxi Chamber of Commerce (深圳市安溪商會) in November 2021, and has been a supervisor of Fujian Anxi Xiyuan Investment Company Limited (福建省安溪溪源投資有限公司), a limited liability company established in the PRC and owned as to 51% by Mr. Wang Wenbin, as to 39% by Mr. Wang Wenli and as to 10% by Mr. Wang Wenchao, since June 2022.

Mr. Wang Wenchao has completed the CEO Leadership Program of Peking University HSBC Business School (北京大學滙豐商學院) in the PRC in February 2013.

Mr. Wu Qingbiao (吳清標), aged 51, has been a Director and the general manager of our Company since May 2009. Mr. Wu Qingbiao was re-designated as an executive Director on January 8, 2025. Mr. Wu is responsible for the overall management of day-to-day business operation of our Group.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wu has more than 27 years of experience in tea manufacturing and trading business. In July 1997, Mr. Wu joined Shenzhen Xiyuan Tea Co., Ltd. (深圳市溪源茶業有限公司) and has been working in the Company since then.

Mr. Wu has been the vice chairman of Shenzhen Chain Store Association (深圳市連鎖經營協會) since August 2016, the deputy of the Seventh Shenzhen Municipal People’s Congress (深圳市第七屆人民代表大會) since May 2021, alumni tutor of Peking University HSBC Business School MBA Program (北京大學滙豐商學院MBA課程) since October 2022 and vice chairman of Guangdong Chain Store Association (廣東省連鎖經營協會) since June 2024. He also served as the vice chairman of the Sixth Council of China Tea Marketing Association from October 2017 to October 2022, and vice chairman of the Fifth Executive Committee (Council) of Shenzhen Luohu District Federation of Industry and Commerce (Chamber of Commerce) (深圳市羅湖區工商聯(總商會)) from October 2019 to October 2024.

Mr. Wu obtained his bachelor’s degree in public relations from South China Normal University (華南師範大學) in the PRC in December 2011, and his master’s degree in business administration from Peking University (北京大學) in the PRC in July 2013. Mr. Wu obtained the qualification as a National Level III Tea Sommelier (國家三級茶藝師) from Guangdong Provincial Department of Human Resources and Social Security (廣東省勞動和社會保障廳) in December 2009, a National Level II Tea Technican (國家二級茶藝技師) from Fujian Bama as accredited by Fujian Provincial Vocational Skill Testing and Guidance Center (福建省職業技能鑒定指導中心) in November 2022, a Senior Engineer (高級工程師) from Shenzhen Municipal Department of Human Resources and Social Security (深圳市人力資源和社會保障局) in May 2023, and a National Senior Tea Critic (國家高級評茶員) from Fujian Bama as accredited by Fujian Provincial Vocational Skill Testing and Guidance Center in December 2023. Mr. Wu was granted the China Time-honored Chinese Craftsman Award (中華老字號華夏工匠獎) by China Time-honored Brand Committee (中華老字號品牌委員會) in June 2023.

Mr. Wang Kunheng (王焜恒), aged 30, has been a Director of our Company since February 2024 and the co-general manager since October 2023. Mr. Wang Kunheng was re-designated as an executive Director on January 8, 2025. Mr. Wang Kunheng has also been serving as the general manager of supply chain center (供應鏈中心) of our Company since February 2021 and a director of Dike Catering since July 2017. Mr. Wang Kunheng is responsible for assisting the general manager in managing the day-to-day business operation of our Group.

Mr. Wang Kunheng joined our Group in July 2016 and successively served as the assistant director of supermarket management department (商超直營管理部) of our Company from July 2016 to July 2017, the general manager of innovation business department (創新事業部) of our Company from January 2019 to October 2022, and the general manager of human resources center (人力資源中心) from October 2022 to January 2024.

Mr. Wang Kunheng has also been the deputy of the Eighth Shenzhen Luohu District People’s Congress since October 2021.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wang Kunheng obtained his bachelor’s degree in visual communication design from Yunnan University in the PRC in December 2021 and is currently enrolled in the EMBA program of China Europe International Business School (中歐國際工商學院) in the PRC.

Mr. Wang Wenlong (王文龍), aged 38, has been an executive Director since January 2025, the secretary of our Board of Directors since June 2024 and was appointed as a joint company secretary on December 19, 2024 with effect from the [REDACTED]. Mr. Wang Wenlong is responsible for general asset and financing management, investor relations management and information disclosure management.

Mr. Wang Wenlong has over 15 years of experience in the finance industry. From September 2009 to March 2011, Mr. Wang Wenlong worked at GF Securities Co., Ltd. (廣發證券股份有限公司), a company listed on the Stock Exchange (stock code: 1776) and the SZSE (stock code: 000776). From April 2011 to March 2014, he worked at Bank of Communications Co., Ltd. (交通銀行股份有限公司), a company listed on the Stock Exchange (stock code: 3328), the Shanghai Stock Exchange (stock code: 601328) and the Over-The-Counter Bulletin Board (stock code: BCMXY). From April 2014 to May 2019, he served as a research director and investment manager of Shenzhen Yihu Investment Management Company Limited (深圳市翼虎投資管理有限公司). From June 2019 to February 2024, Mr. Wang Wenlong served as the investment director and general manager of Shenzhen Hengyue Asset Management Company Limited (深圳市恒悅資產管理有限公司). Mr. Wang Wenlong joined our Company in February 2024 and served as the office manager from February 2024 to June 2024.

Mr. Wang Wenlong obtained his bachelor’s degree in physics from Shenzhen University (深圳大學) in the PRC, in June 2009 and his master’s degree in finance from Peking University (北京大學) in the PRC, in July 2018.

Mr. Wang Wenlong obtained the qualification to serve as the secretary of the board of directors of listed companies (上市公司董事會秘書資格) from the SZSE in May 2024, and China fund qualification certificate (中國證券投資基金業從業證書) from Asset Management Association of China (中國證券投資基金業協會) in October 2019.

Non-executive Director

Mr. Wang Wenbin (王文彬), aged 58, has been a Director of our Company since May 2011. Mr. Wang Wenbin was re-designated as a non-executive Director on January 8, 2025. Mr. Wang Wenbin is mainly responsible for providing guidance for the overall development of our Group.

Mr. Wang Wenbin has more than 27 years of experience in tea manufacturing and trading business. Mr. Wang Wenbin and Mr. Wang Wenli established Shenzhen Xiyuan Tea Co., Ltd. (深圳市溪源茶業有限公司) in July 1997 and they have been working in the Company since then. Mr. Wang Wenbin served as our executive Director and manager from July 1997 to April 1998, from July 2001 to August 2001, from May 2002 to July 2003 and from February 2005 to May 2009.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wang Wenbin has served as the executive vice chairman of the First Council of Guangdong Fujian Chamber of Commerce (廣東省福建商會) in June 2011 and was selected as the permanent honorary chairman of Shenzhen Quanzhou Chamber of Commerce (深圳市泉州商會) in November 2011. Mr. Wang Wenbin has also been an executive director and general manager of Fujian Anxi Xiyuan Investment Company Limited (福建省安溪溪源投資有限公司), since August 2015.

Independent Non-executive Directors

Mr. Wang Yuefei (王嶽飛), aged 57, has been an independent non-executive Director of our Company since February 2024. Mr. Wang Yuefei is responsible for supervising and providing independent judgment to our Board.

From August 1995 to November 2012, he successively served as a teaching assistant, lecturer and associate professor in the Department of Tea Studies of the College of Agriculture and Biotechnology of Zhejiang University (浙江大學農業與生物技術學院茶學系) in the PRC. Mr. Wang Yuefei was appointed as a professor of the Department of Tea Studies of the College of Agriculture and Biotechnology of Zhejiang University in December 2012.

Mr. Wang Yuefei has also been the National Chief Science Communication Tea Expert of China Association for Science and Technology (中國科學技術協會首席科學傳播茶學專家) since February 2019, vice president of China International Tea Culture Research Association (中國國際茶文化研究會) since December 2021, president of Zhejiang Tea Society (浙江省茶葉學會) since February 2022, a member of Discipline Evaluation Group of the State Council (國務院學科評議組) since March 2022, president of China Tea Society (中國茶葉學會) since November 2022, and a member of Tea Expert Steering Group of the Ministry of Agriculture and Rural Development of the PRC (中華人民共和國農業農村部茶葉專家指導組) since December 2023.

Mr. Wang Yuefei obtained his doctoral degree in tea science from Zhejiang University (浙江大學) in the PRC, in March 2005.

Mr. Wang Yuefei was honored as an Advanced Individual of Teachers' Virtues in Zhejiang Province (浙江省師德先進個人) by the Chinese Society of Education Zhejiang Committee (中國教育工會浙江省委員會) in August 2013 and a 2017 National Advanced Individual for Science and Technology Contribution to Targeted Poverty Alleviation (2017年度全國科技助力精準扶貧先進個人) by the China Association for Science and Technology (中國科學技術協會) in March 2018. Mr. Wang Yuefei also received the 2014 Baosteel Outstanding Teacher Award (二零一四年度寶鋼優秀教師獎) from Baosteel Education Fund (寶鋼教育基金會) in November 2014, the Yongping Outstanding Teaching Contribution Award (永平傑出教學貢獻獎) from Zhejiang University in September 2015, and the State Scientific Innovation and Pioneer Award (全國創新爭先獎狀) granted by the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源社會保障部), China Association for Science and Technology, the Ministry of Science and Technology of the PRC, and the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會) in May 2020.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Tong Naqiong (童娜瓊), aged 45, has been an independent non-executive Director of our Company since January 2021. Ms. Tong is responsible for supervising and providing independent judgment to our Board.

Ms. Tong has more than 13 years of experience in the accounting and business industry. From August 2011 to July 2019, Ms. Tong was an assistant professor of Peking University Shenzhen Graduate School HSBC Business School in the PRC, where she has then been serving as an associate professor since August 2019.

Ms. Tong has been serving as an independent director in Beijing AVIC TEDA Environmental Protection Technology Company Limited (北京中航泰達環保科技股份有限公司), a company listed on Beijing Stock Exchange (stock code: 836263) since May 2020. Ms. Tong was an independent director of MingYuan Cloud Group Holdings Limited (明源雲集團控股有限公司), a company listed on the Stock Exchange (stock code: 0909) from September 2022 to September 2024 and Guangdong Piano Customized Furniture Co., Ltd. (廣東皮阿諾科學藝術家家居股份有限公司), a company listed on the SZSE (stock code: 002853) from December 2023 to June 2025, respectively.

Ms. Tong obtained her Ph.D. degree in accounting from Rutgers University (美國羅格斯大學) in the United States in October 2009. Ms. Tong has obtained the qualification to serve as independent director of listed companies (上市公司獨立董事資格) from the SZSE in August 2014. Ms. Tong has been a certified public accountant of the United States since April 2011.

Ms. Chiu Mun Wai (招敏慧), aged 55, has been an independent non-executive Director of our Company since January 2025. Ms. Chiu is responsible for supervising and providing independent judgment to our Board.

Ms. Chiu has over 30 years of experience in audit, financing and accounting industries. Ms. Chiu joined KPMG (Hong Kong) (畢馬威會計師事務所(香港)) in August 1991 and served as a partner of KPMG Huazhen LLP Shenzhen branch (畢馬威華振會計師事務所(特殊普通合伙)深圳分所) from July 2005 to March 2018. From August 2018 to December 2019, Ms. Chiu served as the vice chief financial officer of SCPG Capital Company Limited (印力資本管理有限公司).

Ms. Chiu Mun Wai has been serving as an independent non-executive director of China Resources Pharmaseutical Group Limited (華潤醫藥集團有限公司) (stock code: 3320) and China Communications Services Corporation Limited (中國通信服務股份有限公司) (stock code: 0552), each listed on the Stock Exchange, since May 2025.

From April 2011 to March 2017, Ms. Chiu was also a member of the Appeal Review Committee of the SZSE (深圳證券交易所上訴覆核委員會).

Ms. Chiu obtained her bachelor’s degree in law from Peking University in the PRC in July 1999 and her master’s degree in science, majoring in finance, from the Chinese University of Hong Kong in December 1999. Ms. Chiu has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants (香港會計師公會註冊會計師) since January 1995.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The following table sets forth general information regarding our senior management:

Name	Age	Position	Time of joining our Group	Date of appointment as a senior manager	Roles and responsibilities	Relationship with Directors and other senior management
Mr. Wu Qingbiao (吳清標)	51	General manager and executive Director	July 1997	May 6, 2009	Responsible for the overall management of day-to-day business operation of our Group	Cousin of Mr. Wang Wenbin, Mr. Wang Wenli, Mr. Wang Wenchao and Mr. Wang Wenlong; and uncle of Mr. Wang Kunheng
Mr. Wang Kunheng (王焜恒)	30	Co-general manager and executive Director	July 2016	October 27, 2023	Responsible for assisting the general manager in managing the day-to-day business operation of our Group	Son of Mr. Wang Wenbin; and nephew of Mr. Wang Wenli, Mr. Wang Wenchao, Mr. Wu Qingbiao and Mr. Wang Wenlong
Mr. Wang Wenchao (王文超)	50	Deputy general manager and executive Director	April 1998	October 27, 2023	In charge of the product center of the Company and responsible for its development strategy, tasks, business planing and implementation	Sibling of Mr. Wang Wenbin and Mr. Wang Wenli; uncle of Mr. Wang Kunheng; and cousin of Mr. Wu Qingbiao and Mr. Wang Wenlong

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Time of joining our Group	Date of appointment as a senior manager	Roles and responsibilities	Relationship with Directors and other senior management
Mr. Wang Wenlong (王文龍) . . .	38	Secretary of Board of Directors, joint company secretary and executive Director	February 2024	June 18, 2024	Responsible for general asset and financing management, investor relations management and information disclosure management	Cousin of Mr. Wang Wenbin, Mr. Wang Wenli, Mr. Wang Wenchao and Mr. Wu Qingbiao; and uncle of Mr. Wang Kunheng
Ms. Shi Hejing (師鶴靜) . . .	39	Chief financial officer	July 2021	February 29, 2024	Responsible for the overall financial and capital management of the Group	None

For biography of Mr. Wu Qingbiao (吳清標), Mr. Wang Kunheng (王焜恒), Mr. Wang Wenchao (王文超), and Mr. Wang Wenlong (王文龍), please refer to “— Board of Directors — Executive Directors and Non-Executive Director” above.

Ms. Shi Hejing (師鶴靜), aged 39, has been the chief financial officer of our Company since February 2024 and is responsible for the overall financial and capital management of the Group.

Ms. Shi has more than eight years of experience in financial management. From October 2015 to June 2018, Ms. Shi worked at Zhongtai Securities Company Limited (中泰證券股份有限公司). From July 2018 to June 2021, she worked at Fujian Ideal Jewelry Industrial Company Limited (福建省愛迪爾珠寶實業股份有限公司). Ms. Shi joined our Company in July 2021 and served as a deputy chief financial officer from July 2021 to February 2024.

Ms. Shi obtained her bachelor’s degree in international economics and trading from Harbin Institute of Technology (哈爾濱工業大學) in the PRC, in July 2010, and her master’s degree in finance from Zhejiang University of Finance and Economics (浙江財經大學) in the PRC, in March 2014. She was honored as a Luohu District Industrial Innovation Leader (羅湖區產業創新領軍人才) by Shenzhen Luohu District Human Resources Bureau (深圳市羅湖區人力資源局) in January 2024. Ms. Shi was granted the PRC CPA qualification by the Certified Public Accountant Examination Committee of the Ministry of Finance of the PRC (中華人民共和國財政部註冊會計師考試委員會) in December 2015.

DIRECTORS AND SENIOR MANAGEMENT

JOINT COMPANY SECRETARIES

Mr. Wang Wenlong and Mr. Cheng Ching Kit are the joint company secretaries of our Company. For biography of Mr. Wang Wenlong, please refer to “— Board of Directors — Executive Directors and Non-Executive Director” above.

Mr. Cheng Ching Kit (鄭程傑), aged 37, was appointed as the joint company secretary of our Company on December 19, 2024 with effect from the [REDACTED]. Mr. Cheng is an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited (方圓企業服務集團(香港)有限公司), a professional service provider specializing in corporate services. He has over 12 years of experience in the corporate secretarial field.

Mr. Cheng obtained a bachelor of commerce degree in finance from the University of Queensland in Australia, and his master’s degree in Chinese law from the University of Hong Kong. Mr. Cheng has been an associate member of both The Hong Kong Chartered Governance Institute (香港公司治理公會) and The Chartered Governance Institute in the United Kingdom (英國特許公司治理公會) since June 2018.

BOARD COMMITTEES

Audit Committee

We established an Audit Committee pursuant to a resolution of our Directors passed on December 19, 2024, with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3.3 of the Corporate Governance Code as set out in part 2 of Appendix C1 to the Listing Rules. The primary duties of the Audit Committee are to make recommendations to our Board on the appointment and removal of external auditor, and to assist our Board in fulfilling its oversight responsibilities in relation to our Group’s financial reporting, internal control structure, risk management processes and external audit functions, and corporate governance responsibilities. The Audit Committee of our Company consists of three members, being Ms. Chiu Mun Wai, Ms. Tong Naqiong and Mr. Wang Yuefei, and Ms. Chiu Mun Wai is the chairman of our Audit Committee.

Remuneration Committee

We established a Remuneration Committee pursuant to a resolution of our Directors passed on December 19, 2024, with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1.2 of the Corporate Governance Code as set out in part 2 of Appendix C1 to the Listing Rules. The primary duties of the Remuneration Committee are to evaluate and make recommendations to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group, review performance-based remuneration and ensure none of our Directors determine their own remuneration. The Remuneration Committee consists of three members, being Ms. Tong Naqiong, Mr. Wang Wenbin and Ms. Chiu Mun Wai, and Ms. Tong Naqiong is the chairman of our Remuneration Committee.

DIRECTORS AND SENIOR MANAGEMENT

Nomination Committee

We established a Nomination Committee pursuant to a resolution of our Directors passed on December 19, 2024, with written terms of reference in compliance with Rule 3.27A of the Listing Rules and paragraph B.3.1 of the Corporate Governance Code as set out in part 2 of Appendix C1 to the Listing Rules. The primary duties of the Nomination Committee are to make recommendations to our Board regarding candidates to fill vacancies on the Board. The Nomination Committee consists of three members, comprising Mr. Wang Wenli, Ms. Tong Naqiong and Mr. Wang Yuefei, and Mr. Wang Wenli is the chairman of our Nomination Committee.

Strategy Committee

We have established a Strategy Committee pursuant to a resolution of our Directors passed on December 19, 2024. The primary duties of the Strategy Committee are to devise and advise on the long-term strategy and material investment decisions of our Company. The Strategy Committee consists of three members, comprising Mr. Wang Wenli, Mr. Wu Qingbiao and Mr. Wang Kunheng, and Mr. Wang Wenli is the chairman of our Strategy Committee.

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 on December 19, 2024 or January 2, 2025, 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 Rule 3.13(1) to (8) of the Listing Rules, (ii) he or she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as 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.

DIRECTORS AND SENIOR MANAGEMENT

Rule 13.51(2) of the Listing Rules

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, as of the Latest Practicable Date, none of our Directors and senior management members (i) had any other relationship with any Director, senior management or substantial or controlling Shareholders of our Company; and (ii) held any other directorships in the three years prior to the Latest Practicable Date in any public companies the securities of which are listed on any securities market in Hong Kong and/or overseas.

Saved as disclosed in the sections headed “Substantial Shareholders” and “Appendix VI — Statutory and General Information — C. Further Information about our Directors and substantial Shareholders — 1. Disclosure of Interests,” as of the Latest Practicable Date, none of our Directors held any interest in the securities within the meaning of Part XV of the SFO.

There are no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

REMUNERATION POLICY

We value our employees and recognize the importance of a good relationship with our employees. The remuneration to our employees includes salaries, bonuses, benefits and other welfares.

Our Group offers competitive remuneration packages to our Directors, the aggregate amounts of emoluments (including salaries, allowances and other benefits, discretionary bonuses, and retirement scheme contribution) paid to our Directors for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025 were RMB6.95 million, RMB7.41 million, RMB9.02 million and RMB4.22 million, respectively. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, the aggregate amounts of emoluments (including salaries and other emoluments, discretionary bonuses, retirement scheme contribution and other welfares) paid to the five highest paid individuals (excluding our Directors) were RMB2.91 million, RMB3.82 million, RMB3.29 million and RMB2.23 million, respectively. The aggregate of termination benefits paid to two of the five highest paid individuals for the year ended December 31, 2023 and the six months ended June 30, 2025 for the loss of any office were RMB1.74 million and RMB0.47 million, respectively.

We have not paid any remuneration to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office during the Track Record Period, save as disclosed above. Furthermore, none of our Directors had waived any remuneration during the Track Record Period. The primary goal of the remuneration policy with regard to the remuneration packages of our Directors is to enable us to retain and motivate

DIRECTORS AND SENIOR MANAGEMENT

executive Directors by linking their compensation with performance as measured against corporate objectives achieved. The principal elements of our Directors remuneration packages include salaries, allowances and other benefits, discretionary bonuses, and retirement scheme contribution.

Under the arrangements currently in force, we estimate that the aggregate amounts of emoluments (including salaries, allowances and other benefits, discretionary bonuses, and retirement scheme contribution) payable to our Directors for the year ending December 31, 2025 will be approximately RMB[9.05] million.

We have not experienced any significant problems with our employees or disruption to our operations due to labor disputes, nor have we experienced any difficulties in the recruitment and retention of experienced staff.

For additional information on Directors’ remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to Notes 8, 9 and 28 of the Accountant’s Report as Appendix I to this document.

BOARD DIVERSITY POLICY

We have adopted a board diversity policy which sets out the approach to achieve and maintain an appropriate balance of diverse perspectives of our Board that are relevant to our business growth. Pursuant to our board diversity policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board.

Our Directors have a balanced mix of knowledge and skills, including overall management and strategic development, business operation and accounting and financial management. We have three independent non-executive Directors who have different industry backgrounds, representing one-third of our Board members. Currently, two of our Directors are female. Our Company has reviewed the membership, structure and composition of our Board, and is of the opinion that the structure of our Board is reasonable, and the experience and skills of our Directors in various aspects and fields can enable our Company to maintain high standard of operation.

Our Nomination Committee is responsible for ensuring the diversity of our Board. After the [REDACTED], our Nomination Committee will review our board diversity policy from time to time to ensure its continued effectiveness and we will disclose the implementation of our board diversity policy in our corporate governance report on an annual basis.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISOR

Our Company has appointed UOB Kay Hian (Hong Kong) Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise our Company on the following matters:

- (1) before the publication of any regulatory announcement, circular or financial report;
- (2) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share buy-backs;
- (3) where we propose to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate, or other information in this document; and
- (4) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our H Shares.

The term of the appointment shall commence on the [REDACTED] and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the [REDACTED] and such appointment may be subject to extension by mutual agreement.

SUBSTANTIAL SHAREHOLDERS

To the best of the knowledge of our Directors, the following persons will, immediately after the completion of the [REDACTED], have an interest or short position in our Shares or underlying Shares which are 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 will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the general meetings of our Company:

Shareholder	Capacity/Nature of interest	Type of Shares	As of the Latest Practicable Date		Immediately after the [REDACTED]		
			Number of Shares	Approximate percentage of shareholding in the total issued share capital	Number of Shares	Approximate percentage of shareholding in the type of Shares	Approximate percentage of shareholding in the total issued share capital
Mr. Wang Wenbin ⁽¹⁾	Interest held jointly with other persons	Domestic Unlisted Shares	42,483,500	55.90%	[REDACTED]	[REDACTED]%	[REDACTED]%
		H Shares	–	–	[REDACTED]	[REDACTED]%	[REDACTED]%
Mr. Wang Wenli ⁽¹⁾	Interest held jointly with other persons	Domestic Unlisted Shares	42,483,500	55.90%	[REDACTED]	[REDACTED]%	[REDACTED]%
		H Shares	–	–	[REDACTED]	[REDACTED]%	[REDACTED]%
Ms. Chen Yajing ⁽¹⁾	Interest held jointly with other persons	Domestic Unlisted Shares	42,483,500	55.90%	[REDACTED]	[REDACTED]%	[REDACTED]%
		H Shares	–	–	[REDACTED]	[REDACTED]%	[REDACTED]%
Ms. Wu Xiaoning ⁽¹⁾	Interest held jointly with other persons	Domestic Unlisted Shares	42,483,500	55.90%	[REDACTED]	[REDACTED]%	[REDACTED]%
		H Shares	–	–	[REDACTED]	[REDACTED]%	[REDACTED]%
Mr. Wang Wenchao ⁽¹⁾	Interest held jointly with other persons	Domestic Unlisted Shares	42,483,500	55.90%	[REDACTED]	[REDACTED]%	[REDACTED]%
		H Shares	–	–	[REDACTED]	[REDACTED]%	[REDACTED]%
Ms. Wang Xiaoping ⁽¹⁾	Interest held jointly with other persons	Domestic Unlisted Shares	42,483,500	55.90%	[REDACTED]	[REDACTED]%	[REDACTED]%
		H Shares	–	–	[REDACTED]	[REDACTED]%	[REDACTED]%
Tianjin Changfeng	Beneficial owner	H Shares	5,220,000	6.87%	[REDACTED]	[REDACTED]%	[REDACTED]%

Note:

- (1) On August 9, 2019, Mr. Wang Wenbin, Mr. Wang Wenli, Ms. Chen Yajing, Ms. Wu Xiaoning, Mr. Wang Wenchao and Ms. Wang Xiaoping entered into the 2019 Concert Party Agreement, pursuant to which, they have agreed and confirmed that they would act in concert (i) as the Shareholders of the Company in respect of their rights to call for general meetings, to make proposals and to vote on the general meetings, and (ii) where the relevant parties in the Concert Party Group act as the Directors, in respect of their rights as Directors in the decision-making process of the Board. If the Concert Party Group could not reach consensus on certain issues in respect of the Company’s operation and management, the proposal which is approved by half or more than half of the total number of Shares held by the Concert Party Group will be implemented and if no proposal is approved by half or more than half of the total number of Shares held by the Concert Party Group, the Concert Party Group should follow Mr. Wang Wenli’s decisions. On September 9, 2024, the Concert Party Group entered into a supplemental agreement to the 2019 Concert Party Agreement which confirms the acting-in-concert arrangements among the Concert Party Group.

Mr. Wang Wenbin, Mr. Wang Wenli, Ms. Chen Yajing, Ms. Wu Xiaoning, Mr. Wang Wenchao and Ms. Wang Xiaoping are family members, with Mr. Wang Wenbin, Mr. Wang Wenli and Mr. Wang Wenchao being brothers of each other, Ms. Chen Yajing being the spouse of Mr. Wang Wenbin, Ms. Wu Xiaoning being the spouse of Mr. Wang Wenli and Ms. Wang Xiaoping being the sister of Mr. Wang Wenbin, Mr. Wang Wenli and Mr. Wang Wenchao.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed above, our Directors are not aware of any person who will, immediately following the [REDACTED] and the conversion of Domestic Unlisted Shares into H Shares, have an interest or short position in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

SHARE CAPITAL

SHARE CAPITAL

Immediately before the [REDACTED]

As of the Latest Practicable Date, the registered capital of our Company was RMB76 million, comprising 76 million Domestic Unlisted Shares with a nominal value of RMB1.00 each.

Upon the Completion of the [REDACTED]

Assuming the [REDACTED] is not exercised, the share capital of our Company immediately after the [REDACTED] and the conversion of Domestic Unlisted Shares into H Shares will be as follows:

Description of Shares	Number of Shares	Approximate % of the enlarged issued share capital after the [REDACTED]
Domestic Unlisted Shares in issue	[REDACTED]	[REDACTED]
H Shares converted from Domestic Unlisted Shares	[REDACTED]	[REDACTED]
H Shares to be [REDACTED] pursuant to the [REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	100.00

Assuming the [REDACTED] is exercised in full, the share capital of our Company immediately after the [REDACTED] and the conversion of Domestic Unlisted Shares into H Shares will be as follows:

Description of Shares	Number of Shares	Approximate % of the enlarged issued share capital after the [REDACTED]
Domestic Unlisted Shares in issue	[REDACTED]	[REDACTED]
H Shares converted from Domestic Unlisted Shares	[REDACTED]	[REDACTED]
H Shares to be [REDACTED] pursuant to the [REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	100.00

SHARE CAPITAL

CLASS OF SHARES

The H Shares in issue following the completion of the [REDACTED] and the Domestic Unlisted Shares are ordinary Shares in the share capital of our Company, and are considered as one class of Shares. However, H Shares may only be [REDACTED] for and [REDACTED] in Hong Kong dollars.

Apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and other persons who are entitled to hold the H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, H Shares generally cannot be [REDACTED] for by or [REDACTED] between legal or natural PRC persons. Domestic Unlisted Shares can be [REDACTED] for by and [REDACTED] between legal or natural PRC persons, qualified foreign institutional investors and foreign strategic investors.

RANKING

Domestic Unlisted Shares and H Shares are regarded as one class of Shares under the Articles of Association and will rank equally for all dividends or distributions approved, paid or made after the date of this document. All dividends for H Shares will be denominated and approved in RMB, and paid in Hong Kong dollars or RMB or in the form of additional H Shares whereas all dividends for Domestic Unlisted Shares will be paid in RMB. However, the transfer of the Domestic Unlisted Shares is subject to such restrictions as the PRC laws may impose from time to time.

CONVERSION OF OUR DOMESTIC UNLISTED SHARES INTO H SHARES

After the completion of the [REDACTED], our Shares will consist of Domestic Unlisted Shares and H Shares which are all ordinary Shares in the share capital of our Company. Our Domestic Unlisted Shares are Shares which are currently not listed or traded on any stock exchange. According to the stipulations by the State Council’s securities regulatory authority and the Articles of Association, the holders of our Domestic Unlisted Shares may, at their own option, authorize our Company to apply to the CSRC for conversion of their respective Shares to H Shares. After the conversion of Domestic Unlisted Shares, such converted Shares may be [REDACTED] or [REDACTED] on an overseas stock exchange, provided that prior to the conversion and [REDACTED] of such converted Shares any requisite internal approval processes shall have been duly completed and the approval from and the completion of filing with the relevant PRC regulatory authorities, including the CSRC, shall have been obtained. In addition, such conversion, [REDACTED] and [REDACTED] shall in all respects comply with the regulations prescribed by the State Council’s securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

SHARE CAPITAL

Approval of the Stock Exchange is required for the [REDACTED] of such converted Shares on the Stock Exchange. Based on the methodology and procedures for the conversion of our Domestic Unlisted Shares into H Shares as described in this section, we can apply for the [REDACTED] of all or any portion of our Domestic Unlisted Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of shares for entry on the [REDACTED]. As any [REDACTED] of additional Shares after our [REDACTED] 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 [REDACTED] at the time of our [REDACTED] in Hong Kong.

After the completion of filing and all the requisite approvals have been obtained, the following procedure will need to be completed in order to effect the conversion: the relevant Domestic Unlisted Shares will be withdrawn from the Domestic Unlisted Share register and we will re-register such Shares on our [REDACTED] maintained in Hong Kong and instruct the [REDACTED] to issue H Share certificates. Registration on our [REDACTED] will be conditional on (a) the [REDACTED] lodging with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the [REDACTED] and the due dispatch of H Share certificates and (b) the admission of the H Shares to trade on the Stock Exchange in compliance with the Listing Rules, the General Rules of HKSCC and the HKSCC Operational Procedures in force from time to time. Until the converted Shares are re-registered on our [REDACTED], such Shares would not be [REDACTED] as H Shares.

We completed the filing procedure with the CSRC to convert the Domestic Unlisted Shares to H Shares and obtained the filing notice on July 14, 2025. Following the completion of the [REDACTED], a total of [REDACTED] Domestic Unlisted Shares held by the following Shareholders will be converted into H Shares on a one-for-one basis and [REDACTED] on Stock Exchange for [REDACTED]:

Name of Shareholders	Number of Domestic Unlisted Shares held as of the Latest Practicable Date	Number of Shares applied for conversion into H shares	Percentage of number of Shares applied for conversion into H Shares to number of Shares held by the Shareholder(s) as of the Latest Practicable Date
Wang Wenbin	19,285,500	[REDACTED]	[REDACTED]%
Wang Wenli	15,486,100	[REDACTED]	[REDACTED]%
Tianjin Changfeng	5,220,000	[REDACTED]	[REDACTED]%
Wu Xiaoning	3,982,000	[REDACTED]	[REDACTED]%
Tiantu Xinghua	3,600,000	[REDACTED]	[REDACTED]%
Nanhai Growth	3,150,000	[REDACTED]	[REDACTED]%
Jingyuan Yisan	2,280,000	[REDACTED]	[REDACTED]%

SHARE CAPITAL

Name of Shareholders	Number of Domestic Unlisted Shares held as of the Latest Practicable Date	Number of Shares applied for conversion into H shares	Percentage of number of Shares applied for conversion into H Shares to number of Shares held by the Shareholder(s) as of the Latest Practicable Date
Chengdu Xinjin Shengwang Jiaozi New Consumption Equity Investment Fund Partnership (Limited Partnership)	2,280,000	[REDACTED]	[REDACTED]%
Jiang Nina	2,135,000	[REDACTED]	[REDACTED]%
Quanzhou Huixinfu Investment Co., Ltd.	1,982,600	[REDACTED]	[REDACTED]%
Wang Wenchao	1,750,000	[REDACTED]	[REDACTED]%
Chen Yajing	1,479,400	[REDACTED]	[REDACTED]%
Jinjiang Baiyingcheng Trading Co., Ltd.	1,479,400	[REDACTED]	[REDACTED]%
Shenzhen Qianhai Tangrenshen Investment Co., Ltd.	1,458,000	[REDACTED]	[REDACTED]%
Fenyi Anzhuo Family No. 1 Investment Partnership (Limited Partnership)	1,000,000	[REDACTED]	[REDACTED]%
GF Securities Co., Ltd.	812,000	[REDACTED]	[REDACTED]%
Wang Kunheng	750,000	[REDACTED]	[REDACTED]%
Guizhou Railway Phase 1 No. 6 Equity Investment Fund Center (Limited Partnership)	729,000	[REDACTED]	[REDACTED]%
Shenzhen Nanshan Private Equity Fund Management Co., Ltd.	699,840	[REDACTED]	[REDACTED]%
Wu Junhui (吳俊暉)	631,750	[REDACTED]	[REDACTED]%
Wu Qingbiao	569,625	[REDACTED]	[REDACTED]%
Huang Qin	552,375	[REDACTED]	[REDACTED]%
Wang Xiaoping	500,500	[REDACTED]	[REDACTED]%
Zhongshan Securities Co., Ltd. (中山證券有限責任公司)	477,500	[REDACTED]	[REDACTED]%
Wu Qingxiang (吳慶祥)	380,250	[REDACTED]	[REDACTED]%
Huang Xudong (黃旭東)	380,000	[REDACTED]	[REDACTED]%

SHARE CAPITAL

Name of Shareholders	Number of Domestic Unlisted Shares held as of the Latest Practicable Date	Number of Shares applied for conversion into H shares	Percentage of number of Shares applied for conversion into H Shares to number of Shares held by the Shareholder(s) as of the Latest Practicable Date
He Xiaolin (何小林)	351,000	[REDACTED]	[REDACTED]%
Lyu Xin (呂鑫)	270,000	[REDACTED]	[REDACTED]%
Chen Weidong (陳衛東)	120,000	[REDACTED]	[REDACTED]%
Yang Junkai (楊竣凱)	105,000	[REDACTED]	[REDACTED]%
Li Jiansong (李建松)	91,500	[REDACTED]	[REDACTED]%
Li Zheng (李徵)	80,000	[REDACTED]	[REDACTED]%
Rong Xianbo (榮憲波)	79,000	[REDACTED]	[REDACTED]%
Wang Qingnan (王慶南)	75,000	[REDACTED]	[REDACTED]%
Zheshang Securities Co., Ltd. (浙商證券股份有限公 司)	73,000	[REDACTED]	[REDACTED]%
Li Xuemei (李雪梅)	68,500	[REDACTED]	[REDACTED]%
Huang Guangxiu (黃光秀) . . .	68,125	[REDACTED]	[REDACTED]%
Lin Rongxi (林榮溪)	58,500	[REDACTED]	[REDACTED]%
Zhang Yongjian (張永堅) . . .	58,500	[REDACTED]	[REDACTED]%
Tian Jia (田加)	50,000	[REDACTED]	[REDACTED]%
Yang Zhaoxia (楊朝霞)	46,000	[REDACTED]	[REDACTED]%
Chen Yanjun (陳燕君)	43,000	[REDACTED]	[REDACTED]%
Zhou Zhuoneng (周灼能) . . .	42,000	[REDACTED]	[REDACTED]%
Wang Xiaojian (王曉健)	40,000	[REDACTED]	[REDACTED]%
Wang Yisheng (王藝生)	40,000	[REDACTED]	[REDACTED]%
Wu Zhixian (吳志賢)	40,000	[REDACTED]	[REDACTED]%
Su Limin (蘇麗敏)	38,000	[REDACTED]	[REDACTED]%
Fu Chan (付嬋)	38,000	[REDACTED]	[REDACTED]%
Wu Yiwan (吳藝婉)	37,000	[REDACTED]	[REDACTED]%
He Nan (何楠)	35,500	[REDACTED]	[REDACTED]%
Wang Wenji (王文吉)	35,000	[REDACTED]	[REDACTED]%
Wang Xin (王欣)	32,500	[REDACTED]	[REDACTED]%
Zheng Qiuli (鄭秋麗)	32,000	[REDACTED]	[REDACTED]%
Xie Chengchang (謝承昌) . . .	30,000	[REDACTED]	[REDACTED]%
Zhou Xueyu (周學宇)	30,000	[REDACTED]	[REDACTED]%
Chen Amin (陳啊敏)	30,000	[REDACTED]	[REDACTED]%
Shenzhen Dewei Selected Equity Investment Co., Ltd.	29,160	[REDACTED]	[REDACTED]%
Chen Jing (陳靜)	28,000	[REDACTED]	[REDACTED]%

SHARE CAPITAL

Name of Shareholders	Number of Domestic Unlisted Shares held as of the Latest Practicable Date	Number of Shares applied for conversion into H shares	Percentage of number of Shares applied for conversion into H Shares to number of Shares held by the Shareholder(s) as of the Latest Practicable Date
Wan Huirong (萬暉榕)	28,000	[REDACTED]	[REDACTED]%
Wang Xiaohong (王曉虹) . . .	27,500	[REDACTED]	[REDACTED]%
Huang Xin (黃欣)	27,000	[REDACTED]	[REDACTED]%
Huang Lieping(黃烈平)	26,000	[REDACTED]	[REDACTED]%
Jiang Guangfu (蔣光夫)	25,000	[REDACTED]	[REDACTED]%
Yang Jinfei (楊金飛)	25,000	[REDACTED]	[REDACTED]%
Lyu Jinling (呂金玲)	25,000	[REDACTED]	[REDACTED]%
Deng Yijuan (鄧義娟)	25,000	[REDACTED]	[REDACTED]%
Du Xinhuo (杜新火)	25,000	[REDACTED]	[REDACTED]%
Zhu Ronglun (朱榮倫)	25,000	[REDACTED]	[REDACTED]%
Xu Fangling (徐芳玲)	25,000	[REDACTED]	[REDACTED]%
Wu Jichu (吳基礎)	25,000	[REDACTED]	[REDACTED]%
Niu Xiaoning (牛曉寧)	20,875	[REDACTED]	[REDACTED]%
Zheng Xiaoni (鄭曉妮)	20,000	[REDACTED]	[REDACTED]%
Zhou Pengli (周鵬里)	20,000	[REDACTED]	[REDACTED]%
Chen Yunbai (陳韻白)	20,000	[REDACTED]	[REDACTED]%
Liao Yunjin(廖運金)	20,000	[REDACTED]	[REDACTED]%
Wang Shuping (王樹平)	20,000	[REDACTED]	[REDACTED]%
Chen Ting (陳婷)	19,000	[REDACTED]	[REDACTED]%
Lu Zhilan (盧志蘭)	18,000	[REDACTED]	[REDACTED]%
Liu Chunyan (劉春艷)	15,000	[REDACTED]	[REDACTED]%
Pu Zhoubin (浦周賓)	15,000	[REDACTED]	[REDACTED]%
Shanghai Fengwang	12,000	[REDACTED]	[REDACTED]%
Wang Xiaohui (王曉慧)	12,000	[REDACTED]	[REDACTED]%
Lian Jun (廉駿)	12,000	[REDACTED]	[REDACTED]%
Qiu Baohui (丘寶輝)	10,000	[REDACTED]	[REDACTED]%
Wang Tingshan (王廷山)	6,000	[REDACTED]	[REDACTED]%
Liao Liang (廖亮)	5,000	[REDACTED]	[REDACTED]%
Pan Weimeng (潘維錡)	5,000	[REDACTED]	[REDACTED]%
Pan Liang (潘亮)	5,000	[REDACTED]	[REDACTED]%
Wang Qinguo (王欽國)	5,000	[REDACTED]	[REDACTED]%
Zheng Hongzhi (鄭紅治)	5,000	[REDACTED]	[REDACTED]%
Xu Chenping (許晨坪)	5,000	[REDACTED]	[REDACTED]%
Deng Yongping (鄧永平)	4,000	[REDACTED]	[REDACTED]%
Jia Rongshi (賈榮世)	3,000	[REDACTED]	[REDACTED]%
Zhang Dongmei (張冬梅)	3,000	[REDACTED]	[REDACTED]%
Zhu Yifeng (朱毅峰)	2,000	[REDACTED]	[REDACTED]%

SHARE CAPITAL

Name of Shareholders	Number of Domestic Unlisted Shares held as of the Latest Practicable Date	Number of Shares applied for conversion into H shares	Percentage of number of Shares applied for conversion into H Shares to number of Shares held by the Shareholder(s) as of the Latest Practicable Date
Yin Fengyu (殷鳳玉)	2,000	[REDACTED]	[REDACTED]%
Shi Long (石龍)	2,000	[REDACTED]	[REDACTED]%
Mao Re'ai (毛熱愛)	2,000	[REDACTED]	[REDACTED]%
Yuanzhen Consulting (Beijing) Co., Ltd. (元禎 諮詢(北京)有限公司)	1,000	[REDACTED]	[REDACTED]%
Pan Qun (潘群)	1,000	[REDACTED]	[REDACTED]%
Liu Jianwen (劉建文)	1,000	[REDACTED]	[REDACTED]%
Ye Lingli (葉玲莉)	1,000	[REDACTED]	[REDACTED]%
Wang Jie (王傑)	1,000	[REDACTED]	[REDACTED]%
Jia Cheng (賈琤)	1,000	[REDACTED]	[REDACTED]%
Luo Yongjin (羅勇進)	1,000	[REDACTED]	[REDACTED]%
Xu Jingbo (徐京波)	1,000	[REDACTED]	[REDACTED]%

As far as we are aware, save for the Shareholders listed above, none of the other Shareholders currently proposes to convert any of their Domestic Unlisted Shares into H Shares.

TRANSFER OF SHARES ISSUED PRIOR TO THE [REDACTED]

In accordance with the PRC Company Law, the shares issued prior to any public offering of shares by a company cannot be transferred within one year from the date on which such publicly offered shares are listed and traded on the relevant stock exchange. As such, the Shares issued by our Company prior to the [REDACTED] of H Shares will be subject to such statutory restriction on transfer within a period of one year from the [REDACTED].

REGISTRATION OF SHARES NOT LISTED ON AN OVERSEAS STOCK EXCHANGE

According to the Guidelines on Application 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》) published and implemented by the CSRC on November 14, 2019, which was most recently amended on August 10, 2023, the domestic shareholders in the PRC of H-share companies’ shares which are not listed on the overseas stock exchange shall conduct share conversion registration in accordance with the relevant rules of the CSDCC. Further, H-share companies shall submit the relevant status reports to the CSRC within 15 days after completion of the conversion registration of the relevant shares with the CSDCC.

SHARE CAPITAL

SHAREHOLDERS’ APPROVAL FOR THE [REDACTED]

Approval from our Shareholders is required for our Company to [REDACTED] H Shares and apply for the [REDACTED] of H Shares on the Stock Exchange. Our Company has obtained such approval at the Shareholders’ general meeting held on January 8, 2025.

SHAREHOLDERS’ GENERAL MEETINGS

For details of circumstances under which the Shareholders’ general meeting is required, see “Appendix V — Summary of Articles of Association” and “Appendix IV — Summary of Principal PRC Legal and Regulatory Provisions.”

FINANCIAL INFORMATION

You should read the following discussion in conjunction with the consolidated financial statements and the notes thereto included in the Accountants’ Report in Appendix I to this document which has been prepared in accordance with IFRSs, and the selected historical financial information and operating data included elsewhere in this document.

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 development, 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 the sections headed “Risk Factors” and “Forward-Looking Statements” and elsewhere in this document.

OVERVIEW

We are the leading provider of premium tea leaves in China as measured by sales revenue of premium tea leaves for 2024. We ranked first in each of China’s premium tea leaf market, Oolong tea leaf market and black tea leaf market in terms of sales revenue for 2024. We offer high-quality Chinese tea in a comprehensive product portfolio encompassing all major tea leaf categories in China, including Oolong tea, dark tea, black tea, green tea, white tea and yellow tea, as well as non-tea-leaf products such as tea ware, tea snacks and tea beverages.

We sell our products through both offline channels and online channels. As of the Latest Practicable Date, our offline sales network covered all provinces in mainland China, and our online sales channels covered all major e-commerce platforms in China. During the Track Record Period, we primarily sold our products through: (i) our self-operated offline stores, where we directly sold products to consumers; (ii) franchisees, which procured products from us and sold our products to consumers at the franchised stores operated and managed by them; (iii) self-operated online stores, where we directly sold products to consumers; and (iv) e-commerce platforms, which procured products from us and sold them to consumers. As of the Latest Practicable Date, we had a total of 3,633 offline stores, including 241 self-operated stores and 3,392 franchised stores.

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As of the Latest Practicable Date, we have two production bases for refinement of tea leaves, namely, our Anxi Production Base, which is located in Anxi County, Fujian Province and mainly engaged in the refinement of Tieguanyin tea leaves and tea combination set, and our Wuyishan Production Base, which is located in Wuyishan City, Fujian Province and mainly engaged in the refinement of Wuyi Yan Cha and black tea leaves. During the Track Record Period, we mainly procured (i) raw materials used for our production; and (ii) finished products produced by third-party manufacturers on an OEM basis according to our requirements and specifications.

We recorded growth of revenue and net profit during the years ended December 31, 2022, 2023 and 2024. Our revenue increased by RMB304.8 million from RMB1,817.5 million for the year ended December 31, 2022 to RMB2,122.3 million for the year ended December 31, 2023, and our net profit increased by RMB39.9 million from RMB165.8 million for the year ended December 31, 2022 to RMB205.7 million for the year ended December 31, 2023. Our revenue increased by RMB21.0 million from RMB2,122.3 million for the year ended December 31, 2023 to RMB2,143.3 million for the year ended December 31, 2024, and our net profit increased by RMB18.5 million from RMB205.7 million for the year ended December 31, 2023 to RMB224.2 million for the year ended December 31, 2024. Our revenue slightly decreased from RMB1,109.8 million for the six months ended June 30, 2024 to RMB1,063.2 million for the six months ended June 30, 2025, and our net profit decreased from RMB146.0 million for the six months ended June 30, 2024 to RMB120.0 million for the six months ended June 30, 2025.

MAJOR FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our business, financial condition and results of operations are affected by a number of factors, many of which are beyond our control. We believe these factors will continue to affect our financial condition and results of operations in the future. These factors primarily include:

Consumer Demand for Tea Leaf Products

Our results of operations have been, and are expected to continue to be, influenced by consumer demand for tea leaf products, especially premium tea leaf products. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, sales of tea leaves accounted for 86.5%, 88.7%, 88.6% and 90.2%, respectively, of our total revenue. Driven by factors including, among others, China’s vibrant tea culture, increasing mindfulness of holistic wellness and self-care and diversification of consumer groups, the market size of China’s tea leaf market in terms of sales revenue increased from approximately RMB288.9 billion for 2020 to approximately RMB325.8 billion for 2024 at a CAGR of approximately 3.0%, and is expected to reach approximately RMB407.9 billion in 2029 representing a CAGR of approximately 4.6% from 2024 to 2029. In particular, the market size of China’s premium tea leaf market in terms of sales revenue has been growing at a faster pace compared to China’s overall tea leaf market, and increased from approximately RMB89.0 billion for 2020 to approximately RMB103.1 billion for 2024 at a CAGR of approximately 3.7%, and is expected

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to reach approximately RMB135.3 billion in 2029, representing a CAGR of approximately 5.6% from 2024 to 2029. The potential growth in China’s tea leaf market in general and in the premium tea leaf market may be affected by factors including, among others, continued growth of China’s GDP and consumers’ disposable income levels, shifts in cultural trends and changes of local consumers’ lifestyle. As a leader in China’s premium tea leaf market measured by sales revenue in 2024, we believe we are in a position to capture the growth in China’s tea leaf market.

Product Portfolio and Product Mix

We offer a wide range of products under multiple categories, primarily consisting of (i) tea leaves, which mainly include Oolong tea, black tea, dark tea, white tea and green tea; (ii) tea ware, which mainly includes teapots, teacups and other utensils for making tea; and (iii) tea snacks, which mainly include nuts, dried fruit and dried meat. During the Track Record Period and as of the Latest Practicable Date, we also offered other tea leaf products such as yellow tea, tea combination set (組合茶) and reprocessed tea (再加工茶), and other non-tea-leaf products such as tea beverages, incense sticks (線香) and tea toys (茶寵).

For the six months ended June 30, 2025, our revenue generated from the sales of tea leaves, tea ware and tea snacks amounted to RMB958.8 million, RMB61.4 million and RMB28.3 million, respectively, and the gross profit margins of sales of tea leaves, tea ware and tea snacks amounted to 58.5%, 22.3% and 23.1%, respectively. Our revenue and profitability are affected by the mix of the products we offer, in particular the mix of tea leaf products. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, our revenue generated from sales of tea leaves accounted for 86.5%, 88.7%, 88.6% and 90.2%, respectively, of our total revenue. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, the gross profit margin of our sales of tea leaves amounted to 56.5%, 55.5%, 58.5% and 58.5%, respectively. By tea category, our revenue generated from sales of Oolong tea leaves contributed the highest portion of our revenue, and accounted for 31.8%, 30.0%, 29.9% and 28.7%, respectively, of our total revenue for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, revenue generated from sales of tea ware accounted for 5.6%, 5.4%, 6.1% and 5.7%, respectively, of our total revenue. For the same periods, the gross profit margin of our sales of tea ware amounted to 30.0%, 23.7%, 25.7% and 22.3%, respectively. For the same periods, revenue generated from sales of tea snacks accounted for 5.2%, 4.5%, 3.8% and 2.7%, respectively, of our total revenue. For the same periods, the gross profit margin of our sales of tea snacks amounted to 29.0%, 26.8%, 26.0% and 23.1%, respectively. As such, the change of product portfolio could affect our business and results of operations.

Chinese consumers exhibit distinct preferences for tea, which are influenced by regional traditions, historical customs, and individual routines. Tea consumption varies with diverse flavors and preparation techniques across different regions in China. For example, Longjing tea is generally favored in Zhejiang Province, while Oolong tea is often the first choice in Fujian Province. Strong cross-region management and operational capabilities are needed in order to

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cater to regional customer preferences, and be successful in regional markets. We have adopted a full-range product strategy to help extend our reach in regional markets and among consumers leveraging our supply chain management ability and our operation cross various geographical regions in China. We are one of few companies in China’s tea leaf industry which recorded growth in terms of sales revenue in six major categories of tea leaves from 2020 to 2024. Leveraging our industry expertise and experience, we are able to anticipate market trends and quickly respond to consumer demands by rolling out new products with market potential. For example, we launched diversified categories of products under our Wanshanhong sub-brand, including black tea with various flavors, flavored tea and substitute tea products. We continue to strengthen and enhance our product offerings to capture market demand and grow our market share.

Expanding and Maintaining Our Sales Network

During the Track Record Period, we primarily sold our products through (i) self-operated offline stores, where we directly sold products to consumers; (ii) franchisees, which procured products from us and sold our products to consumers at the franchised stores operated and managed by them; (iii) self-operated online stores, where we directly sold products to consumers; and (iv) e-commerce platforms, which procured products from us and sold them to consumers. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, our revenue generated from the sales to franchisees accounted for 50.2%, 50.6%, 50.9%, 49.1%, respectively, of our total revenue. As of December 31, 2022, 2023 and 2024, June 30, 2025 and the Latest Practicable Date, the number of our franchised stores amounted to 2,579, 3,054, 3,255, 3,341 and 3,392. Therefore, the number of franchisees and franchised stores, as well as their performances, could significantly affect our revenue and business operation. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, revenue generated from sales of products to consumers through our self-operated offline stores accounted for 22.0%, 19.8%, 16.5% and 15.1%, respectively, of our total revenue. As of December 31, 2022, 2023 and 2024, June 30, 2025 and the Latest Practicable Date, the number of our self-operated offline stores amounted to 352, 316, 249, 244 and 241, respectively. We plan to focus our resources on building our self-operated offline stores into flagship stores that help promote our brand image and boosted our influence. In addition, the revenue contribution of online channels, which consisted of revenue from our self-operated online stores and sales to e-commerce platforms, has been increasing during the Track Record Period. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, our revenue generated from online channels accounted for 27.2%, 29.3%, 32.2% and 35.4%, respectively, of our total revenue.

We plan to expand our sales network through opening more stores in more cities, launching products targeting online consumers and strengthening online channel development. See “Business — Our Business Strategies — Further expand and optimize our offline store network and develop online sales channels” in this document for details. We expect that the expansion of our sales channels will contribute to the growth of our revenue going forward. However, in the event we are unable to execute our business expansion strategies, our business, financial condition and results of operations could be materially and adversely affected.

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Ability to Control Our Cost of Sales

Our results of operations have been, and will continue to be, affected by our ability to control cost of sales. Our cost of sales primarily consists of cost of inventories, transportation expenses, and staff costs, which accounted for 90.0%, 4.0% and 2.9%, respectively, of our total cost of sales for the year ended December 31, 2022, 90.7%, 3.6% and 2.4%, respectively, of our total cost of sales for the year ended December 31, 2023, 89.8%, 4.2% and 2.7%, respectively, of our total cost of sales for the year ended December 31, 2024, and 89.6%, 4.3% and 2.8%, respectively, of our total cost of sales for the six months ended June 30, 2025. During the Track Record Period, we mainly procured (i) raw materials used for our production; and (ii) finished products produced by third-party manufacturers on an OEM basis according to our requirements and specifications. In particular, we seek to procure high-quality tea leaves from the places of origins of such tea leaves.

As we continue to rapidly expand our sales network, our profitability will largely depend on our ability to effectively control our cost of sales and operating expenses by implementing various measures, while maintaining the quality of our products. As our business expands, economies of scale helps to lower unit cost and increased procurement volumes allow us to negotiate for discounts with suppliers. We seek to leverage our brand and bargaining power to negotiate favorable terms in our procurement process, utilize our information technology capabilities and digitalization to streamline our business operations, thereby improving efficiency in our supply chain and lowering the relevant component in our cost of sales. We continue to improve production efficiency and maintain stable product quality through systems and technologies such as intelligent and transparent factories, DCS automation control, MES, intelligent visual recognition and business intelligence display, which also help lower our cost of sales, while maintaining the high quality of our products.

Marketing and Promotional Activities

Demand for our products may be impacted by our marketing and promotion activities. We market and promote our brand and products through a number of different channels and methods, including building our brand influence through our inhouse teams, collaborating with KOLs on live-streaming sales platforms, increasing our brand recognition through exposure on social media platforms, promoting our brand through cross-industry collaboration and placing our products in various cultural events, and organizing large-scale in-person events and global tasting tours to promote our tea products. During the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, our selling and marketing expenses represented 33.9%, 32.1%, 32.3% and 31.2% of our revenue, respectively.

In addition, we believe the image of and service offered in our offline stores are a key aspect of promoting our products and enhancing our brand recognition. We adopt uniform design and decoration styles for our offline stores to provide our customers with a personalized tea shopping experience and to actively promote tea culture. We train our sales staff at our offline stores to provide guidance and advice on tea culture, tea tasting, tea classification and tea making to customers. While we believe such efforts have contributed to and will continue to contribute to the increase in our sales and revenue, we may devote substantial amount of time and effort and incur costs, expenses and capital expenditures in order to maintain or upgrade the standards of our offline stores, especially our self-operated stores.

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Seasonality

Our financial condition and results of operations are subject to fluctuations during holiday and festival seasons. We typically carry out more sales activities before and during holiday seasons and other traditional festivities, such as the mid-autumn festival and Chinese New Year holidays. We also actively participate in shopping events and promotional activities organized by third-party e-commerce platforms, such as Singles’ Day Shopping Carnival and June 18 Shopping Carnival, to capture more sales opportunities. We typically have increased sales before and during the holiday seasons, festivals and events. As a result, we generally record higher revenue during these periods. See also the section headed “Risk Factors — Our sales volume may fluctuate due to seasonality.” in this document.

BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Company was incorporated in the PRC on July 28, 1997 as a limited liability company under the Companies laws of the PRC. The Company was converted into a joint stock limited liability company on September 10, 2014. The Company and its subsidiaries, together comprising our Group, are principally engaged in the processing, production and sales of tea leaves and other tea products in the PRC.

Our Group’s historical financial information set out in the Accountants’ Report in Appendix I to this document has been prepared in accordance with IFRS.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

We have identified certain accounting policies that we believe are most material to the preparation of our consolidated financial statements. Some of our material accounting policies involve subjective assumptions and estimates, as well as complex judgments by our management relating to accounting items. The estimates and associated assumptions are based on our historical experience and various other relevant factors that we believe are reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

We set forth below those accounting policies that we believe are of critical importance to us or involve significant estimates, assumptions and judgements in the preparation of our financial statements:

Revenue and Other Income

Income is classified by our Group as revenue when it arises from the sale of goods and the provision of services or the use by others of our Group’s assets under leases in the ordinary course of our Group’s business.

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Further details of our Group’s revenue and other income recognition are as follows:

Revenue from Contracts with Customers

Our Group is the principal for its revenue transactions and recognizes revenue on a gross basis. In determining whether our Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to our Group’s ability to direct the use of and obtain substantially all of the remaining benefits from the products or services.

Revenue is recognized when control over a product or service is transferred to the customer at the amount of promised consideration to which our Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes. Our Group’s revenue is derived from the following sources:

Direct Sales to Customers

Our Group sells tea products to retail customers through online and offline stores.

- For retail customers that purchase from our Group’s offline stores, sales revenue is recognized when customers take possession of the products and make payment.
- For retail customers that purchase from our Group’s online stores, payment is collected when customers place purchase orders and sales revenue is recognized when customers accept the products upon delivery.

The Group sells tea products through e-commerce platforms. Sales of products through e-commerce platforms are recognised when the Group’s products are sold to end-customer by the e-commerce platform, as these are when the control of the Group’s products has been passed.

Our Group typically offers retail customers a right of return for a period of seven days upon customer acceptance. Our Group estimates the constrained transaction price with all reasonably available information and updates the variable consideration at each reporting date.

Our Group operates membership programs for retail customers and members can earn loyalty points on their purchases. Points are redeemable against any future purchases of our Group’s products or other offerings provided by our Group. Our Group allocates a portion of the consideration to loyalty points based on the relative stand-alone selling prices. The amount allocated to the membership programs is deferred and recognized as revenue when loyalty points are redeemed or expire. Unused loyalty points generally expire in 24 months after they are granted.

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Sales to Franchisees

Our Group sells tea products to franchisees. Franchisees generally make payments for their purchase orders before product shipment. Sales revenue is recognized when the products are delivered to and accepted by franchisees at the locations specified in the purchase orders.

Our Group generally does not accept return of products from franchisees, except for quality defects. Our Group provides sales rebates to franchisees who satisfy relevant requirements specified in the purchase agreements and our Group’s franchisees incentivising policies, which include, among others, (i) achieving the annual purchase amount target; (ii) referring new franchisees; and (iii) opening new stores according to our specifications in connection with, among others, locations and branding effect.

The above cash rewards to franchisees give rise to variable consideration. Our Group uses the most likely amount approach to estimate variable consideration based on our Group’s current and future performance expectations and all information that is reasonably available. This estimated amount is included in the transaction price to the extent it is highly probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. At the time of sale of products to franchisees, our Group recognizes revenue after taking into account adjustment to transaction price arising from cash rewards and returns which are estimated and updated at each reporting date.

Other Practical Expedients Applied

In addition, our Group has applied the following practical expedient:

- For sales contracts that had an original expected duration of one year or less, our Group has not disclosed the information related to the aggregated amount of the transaction price allocated to the remaining performance obligations in accordance with paragraph 121(a) of IFRS 15.

Revenue from Other Sources and Other Income

Interest Income

Interest income is recognized using the effective interest method. The “effective interest rate” is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

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Government Grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that our Group will comply with the conditions attaching to them.

Grants that compensate our Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

Grants that compensate our Group for the cost of an asset are initially recognised as deferred income and subsequently recognised as other income in profit or loss over the useful life of the assets.

Rental Income from Operating Leases

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease. Variable lease payments that do not depend on an index or a rate are recognized as income in the accounting period in which they are earned.

Inventories

Inventories are measured at the lower of cost and net realizable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Trade and Other Receivables

A receivable is recognized when our Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortized cost (see note 2(i)(i) to the Accountant’s Report in Appendix I to this document).

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Trade and Other Payables

Trade and other payables are initially recognized at fair value. Subsequent to initial recognition, trade and other payables are stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

Investment properties

Investment properties are stated at cost less accumulated depreciation and impairment losses (see note 2(i)(ii) to the Accountant’s Report in Appendix I to this document). Depreciation is calculated to write off the costs of investment properties, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings 25-40 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

Any gain or loss on disposal of investment property is recognized in profit or loss. Rental income from investment properties is recognized in accordance with note 2(s)(ii)(c) to the Accountant’s Report in Appendix I to this document.

Property, Plant and Equipment and Right-of-Use Assets

Property, plant and equipment, and right-of-use assets are stated at cost, less accumulated depreciation and any accumulated impairment losses (see note 2(i)(ii) to the Accountant’s Report in Appendix I to this document).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

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The estimated useful lives for the Track Record Period are as follows:

Right-of-use assets	Over the lease term
Buildings	5-40 years
Leasehold improvements	Over the shorter of the lease term or 5 years
Plant and machinery	3-20 years
Motor vehicles	3-10 years
Furniture equipment	3-10 years
Electronic equipment and others	3-10 years

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

Leased Assets

At inception of a contract, our Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a Lessee

At the lease commencement date, our Group recognizes a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less and leases of low-value items. When our Group enters into a lease in respect of a low-value item, our Group decides whether to capitalize the lease on a lease-by-lease basis. If not capitalized, the associated lease payments are recognized in profit or loss on a systematic basis over the lease term.

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and interest expense is recognized using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability, and are charged to profit or loss as incurred.

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(f) and 2(i)(ii) to the Accountant’s Report in Appendix I to this document).

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Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortized cost (see notes 2(d)(i), 2(s)(ii)(a) and 2(i)(i) to the Accountant’s Report in Appendix I to this document). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in our Group’s estimate of the amount expected to be payable under a residual value guarantee, or if our Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, our Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognized the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

As a Lessor

Our Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. Otherwise, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, our Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognized in accordance with note 2(s)(ii)(c) to the Accountant’s Report in Appendix I to this document.

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Provisions and Contingent Liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognized for any expected reimbursement that would be virtually certain. The amount recognized for the reimbursement is limited to the carrying amount of the provision.

Net Realizable Value of Inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of businesses, less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling products with similar nature. It could change significantly as a result of changes in customer preferences and competitor actions in response to severe industry cycles. Management reassesses these estimates at the end of each reporting period.

RESULTS OF OPERATIONS

The table below presents a summary of our consolidated statements of profit or loss and other comprehensive income for the periods indicated:

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(unaudited)</i>				
Revenue	1,817,540	2,122,305	2,143,259	1,109,801	1,063,194
Cost of sales	(848,025)	(1,012,422)	(964,706)	(498,329)	(475,570)
Gross profit	969,515	1,109,883	1,178,553	611,472	587,624
Selling and marketing expenses . . .	(616,760)	(680,862)	(692,154)	(344,105)	(332,163)
Administrative expenses	(116,052)	(135,568)	(165,699)	(67,228)	(91,415)
Research and development costs . .	(8,220)	(11,621)	(16,505)	(6,959)	(6,453)

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	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(unaudited)</i>				
Impairment (losses)/reversal on					
trade and other receivables	(948)	(1,745)	(2,691)	(782)	914
Other income	15,815	16,363	16,235	7,749	8,054
Other net (loss)/income	(3,713)	1,500	2,462	3,820	1,679
Impairment losses of property, plant and equipment and right-of-use assets	(1,886)	(3,047)	(2,213)	(1,268)	(1,116)
Profit from operations	237,751	294,903	317,988	202,699	167,124
Finance costs	(11,197)	(10,890)	(9,624)	(5,144)	(4,117)
Profit before taxation	226,554	284,013	308,364	197,555	163,007
Income tax	(60,705)	(78,285)	(84,163)	(51,522)	(42,972)
Profit and total comprehensive income for the year/period	<u>165,849</u>	<u>205,728</u>	<u>224,201</u>	<u>146,033</u>	<u>120,035</u>
Attributable to:					
Equity shareholders of the					
Company	166,095	205,832	224,344	146,032	119,728
Non-controlling interests	(246)	(104)	(143)	1	307
Profit and total comprehensive income for the year/period	<u>165,849</u>	<u>205,728</u>	<u>224,201</u>	<u>146,033</u>	<u>120,035</u>

DESCRIPTION OF MAJOR COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

During the Track Record Period, we derived our revenue primarily from sales of tea leaf products, mainly including Oolong tea, black tea, dark tea, white tea and green tea, as well as non-tea-leaf products such as tea ware, tea snacks and tea beverages. In addition, our revenue also includes income from provision of tea lounge services and franchise fees from franchisees for the license to operate franchised stores under our brand and rental income from our investment properties.

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Revenue by Product Category

For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, our revenue amounted to RMB1,817.5 million, RMB2,122.3 million, RMB2,143.3 million, RMB1,109.8 million and RMB1,063.2 million, respectively. The following table sets forth a breakdown of our revenue by product category for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Sales of Tea-leaf Products										
Sales of tea leaves	1,571,552	86.5	1,882,524	88.7	1,901,031	88.6	996,002	89.7	958,818	90.2
Sales of Non-tea-leaf Products										
Sales of tea ware	101,819	5.6	115,296	5.4	130,507	6.1	60,929	5.5	61,447	5.7
Sales of tea snacks	94,937	5.2	95,338	4.5	81,206	3.8	35,291	3.2	28,329	2.7
Sales of other products ⁽¹⁾	38,563	2.1	23,307	1.1	23,873	1.1	14,372	1.3	10,481	1.0
Other Revenue										
Gross rentals from investment properties	1,014	0.1	1,153	0.1	1,216	0.1	595	0.1	558	0.1
Others ⁽²⁾	9,655	0.5	4,687	0.2	5,426	0.3	2,612	0.2	3,561	0.3
Total	<u>1,817,540</u>	<u>100.0</u>	<u>2,122,305</u>	<u>100.0</u>	<u>2,143,259</u>	<u>100.0</u>	<u>1,109,801</u>	<u>100.0</u>	<u>1,063,194</u>	<u>100.0</u>

(1) Other products primarily include liquor manufactured by third parties and derivative products such as tea beverages, incense sticks and tea toys (茶寵).

(2) Others primarily include the revenue generated from provision of tea lounge services and franchise fees from franchisees for the license to operate franchised stores under our brand. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, the franchise fees amounted to RMB7.4 million, RMB0.5 million, RMB1.5 million, RMB0.5 million and RMB1.4 million, respectively. For reasons of the fluctuation of our franchise fees, see “Business — Our Sales Network — Our Offline Channels — Franchising Mode — Contracts with Franchisees” in this document.

For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, sales of tea leaves amounted to RMB1,571.6 million, RMB1,882.5 million, RMB1,901.0 million, RMB996.0 million and RMB958.8 million, representing 86.5%, 88.7%, 88.6%, 89.7% and 90.2% of our total revenue, respectively, for the same periods. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, (i) the amount of revenue from the sales of tea ware amounted to RMB101.8 million, RMB115.3 million, RMB130.5 million, RMB60.9 million and RMB61.4 million, representing 5.6%, 5.4%, 6.1%, 5.5% and 5.7% of our total revenue, respectively, for the same periods; and (ii) the amount of revenue from the sales of tea snacks amounted to RMB94.9 million, RMB95.3 million, RMB81.2 million, RMB35.3 million, and RMB28.3 million, representing 5.2%, 4.5%, 3.8%, 3.2% and 2.7% of our total revenue, respectively, for the same periods.

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Revenue by Channel

In terms of sales channels, our revenue mainly consists of the sales derived from online channels and offline channels. The following table sets forth a breakdown of our revenue by sales channel for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Sales of Products										
Offline channels	1,312,777	72.2	1,493,716	70.4	1,443,776	67.4	721,105	64.9	683,181	64.2
• Direct sales through										
self-operated offline stores	401,047	22.0	421,106	19.8	353,583	16.5	188,746	17.0	160,724	15.1
• Sales to franchisees ⁽¹⁾	911,730	50.2	1,072,610	50.6	1,090,193	50.9	532,359	47.9	522,457	49.1
Online channels	494,094	27.2	622,749	29.3	692,841	32.2	385,489	34.8	375,894	35.4
• Direct sales through										
self-operated online stores	387,210	21.3	454,251	21.4	509,189	23.6	285,898	25.8	282,643	26.6
• Sales to e-commerce										
platforms	106,884	5.9	168,498	7.9	183,652	8.6	99,591	9.0	93,251	8.8
Other Revenue										
Gross rentals from investment										
properties	1,014	0.1	1,153	0.1	1,216	0.1	595	0.1	558	0.1
Others ⁽²⁾	9,655	0.5	4,687	0.2	5,426	0.3	2,612	0.2	3,561	0.3
Total	1,817,540	100.0	2,122,305	100.0	2,143,259	100.0	1,109,801	100.0	1,063,194	100.0

Notes:

- (1) Primarily includes sales to our directly licensed franchisees and regionally licensed franchisees.
- (2) Primarily includes the revenue generated from provision of tea lounge services and franchise fees from franchisees for the license to operate franchised stores under our brand. For the years ended December 31, 2022, 2023 and 2024, and the six months ended June 30, 2024 and 2025, the franchise fees amounted to RMB7.4 million, RMB0.5 million, RMB1.5 million, RMB0.5 million and RMB1.4 million, respectively. For reasons of the fluctuation of our franchise fees, see “Business — Our Sales Network — Our Offline Channels — Franchising Mode — Contracts with Franchisees” in this document.

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For the years ended December 31, 2022, 2023 and 2024, and the six months ended June 30, 2024 and 2025, we generated a majority of our revenue from offline channels, which consist of direct sales through self-operated offline stores and sales to franchisees. Our revenue generated from offline channels amounted to RMB1,312.8 million, RMB1,493.7 million, RMB1,443.8 million, RMB721.1 million and RMB683.2 million, representing 72.2%, 70.4%, 67.4%, 64.9% and 64.2% of our total revenue for the same periods, respectively. The revenue generated from sales to franchisees amounted to RMB911.7 million, RMB1,072.6 million, RMB1,090.2 million, RMB532.4 million and RMB522.5 million, representing 50.2%, 50.6%, 50.9%, 47.9% and 49.1% of our total revenue for the same periods, respectively. The revenue generated from direct sales through self-operated offline stores amounted to RMB401.0 million, RMB421.1 million, RMB353.6 million, RMB188.7 million and RMB160.7 million, representing 22.0%, 19.8%, 16.5%, 17.0% and 15.1% of our total revenue for the same periods, respectively.

For the years ended December 31, 2022, 2023 and 2024, and the six months ended June 30, 2024 and 2025, revenue generated from our online channels, which consist of direct sales through self-operated online stores and sales to e-commerce platforms, amounted to RMB494.1 million, RMB622.7 million, RMB692.8 million, RMB385.5 million and RMB375.9 million, representing 27.2%, 29.3%, 32.2%, 34.8% and 35.4% of our total revenue, respectively. For the same periods, revenue generated from sales through self-operated online stores amounted to RMB387.2 million, RMB454.3 million, RMB509.2 million, RMB285.9 million and RMB282.6 million, representing 21.3%, 21.4%, 23.6%, 25.8% and 26.6%, respectively. For the same periods, revenue generated from sales to e-commerce platforms amounted to RMB106.9 million, RMB168.5 million, RMB183.7 million, RMB99.6 million and RMB93.3 million, representing 5.9%, 7.9%, 8.6%, 9.0% and 8.8% of our total revenue, respectively.

FINANCIAL INFORMATION

Cost of Sales

Our cost of sales primarily includes (i) cost of inventories, which mainly consists of raw materials used for our production, and finished products produced by third-party manufacturers on an OEM basis according to our requirements and specifications; (ii) transportation expenses, which primarily represent transportation expenses we incur for delivering our products to customers. Our franchisees typically pay for transportation expenses for goods delivered to them. Our transportation expenses primarily relate to deliveries for online sales; and (iii) staff costs, which primarily represent salaries and benefits of our personnel in production. For the years ended December 31, 2022, 2023 and 2024, and the six months ended June 30, 2024 and 2025, our cost of sales amounted to RMB848.0 million, RMB1,012.4 million, RMB964.7 million, RMB498.3 million and RMB475.6 million, respectively. The following table sets forth the components of the cost of sales and each component as a percentage of the total cost of sales for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Cost of inventories	763,564	90.0	919,673	90.7	866,038	89.7	448,779	90.2	426,334	89.7
Transportation expenses	33,788	4.0	36,035	3.6	40,641	4.2	21,433	4.3	20,606	4.3
Staff costs	24,658	2.9	24,057	2.4	25,685	2.7	12,658	2.5	13,145	2.8
Other taxes and levies	13,047	1.5	17,838	1.8	16,922	1.8	8,157	1.6	8,579	1.8
Depreciation of property, plant and equipment	5,146	0.6	6,610	0.7	7,662	0.8	3,736	0.7	4,031	0.8
Utility expenses	2,141	0.3	2,502	0.2	3,166	0.3	1,444	0.3	810	0.2
Depreciation of right-of-use assets	1,500	0.2	973	0.1	–	–	–	–	7	*
Others ⁽¹⁾	4,181	0.5	4,734	0.5	4,592	0.5	2,122	0.4	2,058	0.4
Total	<u>848,025</u>	<u>100.0</u>	<u>1,012,422</u>	<u>100.0</u>	<u>964,706</u>	<u>100.0</u>	<u>498,329</u>	<u>100.0</u>	<u>475,570</u>	<u>100.0</u>

* Less than 0.1

(1) Others primarily include product processing fees we paid to third parties.

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The following table sets forth a breakdown of our cost of sales by products produced by ourselves, products produced by third-party manufacturers and others for the periods indicated:

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Products produced by ourselves . . .	267,460	407,473	391,175	188,879	214,046
Products produced by third-party manufacturers	580,284	604,644	573,257	309,313	261,387
Others ⁽¹⁾	281	305	274	137	137
Total	<u>848,025</u>	<u>1,012,422</u>	<u>964,706</u>	<u>498,329</u>	<u>475,570</u>

Note:

- (1) Others include cost of sales associated with revenue other than that from sales of products, primarily including gross rentals from investment properties, revenue generated from provision of tea lounge services and franchise fees from franchisees for the license to operate franchised stores under our brand.

Gross Profit and Gross Profit Margin

Our gross profit was RMB969.5 million, RMB1,109.9 million, RMB1,178.6 million, RMB611.5 million and RMB587.6 million for the years ended December 31, 2022, 2023 and 2024, and the six months ended June 30, 2024 and 2025, respectively. Our gross profit margin was 53.3%, 52.3%, 55.0%, 55.1% and 55.3% for the same periods, respectively.

Gross Profit and Gross Profit Margin by Product

The following table sets forth our gross profit and gross profit margin by product category for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>Gross</i>		<i>Gross</i>		<i>Gross</i>		<i>Gross</i>		<i>Gross</i>	
	<i>Gross</i>	<i>Profit</i>	<i>Gross</i>	<i>Profit</i>	<i>Gross</i>	<i>Profit</i>	<i>Gross</i>	<i>Profit</i>	<i>Gross</i>	<i>Profit</i>
	<i>Profit</i>	<i>Margin</i>	<i>Profit</i>	<i>Margin</i>	<i>Profit</i>	<i>Margin</i>	<i>Profit</i>	<i>Margin</i>	<i>Profit</i>	<i>Margin</i>
Sales of Tea-leaf Products										
Sales of tea leaves	887,893	56.5	1,044,765	55.5	1,111,202	58.5	582,250	58.5	560,924	58.5
Sales of Non-tea-leaf Products										
Sales of tea ware	30,583	30.0	27,375	23.7	33,515	25.7	13,462	22.1	13,696	22.3
Sales of tea snacks	27,555	29.0	25,566	26.8	21,091	26.0	8,395	23.8	6,530	23.1
Sales of other products ⁽¹⁾	13,096	34.0	6,642	28.5	6,377	26.7	4,295	29.9	2,492	23.8

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	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>Gross</i>		<i>Gross</i>		<i>Gross</i>		<i>Gross</i>		<i>Gross</i>	
	<i>Gross</i>	<i>Profit</i>	<i>Gross</i>	<i>Profit</i>	<i>Gross</i>	<i>Profit</i>	<i>Gross</i>	<i>Profit</i>	<i>Gross</i>	<i>Profit</i>
	<i>Profit</i>	<i>Margin</i>	<i>Profit</i>	<i>Margin</i>	<i>Profit</i>	<i>Margin</i>	<i>Profit</i>	<i>Margin</i>	<i>Profit</i>	<i>Margin</i>
Sales of Tea-leaf Products										
Other Reveune										
Gross rentals from investment										
properties	740	73.0	879	76.2	942	77.5	458	77.0	421	75.5
Others ⁽²⁾	9,648	99.9	4,656	99.3	5,426	100.0	2,612	100.0	3,561	100.0
Total	<u>969,515</u>	53.3	<u>1,109,883</u>	52.3	<u>1,178,553</u>	55.0	<u>611,472</u>	55.1	<u>587,624</u>	55.3

Notes:

- (1) Other products primarily include liquor manufactured by third parties and derivative products such as tea beverages, incense sticks and tea toys.
- (2) Others primarily include the revenue generated from the provision of tea lounge services, which generally did not incur cost of sale during the Track Record Period. In addition, others include franchise fees from franchisees for the license to operate franchised stores under our brand.

Gross Profit and Gross Profit Margin by Sales Channel

The following table sets forth our gross profit and gross profit margin by sales channel for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>Gross</i>		<i>Gross</i>		<i>Gross</i>		<i>Gross</i>		<i>Gross</i>	
	<i>Gross</i>	<i>Profit</i>	<i>Gross</i>	<i>Profit</i>	<i>Gross</i>	<i>Profit</i>	<i>Gross</i>	<i>Profit</i>	<i>Gross</i>	<i>Profit</i>
	<i>Profit</i>	<i>Margin</i>	<i>Profit</i>	<i>Margin</i>	<i>Profit</i>	<i>Margin</i>	<i>Profit</i>	<i>Margin</i>	<i>Profit</i>	<i>Margin</i>
Sales of Products										
Offline channels.	698,727	53.2	775,708	51.9	777,929	53.9	378,328	52.5	357,733	52.4
• Direct sales through										
self-operated offline stores	299,739	74.7	319,489	75.9	276,686	78.3	147,101	77.9	126,953	79.0
• Sales to franchisees ⁽¹⁾	398,988	43.8	456,219	42.5	501,243	46.0	231,227	43.4	230,780	44.2
Online channels.	260,400	52.7	328,640	52.8	394,256	56.9	230,074	59.7	225,909	60.1
• Direct sales through										
self-operated online stores.	203,445	52.5	240,619	53.0	293,389	57.6	173,650	60.7	174,417	61.7
• Sales to e-commerce										
platforms.	56,955	53.3	88,021	52.2	100,867	54.9	56,424	56.7	51,492	55.2

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	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>Gross</i>		<i>Gross</i>		<i>Gross</i>		<i>Gross</i>		<i>Gross</i>	
	<i>Gross</i>	<i>Profit</i>	<i>Gross</i>	<i>Profit</i>	<i>Gross</i>	<i>Profit</i>	<i>Gross</i>	<i>Profit</i>	<i>Gross</i>	<i>Profit</i>
	<i>Profit</i>	<i>Margin</i>	<i>Profit</i>	<i>Margin</i>	<i>Profit</i>	<i>Margin</i>	<i>Profit</i>	<i>Margin</i>	<i>Profit</i>	<i>Margin</i>
Other Revenue										
Gross rentals from investment										
properties	740	73.0	879	76.2	942	77.5	458	77.0	421	75.4
Others ⁽²⁾	9,648	99.9	4,656	99.3	5,426	100.0	2,612	100.0	3,561	100.0
Total	<u>969,515</u>	<u>53.3</u>	<u>1,109,883</u>	<u>52.3</u>	<u>1,178,553</u>	<u>55.0</u>	<u>611,472</u>	<u>55.1</u>	<u>587,624</u>	<u>55.3</u>

Notes:

- (1) Represents our sales to whom we entered into agreements for distribution of our products, including (i) directly licensed franchisees; and (ii) regionally licensed franchisees.
- (2) Others primarily include the revenue generated from the provision of tea lounge services and franchise fees from franchisees for the license to operate franchised stores under our brand.

During the Track Record Period, our self-operated offline stores generally recorded higher gross profit margin as compared to that of self-operated online stores, mainly because (i) online consumers generally preferred products with relatively lower retail prices, according to Frost & Sullivan. As a result, we developed various cost-effective products with lower gross profit margin which were sold only through online channels; and (ii) the online channels had relatively more promotional events applying discounts to our products, which were organized by e-commerce platforms, as compared to offline channels.

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Selling and Marketing Expenses

Selling and marketing expenses primarily consist of (i) staff costs, which primarily consists of salaries and benefits of our sales and marketing staff; (ii) advertising and promotion expenses relating to our marketing and promotional activities; (iii) depreciation of right-of-use assets, which primarily represent depreciation of the leases of our self-operated offline stores; (iv) depreciation of property, plant and equipment related to our self-operated offline stores; (v) property management expenses related to our self-operated offline stores. The following table sets forth the components of our selling and marketing expenses and each component as a percentage of total selling and marketing expenses for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Staff costs	234,550	38.1	252,125	37.0	247,584	35.8	126,412	37.0	119,722	35.9
Advertising and promotion expenses	209,152	33.9	251,830	37.0	276,177	39.9	135,748	39.4	138,119	41.6
Depreciation of right-of-use assets	73,639	11.9	78,907	11.6	68,824	9.9	36,635	10.6	30,420	9.2
Depreciation of property, plant and equipment	29,496	4.8	30,397	4.5	24,799	3.6	12,487	3.6	10,921	3.3
Property management expenses .	19,634	3.2	16,101	2.4	16,262	2.3	8,331	2.4	7,539	2.3
Rental expense related to short-term leases	17,267	2.8	12,883	1.9	15,052	2.2	6,905	2.0	8,649	2.6
Travelling expenses	8,207	1.3	12,361	1.8	13,280	1.9	4,986	1.4	5,018	1.5
Cost of samples	8,460	1.4	8,885	1.3	9,403	1.4	4,488	1.3	3,975	1.2
Utility expenses	5,781	0.9	6,352	0.9	6,056	0.9	2,870	0.8	2,376	0.7
Business development expenses .	2,935	0.5	3,971	0.6	3,638	0.5	1,380	0.4	1,912	0.6
Others ⁽¹⁾	7,639	1.2	7,050	1.0	11,079	1.6	3,863	1.1	3,512	1.1
Total	<u>616,760</u>	<u>100.0</u>	<u>680,862</u>	<u>100.0</u>	<u>692,154</u>	<u>100.0</u>	<u>344,105</u>	<u>100.0</u>	<u>332,163</u>	<u>100.0</u>

Note:

(1) Others primarily include office expenses and quality inspection related expenses.

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Administrative Expenses

Administrative expenses primarily consist of (i) staff costs, which primarily consists of salaries and benefits of our administrative personnel; (ii) depreciation of property, plant and equipment, which primarily consists of depreciation of fixed assets used for administrative purposes; (iii) business development expenses, which primarily represent expenses we incurred for business development activities; and (iv) professional service fees, which primarily include fees we paid to professional parties for auditing, consulting and legal services. The following table sets forth the components of our administrative expenses and each component as a percentage of total administrative expenses for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Staff costs	57,740	49.6	71,203	52.5	65,012	39.4	32,303	48.1	36,904	40.3
Depreciation of property, plant and equipment.	15,850	13.7	17,482	12.9	22,256	13.4	10,338	15.4	12,616	13.8
Business development expenses	4,882	4.2	7,247	5.3	12,096	7.3	5,217	7.8	3,735	4.1
Professional service fees ⁽¹⁾	9,740	8.4	5,434	4.0	8,154	4.9	1,577	2.3	12,131	13.3
Amortization of intangible assets	3,697	3.2	5,307	3.9	7,134	4.3	3,410	5.1	4,239	4.6
Property management expenses	2,005	1.7	3,374	2.5	4,648	2.8	2,041	3.0	2,270	2.5
Depreciation of right-of-use assets	2,984	2.6	3,815	2.8	3,981	2.4	1,940	2.9	1,875	2.1
Travelling expenses	3,089	2.7	4,188	3.1	4,371	2.6	1,514	2.3	1,479	1.6
Utility expenses	1,367	1.2	1,582	1.2	2,527	1.5	801	1.2	1,572	1.7
Software maintenance expense.	2,748	2.4	3,057	2.3	3,753	2.3	1,626	2.4	2,294	2.5
Bank and third-party platform charges	2,149	1.9	2,407	1.8	2,559	1.5	1,363	2.0	914	1.0
[REDACTED]	–	–	–	–	13,978	8.4	–	–	5,167	5.7
Office expenses	930	0.8	1,084	0.8	1,420	0.9	567	0.8	876	1.0
Others ⁽²⁾	8,871	7.6	9,388	6.9	13,810	8.3	4,531	6.7	5,343	5.8
Total	<u>116,052</u>	<u>100.0</u>	<u>135,568</u>	<u>100.0</u>	<u>165,699</u>	<u>100.0</u>	<u>67,228</u>	<u>100.0</u>	<u>91,415</u>	<u>100.0</u>

Notes:

- (1) We incurred substantial amount of professional service fees for the year ended December 31, 2022, primarily consisting of the service fees we paid for auditing, consulting and legal services in connection with our previous A share listing applications.
- (2) Others primarily include trademark registration fees and various administrative processing fees.

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Research and Development Costs

Research and development costs primarily consist of (i) staff costs, which primarily consists of salaries and benefits of our research and development staff; and (ii) professional service fees, which primarily represent fees we pay for the design of our products. The following table sets forth the components of our research and development costs and each component as a percentage of total research and development costs for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Staff costs	4,052	49.3	6,245	53.7	7,600	46.0	3,437	49.4	3,497	54.2
Professional service fees.	3,883	47.2	4,981	42.9	8,539	51.8	3,341	48.0	2,810	43.5
Others ⁽¹⁾	285	3.5	395	3.4	366	2.2	181	2.6	146	2.3
Total	<u>8,220</u>	<u>100.0</u>	<u>11,621</u>	<u>100.0</u>	<u>16,505</u>	<u>100.0</u>	<u>6,959</u>	<u>100.0</u>	<u>6,453</u>	<u>100.0</u>

Note:

- (1) Others primarily include fees and expenses in connection with the travelling and business development of our research and development personnel.

Impairment (Losses)/Reversal on Trade and Other Receivables

Our impairment losses on trade and other receivables primarily represent provisions of impairment of trade and other receivables. We recorded impairment losses on trade and other receivables of RMB0.9 million, RMB1.7 million, RMB2.7 million for the years ended December 31, 2022, 2023 and 2024, respectively. In addition, we recorded impairment losses on trade and other receivables of RMB0.8 million for the six months ended June 30, 2024, and impairment reversal on trade and other receivables of RMB0.9 million for the six months ended June 30, 2025.

Other Income

Other income primarily includes (i) interest income on bank deposits, which primarily represents our income generated from the deposits in the banks; (ii) income from value-added tax exemption, which represent value-added tax refund we receive as a result of the exemption on value-added tax granted by the government authorities to small and low profit-making enterprise in the PRC; and (iii) government grants, which represent cash awards granted by the government authorities in the PRC. During the Track Record Period, certain of our subsidiaries were granted (i) exemption on value-added tax by the tax authorities on the condition that their monthly income from sales was less than RMB100,000; and/or (ii) a reduction of value-added tax rate from 3.0% to 1.0% on the condition that they were deemed as small-scale taxpayers.

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The following table sets forth the components of our other income and each component as a percentage of total other income for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2022		2023		2024		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Interest income on:										
– bank deposits and others . . .	2,181	13.8	2,887	17.5	2,376	14.6	1,346	17.3	1,168	14.5
– time deposits	–	–	369	2.3	2,460	15.2	1,230	15.9	1,230	15.3
– rental deposits	725	4.6	848	5.2	743	4.6	387	5.0	304	3.8
	<u>2,906</u>	<u>18.4</u>	<u>4,104</u>	<u>25.0</u>	<u>5,579</u>	<u>34.4</u>	<u>2,963</u>	<u>38.2</u>	<u>2,702</u>	<u>33.6</u>
Income from value-added tax exemption	3,389	21.4	3,249	19.9	3,494	21.5	1,399	18.1	1,808	22.4
Government grants										
– Unconditional subsidies	7,793	49.3	6,900	42.2	4,566	28.1	2,588	33.4	2,101	26.1
– Conditional subsidies	1,727	10.9	2,110	12.9	2,596	16.0	799	10.3	1,443	17.9
Total	<u>15,815</u>	<u>100.0</u>	<u>16,363</u>	<u>100.0</u>	<u>16,235</u>	<u>100.0</u>	<u>7,749</u>	<u>100.0</u>	<u>8,054</u>	<u>100.0</u>

Other Net (Loss)/Income

Other net loss and income primarily includes (i) investment income from financial assets measured at FVPL, which represents income from our structured deposits; (ii) the loss and gains on the disposal of property, plant and equipment and right-of-use assets; (iii) net fair value changes of financial assets measured at FVPL; and (iv) termination cost of purchase contract for land use right. The following table sets forth the components of our other (loss)/income for the periods indicated:

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
(Losses)/gains on disposal of property, plant and equipment and right-of-use assets	(4,900)	(977)	2,625	1,597	907
Donation	(1,179)	(691)	(347)	(100)	(214)
Net fair value changes of financial assets measured at FVPL	–	240	–	(9)	–
Investment income from financial assets measured at FVPL	1,593	2,062	1,711	1,410	979
Termination cost of purchase contract for land use right	–	–	(4,390)	–	–
Others	773	866	2,863	922	7
	<u>(3,713)</u>	<u>1,500</u>	<u>2,462</u>	<u>3,820</u>	<u>1,679</u>

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Impairment Losses of Property, Plant and Equipment and Right-of-Use Assets

Our impairment losses of property, plant and equipment and right-of-use assets primarily represent the differences between the carrying amount and recoverable amount of our property, plant and equipment and right-of-use assets. We recorded impairment losses of property, plant and equipment and right-of-use assets of RMB1.9 million, RMB3.0 million, RMB2.2 million, RMB1.3 million and RMB1.1 million for the years ended December 31, 2022, 2023 and 2024, and the six months ended June 30, 2024 and 2025, respectively.

Finance Costs

Our finance costs primarily consist of interest on bank loans and interest on lease liabilities. The following table sets forth the components of our finance costs and each component as a percentage of total finance costs for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,					
	2022		2023		2024		2024		2025			
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%		
Interest on bank loans	–	–	324	3.0	694	7.2	519	10.1	–	–		
Interest on lease liabilities	11,197	100.0	10,566	97.0	8,930	92.8	4,625	89.9	4,117	100.0		
Total	<u>11,197</u>	<u>100.0</u>	<u>10,890</u>	<u>100.0</u>	<u>9,624</u>	<u>100.0</u>	<u>5,144</u>	<u>100.0</u>	<u>4,117</u>	<u>100.0</u>		

Income Tax

Our income tax expense comprises (i) current tax, which comprises the estimated tax payable or receivable on the taxable income or loss for the year; and (ii) deferred tax, which is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. It is recognized in profit or loss. Entities located in the PRC are generally subject to a statutory income tax rate of 25.0%. During the Track Record Period, certain of our subsidiaries met the criteria required for preferential income tax rate granted to small and low profit-making enterprise in the PRC, and were entitled to a preferential income tax rate of 5% on taxable income for the first RMB3,000,000.

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The following table sets forth the breakdown of our income tax expense for the periods indicated:

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Current tax					
Provision for the year	68,994	80,889	83,476	51,846	38,681
Deferred tax					
(Origination)/reversal of					
accumulated tax loss and					
temporary differences	(8,289)	(2,604)	687	(324)	4,291
	<u>60,705</u>	<u>78,285</u>	<u>84,163</u>	<u>51,522</u>	<u>42,972</u>

During the Track Record Period and up to the Latest Practicable Date, we had no disputes or unresolved tax issues with the relevant tax authorities.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2025 Compared to Six Months Ended June 30, 2024

Revenue

Our revenue decreased from RMB1,109.8 million for the six months ended June 30, 2024 to RMB1,063.2 million for the six months ended June 30, 2025. Specifically:

By Product Category

- *Tea leaves:* Our revenue generated from sales of tea leaves decreased from RMB996.0 million for the six months ended June 30, 2024 to RMB958.8 million for the six months ended June 30, 2025, primarily due to the overall decrease of sales in offline channels, mainly due to the decrease of the number of our self-operated offline stores during the six months ended June 30, 2025 as compared to that for the six months ended June 30, 2024.
- *Tea ware:* Our revenue generated from sales of tea ware increased from RMB60.9 million for the six months ended June 30, 2024 to RMB61.4 million for the six months ended June 30, 2025, primarily because we launched new products under our Titanium Crystal Series, which were well received by the market, mainly due to their innovative design and features that appeal to consumers.

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- *Tea snacks:* Our revenue generated from sales of tea snacks decreased from RMB35.3 million for the six months ended June 30, 2024 to RMB28.3 million for the six months ended June 30, 2025, primarily arising from the decrease of sales of Zongzi due to reduced market demand.

By Channel

- *Offline Channels:* Our revenue generated from offline channels decreased from RMB721.1 million for the six months ended June 30, 2024 to RMB683.2 million for the six months ended June 30, 2025, primarily due to the decrease of the number of our self-operated offline stores during the six months ended June 30, 2025 as compared to that for the six months ended June 30, 2024.
- *Online Channels:* Our revenue generated from online channels slightly decreased from RMB385.5 million for the six months ended June 30, 2024 to RMB375.9 million for the six months ended June 30, 2025, primarily because there was increased competition on the e-commerce platforms on which we sold our products during the six months ended June 30, 2025, which led to slightly less sales as compared to the six months ended June 30, 2024.

Cost of Sales

Our cost of sales decreased from RMB498.3 million for the six months ended June 30, 2024 to RMB475.6 million for the six months ended June 30, 2025, which was in line with the decrease in our revenue.

Gross Profit and Gross Profit Margin

Our gross profit decreased from RMB611.5 million for the six months ended June 30, 2024 to RMB587.6 million for the six months ended June 30, 2025.

Our gross profit margin remained relatively stable at 55.3% for the six months ended June 30, 2025 as compared to 55.1% for the six months ended June 30, 2024. Specifically:

By Product Category

- *Tea leaves:* Our gross profit margin of tea leaves remained relatively stable at 58.5% for the six months ended June 30, 2025 as compared to 58.5% for the six months ended June 30, 2024.
- *Tea ware:* Our gross profit margin of tea ware remained relatively stable at 22.3% for the six months ended June 30, 2025 as compared to 22.1% for the six months ended June 30, 2024.

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- *Tea snacks:* Our gross profit margin of tea snacks remained relatively stable at 23.1% for the six months ended June 30, 2025 as compared to 23.8% for the six months ended June 30, 2024.

By Channel

- *Offline Channels:* Our gross profit margin of offline channels remained relatively stable at 52.4% for the six months ended June 30, 2025 as compared to 52.5% for the six months ended June 30, 2024.
- *Online Channels:* Our gross profit margin of online channels remained relatively stable at 60.1% for the six months ended June 30, 2025 as compared to 59.7% for the six months ended June 30, 2024.

Selling and Marketing Expenses

Our selling and marketing expenses decreased from RMB344.1 million for the six months ended June 30, 2024 to RMB332.2 million for the six months ended June 30, 2025. The decrease was mainly due to (i) a decrease of RMB6.7 million in staff costs, mainly because we had fewer personnel in selling and marketing in line with the decrease in the number of our self-operated offline stores during the six months ended June 30, 2025 as compared to that for the six months ended June 30, 2024; and (ii) a decrease of RMB6.2 million in depreciation of right-of-use assets, primarily due to the decrease in the number of our self-operated offline stores.

Administrative Expenses

Our administrative expenses increased from RMB67.2 million for the six months ended June 30, 2024 to RMB91.4 million for the six months ended June 30, 2025. The increase was mainly due to (i) an increase of RMB10.5 million in professional service fee, mainly reflecting the fees charged by a third-party professional for the provision of strategic consultancy services to us; (ii) an increase of RMB5.2 million in [REDACTED] in connection with the proposed [REDACTED]; and (iii) an increase of RMB4.6 million in staff costs, mainly due to the increase of the number of administrative staff.

Research and Development Costs

Our research and development costs decreased from RMB7.0 million for the six months ended June 30, 2024 to RMB6.5 million for the six months ended June 30, 2025, mainly due to a decrease of RMB0.5 million in professional service fee in connection with the research, development and design services provided by third parties for the product design and development, as their scope of work decreased during the six months ended June 30, 2025.

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Impairment (Losses)/Reversal on Trade and Other Receivables

Our impairment losses on trade and other receivables was RMB0.8 million for the six months ended June 30, 2024. We recorded impairment reversal on trade and other receivables of RMB0.9 million for the six months ended June 30, 2025, primarily due to the decrease of trade receivables during the six months ended June 30, 2025, which resulted in an impairment reversal on trade and other receivables for six months ended June 30, 2025.

Other Income

Our other income increased from RMB7.7 million for the six months ended June 30, 2024 to RMB8.1 million for the six months ended June 30, 2025, primarily due to an increase of RMB0.4 million in income from value-added tax exemption, primarily due to the increase of value-added tax refund we received in connection with the exemption on value-added tax granted by the government authorities to small and low profit-making enterprise in the PRC increased during the six months ended June 30, 2025.

Other Net Income

Our other net income decreased from RMB3.8 million for the six months ended June 30, 2024 to RMB1.7 million for the six months ended June 30, 2025, primarily due to (i) a decrease of RMB0.9 million in others, primarily because the compensation we received from logistics service providers for their damages to the products during the delivery decreased during the six months ended June 30, 2025; and (ii) a decrease of RMB0.7 million in gains on disposal of property, plant and equipment and right-of-use assets, primarily because we closed more self-operated offline stores during the six months ended June 30, 2024 as compared to the six months ended June 30, 2025, which resulted in less gains from disposal of relevant right-of-use assets during the six months ended June 30, 2025.

Finance Costs

Our finance costs decreased from RMB5.1 million for the six months ended June 30, 2024 to RMB4.1 million for the six months ended June 30, 2025, primarily due to (i) a decrease of RMB0.5 million in interest on bank loans, primarily because the bank loans during the six months ended June 30, 2024 had been fully repaid in September 2024; and (ii) a decrease of RMB0.5 million in interest on lease liabilities, primarily due to the decrease in the number of our self-operated offline stores during the six months ended June 30, 2025 as compared to that during the six months ended June 30, 2024.

Profit Before Taxation

As a result of the foregoing, our profit before taxation decreased from RMB197.6 million for the six months ended June 30, 2024 to RMB163.0 million for the six months ended June 30, 2025.

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Income Tax

Our income tax decreased from RMB51.5 million for the six months ended June 30, 2024 to RMB43.0 million for the six months ended June 30, 2025, primarily due to a decrease of RMB13.1 million in current tax as a result of a decrease in our taxable income.

Profit for the Period

As a result of the foregoing, our profit for the period decreased from RMB146.0 million for the six months ended June 30, 2024 to RMB120.0 million for the six months ended June 30, 2025.

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

Revenue

Our revenue remained relatively stable at RMB2,143.3 million for the year ended December 31, 2024 as compared to RMB2,122.3 million for the year ended December 31, 2023. Specifically:

By Product Category

- *Tea leaves:* Our revenue generated from sales of tea leaves remained relatively stable at RMB1,901.0 million for the year ended December 31, 2024 as compared to RMB1,882.5 million for the year ended December 31, 2023.
- *Tea ware:* Our revenue generated from sales of tea ware increased from RMB115.3 million for the year ended December 31, 2023 to RMB130.5 million for the year ended December 31, 2024, primarily because sales of our Titanium Crystal Series of tea ware began to increase in late 2023 and generated higher revenue for the year ended December 31, 2024 compared with the year ended December 31, 2023. We believe the increase of sales of our Titanium Crystal Series of tea ware was mainly due to their innovative design and features that appeal to consumers, which made them increasingly more popular among consumers.
- *Tea snacks:* Our revenue generated from sales of tea snacks decreased from RMB95.3 million for the year ended December 31, 2023 to RMB81.2 million for the year ended December 31, 2024, primarily arising from the decrease of sales of the mooncakes due to reduced market demand.

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By Channel

- *Offline Channels:* Our revenue generated from offline channels decreased from RMB1,493.7 million for the year ended December 31, 2023 to RMB1,443.8 million for the year ended December 31, 2024, primarily due to the decrease of the number of our self-operated offline stores. The number of our self-operated offline stores decreased during the Track Record Period, primarily because we strategically closed certain self-operated offline stores or converted them into franchised stores. For further details, please refer to “Business — Our Sales Network — Our Offline Channels” in this document.
- *Online Channels:* Our revenue generated from online channels increased from RMB622.7 million for the year ended December 31, 2023 to RMB692.8 million for the year ended December 31, 2024, primarily because (i) we actively promoted our brand and products through online platforms and continued to improve our brand recognition to attract more online consumers; and (ii) online shopping continue to grow in China during the year ended December 31, 2024, according to Frost & Sullivan, which drove the growth of our sales through online channels.

Cost of Sales

Our cost of sales decreased from RMB1,012.4 million for the year ended December 31, 2023 to RMB964.7 million for the year ended December 31, 2024, primarily due to a decrease of RMB53.7 million in cost of inventories, mainly because we took effective measures to enhance our supply chain management and lower our cost of inventories, such as securing additional volume discounts through centralized procurement arrangement and using cost-effective materials in product packaging.

Gross Profit and Gross Profit Margin

Our gross profit increased from RMB1,109.9 million for the year ended December 31, 2023 to RMB1,178.6 million for the year ended December 31, 2024.

Our gross profit margin increased from 52.3% for the year ended December 31, 2023 to 55.0% for the year ended December 31, 2024. Specifically:

By Product Category

- *Tea leaves:* Our gross profit margin of tea leaves increased from 55.5% for the year ended December 31, 2023 to 58.5% for the year ended December 31, 2024, primarily because, as mentioned above, we took effective measures to enhance our supply chain management and lower our cost of inventories.

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- *Tea ware:* Our gross profit margin of tea ware increased from 23.7% for the year ended December 31, 2023 to 25.7% for the year ended December 31, 2024, primarily due to the increase of sales of tea ware to our franchisees, while our sales to franchisees recorded relatively higher gross profit margin during the year ended December 31, 2024, mainly because, as mentioned above, we took effective measures to enhance our supply chain management and lower our cost of inventories.
- *Tea snacks:* Our gross profit margin of tea snacks remained relatively stable at 26.0% for the year ended December 31, 2024 as compared to 26.8% for the year ended December 31, 2023.

By Channel

- *Offline Channels:* Our gross profit margin of offline channels increased from 51.9% for the year ended December 31, 2023 to 53.9% for the year ended December 31, 2024, primarily because, as mentioned above, we took effective measures to enhance our supply chain management and lower our cost of inventories. Such increase of gross profit margin was also in line with the increase of the gross profit margin of our tea leaves.
- *Online Channels:* Our gross profit margin of online channels increased from 52.8% for the year ended December 31, 2023 to 56.9% for the year ended December 31, 2024, primarily because, as mentioned above, we took effective measures to enhance our supply chain management and lower our cost of inventories. Such increase of gross profit margin was also in line with the increase of the gross profit margin of our tea leaves.

Selling and Marketing Expenses

Our selling and marketing expenses increased from RMB680.9 million for the year ended December 31, 2023 to RMB692.2 million for the year ended December 31, 2024. The increase was mainly due to (i) an increase of RMB24.4 million in advertising and promotion expenses, mainly because we had more online advertising and promotion activities to increase our sales particularly through online channels during the year ended December 31, 2024, as partially offset by (i) a decrease of RMB10.1 million in depreciation of right-of-use assets and a decrease of RMB5.6 million in depreciation of property, plant and equipment, primarily due to the decrease in the number of our self-operated offline stores; and (iii) a decrease of RMB4.5 million in staff cost, mainly because we had fewer personnel in selling and marketing in line with the decrease in the number of our self-operated offline stores.

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Administrative Expenses

Our administrative expenses increased from RMB135.6 million for the year ended December 31, 2023 to RMB165.7 million for the year ended December 31, 2024. The increase was mainly due to (i) an increase of RMB14.0 million in [REDACTED] in connection with the proposed [REDACTED]; (ii) an increase of RMB4.9 million in business development expenses, mainly as a result of our increased business development activities arising from our business development and expansion; (iii) an increase of RMB4.8 million in depreciation of property, plant and equipment, mainly because we completed the construction of certain new buildings which were used for administrative purposes at our Wuyishan Production Base in December 2023 and as such we began to incur depreciation expenses for it, as partially offset by a decrease of RMB6.2 million in staff cost, mainly because the performance bonus of certain employees decreased as these employees did not meet the performance targets during the year ended December 31, 2024.

Research and Development Costs

Our research and development costs increased from RMB11.6 million for the year ended December 31, 2023 to RMB16.5 million for the year ended December 31, 2024. The increase was mainly due to (i) an increase of RMB3.6 million in professional service fee, which was mainly in connection with the research, development and design services provided by third parties for the product design and development of our tea leaf products and tea snacks; and (ii) an increase of RMB1.4 million in staff cost, primarily as a result of the increase in the research and development personnel as we continued to strengthen our research and development ability.

Impairment Losses on Trade and Other Receivables

Our impairment losses on trade and other receivables increased from RMB1.7 million for the year ended December 31, 2023 to RMB2.7 million for the year ended December 31, 2024, primarily due to (i) the increase of trade receivables arising from the increase of sales to customers with credit term; and (ii) the increase of other receivables in connection with deposits to be returned by an operator of chained supermarkets.

Other Income

Our other income decreased from RMB16.4 million for the year ended December 31, 2023 to RMB16.2 million for the year ended December 31, 2024, primarily due to a decrease in unconditional subsidies as the subsidies we received were generally one-off basis. As such, the types and amount of the subsidies from government vary in different periods. Such decrease was partially offset by an increase of RMB2.1 million in interest income from time deposits.

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Other Net Income

Our other net income increased from RMB1.5 million for the year ended December 31, 2023 to RMB2.5 million for the year ended December 31, 2024, primarily due to (i) the gains on disposal of property, plant and equipment and right-of-use assets with the amount of RMB2.6 million, primarily due to the increase in the number of self-operated offline stores closed by us during the year ended December 31, 2024, which resulted in an increase of gains from disposal of relevant right-of-use assets; (ii) an increase of RMB2.0 million in others, primarily reflecting the increase of compensation we received from logistics service providers for their damages to the products during the delivery, and the gains from the reversal of payables in connection with construction of certain properties, as partially offset by RMB4.4 million in termination cost of purchase contract for land use right, primarily due to the termination of our involvement in the joint development of a building on a parcel of land.

Finance Costs

Our finance costs decreased from RMB10.9 million for the year ended December 31, 2023 to RMB9.6 million for the year ended December 31, 2024, primarily due to a decrease of RMB1.6 million in the interest on lease liabilities, mainly because the number of our self-operated offline stores decreased during the year ended December 31, 2024 which resulted in recognizing less lease liabilities.

Profit Before Taxation

As a result of the foregoing, our profit before taxation increased from RMB284.0 million for the year ended December 31, 2023 to RMB308.4 million for the year ended December 31, 2024.

Income Tax

Our income tax increased from RMB78.3 million for the year ended December 31, 2023 to RMB84.2 million for the year ended December 31, 2024, primarily due to an increase of RMB2.6 million in current tax as a result of an increase in our taxable income.

Profit for the Year

As a result of the foregoing, our profit for the year increased from RMB205.7 million for the year ended December 31, 2023 to RMB224.2 million for the year ended December 31, 2024.

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Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Revenue

Our revenue increased from RMB1,817.5 million for the year ended December 31, 2022 to RMB2,122.3 million for the year ended December 31, 2023. Specifically:

By Product Category

- *Tea leaves:* Our revenue generated from sales of tea leaves increased from RMB1,571.6 million for the year ended December 31, 2022 to RMB1,882.5 million for the year ended December 31, 2023, primarily due to (i) the growth of our sales through offline channels as a result of the increase of the number of our franchised stores from 2,579 as of December 31, 2022 to 3,054 as of December 31, 2023; and (ii) the growth of our sales through online channels, primarily because we actively promoted our brand and products through online platforms and continued to improve our brand recognition and attract more online consumers.
- *Tea ware:* Our revenue generated from sales of tea ware increased from RMB101.8 million for the year ended December 31, 2022 to RMB115.3 million for the year ended December 31, 2023, primarily arising from the increase in the sales of the Titanium Crystal Series of tea ware. We believe the increase of sales of our Titanium Crystal Series of tea ware was mainly due to their innovative design and features that appeal to consumers, which made them increasingly more popular among consumers.
- *Tea snacks:* Our revenue generated from sales of tea snacks remained relatively stable at RMB95.3 million for the year ended December 31, 2023 as compared to RMB94.9 million for the year ended December 31, 2022.

By Channel

- *Offline Channels:* Our revenue generated from offline channels increased from RMB1,312.8 million for the year ended December 31, 2022 to RMB1,493.7 million for the year ended December 31, 2023, primarily due to the increase of the number of our franchised stores from 2,579 as of December 31, 2022 to 3,054 as of December 31, 2023.
- *Online Channels:* Our revenue generated from online channels increased from RMB494.1 million for the year ended December 31, 2022 to RMB622.7 million for the year ended December 31, 2023, primarily because we actively promoted our brand and products through online platforms and continued to improve our brand recognition and attract more online consumers.

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Cost of Sales

Our cost of sales increased from RMB848.0 million for the year ended December 31, 2022 to RMB1,012.4 million for the year ended December 31, 2023, which is generally in line with the increase in our revenue. The increase of our cost of sales was mainly due to an increase of RMB156.1 million in cost of inventories, mainly because we procured more raw materials and finished products to facilitate our production and sales of products as our business expanded during the year ended December 31, 2023.

Gross Profit and Gross Profit Margin

Our gross profit increased from RMB969.5 million for the year ended December 31, 2022 to RMB1,109.9 million for the year ended December 31, 2023.

Our gross profit margin slightly decreased from 53.3% for the year ended December 31, 2022 to 52.3% for the year ended December 31, 2023. Specifically:

By Product Category

- *Tea leaves:* Our gross profit margin of tea leaves slightly decreased from 56.5% for the year ended December 31, 2022 to 55.5% for the year ended December 31, 2023, primarily due to (i) additional support we provided to franchisees in the form of sales rebates on the condition of opening franchised stores that meet our additional requirements, such as GFA and locations, to ease their burden arising from the relevant costs and expenses associated with such franchised stores; and (ii) products we sold at reduced margins in connection with a poverty alleviation program.
- *Tea ware:* Our gross profit margin of tea ware decreased from 30.0% for the year ended December 31, 2022 to 23.7% for the year ended December 31, 2023, primarily due to (i) additional support we provided to franchisees in the form of sales rebates as mentioned above; and (ii) the increase in the amount of tea ware we gave away as trial products or souvenirs as part of our marketing and promotional initiatives to attract more consumers to purchase our products.
- *Tea snacks:* Our gross profit margin of tea snacks decreased from 29.0% for the year ended December 31, 2022 to 26.8% for the year ended December 31, 2023, primarily due to (i) additional support we provided to franchisees in the form of sales rebates as mentioned above; and (ii) increased proportion of our sales of tea snacks to franchisees in our total sales of tea snacks, while our sales to franchisees generally record lower gross profit margin.

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By Channel

- *Offline Channels:* Our gross profit margin of offline channels decreased from 53.2% for the year ended December 31, 2022 to 51.9% for the year ended December 31, 2023, primarily due to (i) additional support we provided to franchisees in the form of sales rebates; and (ii) products we sold at reduced margins in connection with a poverty alleviation program.
- *Online Channels:* Our gross profit margin of online channels remained relatively stable at 52.7% for the year ended December 31, 2022 as compared to 52.8% for the year ended December 31, 2023.

Selling and Marketing Expenses

Our selling and marketing expenses increased from RMB616.8 million for the year ended December 31, 2022 to RMB680.9 million for the year ended December 31, 2023. The increase was mainly due to (i) an increase of RMB42.7 million in advertising and promotion expenses, mainly because we had more online advertising and promotion activities to increase our sales particularly through online channels during year ended December 31, 2023; and (ii) an increase of RMB17.6 million in staff costs, primarily as a result of an increase in merit-based salaries and benefits we paid to our selling and marketing personnel in line with the increase in our sales. These increases were partially offset by a decrease of RMB4.4 million in rental expenses related to short-term leases and a decrease of RMB3.5 million in property management expenses, both due to the decrease in the number of our self-operated offline stores.

Administrative Expenses

Our administrative expenses increased from RMB116.1 million for the year ended December 31, 2022 to RMB135.6 million for the year ended December 31, 2023. The increase was mainly due to (i) an increase of RMB13.5 million in staff costs, mainly because we increased the overall salaries and benefits of our employees, including our administrative personnel; (ii) an increase of RMB2.4 million in business development expenses as our management team increased the business development activities as our business continued to expand; and (iii) increases in depreciation of property, plant and equipment and depreciation of right-of-use assets, mainly as a result of newly acquired logistics equipment and additional office space we rented.

Research and Development Costs

Our research and development costs increased from RMB8.2 million for the year ended December 31, 2022 to RMB11.6 million for the year ended December 31, 2023. The increase was mainly due to (i) an increase of RMB2.2 million in staff costs, mainly because we hired certain highly qualified research and development personnel to facilitate our upgrades of

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information technology systems; and (ii) an increase of RMB1.1 million in professional service fees, which was mainly in connection with the research, development and design services provided by third parties for the product design and development of our tea leaf products and tea snacks.

Impairment Losses on Trade and Other Receivables

Our impairment losses on trade and other receivables increased from RMB0.9 million for the year ended December 31, 2022 to RMB1.7 million for the year ended December 31, 2023, primarily because (i) we recorded impairment losses for rental deposits in connection with leases for certain closed self-operated offline stores; and (ii) our trade receivables increased, which in turn was because we extended the period between delivery of goods and issuance of invoice for a major customer in June 2023 because we had long-term cooperation and expect to further strengthen our relationship.

Other Income

Our other income increased from RMB15.8 million for the year ended December 31, 2022 to RMB16.4 million for the year ended December 31, 2023, primarily due to an increase of RMB0.7 million in the interest income on bank deposits, mainly because we increased the amount of our bank deposits for a period of time during the year ended December 31, 2023, partially offset by a decrease of RMB0.9 million in the unconditional subsidies of government grants, mainly because certain one-off subsidies from the relevant government authorities were only granted during the year ended December 31, 2022.

Other Net (Loss)/Income

We recorded other net loss for the year ended December 31, 2022 and other net income for the year ended December 31, 2023. Our other loss of RMB3.7 million for the year ended December 31, 2022 was primarily due to (i) losses on disposal of property, plant and equipment and right-of-use assets of RMB4.9 million, mainly reflecting losses on disposal arising from the closure of our self-operated offline stores; and (ii) donation of RMB1.2 million, primarily reflecting our donation to certain schools and charity projects, as partially offset by investment income from financial assets measured at FVPL of RMB1.6 million, mainly reflecting our income from structured deposits.

Our other net income of RMB1.5 million for the year ended December 31, 2023 was primarily due to RMB2.1 million of income from our structured deposits, as partially offset by RMB1.0 million in losses on disposal of property, plant and equipment and right-of-use assets.

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Finance Costs

Our finance costs decreased from RMB11.2 million for the year ended December 31, 2022 to RMB10.9 million for the year ended December 31, 2023, primarily due to a decrease of RMB0.6 million in interest on lease liabilities, mainly because the number of our self-operated offline stores decreased during the year ended December 31, 2023, which resulted in less lease liabilities.

Profit Before Taxation

As a result of the foregoing, our profit before taxation increased from RMB226.6 million for the year ended December 31, 2022 to RMB284.0 million for the year ended December 31, 2023.

Income Tax

Our income tax increased from RMB60.7 million for the year ended December 31, 2022 to RMB78.3 million for the year ended December 31, 2023, primarily due to an increase of RMB11.9 million in current tax as a result of an increase in our taxable income.

Profit for the Year

As a result of the foregoing, our profit for the year increased from RMB165.8 million for the year ended December 31, 2022 to RMB205.7 million for the year ended December 31, 2023.

NET CURRENT ASSETS

The table below sets forth the breakdown of our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets:				
Inventories	440,421	436,342	438,977	443,816
Trade and other receivables	95,507	123,640	193,462	178,481
Financial assets measured at FVPL . . .	—	140,240	—	—
Deposits with a bank with original maturity date over three months	—	90,000	90,000	90,000

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	As of December 31,			As of June 30,
	2022	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Restricted bank deposits	6,130	6,254	6,124	6,077
Cash and cash equivalents	239,263	206,557	347,199	436,021
Total current assets . . .	781,321	1,003,033	1,075,762	1,154,395
Current liabilities:				
Trade and other payables	357,570	462,899	382,446	372,477
Contract liabilities	56,210	75,210	53,104	56,051
Lease liabilities	89,945	77,620	55,577	52,840
Bank loans	—	60,000	—	—
Current taxation	33,353	55,373	40,631	26,219
Total current liabilities	537,078	731,102	531,758	507,587
Net current assets	244,243	271,931	544,004	646,808

Our net current assets increased from RMB244.2 million as of December 31, 2022 to RMB271.9 million as of December 31, 2023, primarily because the increase in our total current assets outpaced the increase in our total current liabilities. Our total current assets increased from RMB781.3 million as of December 31, 2022 to RMB1,003.0 million as of December 31, 2023, primarily due to (i) an increase of RMB140.2 million in financial assets measured at FVPL, primarily because we invested in structured deposits issued by banks in the PRC, which had no fixed or determinable returns; (ii) an increase of RMB90.0 million in deposits with a bank with original maturity date over three months, because we purchased large certificates of deposits with a term of three years to enjoy their relatively high interest rates; and (iii) an increase of RMB28.1 million in our trade and other receivables due to increases in trade receivables, deposits and value-added tax recoverable in line with the increase in our sales and growth of our business. Our total current liabilities increased from RMB537.1 million as of December 31, 2022 to RMB731.1 million as of December 31, 2023, primarily due to (i) an increase of RMB105.3 million in the trade and other payables, primarily due to an increase of RMB38.0 million in payables for purchase of property, plant and equipment relating to the construction of new buildings at the Wuyishan Production Base, an increase of RMB22.2 million in refund liabilities arising from sales rebate, primarily because we increased the sales rebates for franchisees during the year ended December 31, 2023 to motivate their operations, an increase of RMB14.1 million in staff cost payables as our overall salaries and benefits to employees increased, and an increase of RMB12.1 million in trade payables because our procurement amount from suppliers increased as our business expanded, which increased our payables to them; and (ii) an increase of RMB60.0 million in bank loans.

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Our net current assets increased from RMB271.9 million as of December 31, 2023 to RMB544.0 million as of December 31, 2024, primarily due to the increase in our total current assets and the decrease in our total current liabilities. Our total current assets increased from RMB1,003.0 million as of December 31, 2023 to RMB1,075.8 million as of December 31, 2024, primarily due to (i) an increase of RMB140.6 million in cash and cash equivalents; and (ii) an increase of RMB69.8 million in trade and other receivables, mainly due to an increase in amount due from local authority in connection with the prepayment amount that is expected to be refunded by local authority resulting from the termination of our involvement in the joint development project of a building, as partially offset by a decrease of RMB140.2 million in financial assets measured at FVPL, primarily because the structured deposits recorded as of December 31, 2023 matured during the year ended December 31, 2024, and we did not invest in new financial assets. Our total current liabilities decreased from RMB731.1 million as of December 31, 2023 to RMB531.8 million as of December 31, 2024, primarily due to (i) a decrease of RMB80.5 million in trade and other payables, primarily because (a) we had lower procurement amount in December 2024 than that in December 2023, which resulted in the lower amount of trade payables as of December 31, 2024; and (b) payables for purchase of property, plant and equipment relating to the construction of new buildings at the Wuyishan Production Base as of December 31, 2023 were partially settled in 2024; (ii) a decrease of RMB60.0 million in bank loans because we repaid the bank loans during the year ended December 31, 2024; (iii) a decrease of RMB22.1 million in contract liabilities primarily due to a decrease in advance payment received, mainly because the 2024 Chinese New Year was in February 2024, while the 2025 Chinese New Year was in January 2025. As such, the settlement of advance payment from franchisees mainly occurred in January 2024 for the 2024 Chinese New Year and December 2024 for the 2025 Chinese New Year, respectively, due to the procurement in preparation for the sales during the relevant periods; (iv) a decrease of RMB22.0 million in lease liabilities, primarily due to the decrease of the number of our self-operated offline stores, mainly because we strategically closed certain self-operated offline stores or converted them into franchised stores operated by franchisees; and (v) a decrease of RMB14.7 million in current taxation, primarily because we accelerated our payment of tax.

Our net current assets increased from RMB544.0 million as of December 31, 2024 to RMB646.8 million as of June 30, 2025, primarily due to the increase in our total current assets and the decrease in our total current liabilities. Our total current assets increased from RMB1,075.8 million as of December 31, 2024 to RMB1,154.4 million as of June 30, 2025, mainly due to an increase of RMB88.8 million in cash and cash equivalents, as partially offset by a decrease of RMB15.0 million in trade and other receivables, mainly due to the decrease of sales to a customer with credit term, which resulted in a decrease in trade receivables, net of loss allowance. Our current liabilities decreased from RMB531.8 million as of December 31, 2024 to RMB507.6 million as of June 30, 2025, mainly due to (i) a decrease of RMB14.4 million in current taxation, mainly due to the decrease of our taxable income; and (ii) a decrease of RMB10.0 million in trade and other payables, primarily due to (a) a decrease of RMB13.9 million in other payables, mainly because we settled part of the [REDACTED] in connection with the proposed [REDACTED]; (b) a decrease of RMB13.3 million in staff cost payables, mainly because the staff’s salaries and bonuses recorded as of December 31, 2024

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were paid during the six months ended June 30, 2025; (c) a decrease of RMB8.6 million in payables for purchase of property, plant and equipment, primarily because we settled part of payables for purchase of property, plant and equipment for our Wuyishan Production Base during the six months ended June 30, 2025; and (d) a decrease of RMB4.0 million in other taxes payables, mainly due to the decrease of revenue during the six months ended June 30, 2025. Such decrease was partially offset by an increase of RMB26.0 million in trade payables, primarily reflecting the payables for certain products that were procured in May and June 2025 in preparation for the sales during the Dragon Boat Festival and the June 18 Shopping Carnival in June 2025.

WORKING CAPITAL SUFFICIENCY

During the Track Record Period and up to the Latest Practicable Date, we financed our working capital needs primarily through cash flow from operating activities. Taking into account the financial resources available to our Group, including the cash flow from operating activities, available banking facilities and the estimated net [REDACTED] from the [REDACTED], our Directors are of the view that, after due and careful inquiry, we have sufficient available working capital for our present requirements for at least the next 12 months from the date of this document.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows Analysis

During the Track Record Period, our principal uses of cash were to fund our working capital requirements and capital expenditures. We have historically met our working capital needs primarily through cash flow from operating activities.

Upon the completion of the [REDACTED], we expect to meet our working capital needs primarily through the net [REDACTED] to our Company from the [REDACTED] and cash flow from operating activities.

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The table below sets forth a summary of our cash flows for the periods indicated:

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Net cash generated from operating activities	214,536	465,062	269,027	42,485	181,241
Net cash (used in)/generated from investing activities	(107,107)	(437,076)	42,396	(17,948)	(24,622)
Net cash used in financing activities	(116,059)	(60,692)	(170,781)	(100,531)	(67,797)
Net (decrease)/increase in cash and cash equivalents	(8,630)	(32,706)	140,642	(75,994)	88,822
Cash and cash equivalents at the beginning of the year/period. . . .	<u>247,893</u>	<u>239,263</u>	<u>206,557</u>	<u>206,557</u>	<u>347,199</u>
Cash and cash equivalents at the end of the year/period.	<u>239,263</u>	<u>206,557</u>	<u>347,199</u>	<u>130,563</u>	<u>436,021</u>

Net Cash Flows Generated from Operating Activities

For the six months ended June 30, 2025, our net cash generated from operating activities was RMB181.2 million. This net cash inflow was primarily attributable to (i) our profit before taxation of RMB163.0 million; (ii) positive total adjustments before movements in working capital, primarily reflecting the depreciation of RMB60.0 million; and (iii) positive movements in working capital, primarily reflecting decrease in trade and other receivables and rental deposits of RMB15.2 million, as partially offset by (a) decrease in trade and other payables and accruals of RMB6.2 million; and (b) increase in inventories of RMB4.8 million, which were partially offset by the payment of income tax of RMB53.1 million.

For the year ended December 31, 2024, our net cash generated from operating activities was RMB269.0 million. This net cash inflow was primarily attributable to (i) our profit before taxation of RMB308.4 million; and (ii) positive total adjustments before movements in working capital, primarily reflecting the depreciation of RMB127.8 million, which was partially offset by (i) negative movements in working capital, primarily reflecting (a) decrease in trade and other payables and accruals of RMB60.3 million; and (b) decrease in contract liabilities of RMB22.1 million; and (ii) payment of income tax of RMB98.2 million. Our net cash generated from operating activities decreased from RMB465.1 million for the year ended December 31, 2023 to RMB269.0 million for the year ended December 31, 2024, primarily due to the decrease in trade and other payables, mainly because we had lower procurement amount in December 2024 than that in December 2023, which resulted in the lower amount of trade payables as of December 31, 2024.

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For the year ended December 31, 2023, our net cash generated from operating activities was RMB465.1 million. This net cash inflow was primarily attributable to (i) our profit before taxation of RMB284.0 million; (ii) positive total adjustments before movements in working capital, primarily reflecting the depreciation of RMB138.5 million; and (iii) positive movements in working capital, primarily reflecting (a) increase in trade and other payables and accruals of RMB68.5 million; and (b) increase in contract liabilities of RMB19.0 million, which was partially offset by payment of income tax of RMB58.9 million.

For the year ended December 31, 2022, our net cash generated from operating activities was RMB214.5 million. This net cash inflow was primarily attributable to (i) our profit before taxation of RMB226.6 million; and (ii) positive total adjustments before movements in working capital, primarily reflecting the depreciation of RMB128.9 million, which was partially offset by (i) negative movements in working capital, primarily reflecting increase in inventories of RMB109.3 million, as partially offset by increase in trade and other payables and accruals of RMB29.1 million; and (ii) payment of income tax of RMB58.7 million.

Net Cash Flows (Used in)/Generated from Investing Activities

For the six months ended June 30, 2025, our net cash used in investing activities was RMB24.6 million. This net cash outflow was primarily attributable to payment for purchases of property, plant and equipment, and right-of-use assets of RMB23.6 million.

For the year ended December 31, 2024, our net cash generated from investing activities was RMB42.4 million. This net cash inflow was primarily attributable to the proceeds from disposal of financial assets measured at FVPL of RMB140.2 million, as partially offset by the payment for purchases of property, plant and equipment, and right-of-use assets of RMB94.1 million.

For the year ended December 31, 2023, our net cash used in investing activities was RMB437.1 million. This net cash outflow was primarily attributable to (i) payment for purchases of property, plant and equipment, and right-of-use assets of RMB199.4 million; (ii) payment for purchase of financial assets measured at FVPL of RMB140.0 million; (iii) payment for deposits with a bank with original maturity date over three months of RMB90.0 million; and (iv) payment for purchases of intangible assets of RMB13.1 million.

For the year ended December 31, 2022, our net cash used in investing activities was RMB107.1 million. This net cash outflow was primarily attributable to (i) payment for purchases of property, plant and equipment, and right-of-use assets of RMB92.2 million; and (ii) payment for purchases of intangible assets of RMB16.9 million.

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Net Cash Flows Used in Financing Activities

For the six months ended June 30, 2025, our net cash used in financing activities was RMB67.8 million. This net cash outflow was primarily attributable to (i) dividends paid to equity shareholders of the Company of RMB31.3 million; and (ii) payment of capital element of lease liabilities of RMB31.2 million.

For the year ended December 31, 2024, our net cash used in financing activities was RMB170.8 million. This net cash outflow was primarily attributable to (i) payment of capital element of lease liabilities of RMB68.7 million; (ii) repayment of bank loans of RMB60.0 million; and (iii) dividends paid to equity shareholders of our Company of RMB31.9 million.

For the year ended December 31, 2023, our net cash used in financing activities was RMB60.7 million. This net cash outflow was primarily attributable to (i) payment of capital element of lease liabilities of RMB79.4 million; (ii) dividends paid to equity shareholders of our Company of RMB30.4 million; and (iii) repayment of bank loans of RMB30.0 million.

For the year ended December 31, 2022, our net cash used in financing activities was RMB116.1 million. This net cash outflow was primarily attributable to (i) payment of capital element of lease liabilities of RMB66.9 million; and (ii) dividends paid to equity shareholders of our Company of RMB38.0 million.

DESCRIPTION OF CERTAIN KEY ITEMS FROM OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Inventories

Our inventories primarily consist of raw materials, work in progress, and finished goods and goods in transit. The following table sets forth a summary of our balance of inventories as of the dates indicated:

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Raw material	42,561	47,380	47,467	70,787
Work in progress	63,980	55,657	46,411	46,299
Finished goods and goods in transit	333,880	333,305	345,099	326,730
Total	<u>440,421</u>	<u>436,342</u>	<u>438,977</u>	<u>443,816</u>

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The balances of our inventories remained relatively stable during the Track Record Period. Our inventories decreased from RMB440.4 million as of December 31, 2022 to RMB436.3 million as of December 31, 2023, primarily due to a decrease of RMB8.3 million in work in progress and a decrease of RMB0.6 million in finished goods and goods in transit. Such decreases were partially offset by an increase of RMB4.8 million in raw materials. These decreases and increase were primarily because the 2023 Chinese New Year was in January 2023, while the 2024 Chinese New Year was in February 2024. As such, (i) we had more balances of work in progress and finished products and goods in transit as of December 31, 2022 as compared to those as of December 31, 2023 because we accumulated more products near the end of 2022 in preparation for the sales during the 2023 Chinese New Year in January 2023; and (ii) we began to produce a majority of products in preparation for the sales during the 2023 and 2024 Chinese New Year in December 2022 and January 2024, respectively, which resulted in higher balances of raw materials as of December 31, 2023 than that as of December 31, 2022.

Our inventories increased from RMB436.3 million as of December 31, 2023 to RMB439.0 million as of December 31, 2024, primarily due to an increase of RMB11.8 million in finished goods and goods in transit, as partially offset by a decrease of RMB9.2 million in work in progress. These decreases and increase were primarily because the 2024 Chinese New Year was in February 2024, while the 2025 Chinese New Year was in January 2025. As such, (i) we had more balances of finished products and goods in transit as of December 31, 2024 as compared to those as of December 31, 2023 because we accumulated more products near the end of 2024 in preparation for the sales during the 2025 Chinese New Year in January 2025; and (ii) we finished the production for a portion of products near the end of 2024 in preparation for the 2025 Chinese New Year in January 2025, which decreased the amount of work in progress.

Our inventories increased from RMB439.0 million as of December 31, 2024 to RMB443.8 million as of June 30, 2025, primarily due to an increase of RMB23.3 million in raw material, mainly because we procured relatively large amount of Wuyi Yan Chan during June 2025 as (i) June and July were peak procurement seasons for Wuyi Yan Chan; and (ii) we expect there to be increased marked demand for Wuyi Yan Chan products, as partially offset by a decrease of RMB18.4 million in finished goods and goods in transit, mainly because we typically have more finished goods and goods in transit at the end of year, as compared to that in the middle of the year, due to the expected increase of sales for the Chinese New Year.

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The following table sets forth our average inventory turnover days by sales channel for the periods indicated:

	For the Year Ended December 31,			For the Six Months Ended June 30,
	2022	2023	2024	2025
Offline channels ⁽¹⁾⁽²⁾	186	171	189	206
Online channels ⁽¹⁾⁽²⁾	91	103	96	68
Overall ⁽¹⁾	166	158	166	168

Notes:

- (1) The calculation of inventory turnover days is based on the average of the opening balance and closing balance of inventories for the relevant year/period divided by cost of sales and multiplied by the number of days in the relevant year/period, which amounted to 365 days for the years ended December 31, 2022 and 2023, 366 days for the year ended December 31, 2024, and 181 days for the six months ended June 30, 2025.
- (2) The opening balance and closing balance of the inventories for offline channels and online channels are based on the records of our warehouses which were usually designated for the delivery of products to offline channels and online channels, respectively. However, during the Track Record Period, a small amount of products stored at the offline channel warehouses were sold through online channels to facilitate the emergent logistics requirements. The balances of inventories for such sales were recorded as balances for offline channels.

During each period of the Track Record Period, the inventory turnover days of our online channels were shorter than those of our offline channels, mainly because the promotional activities of e-commerce platforms and live-streaming commerce tend to enable us to sell large amount of products within a short period of time, especially during the shopping events such as Singles’ Day Shopping Carnival and June 18 Shopping Carnival, which accelerated the turnover of sales of products through online channels.

We believe our average inventory turnover days are in line with those of the players in China’s tea industry with similar product structure.

Our overall average inventory turnover days decreased from 166 days for the year ended December 31, 2022 to 158 days for the year ended December 31, 2023, mainly because our sales increased during the year ended December 31, 2023, which accelerated the sales of our inventories. Our average inventory turnover days increased from 158 days for the year ended December 31, 2023 to 166 days for the year ended December 31, 2024, and further to 168 days for the six months ended June 30, 2025, mainly because the balance of inventories slightly increased, while the cost of sales decreased as we took effective measures to enhance our supply chain management and lower our cost of inventories, such as securing additional volume discounts through centralized procurement arrangement and using cost-effective materials in product packaging.

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The following table sets out the aging analysis of our inventories for the periods indicated:

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Within 12 months	317,488	277,428	252,296	238,180
12 months to 24 months	49,855	61,972	57,402	60,011
24 months to 36 months	45,375	39,663	49,183	47,927
Over 36 months	27,703	57,279	80,096	97,698
Total	<u>440,421</u>	<u>436,342</u>	<u>438,977</u>	<u>443,816</u>

The balances of inventories aged between 12 months to 24 months increased from RMB49.9 million as of December 31, 2022 to RMB62.0 million as of December 31, 2023, mainly because we procured relatively large amount of white tea leaves and Pu'er tea leaves (the “2022 Relevant Tea Leaves”) during the year ended December 31, 2022, which became inventories aged between 12 months to 24 months as of December 31, 2023. As white tea and Pu'er tea are aging types of tea leaves, we preserved a portion of these tea leaves for aging to improve their value and/or facilitate future sales. The balances of inventories aged between 12 months to 24 months then decreased to RMB57.4 million as of December 31, 2024, mainly because (i) the 2022 Relevant Tea Leaves which were still preserved as of December 31, 2024 became inventories aged between 24 months to 36 months; and (ii) a significant amount of inventories aged within 12 months as of December 31, 2023 were Wuyi Yan Cha, which were sold during the year ended December 31, 2024. The balances of inventories aged between 12 months to 24 months slightly increased from RMB57.4 million as of December 31, 2024 to RMB60.0 million as of June 30, 2025, mainly because certain Pu'er tea leaf products which were procured during the year ended December 31, 2024 became inventories aged between 12 months to 24 months as of June 30, 2025.

The balances of inventories aged between 24 months to 36 months decreased from RMB45.4 million as of December 31, 2022 to RMB39.7 million as of December 31, 2023, mainly because we procured large amount of Pu'er tea leaves in 2020, and preserved a portion of them for aging to improve their value and/or facilitate future sales. These preserved Pu'er tea leaves became inventories aged over 36 months as of December 31, 2023. The balances of inventories aged between 24 months to 36 months then increased to RMB49.2 million as of December 31, 2024, mainly because the 2022 Relevant Tea Leaves which were still preserved as of December 31, 2024 became inventories aged between 24 months to 36 months. The balances of inventories aged between 24 months to 36 months slightly decreased from RMB49.2 million as of December 31, 2024 to RMB47.9 million as of June 30, 2025, primarily because the 2022 Relevant Tea Leaves which were still preserved as of June 30, 2025 became inventories aged over 36 months.

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The balances of inventories aged over 36 months increased during the Track Record Period mainly because we procured large amount of Pu’er tea leaves in 2020 and 2021, and we preserved a portion of them for aging to improve their value and/or facilitate future sales. For the years ended December 31, 2020 and 2021, we procured Pu’er tea leaves with the total amount of RMB269.3 million, among which, RMB205.0 million, or 76.2%, were subsequently settled as of July 31, 2025.

As of July 31, 2025, RMB82.7 million, or 18.6% of our inventories as of June 30, 2025 had been subsequently sold or utilized. The balance of our inventories as of July 31, 2025 mainly consisted of inventories for Pu’er tea leaves. We were not aware of any material recoverability issue with respect to our inventories as of July 31, 2025, and sufficient provision for impairment of inventories have been made in view of our recoverability of inventories, on the basis that (i) according to Frost & Sullivan, properly stored Pu’er tea leaves can maintain their quality for several decades, and the value of Pu’er tea leaves will typically increase with the period of their preservation; (ii) the usual shelf lives of our inventories as of July 31, 2025 were long term according to the relevant national and industry standards in the PRC, which indicate that they can be preserved for years; (iii) we believe that our stock of inventories is significant to our success in launching high-quality new products continuously and responding to the evolving market demand on a timely basis; and (iv) our stock of inventories also supports our continuous expansion of sales network, which requires large quantity of products.

Trade and Other Receivables

The current portion of our trade and other receivables primarily represent (i) trade receivables, which primarily represent the outstanding amounts due to us from e-commerce platforms, third party payment platforms, such as WeChat Pay and Alipay, and shopping malls; (ii) deposits, which primarily represent our deposits for leases and sales through e-commerce platforms; (iii) value-added tax recoverable, which primarily represent certain tax recoverable in relation to expenditure on inventories and property, plant and equipment that we procure; (iv) amount due from local authority, which primarily represent the prepayment amount that is expected to be refunded by local authority resulting from the termination of our involvement in the joint development project of a building; and (v) prepayments to vendors. As of December 31, 2022, 2023 and 2024, and June 30, 2025, the current portion of our trade and other receivables amounted to RMB95.5 million, RMB123.6 million, RMB193.5 million and RMB178.5 million, respectively.

The non-current portion of our trade and other receivables consist of (i) rental deposits, which primarily represent the deposits we made to landlords and operators of shopping malls and supermarkets pursuant to our relevant agreements with them in connection with leasing properties for our self-operated offline stores; and (ii) prepayment for purchase of property, plant and equipment and right-of-use assets.

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The table below sets forth the breakdown of our trade and other receivables:

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Trade receivables, net of loss allowance	46,649	58,522	64,039	46,251
Deposits	14,343	22,281	18,897	20,291
Value-added tax recoverable	6,973	14,540	11,464	6,753
Amount due from local authority	—	—	66,410	66,410
Other receivables	432	1,910	3,554	4,583
Payments for [REDACTED]	—	—	6,962	4,565
Prepayments to vendors	27,110	26,387	22,136	29,628
	<u>95,507</u>	<u>123,640</u>	<u>193,462</u>	<u>178,481</u>
Non-current				
Rental deposits	16,777	8,993	8,197	7,467
Prepayment for purchase of property, plant and equipment and right-of-use assets	8,751	74,080	953	520
	<u>25,528</u>	<u>83,073</u>	<u>9,150</u>	<u>7,987</u>

The current portion of our trade and other receivables increased from RMB95.5 million as of December 31, 2022 to RMB123.6 million as of December 31, 2023, primarily due to (i) an increase of RMB11.9 million in trade receivables, net of loss allowance, primarily because we extended the period between delivery of goods and issuance of invoice for a major customer during the year ended December 31, 2023, mainly because we had long-term cooperation and expect to further strengthen our relationship; (ii) an increase of RMB7.9 million in deposits, primarily because the rental deposits that should be classified as current increased because the number of our self-operated offline stores decreased during the year ended December 31, 2023, while the terms of leases for the remaining self-operated offline stores was gradually approaching expiry; and (iii) an increase of RMB7.6 million in value-added tax recoverable, primarily reflecting the value-added tax recoverable in connection with the purchase of property, plant and equipment for our Wuyishan Production Base.

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The current portion of our trade and other receivables increased from RMB123.6 million as of December 31, 2023 to RMB193.5 million as of December 31, 2024, primarily due to an increase of RMB66.4 million in amount due from local authority, primarily in connection with the prepayment amount that is expected to be refunded by local authority resulting from the termination of our involvement in the joint development project of a building. In 2024, we terminated our involvement in such development project, and our application for the return of the prepayment was approved by the local authority in November 2024.

The current portion of our trade and other receivables decreased from RMB193.5 million as of December 31, 2024 to RMB178.5 million as of June 30, 2025, primarily due to a decrease of RMB17.8 million in trade receivables, net of loss allowance, mainly due to the decrease of sales to a customer with credit term. Such decrease was partially offset by an increase of RMB7.5 million in prepayments to vendors, primarily because we engaged a third party to provide strategic consultancy services to us, and made prepayments for such services during the six months ended June 30, 2025.

The non-current portion of our trade and other receivables increased from RMB25.6 million as of December 31, 2022 to RMB83.1 million as of December 31, 2023, primarily due to an increase of RMB65.3 million in prepayment for purchase of property, plant and equipment and right-of-use assets, mainly because we made prepayment for purchasing a land use right in Shenzhen.

The non-current portion of our trade and other receivables decreased from RMB83.1 million as of December 31, 2023 to RMB9.2 million as of December 31, 2024, primarily due to a decrease of RMB73.1 million in prepayment for purchase of property, plant and equipment and right-of-use assets, mainly because our prepayment for purchasing a land use right in Shenzhen became receivables from local authority. Such prepayment was made for acquiring a parcel of land from the local authority, on which we planned to jointly develop a building with a third party. In 2024, we terminated our involvement in such development project, and our application for the return of the prepayment was approved by the local authority in November 2024.

The non-current portion of our trade and other receivables decreased from RMB9.2 million as of December 31, 2024 to RMB8.0 million as of June 30, 2025, primarily due to a decrease of RMB0.7 million in rental deposits, mainly because we had less rental deposits in connection with our self-operated offline stores as the number of our self-operated offline stores decreased during the six months ended June 30, 2025.

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Movement in the loss allowance account in respect of trade receivables during the Track Record Period is as follows:

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	1,505	1,941	2,547	3,519
Amounts written off	(28)	(13)	(103)	(131)
Impairment losses recognized	464	619	1,075	–
Impairment losses reversed . .	–	–	–	(879)
At the end of the year/period.	<u>1,941</u>	<u>2,547</u>	<u>3,519</u>	<u>2,509</u>

The following table sets forth our average trade receivables turnover days for the periods indicated:

	For the Year Ended December 31,			For the Six Months Ended June 30,
	2022	2023	2024	2025
Average trade receivables turnover days ⁽¹⁾	8	9	10	9

Note:

- (1) The calculation of trade receivables turnover days is based on the average of the opening balance and closing balance of trade receivables for the relevant year/period divided by revenue and multiplied by the number of days in the relevant year/period, which amounted to 365 days for the years ended December 31, 2022 and 2023, 366 days for the year ended December 31, 2024, and 181 days for the six months ended June 30, 2025.

Our average trade receivables turnover days increased from eight days for the year ended December 31, 2022 to nine days for the year ended December 31, 2023, mainly because the credit term of a major e-commerce platform customer was extended during the year ended December 31, 2023, mainly because we had long-term cooperation and expect to further strengthen our relationship. Our average trade receivables turnover days increased from nine days for the year ended December 31, 2023 to ten days for the year ended December 31, 2024, mainly because our trade receivables increased, which in turn was mainly due to the increase of sales to customers with credit term. Our average trade receivables turnover days remained relatively stable at 9 days for the six months ended June 30, 2025 as compared to 10 days for the year ended December 31, 2024.

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The following table sets out the aging analysis of our trade receivables, net of loss allowance for the periods indicated:

	For the Year Ended December 31,			For the Six Months Ended June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	46,554	58,394	63,502	45,922
More than 1 year but within				
2 years	82	90	515	218
More than 2 years but within				
3 years	13	38	22	111
	<u>46,649</u>	<u>58,522</u>	<u>64,039</u>	<u>46,251</u>

As of July 31, 2025, RMB22.2 million, or 45.5%, of our trade receivables as of June 30, 2025 had been subsequently settled. Our trade receivables within one year were primarily from a major e-commerce platform in relation to our online sales. Our Directors consider the credit risk is very low. As of the Latest Practicable Date, we were not aware of any material recoverability issue for trade receivables, and sufficient provision for impairment of trade receivables had been made in view of their recoverability.

Financial Asset at FVPL

Our financial asset at FVPL primarily consists of our investments in unlisted structured deposits issued by banks in the PRC. Our financial assets at FVPL amounted to nil, RMB140.2 million, nil and nil as of December 31, 2022, 2023 and 2024 and June 30, 2025, primarily because we invested in structured deposits issued by banks in the PRC during the year ended December 31, 2023.

Deposits with a Bank with Original Maturity Date over Three Months

Our deposits with a bank with original maturity date over three months primarily consist of large certificates of deposits with a term of three years, which amounted to nil, RMB90.0 million, RMB90.0 million and RMB90.0 million, because we purchased large certificates of deposits with a term of three years to enjoy their relatively high interest rates during the year ended December 31, 2023, and such deposits did not mature during the year ended December 31, 2024 and the six months ended June 30, 2025.

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Restricted Bank Deposits

Our restricted bank deposits primarily consist of (i) funds received in advance for prepaid cards purchased by consumers at our self-operated stores; (ii) deposits for electronic toll collection; and (iii) deposits for POS machines. Our restricted bank deposits remained relatively stable at RMB6.1 million, RMB6.3 million, RMB6.1 million and RMB6.1 million as of December 31, 2022, 2023 and 2024 and June 30, 2025, respectively.

Trade and Other Payables

Our trade and other payables primarily consist of (i) trade payables, which primarily represent our obligations to pay for goods that have been acquired in the ordinary course of business from our suppliers; (ii) deposits, which primarily represent deposits from franchisees for securing their performances under our franchise agreements with them; (iii) payables for purchase of property, plant and equipment, which primarily represent our obligations to pay for the property, plant and equipment for our Wuyishan Production Base; (iv) staff cost payables, which primarily represent our obligations to pay the salaries of employees; (v) other taxes payables, which primarily represent our tax payables other than enterprise income taxes; (vi) refund liabilities arising from sales rebate, which primarily represent our obligations to pay sales incentives to franchisees. We may provide sales rebates to franchisees who satisfy relevant requirements according to our agreements or franchisees incentivizing policies from time to time; and (vii) other payables, which primarily represent payables for promotion services provide by third parties. The typical credit term granted to us by our suppliers generally ranged from 30 to 60 days.

The following table sets forth trade and other payables as of the dates indicated:

	As of December 31,			As of
	2022	2023	2024	June 30,
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Trade payables	187,261	199,327	155,749	181,775
Bill payables	—	4,843	—	—
Deposits	63,880	71,250	74,385	78,979
Payables for purchase of property, plant and equipment	12,146	50,114	30,230	21,634
Staff cost payables	50,178	64,311	50,330	37,001
Other taxes payables	8,647	15,521	22,270	18,294
Dividends payable	30	42	50	63
Refund liabilities arising from sales rebate	3,926	26,159	12,726	12,043
Amounts due to related parties	1,776	2,112	1,734	1,656
Other payables	29,726	29,220	34,972	21,032
	<u>357,570</u>	<u>462,899</u>	<u>382,446</u>	<u>372,477</u>

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Our trade and other payables increased from RMB357.6 million as of December 31, 2022 to RMB462.9 million as of December 31, 2023, primarily due to (i) an increase of RMB38.0 million in payables for purchase of property and equipment, mainly representing the increased payables for the relevant costs in connection with the purchase of property, plant and equipment for our Wuyishan Production Base; (ii) an increase of RMB22.2 million in refund liabilities arising from sales rebate, primarily because we increased the sales incentives for franchisees during the year ended December 31, 2023 to motivate their operations; (iii) an increase of RMB12.1 million in trade payables, primarily because our procurement from suppliers increased during the year ended December 31, 2023 as our business expanded, which increased our payables to them because our payments were typically on credit; and (iv) an increase of RMB14.1 million in staff cost payables, primarily as a result of an increase in the total bonus we paid to our selling and marketing personnel in line with the increase in our sales.

Our trade and other payables decreased from RMB462.9 million as of December 31, 2023 to RMB382.4 million as of December 31, 2024, primarily due to (i) a decrease of RMB43.6 million in trade payables, primarily arising from the decrease of trade payables resulted from the procurement of Pu’er tea leaves. Our procurement amount of Pu’er tea leaves decreased as we had sufficient stock of Pu’er tea leaves for our business during the year ended December 31, 2024 as compared to the year ended December 31, 2023; (ii) a decrease of RMB19.9 million in payables for purchase of property, plant and equipment, primarily because we settled part of payables for purchase of property, plant and equipment for our Wuyishan Production Base during the year ended December 31, 2024; (iii) a decrease of RMB14.0 million in staff cost payables, primarily because (a) the performance bonus of certain employees decreased as these employees did not meet the performance targets during the year ended December 31, 2024; and (b) we had fewer personnel in selling and marketing in line with the decrease in the number of our self-operated offline stores; and (iv) a decrease of RMB13.5 million in refund liabilities arising from sales rebate, primarily because we reduced the sales rebate to franchisees during the year ended December 31, 2024 based on our overall business development strategy.

Our trade and other payables decreased from RMB382.4 million as of December 31, 2024 to RMB372.5 million as of June 30, 2025, primarily due to (i) a decrease of RMB13.9 million in other payables, mainly because we settled part of the [REDACTED] in connection with the proposed [REDACTED]; (ii) a decrease of RMB13.3 million in staff cost payables, mainly because the staff’s salaries and bonuses recorded at the end of the year ended December 31, 2024 were paid during the six months ended June 30, 2025; (iii) a decrease of RMB8.6 million in payables for purchase of property, plant and equipment, primarily because we settled part of payables for purchase of property, plant and equipment for our Wuyishan Production Base during the six months ended June 30, 2025; and (iv) a decrease of RMB4.0 million in other taxes payables, mainly due to the decrease of revenue during the six months ended June 30, 2025. Such decrease was partially offset by an increase of RMB26.0 million in trade payables, primarily reflecting the payables for certain products that were procured in May and June 2025 in preparation for the sales during the Dragon Boat Festival and the June 18 Shopping Carnival in June 2025.

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The following table sets the aging analysis of the trade payables and bill payables as at the end of each date indicated:

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	187,254	204,161	155,530	181,587
After 1 year	7	9	219	188
	<u>187,261</u>	<u>204,170</u>	<u>155,749</u>	<u>181,775</u>

The following table sets forth our average trade payable and bill payable turnover days for the relevant period indicated:

	For the Year Ended December 31,			For the Six Months Ended June 30,
	2022	2023	2024	2025
Average trade payable and bill payable turnover days ⁽¹⁾	71	71	68	64

Note:

- (1) The calculation of trade payable and bill payable turnover days is based on the average of the opening balance and closing balance of trade payables and bill payables for the relevant period divided by cost of sales and multiplied by the number of days in the relevant period, which amounted to 365 days for the years ended December 31, 2022 and 2023, 366 days for the year ended December 31, 2024, and 181 days for the six months ended June 30, 2025.

Our average trade payable and bill payable turnover days remained the same at 71 days for the years ended December 31, 2022 and 2023. Our average trade payable and bill payable turnover days decreased from 71 days for the year ended December 31, 2023 to 68 days for the year ended December 31, 2024, mainly due to the decrease in trade payables, primarily because we had lower procurement amount in December 2024 than that in December 2023. Our average trade payable and bill payable turnover days decreased from 68 days for the year ended December 31, 2024 to 64 days for the six months ended June 30, 2025, primarily because we had relatively higher balance of trade and bill payables as of December 31, 2023, which resulted in relatively longer average trade and bill payable turnover days for the year ended December 31, 2024 as compared to that for the six months ended June 30, 2025.

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As of July 31, 2025, RMB62.9 million, or 34.6% of our trade and bill payables as of June 30, 2025 had been subsequently settled. As of the Latest Practicable Date, we were not aware of any dispute regarding the outstanding balances of our trade and other payables.

Contract Liabilities

Our contract liabilities primarily consist of (i) customer loyalty scheme, which primarily represents estimated loyalty points arising from our membership reward system, which could be redeemed and used in future purchases in our WeChat mall by members of our membership reward system; (ii) prepaid card, which primarily represents our obligation to sell products to customers for which we have received consideration from them in the form of prepaid cards; and (iii) advanced payment received, which primarily represents advanced payment from our franchisees for purchasing products from us.

The following table sets forth contract liabilities as of the dates indicated:

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Customer loyalty scheme	3,938	4,268	4,432	6,280
Prepaid card	14,772	15,469	14,949	15,011
Advanced payment received .	37,500	55,473	33,723	34,760
	<u>56,210</u>	<u>75,210</u>	<u>53,104</u>	<u>56,051</u>

Our contract liabilities increased from RMB56.2 million as of December 31, 2022 to RMB75.2 million as of December 31, 2023, primarily due to an increase of RMB18.0 million in advanced payment received, mainly because the sales to franchisees increased during the year ended December 31, 2023 as our business expanded.

Our contract liabilities decreased from RMB75.2 million as of December 31, 2023 to RMB53.1 million as of December 31, 2024, primarily due to a decrease of RMB21.8 million in advanced payment received, mainly because the 2024 Chinese New Year was in February 2024, while the 2025 Chinese New Year was in January 2025. As such, the settlement of advance payment from franchisees mainly occurred in January 2024 for the 2024 Chinese New Year and December 2024 for the 2025 Chinese New Year, respectively, due to the procurement in preparation for the sales during the relevant period.

Our contract liabilities increased from RMB53.1 million as of December 31, 2024 to RMB56.1 million as of June 30, 2025, primarily due to an increase of RMB1.8 million in customer loyalty scheme, primarily because the loyalty points were settled or cleared by the end of the year, while accumulated during the year, which resulted in higher loyalty points as of June 30, 2025 than that as of December 31, 2024.

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As of July 31, 2025, RMB24.1 million, or 43.1% of our contract liabilities as of June 30, 2025 had been subsequently recognized as revenue. As of the Latest Practicable Date, we were not aware of any dispute regarding the outstanding balances of our contract liabilities.

Our Directors confirm that they have no doubt about the genuineness, existence and reasonableness of our contract liabilities as at the end of each of the period comprising the Track Record Period.

Deferred Income

Our deferred income primarily represents government grants relating to cost of assets, which are recognized as income on a straight-line basis over the expected useful life of relevant assets. Our deferred income amounted to RMB11.8 million, RMB12.5 million, RMB13.9 million and RMB12.4 million as of December 31, 2022, 2023 and 2024 and June 30, 2025, respectively, primarily arising from the changes of the amount of government grants in connection with cost of assets, which were generally one-off in nature.

Property, Plant and Equipment

Our property, plant and equipment primarily represent buildings, leasehold improvements, plant, machinery and equipment. The following table sets forth the breakdown of our property, plant and equipment as of the dates indicated:

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Buildings	170,757	315,813	322,637	316,053
Leasehold improvements	64,446	50,570	65,047	63,060
Plant and machinery	17,532	29,190	25,813	24,590
Motor vehicles	5,750	5,622	5,606	5,341
Furniture equipment	10,282	13,398	14,060	12,859
Electronic equipment and others	16,392	14,012	15,377	13,914
Construction in progress	45,338	—	—	2,178
	<u>330,497</u>	<u>428,605</u>	<u>448,540</u>	<u>437,995</u>

Our property, plant and equipment increased from RMB330.5 million as of December 31, 2022 to RMB428.6 million as of December 31, 2023, primarily due to an increase of RMB145.0 million in buildings, partially offset by a decrease of RMB45.3 million in construction in progress. Such increase in buildings and decrease in construction in progress were primarily due to the completion of the construction of new buildings for our Wuyishan Production Base in December 2023, which transferred certain construction in progress to buildings.

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Our property, plant and equipment increased from RMB428.6 million as of December 31, 2023 to RMB448.5 million as of December 31, 2024, primarily due to (i) an increase of RMB14.4 million in leasehold improvements, mainly because we initiated a new decoration and construction project at our Anxi Production Base; and (ii) an increase of RMB6.8 million in buildings, mainly because we completed decoration projects on certain buildings at Anxi Production Base and Wuyishan Production Base.

Our property, plant and equipment decreased from RMB448.5 million as of December 31, 2024 to RMB438.0 million as of June 30, 2025, primarily due to (i) a decrease of RMB6.6 million in buildings, mainly due to the depreciation of buildings; and (ii) a decrease of RMB2.0 million in leasehold improvements, mainly due to the depreciation of leased properties, as partially offset by an increase of RMB2.2 million in construction in progress, primarily reflecting the decoration projects of a self-operated offline store and Anxi Production Base.

Investment Property

Our investment property primarily represents property held to earn rentals and/or for capital appreciation. Our investment property decreased from RMB7.8 million as of December 31, 2022 to RMB7.5 million as of December 31, 2023, to RMB7.2 million as of December 31, 2024, and further to RMB7.1 million as of June 30, 2025, primarily due to the depreciation of the relevant properties during the Track Record Period.

Right-of-Use Assets

Our right-of-use assets primarily represent expenditures for the purchase of leasehold land and the capitalized lease payments payable under our leases. The following table sets forth the breakdown of our right-of-use assets as of the dates indicated:

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Properties	237,163	203,930	172,931	166,310
Leasehold land	29,925	29,292	28,654	28,335
	<u>267,088</u>	<u>233,222</u>	<u>201,585</u>	<u>194,645</u>

Our right-of-use assets decreased from RMB 267.1 million as of December 31, 2022 to RMB233.2 million as of December 31, 2023, to RMB201.6 million as of December 31, 2024, and further to RMB194.6 million as of June 30, 2025, primarily because we strategically closed certain self-operated offline stores or converted them into franchised stores operated by franchisees. This was because our management decided to focus on operating large self-operates offline stores as flagship stores to help promote our brand image more effectively, which prompted us to close some self-operated stores that were not in line with such development strategy, or convert them into franchised stores.

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Intangible Assets

Our intangible assets primarily consist of software, copyrights and trademarks. The following table sets forth the breakdown of our intangible assets as of the dates indicated:

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Software	22,313	29,255	28,993	26,822
Copyrights and trademarks . .	12	9	6	5
	<u>22,325</u>	<u>29,264</u>	<u>28,999</u>	<u>26,827</u>

Our intangible assets increased from RMB22.3 million as of December 31, 2022 to RMB29.3 million as of December 31, 2023, primarily because we purchased new software for our information technology systems that help track our products or support our store operation during the year ended December 31, 2023. Our intangible assets decreased from RMB29.3 million as of December 31, 2023 to RMB29.0 million as of December 31, 2024, and further to RMB26.8 million as of June 30, 2025, primarily due to the amortization of the software during the same periods.

Deferred Tax Assets

Our deferred tax assets are recognized as temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Our deferred tax assets increased from RMB27.7 million as of December 31, 2022 to RMB30.3 million as of December 31, 2023, primarily reflecting the temporary differences resulted from the lease liabilities. Our deferred tax assets decreased from RMB30.3 million as of December 31, 2023 to RMB29.6 million as of December 31, 2024, primarily reflecting the temporary differences resulted from the right-of-use assets and lease liabilities. Our deferred tax assets decreased from RMB29.6 million as of December 31, 2024 to RMB25.3 million as of June 30, 2025, primarily reflecting the temporary differences resulted from the unrealized intra-group profit and lease liabilities.

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INDEBTEDNESS

Our indebtedness mainly consists of lease liabilities and bank loans. The following table sets forth the breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Lease liabilities	89,945	77,620	55,577	52,840
Bank loans	–	60,000	–	–
Non-current				
Lease liabilities	156,096	138,822	127,806	123,456
	<u>246,041</u>	<u>276,442</u>	<u>183,383</u>	<u>176,296</u>

Lease Liabilities

Our lease liabilities primarily relate to our leases for self-operated offline stores, warehouses and offices. Our lease liabilities decreased from RMB246.0 million as of December 31, 2022 to RMB216.4 million as of December 31, 2023, to RMB183.4 million as of December 31, 2024, and further to RMB176.3 million as of June 30, 2025, primarily due to the decrease of the number of our self-operated offline stores, mainly because we strategically closed certain self-operated offline stores or converted them into franchised stores operated by franchisees. This was because our management decided to focus on operating large self-operates offline stores as flagship stores to help promote our brand image more effectively, which prompted us to close some self-operated offline stores and convert some self-operated offline stores which were not in line with such development strategy.

Bank Loans

We had bank loans of nil, RMB60.0 million, nil and nil as of December 31, 2022, 2023 and 2024 and June 30, 2025, respectively. Our bank loans as of December 31, 2023 were bank borrowings from commercial banks with interest rates ranging from 2.23% to 2.30%, which were guaranteed by our related parties, Mr. Wang Wenli, Mr. Wang Wenbin and Mr. Wang Wenchao, and repayable within one year or on demand. We primarily used such bank borrowings to fund our daily operation and working capital. As of June 30, 2025, we had unutilized banking facilities of RMB87.2 million. We have complied with the relevant covenants of our banking facilities and borrowing during the Track Record Period.

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Statement of Indebtedness

Our Directors confirm that as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that our Group did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Except as disclosed above, we did not have any other material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either secured or unsecured, or guarantees or other material contingent liabilities. Our Directors confirm that there has not been any material change in our indebtedness since June 30, 2025 and up to the Latest Practicable Date.

COMMITMENTS

Our commitments during the Track Record Period were primarily in connection with our construction of new buildings at our Wuyishan Production Base. The following table sets forth details of our commitments as of the dates indicated:

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted for acquisition of property, plant and equipment and right- of-use assets	107,633	2,772	1,610	11,894

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any material contingent liabilities.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period mainly consisted of expenditures on property, plant and equipment, and right-of-use assets and intangible assets. Our capital expenditures amounted to RMB109.1 million, RMB212.6 million, RMB101.8 million and RMB26.0 million for the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, respectively.

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We expect to incur additional capital expenditures for the year ending December 31, 2025, primarily relating to establishment of production bases and opening self-operated offline stores. We expect to fund these capital expenditures primarily with cash from operating activities, the net [REDACTED] from the [REDACTED] and bank borrowings available to us.

Our current capital expenditure plans for any future period are subject to change, and we may adjust our capital expenditures according to our future cash flows, results of operations and financial condition, our business plans, market conditions and various other factors.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

MATERIAL RELATED PARTY TRANSACTIONS

Transactions with Related Parties

During the Track Record Period, we entered into a number of transactions with related parties, including certain of our Controlling Shareholders, their close family members and companies controlled by them. For details, please refer to note 28 to the Accountants’ Report set out in Appendix I to this Document. The following table sets forth the amount of our related party transactions for the periods indicated:

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2022	2023	2024	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade in nature					
Sales of tea leaves and other products	33,595	35,592	34,284	17,867	12,181
Rental income	598	643	309	155	155
Payment of lease liabilities	312	310	282	141	141
Non-trade in nature					
Bank loan guaranteed by related parties	–	60,000	–	–	–

Our Directors believe that our transactions with related parties during the Track Record Period were conducted in the ordinary course of business and on an arm’s length basis, and they did not distort our track record results or make our historical results not reflective of our future performance.

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Balances with Related Parties

The following table sets forth the balances with related parties as of the dates indicated:

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due to related parties				
Trade and other				
payables	1,776	2,112	1,734	1,656
Contract liabilities	1,890	2,601	1,229	565
Lease liabilities	175	665	405	271
Total	<u>3,841</u>	<u>5,378</u>	<u>3,368</u>	<u>2,492</u>

All of our amounts due to related parties as of December 31, 2022, 2023 and 2024 and June 30, 2025 were trade in nature.

KEY FINANCIAL RATIOS

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

	As of/For the Year Ended December 31,			As of/For the Six Months Ended June 30,	
	2022	2023	2024	2024	2025
Profitability ratios					
Net profit margin ⁽¹⁾	9.1%	9.7%	10.5%	13.2%	11.3%
Return on equity ⁽²⁾	23.9%	24.3%	21.8%	N.M. ⁽⁷⁾	N.M. ⁽⁷⁾
Return on total assets ⁽³⁾	12.1%	12.6%	12.4%	N.M. ⁽⁷⁾	N.M. ⁽⁷⁾
Liquidity ratios					
Current ratio ⁽⁴⁾	1.5	1.4	2.0	N/A ⁽⁸⁾	2.3
Gearing ratio ⁽⁵⁾	N/A ⁽⁶⁾	6.4%	N/A ⁽⁶⁾	N/A ⁽⁸⁾	N/A ⁽⁶⁾

Notes:

- (1) Net profit margin equals profit for the year/period divided by total revenue for the year/period.
- (2) Return on equity equals profit for the year/period divided by the average balance of our total equity at the beginning and end of the year/period and multiplied by 100%.
- (3) Return on total assets equals profit for the year/period divided by the average of opening and closing balance of total assets of the same year/period and multiplied by 100%.

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- (4) Current ratio equals total current assets divided by total current liabilities as of the end of the year/period.
- (5) Gearing ratio equals total borrowings divided by total equity as of year/period end and multiplied by 100%.
- (6) Gearing ratios for the years ended December 31, 2022 and 2024 and the six months ended June 30, 2025 were not applicable because we did not have any borrowings as of December 31, 2022, December 31, 2024 and June 30, 2025.
- (7) Return on equity and return on total assets ratios for the six months ended June 30, 2024 and 2025 are not meaningful as they are not comparable to annual ratios.
- (8) Current ratio and gearing ratio as of June 30, 2024 are not applicable because the current ratio and gearing ratio as of June 30, 2025 are compared against those as of December 31, 2024.

Net Profit Margin

Our net profit margin increased from 9.1% for the year ended December 31, 2022 to 9.7% for the year ended December 31, 2023, and further to 10.5% for the year ended December 31, 2024, primarily because the increase of our profit for the year outpaced the increase of our revenue during the relevant years. Our net profit margin decreased from 13.2% for the six months ended June 30, 2024 to 11.3% for the six months ended June 30, 2025, primarily because the decrease of our profit for the period outpaced the decrease of our revenue.

Return on Equity

Our return on equity remained relatively stable at 23.9% for the year ended December 31, 2022 and 24.3% for the year ended December 31, 2023. Our return on equity decreased from 24.3% for the year ended December 31, 2023 to 21.8% for the year ended December 31, 2024, primarily because the increase of the average balance of our total equity outpaced the increase of the profit for the year ended December 31, 2023 to the year ended December 31, 2024.

Return on Total Assets

Our return on total assets remained relatively stable at 12.6% for the year ended December 31, 2023 as compared to 12.1% for the year ended December 31, 2022. Our return on total assets remained relatively stable at 12.4% for the year ended December 31, 2024 as compared to 12.6% for the year ended December 31, 2023.

Current Ratio

Our current ratio remained relatively stable at 1.5 and 1.4 as of December 31, 2022 and 2023, respectively. Our current ratio increased to 2.0 as of December 31, 2024, primarily because our current assets increased, while our current liabilities decreased, from December 31, 2023 to December 31, 2024. Our current ratio increased from 2.0 as of December 31, 2024 to 2.3 as of June 30, 2025, primarily due to the increase of our current assets and decrease of our current liabilities.

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Gearing Ratio

Our gearing ratio was not applicable as of December 31, 2022, December 31, 2024 and June 30, 2025, and amounted to 6.4% as of December 31, 2023, because we only recorded bank loans as of December 31, 2023.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our activities expose us to a variety of financial risks. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. Risk management is carried out under policies approved by the Directors. The Directors provide principles for overall risk management. For further details, please see note 26 to the Accountants’ Report set out in Appendix I to this Document.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to our Group. Our Group’s credit risk is primarily attributable to trade and other receivables. Our Group’s exposure to credit risk arising from cash and cash equivalents, restricted deposits and deposits with a bank with original maturity date over three months is limited because the counterparties are banks and financial institutions with high-credit-quality, for which our Group considers to have low credit risk. Our Group’s exposure to credit risk arising from refundable rental deposits is considered to be low, taking into account (i) the landlords’ credit rating and (ii) the remaining lease term and the period covered by the rental deposits.

Our Group’s exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when our Group has significant exposure to individual customers. As of December 31, 2022, 2023 and 2024 and June 30, 2025, 49%, 63%, 62% and 59% of the total trade receivables was due from our Group’s largest customer, respectively.

For further details of our credit risk, please refer to note 26(a) to the Accountant’s Report in Appendix I to this document.

Liquidity Risk

Our Group’s policy is to regularly monitor the liquidity requirements and compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realizable marketable securities and adequate committed lines of funding from major financial institutions to meet the liquidity requirements in the short and longer term.

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Please refer to note 26(b) to the Accountant’s Report in Appendix I to this document for further details of remaining contractual maturities at the end of each Track Record Period of our Group’s financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contracted rates or, if floating, based on rates current as of December 31, 2022, 2023 and 2024 and June 30, 2025) and the earliest date that our Group can be required to pay.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our Group’s interest rate risk arises primarily from bank loans. Interest-bearing financial instruments at variable rates and at fixed rates expose our Group to cash flow interest rate risk and fair value interest rate risk, respectively. For details, please refer to note 26(c) to the Accountant’s Report in Appendix I to this document.

Currency Risk

Our Group is not exposed to significant foreign currency risk since financial assets and liabilities denominated in currencies other than the functional currencies of our Company and its subsidiaries are not significant.

DIVIDENDS

During the years ended December 31, 2022, 2023 and 2024, and the six months ended June 30, 2025, our Company approved dividends of RMB38.0 million, RMB30.4 million, RMB31.9 million and RMB36.2 million, respectively, to our shareholders.

Our Group currently does not have a pre-determined dividend policy. Our Board may approve, and our Company may pay, dividends after taking into account our results of operations, financial condition, cashflow, operating and capital expenditure requirements, future business development strategies and estimates and other factors as it may deem relevant. Any proposed distribution of dividends shall be determined by our Board and must be approved by our shareholders at a general meeting. In addition, we may approve interim dividends as our Board considers to be justified by our profits and overall financial requirements. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the discretion of our Board and subject to the approval of Shareholders’ meeting.

According to the PRC Company Law, a PRC incorporated company is required to set aside at least 10% of its after-tax profits each year, after making up previous years’ accumulated losses, if any, to contribute to certain statutory reserve funds until the aggregate amount contributed to such funds reaches 50% of its registered capital. Our Company may pay dividends out of after-tax profits after making up for accumulated losses and contributing to statutory reserve funds as mentioned above.

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DISTRIBUTABLE RESERVES

As of June 30, 2025, our reserves available for distribution, which represent our retained profits, amounted to RMB1,027.1 million.

[REDACTED]

Our [REDACTED] mainly include professional fees, [REDACTED] and other fees incurred in connection with the [REDACTED]. We estimate that our total [REDACTED] (including [REDACTED]) will be approximately RMB[REDACTED] million, representing [REDACTED]% of the gross [REDACTED] from the [REDACTED]. Such [REDACTED] comprise [REDACTED]-related expenses of RMB[REDACTED] million and non-[REDACTED] expenses of RMB[REDACTED] million, respectively. The non-[REDACTED] expenses consist of (i) RMB[REDACTED] million of fees and expenses of legal advisors, reporting accountant and the Joint Sponsors, and (ii) RMB[REDACTED] million of other fees and expenses, which primarily represent fees and expenses for other professional services. During the Track Record Period, [REDACTED] of RMB[REDACTED] million and RMB[REDACTED] million were charged to our consolidated statements of profit or loss and other comprehensive income for the year ended December 31, 2024 and for the six months ended June 30, 2025, and RMB[REDACTED] million were recognized as prepaid [REDACTED] as of June 30, 2025, which are expected to be deducted from equity upon [REDACTED] as they are directly attributable to the [REDACTED] of the H Shares to the public. The estimated remaining [REDACTED] of approximately RMB[REDACTED] million are expected to be charged to our consolidated statements of profit or loss and other comprehensive income and approximately RMB[REDACTED] million are expected to be deducted from equity upon [REDACTED].

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in our financial or trading position or prospects since June 30, 2025, being the end date of the periods reported on in the Accountant’s Report in Appendix I to this document, and there is no event since June 30, 2025 which would materially affect the information as set out in the Accountant’s Report in Appendix I to this document.

DISCLOSURE UNDER RULE 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited [REDACTED] statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the [REDACTED] on the consolidated net tangible assets of the Group attributable to equity shareholders of the Company as if the [REDACTED] had been completed on June 30, 2025.

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The unaudited [REDACTED] statement of adjusted consolidated net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the [REDACTED] been completed as of June 30, 2025 or any future date.

	Consolidated net tangible assets of the Group attributable to equity shareholders of the Company as of June 30, 2025 ⁽¹⁾	Estimated net [REDACTED] from the [REDACTED] ⁽²⁾	Unaudited [REDACTED] adjusted consolidated net tangible assets attributable to equity shareholders of the Company	Unaudited [REDACTED] adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share ⁽³⁾	
	RMB'000	RMB'000	RMB'000	RMB	HK\$ ⁽⁴⁾
Base on an [REDACTED] of HK\$[REDACTED] per H Share	1,181,946	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Base on an [REDACTED] of HK\$[REDACTED] per H Share	1,181,946	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

- (1) The consolidated net tangible assets of the Group attributable to equity shareholders of the Company as of June 30, 2025 is calculated based on the total equity attributable to equity shareholders of the Company of RMB1,208,773,000 deducting intangible assets of RMB26,827,000 as of June 30, 2025, as extracted from the Accountants' report as set out in Appendix I in this document.
- (2) The estimated net [REDACTED] from the [REDACTED] are based on the indicative [REDACTED] of HK\$[REDACTED] per H Share and HK\$[REDACTED] per H Share, being the lower end price and higher end price of the indicative [REDACTED] range respectively and [REDACTED] H Shares expected to be [REDACTED] under the [REDACTED] taking no account of any Shares which may be [REDACTED] upon the exercise of the [REDACTED], after deduction of the estimated [REDACTED] fees and other related expenses related to [REDACTED] (excluding approximately RMB[REDACTED] which have been charged to profit or loss up to June 30, 2025). The estimated net [REDACTED] of the [REDACTED] have been converted to RMB at the exchange rate of HK\$1.00 to RMB0.9107. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted into RMB, or vice versa, at that rate or at any other rates.
- (3) The unaudited [REDACTED] adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share is arrived at after the adjustments for the estimated net [REDACTED] from the [REDACTED] as described in note (2) and on the basis that a total of [REDACTED] Shares were in issue immediately following completion of the [REDACTED] was completed on June 30, 2025, but takes no account of any Shares which may be [REDACTED] upon the exercise of the [REDACTED].
- (4) The unaudited [REDACTED] adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share is converted into Hong Kong dollars at an exchange rate of RMB0.9107 to HK\$1.00. No representation is made that RMB amounts have been, could have been or may be converted into Hong Kong dollars, or vice versa, at that rate.
- (5) No adjustment has been made to the unaudited [REDACTED] adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2025.

FUTURE PLANS AND USE OF [REDACTED]

FUTURE PLANS

Please refer to the section headed “Business — Our Business Strategies” in this document for a detailed discussion of our future plans.

USE OF [REDACTED]

We estimate that the net [REDACTED] of the [REDACTED], after deducting the estimated [REDACTED] and other fees and expenses payable by us in connection with the [REDACTED], will be approximately HK\$[REDACTED] million, assuming an [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the indicative range of the [REDACTED] of HK\$[REDACTED] to HK\$[REDACTED] per Share), and that the [REDACTED] is not exercised.

We intend to use the net [REDACTED] from the [REDACTED] for the purposes and in the amounts set out below:

- Approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used for expanding our production bases and building a new production base. See the section headed “Business — Our Business Strategies — Continue to expand our production capabilities and enhance our supply chain management” in this document for details. We intend to implement the following specific measures:
 - (i) Approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used for expanding and upgrading our Wuyishan Production Base. We plan to construct new production lines, as well as ancillary offices and warehousing and logistics facilities. We expect to commence the construction in the fourth quarter of 2025, and complete the construction by the second quarter of 2027. After the expansion and upgrades, we expect to mainly produce Wuyi Yan Cha, black tea leaves and white tea leaves at our Wuyishan Production Base.
 - (ii) Approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used for expanding and upgrading our Anxi Production Base. We plan to construct new production lines, as well as ancillary offices and warehousing and logistics facilities. We expect to commence the construction in the fourth quarter of 2025, and complete the construction by the first quarter of 2028. After the expansion and upgrades, we expect to mainly produce Tieguanyin tea leaves, black tea leaves and tea combination set at our Anxi Production Base.
 - (iii) Approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used for establishing a new production base in Yunnan Province. We plan to construct new production lines, as well as ancillary offices and warehousing and logistics facilities. We expect to commence the construction in the fourth quarter of 2025, and complete the construction by the end of 2027. We expect to mainly produce Pu’er tea leaves at this new production base.

FUTURE PLANS AND USE OF [REDACTED]

The table below sets forth further details of upgraded production bases and the new production base:

	Expected Annual Production Capacity ⁽¹⁾	Expected Annual Production Volume ⁽²⁾	Expected Annual Utilization Rate ⁽³⁾
	<i>(tons)</i>	<i>(tons)</i>	<i>(%)</i>
Upgraded Anxi Production Base	1,661.5	1,374.8	82.7
Upgraded Wuyishan Production Base	1,805.4	1,270.9	70.4
New production base in Yunnan Province	370 to 400	351.7	95.0 to 87.9

Notes:

- (1) The expected production capacity assumes that our production facilities will operate for 2,000 hours for the year when their construction is completed and they begin to operate.
- (2) The expected production volume is calculated with reference to our historical sales volume of relevant tea leaves and our expected growth of revenue.
- (3) Utilization rate is calculated by dividing the expected production volume by the expected production capacity.

We believe there will be sufficient production demand to support our expected production capacity, considering that (i) the utilization rate of our existing two production bases reached over 85%; (ii) we plan to further broaden our product portfolio, which requires support from expanded production bases to facilitate the production of new products; (iii) our revenue generated from the sales of tea leaves stably increased during the years ended December 31, 2022, 2023 and 2024, which amounted to RMB1,571.6 million, RMB1,882.5 million and RMB1,901.0 million, respectively; and (iv) we expect that the new production base in Yunnan Province will mainly produce Pu’er tea leaf products. For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, our revenue generated from sales of Pu’er tea leaves amounted to RMB221.8 million, RMB292.2 million, RMB229.6 million and RMB102.0 million, respectively, which were generally finished products procured from third-party manufacturers. As we expect that a portion of our Pu’er tea leaves will be produced by ourselves after the new production base in Yunnan Province commences operation, and considering the historical market demand of our Pu’er tea leaves demonstrated by the revenue generated from sales of Pu’er tea leaves, we believe there will be sufficient production demand for our new production base in Yunnan Province.

FUTURE PLANS AND USE OF [REDACTED]

- Approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used for enhancing our brand value, and broadening our product portfolio. See the section headed “Business — Our Business Strategies — Continue to implement our multi-brand strategy and tailor our marketing efforts to address consumer needs” in this document for details. We intend to implement the following specific measures:
 - (i) Approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used for improving our brand value through various branding and marketing initiatives, and development of sub-brands. We expect to attract more consumers to become our members.
 - (ii) Approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used for broadening our product portfolio, including investment in the research and development of new products.
- Approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used for funding the expansion of our self-operated offline store network, with a focus on opening more stores that help enhance our brand value, such as flagship stores. We plan to use the net [REDACTED] of the [REDACTED] to, among others, pay the rents under leases for self-operated offline stores, decorate the new stores and pay the salaries and benefits of the relevant staff. See the section headed “Business — Our Business Strategies — Further expand and optimize our offline store network and develop online sales channels” in this document for details.

We plan to use net [REDACTED] from the [REDACTED] to open ten new self-operated offline stores by the end of 2025, and 35 new self-operated offline stores in each of 2026 and 2027, which are currently expected to be mainly located in Eastern China and Southern China. Based on our experience, the respective length of the breakeven period and investment payback period generally depends on, among other things, the prevailing market conditions, the economic environment, the size and location of the relevant store, the estimated consumer traffic, rent and other payables to the facility owners, the type and variety of products available for sale in a particular store, operating performance, operating cost and initial investment cost of a particular retail store. As such, the period for reaching the breakeven period or the investment payback period varies substantially from store to store and over time.

We consider the breakeven period (the “Breakeven Period”) to be the period after which the monthly revenue of our self-operated offline store is equal to or more than its monthly expense, excluding the depreciation or amortization cost. We consider the investment payback period (the “Investment Payback Period”) as the time it takes for the net profit from a self-operated offline store to cover the costs of opening and operating such self-operated offline store for the period, including incurred capital expenditures and ongoing expenses, and excluding the depreciation or amortization. We expect that the Breakeven Period and Investment Payback Period of our self-operated offline stores to be opened in the next three years will

FUTURE PLANS AND USE OF [REDACTED]

be the similar to the historical data for our self-operated offline stores opened during the Track Record Period, which are (i) an average of 3.2 months for the Breakeven Period; and (ii) three to 23 months for the Investment Payback Period. According to Frost & Sullivan, such Breakeven Period and Investment Payback Period are comparable to the industry average in China’s tea leaf market.

Some of our self-operated offline stores opened during the Track Record Period had relatively long Breakeven Period and/or Investment Payback Period, primarily because we focused on opening new self-operated offline stores that we believe can be used as flagship stores to improve our brand image more effectively. To achieve the desired branding effect, these stores may require more initial investment and operating expenses on, among others, hiring qualified store staff, enhancing the decoration and marketing and branding activities. As a result, it could take longer time for the revenue and profit to grow to reach to the point of breakeven and/or payback. According to Frost & Sullivan, such Breakeven Period and Investment Payback Period are common for the self-operated offline stores operated by players in China’s premium tea leaf market.

We believe our self-operated offline stores play a pivotal role in optimizing our branding effects, which in turn stimulate and improve our sales in our entire sales network. This is primarily because (i) as compared to franchised stores, we have more control over the sales and marketing activities conducted at our self-operated offline stores, which enables us to maximize the branding effect for our brands and products; (ii) we are able to collect insights of the market demands on the ground through our self-operated offline stores, which can contribute to our market analysis; (iii) our direct and in-person interaction with consumers through our inhouse employees resident at our self-operated offlines stores is able to help build consumer loyalty; and (iv) our self-operated offline stores strictly follow our service and decoration standards to offer consumers an immersive tea culture experience and a high-class and comfortable space for business and social interactions, which we believe serve as an illustration to our franchised stores with respect to the operation standards on the one hand, and further boost our brand image and consumer loyalty to us. As we have a wide sales network covering offline and online channels, the branding effect, market insights and consumer loyalty accumulated from our self-operated offline stores will contribute to the online sales in online channels, as well as offline sales in franchised stores, thereby continuously achieving our overall revenue growth and profitability.

Further, we believe it is feasible to open a total 80 self-operated offline stores in the next three years, mainly because (i) the decrease of the number of our self-operated offline stores during the Track Record Period mainly resulted from our strategy to focus on operating large self-operated offline stores as flagship stores to demonstrate our brand image more effectively. Our large self-operated offline stores with the GFA of 70 sq.m. to 200 sq.m. opened during the Track Record Period usually had a Breakeven Period of less than 6 months; and (ii) the average annual

FUTURE PLANS AND USE OF [REDACTED]

revenue recorded by our self-operated offline stores, which is calculated by dividing the total revenue generated through our self-operated offline stores for the period by the number of such stores as of the end of the period, stably increased during the years ended December 31, 2022, 2023 and 2024. For the years ended December 31, 2022, 2023 and 2024, such average annual revenue amounted to RMB1.1 million, RMB1.3 million and RMB1.4 million, respectively.

The actual number, location and timing of new self-operated offline stores in any period will be affected by a number of factors and subject to uncertainties. We may review and make adjustments to our expansion plans from time to time depending on, among others, our future results of operations, financial condition and cash flows, and economic, political and other conditions in the jurisdictions where we operate or plan to operate our businesses. Please refer to “Risk Factors — Risks Relating to Our Business — We may not be successful in implementing our business expansion and/or development plans.”

- Approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used for enhancing the digitalization level of our business operation. We believe the enhancement of the digitalization level of our operations will help improve the accuracy of our insights into consumer demands, and the efficiency of our day-to-day management and operation. These efforts will further solidify our position as a market leader in China’s tea industry. See the sections headed “Business — Our Business Strategies — Continue to improve our operational efficiency through upgrading our information technology systems” for details. We intend to implement the following specific measures:
 - (i) Approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used for improving the digitalization level of our supply chain. Specifically, we plan to purchase relevant software and hardware for constructing or upgrading the information technology systems that support our supply chain management, including, among others, ERP system, PLM system, digital quality platform and APS system.
 - (ii) Approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used for improving the digitalization level of our customer-end operation. Specifically, we plan to purchase the relevant software and hardware for constructing or upgrading the information technology systems or digital tools that support our interaction with customers, including, among others, CRM system online order system for franchisees.
 - (iii) Approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used for constructing a digitalized command system which integrates information technology systems involving various back-end aspects of our Group, including business operation, finance, taxation, legal compliance and data security.

FUTURE PLANS AND USE OF [REDACTED]

- Approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used for acquiring or investing in players in China’s tea industry. We intend to consider acquiring or investing in the players in China’s tea industry that (i) have a good reputation in the industry; (ii) recorded positive revenue and profit in recent financial years; and (iii) recorded net profit of not less than RMB8.0 million for the latest financial year. According to Frost & Sullivan, there were over 200 players in China’s tea market as of the Latest Practicable Date that satisfied such criteria. In line with our expansion strategy, our Directors are of the view that these enterprises comprise a list of potential acquisition or investment targets we could consider pursuing in the future. However, as of the Latest Practicable Date, we have not identified any specific acquisition targets. We intend to apply the above-mentioned criteria to identify potential suitable acquisition targets. The completion timetable depends on the duration of the relevant vetting/approval process.
- Approximately [REDACTED]%, or HK\$[REDACTED] million, is expected to be used for working capital and other general corporate purposes.

Implementation Timeline

The following table sets forth a breakdown of the estimated net [REDACTED] expected to be applied in the financial years indicated:

	For the Year Ending December 31,			
	2025	2026	2027	Total
	<i>in HK\$ million</i>			
Expansion and upgrade of our production facilities and supply chain facilities	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
• Wuyishan Production Base . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
• Anxi Production Base	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
• Production base in Yunnan Province	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Enhancement of our brand value, and broadening product portfolio	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
• Improvement of our brand value through various branding and marketing initiatives	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
• Broadening our product portfolio	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Expansion of our self-operated offline store network	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

FUTURE PLANS AND USE OF [REDACTED]

	For the Year Ending December 31,			
	2025	2026	2027	Total
	in HK\$ million			
Enhancing the digitalization level of our business operation	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
• Improving the digitalization level of our supply chain . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
• Improving the digitalization level of our customer-end operation	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
• Constructing a digitalized command system	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Acquisition or investment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Working capital and other general corporate purposes	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Our estimated net [REDACTED] of the [REDACTED] will be approximately HK\$[REDACTED] million, assuming an [REDACTED] of HK\$[REDACTED] per Share (being the high end of the indicative range of the [REDACTED]), and approximately HK\$[REDACTED] million, assuming an [REDACTED] of HK\$[REDACTED] per Share (being the low end of the indicative range of the [REDACTED]), in each case after deducting the estimated [REDACTED] commissions and other fees and expenses payable by us in connection with the [REDACTED] and assuming that the [REDACTED] is not exercised. We will adjust the above allocation of the [REDACTED] on a pro rata basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the mid-point of the estimated [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED]. To the extent our net [REDACTED] are either more or less than expected, we will increase or decrease the allocation of the net [REDACTED] to the above purposes on a pro-rata basis.

In addition, to the extent that the net [REDACTED] of the [REDACTED] are not immediately applied to the above purposes and to the extent permitted by the relevant law and regulations, the unused net [REDACTED] will only be held in short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance or the applicable laws and regulations in other jurisdictions). We will make appropriate announcement(s) if there is any material change to the above proposed use of [REDACTED].

If the [REDACTED] is exercised in full, we expect to receive additional net [REDACTED] of approximately HK\$[REDACTED] million for [REDACTED] H Shares to be allotted and issued upon the full exercise of the [REDACTED] based on the [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the [REDACTED] range, and after deducting the [REDACTED] fees and commissions payable by us. The additional amount raised will be applied to the above areas of use of [REDACTED] on pro-rata basis. We expect to finance the shortfall if the net [REDACTED] of the [REDACTED] are less than our expected expenditure by using our internal funds and/or funds to be obtained from other financing activities, as appropriate.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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STRUCTURE OF THE [REDACTED]

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[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report set out on pages I-1 to I-73, received from the Company’s reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.



ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF BAMA TEA CO., LTD. AND HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED, ABCI CAPITAL LIMITED AND TFI CAPITAL LIMITED

Introduction

We report on the historical financial information of Bama Tea Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-73, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2022, 2023 and 2024 and 30 June 2025, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2025 (the “Track Record Period”), 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-73 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the “Document”) in connection with the initial [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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ACCOUNTANTS’ REPORT

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 and presentation set out in note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants’ report, a true and fair view of the Company’s and the Group’s financial position as at 31 December 2022, 2023 and 2024 and 30 June 2025 and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 2024 and other explanatory information (the “Stub Period Corresponding Financial Information”). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding 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” as issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

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Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 25(b) to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

KPMG

Certified Public Accountants

8th Floor, Prince’s Building

10 Chater Road

Central, Hong Kong

[Date]

APPENDIX I**ACCOUNTANTS’ REPORT**

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP Shenzhen Branch in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “Underlying Financial Statements”).

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ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in Renminbi)

	Note	Year ended 31 December			Six months ended 30 June	
		2022	2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Revenue	4	1,817,540	2,122,305	2,143,259	1,109,801	1,063,194
Cost of sales	6(d)	(848,025)	(1,012,422)	(964,706)	(498,329)	(475,570)
Gross profit		<u>969,515</u>	<u>1,109,883</u>	<u>1,178,553</u>	<u>611,472</u>	<u>587,624</u>
Selling and marketing expenses	6(d)	(616,760)	(680,862)	(692,154)	(344,105)	(332,163)
Administrative expenses	6(d)	(116,052)	(135,568)	(165,699)	(67,228)	(91,415)
Research and development costs	6(d)	(8,220)	(11,621)	(16,505)	(6,959)	(6,453)
Impairment (losses)/reversal on trade and other receivables	26(a)/17	(948)	(1,745)	(2,691)	(782)	914
Other income	5	15,815	16,363	16,235	7,749	8,054
Other net (loss)/income	6(c)	(3,713)	1,500	2,462	3,820	1,679
Impairment losses of property, plant and equipment and right-of-use assets	11(a)	(1,886)	(3,047)	(2,213)	(1,268)	(1,116)
Profit from operations		<u>237,751</u>	<u>294,903</u>	<u>317,988</u>	<u>202,699</u>	<u>167,124</u>
Finance costs	6(a)	(11,197)	(10,890)	(9,624)	(5,144)	(4,117)
Profit before taxation		<u>226,554</u>	<u>284,013</u>	<u>308,364</u>	<u>197,555</u>	<u>163,007</u>
Income tax	7	(60,705)	(78,285)	(84,163)	(51,522)	(42,972)
Profit and total comprehensive income for the year/period		<u><u>165,849</u></u>	<u><u>205,728</u></u>	<u><u>224,201</u></u>	<u><u>146,033</u></u>	<u><u>120,035</u></u>
Attributable to:						
Equity shareholders of the Company		166,095	205,832	224,344	146,032	119,728
Non-controlling interests		(246)	(104)	(143)	1	307
Profit and total comprehensive income for the year/period		<u>165,849</u>	<u>205,728</u>	<u>224,201</u>	<u>146,033</u>	<u>120,035</u>
Earnings per share						
Basic and diluted (RMB)	10	<u>2.19</u>	<u>2.71</u>	<u>2.95</u>	<u>1.92</u>	<u>1.58</u>

The accompanying notes form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Renminbi)

		As at 31 December			As at 30 June
	Note	2022	2023	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	11	330,497	428,605	448,540	437,995
Investment property	12	7,771	7,497	7,223	7,086
Right-of-use assets	11	267,088	233,222	201,585	194,645
Intangible assets	13	22,325	29,264	28,999	26,827
Deferred tax assets	23(b)	27,713	30,317	29,630	25,339
Rental deposits	17	16,777	8,993	8,197	7,467
Prepayment for purchase of property, plant and equipment and right-of-use assets	17	8,751	74,080	953	520
		680,922	811,978	725,127	699,879
Current assets					
Inventories	16	440,421	436,342	438,977	443,816
Trade and other receivables	17	95,507	123,640	193,462	178,481
Financial assets measured at fair value through profit or loss ("FVPL")	15	—	140,240	—	—
Deposits with a bank with original maturity date over three months .	18(a)	—	90,000	90,000	90,000
Restricted bank deposits	18(a)	6,130	6,254	6,124	6,077
Cash and cash equivalents	18(a)	239,263	206,557	347,199	436,021
		781,321	1,003,033	1,075,762	1,154,395
Current liabilities					
Trade and other payables	19	357,570	462,899	382,446	372,477
Contract liabilities	20	56,210	75,210	53,104	56,051
Lease liabilities	21	89,945	77,620	55,577	52,840
Bank loans	22	—	60,000	—	—
Current taxation	23(a)	33,353	55,373	40,631	26,219
		537,078	731,102	531,758	507,587
Net current assets		244,243	271,931	544,004	646,808
Non-current liabilities					
Lease liabilities	21	156,096	138,822	127,806	123,456
Deferred income	24	11,806	12,496	13,853	12,410
		167,902	151,318	141,659	135,866
NET ASSETS		757,263	932,591	1,127,472	1,210,821
CAPITAL AND RESERVES					
Share capital	25(c)	76,000	76,000	76,000	76,000
Reserves	25(d)	681,370	856,802	1,049,226	1,132,773
Total equity attributable to equity shareholders of the Company		757,370	932,802	1,125,226	1,208,773
Non-controlling interests		(107)	(211)	2,246	2,048
TOTAL EQUITY		757,263	932,591	1,127,472	1,210,821

The accompanying notes form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Expressed in Renminbi)

		As at 31 December			As at 30 June
	Note	2022	2023	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	11	87,515	77,115	75,827	68,440
Right-of-use assets	11	135,686	130,094	107,221	102,213
Intangible assets	13	19,526	26,352	26,747	24,998
Investment in subsidiaries	14	59,967	62,967	76,067	72,567
Deferred tax assets	23(b)	10,104	11,967	9,816	9,753
Rental deposits	17	11,089	6,170	5,122	4,422
Prepayment for purchase of property, plant and equipment and right-of-use assets	17	8,340	72,154	677	462
		332,227	386,819	301,477	282,855
Current assets					
Inventories	16	349,020	345,446	371,591	337,970
Trade and other receivables	17	159,120	267,382	268,267	262,902
Financial assets measured at FVPL	15	–	140,240	–	–
Deposits with a bank with original maturity date over three months .	18(a)	–	90,000	90,000	90,000
Restricted bank deposits	18(a)	6,128	6,251	6,122	6,075
Cash and cash equivalents	18(a)	199,699	164,045	298,414	400,126
		713,967	1,013,364	1,034,394	1,097,073
Current liabilities					
Trade and other payables	19	461,752	632,574	602,937	651,619
Contract liabilities	20	36,145	52,866	36,257	35,226
Lease liabilities	21	49,851	48,925	33,775	32,011
Bank loans	22	–	60,000	–	–
Current taxation	23(a)	9,843	28,335	10,358	5,400
		557,591	822,700	683,327	724,256
Net current assets		156,376	190,664	351,067	372,817
Non-current liabilities					
Lease liabilities	21	93,790	91,082	82,377	78,866
Deferred income	24	8,077	9,586	10,414	9,166
		101,867	100,668	92,791	88,032
NET ASSETS		386,736	476,815	559,753	567,640
CAPITAL AND RESERVES					
Share capital	25(c)	76,000	76,000	76,000	76,000
Reserves	25(d)	310,736	400,815	483,753	491,640
TOTAL EQUITY		386,736	476,815	559,753	567,640

The accompanying notes form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Renminbi)

Note	Attributable to equity shareholders of the Company				Total	Non-controlling interests	Total equity
	Share Capital	Capital reserve	Statutory reserve	Retained profits			
	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000	RMB'000
	note 25(c)	note 25(d)(i)	note 25(d)(ii)				
Balance at 1 January 2022	76,000	66,881	28,638	457,756	629,275	139	629,414
Changes in equity for the year ended 31 December 2022:							
Profit and other comprehensive income for the year	–	–	–	166,095	166,095	(246)	165,849
Dividends approved 25(b)	–	–	–	(38,000)	(38,000)	–	(38,000)
Appropriation to statutory reserve 25(d)(ii)	–	–	10,112	(10,112)	–	–	–
Balance at 31 December 2022	<u>76,000</u>	<u>66,881</u>	<u>38,750</u>	<u>575,739</u>	<u>757,370</u>	<u>(107)</u>	<u>757,263</u>

Note	Attributable to equity shareholders of the Company				Total	Non-controlling interests	Total equity
	Share Capital	Capital reserve	Statutory reserve	Retained profits			
	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000	RMB'000
	note 25(c)	note 25(d)(i)	note 25(d)(ii)				
Balance at 1 January 2023	76,000	66,881	38,750	575,739	757,370	(107)	757,263
Changes in equity for the year ended 31 December 2023:							
Profit and other comprehensive income for the year	–	–	–	205,832	205,832	(104)	205,728
Dividends approved 25(b)	–	–	–	(30,400)	(30,400)	–	(30,400)
Balance at 31 December 2023	<u>76,000</u>	<u>66,881</u>	<u>38,750</u>	<u>751,171</u>	<u>932,802</u>	<u>(211)</u>	<u>932,591</u>

The accompanying notes form part of the Historical Financial Information.

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Note	Attributable to equity shareholders of the Company					Non-controlling interests	Total equity
	Share Capital	Capital reserve	Statutory reserve	Retained profits	Total		
	RMB'000 note 25(c)	RMB'000 note 25(d)(i)	RMB'000 note 25(d)(ii)	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January							
2024	76,000	66,881	38,750	751,171	932,802	(211)	932,591
Changes in equity for the year ended							
31 December 2024:							
Profit and other comprehensive income for the year	–	–	–	224,344	224,344	(143)	224,201
Dividends approved	–	–	–	(31,920)	(31,920)	–	(31,920)
Capital injection from non-controlling interests (“NCI”)	–	–	–	–	–	2,600	2,600
Balance at 31 December 2024	<u>76,000</u>	<u>66,881</u>	<u>38,750</u>	<u>943,595</u>	<u>1,125,226</u>	<u>2,246</u>	<u>1,127,472</u>

Note	Attributable to equity shareholders of the Company					Non-controlling interests	Total equity
	Share Capital	Capital reserve	Statutory reserve	Retained profits	Total		
	RMB'000 note 25(c)	RMB'000 note 25(d)(i)	RMB'000 note 25(d)(ii)	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January							
2025	76,000	66,881	38,750	943,595	1,125,226	2,246	1,127,472
Changes in equity for six months ended							
30 June 2025:							
Profit and other comprehensive income for the period	–	–	–	119,728	119,728	307	120,035
Dividends approved	–	–	–	(36,181)	(36,181)	–	(36,181)
Capital injection from NCI	–	–	–	–	–	300	300
Dissolution of a subsidiary	–	–	–	–	–	(805)	(805)
Balance at 30 June 2025	<u>76,000</u>	<u>66,881</u>	<u>38,750</u>	<u>1,027,142</u>	<u>1,208,773</u>	<u>2,048</u>	<u>1,210,821</u>

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(unaudited)		Attributable to equity shareholders of the Company						
	Note	Share Capital	Capital reserve	Statutory reserve	Retained profits	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		note 25(c)	note 25(d)(i)	note 25(d)(ii)				
Balance at 1 January								
2024		76,000	66,881	38,750	751,171	932,802	(211)	932,591
Changes in equity for six months ended 30 June 2024:								
Profit and other comprehensive income for the period		–	–	–	146,032	146,032	1	146,033
Dividends approved . .	25(b)	–	–	–	(31,920)	(31,920)	–	(31,920)
Capital injection from NCI		–	–	–	–	–	2,600	2,600
Balance at 30 June								
2024		76,000	66,881	38,750	865,283	1,046,914	2,390	1,049,304

The accompanying notes form part of the Historical Financial Information.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Renminbi)

	Note	Year ended 31 December			Six months ended 30 June	
		2022	2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Operating activities						
Cash generated from operations	18(b)	273,279	523,931	367,245	115,590	234,334
Income tax paid	23(a)	(58,743)	(58,869)	(98,218)	(73,105)	(53,093)
Net cash generated from operating activities		<u>214,536</u>	<u>465,062</u>	<u>269,027</u>	<u>42,485</u>	<u>181,241</u>
Investing activities						
Payment for purchases of property, plant and equipment, and right-of-use assets		(92,205)	(199,435)	(94,133)	(51,640)	(23,569)
Payment for purchases of intangible assets		(16,908)	(13,120)	(7,694)	(3,823)	(2,473)
Proceeds from disposal of property, plant and equipment, and right-of-use assets		683	3,641	2,023	1,225	535
Investment income from financial assets measured at FVPL received		1,593	2,062	1,711	1,410	979
Payment for deposits with a bank with original maturity date over three months		–	(90,000)	–	–	–
Payment for purchase of financial assets measured at FVPL		–	(140,000)	–	–	–
Proceeds from disposal of financial assets measured at FVPL		–	–	140,240	55,000	–
Advance to the third party . .		–	–	(20,000)	(20,000)	–
Repayment from the third party		–	–	20,563	–	–
Restoration costs paid		(270)	(224)	(314)	(120)	(94)
Net cash (used in)/generated from investing activities		<u>(107,107)</u>	<u>(437,076)</u>	<u>42,396</u>	<u>(17,948)</u>	<u>(24,622)</u>

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		Year ended 31 December			Six months ended 30 June	
	Note	2022	2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Financing activities						
Proceeds from bank loans . . .	18(c)	–	90,000	–	–	–
Repayment of bank loans . . .	18(c)	–	(30,000)	(60,000)	(30,000)	–
Payment of capital element of lease liabilities.	18(c)	(66,877)	(79,414)	(68,720)	(36,088)	(31,183)
Payment of interest element of lease liabilities.	18(c)	(11,197)	(10,566)	(8,930)	(4,625)	(4,117)
Interest of bank loans paid . .	18(c)	–	(324)	(694)	(519)	–
Cash received from capital injection from non- controlling interests		–	–	2,600	2,600	300
Payment to NCI for dissolution of a subsidiary.		–	–	–	–	(805)
Payment for [REDACTED] .		–	–	(3,125)	–	(649)
Dividends paid to equity shareholders of the Company	18(c)	(37,985)	(30,388)	(31,912)	(31,899)	(31,343)
Net cash used in financing activities		(116,059)	(60,692)	(170,781)	(100,531)	(67,797)
Net (decrease)/increase in cash and cash equivalents		(8,630)	(32,706)	140,642	(75,994)	88,822
Cash and cash equivalents at the beginning of the year/period.	18(a)	247,893	239,263	206,557	206,557	347,199
Cash and cash equivalents at the end of the year/period.	18(a)	239,263	206,557	347,199	130,563	436,021

The accompanying notes form part of the Historical Financial Information.

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NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Bama Tea Co., Ltd. (the “Company”) was incorporated in the People’s Republic of China (the “PRC”) on 28 July 1997 as a limited liability company under the Companies laws of the PRC. The Company was converted into a joint stock limited liability company on 10 September 2014.

The Company and its subsidiaries (together, the “Group”) are principally engaged in the processing, production and sales of tea leaves and other tea products in the PRC. Details of the Group’s principal subsidiaries are set out in note 14.

The Historical Financial Information has been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”). Further details of the material accounting policy information are set out in note 2.

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing the Historical Financial Information, the Group has adopted all applicable new and revised IFRS Accounting Standards to the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting period beginning 1 January 2025. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning 1 January 2025 are set out in note 30.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

The Historical Financial Information and the Stub Period Corresponding Financial Information are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

2 MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except that the financial assets measure at FVPL are stated at their fair value as explained note 2(d).

(b) Use of estimates and judgements

The preparation of Historical Financial Information in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in note 3.

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(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the Historical Financial Information from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

For each business combination, the Group can elect to measure any NCI either at fair value or at the NCI’s proportionate share of the subsidiary’s net identifiable assets. NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the equity shareholders of the Company.

Changes in the Group’s interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company’s statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(i)(ii)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

(d) Other investments in securities

The Group’s policies for investments in securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 26(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) *Non-equity investments*

Non-equity investments are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method (see note 2(s)(ii)(a)), foreign exchange gains and losses are recognised in profit and loss. Any gain or loss on derecognition is recognised in profit or loss.
- FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

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(e) Investment properties

Investment properties are stated at cost less accumulated depreciation and impairment losses (see note 2(i)(ii)). Depreciation is calculated to write off the costs of investment properties, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	25-40 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

Any gain or loss on disposal of investment property is recognised in profit or loss. Rental income from investment properties is recognised in accordance with note 2(s)(ii)(c).

(f) Property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at cost, less accumulated depreciation and any accumulated impairment losses (see note 2(i)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

The estimated useful lives are as follows:

Right-of-use assets	Over the lease term
Buildings	5-40 years
Leasehold improvements	Over the shorter of the lease term or 5 years
Plant and machinery	3-20 years
Motor vehicles	3-10 years
Furniture equipment	3-10 years
Electronic equipment and others	3-10 years

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

(g) Intangible assets

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Group’s research and development activities, the criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the project when the remaining development costs are immaterial. Hence both research costs and development costs are generally recognised as expenses in the period in which they are incurred.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see note 2(i)(ii)).

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their useful lives, if any, and is generally recognised in profit or loss.

The estimated useful lives are as follows:

Software	2-10 years
Copyrights and trademarks	5-10 years

Amortisation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

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(h) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) *As a lessee*

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less and leases of low-value items. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is recognised using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability, and are charged to profit or loss as incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(f) and 2(i)(ii)).

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortised cost (see notes 2(d)(i), 2(s)(ii)(a) and 2(i)(i)). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) *As a lessor*

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. Otherwise, the lease is classified as an operating lease.

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When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2(s)(ii)(c).

(i) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (“ECL”s) on financial assets measured at amortised cost (including cash and cash equivalents, deposits with a bank with original maturity date over three months, restricted bank deposits, trade and other receivables, rental deposits).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect is material:

- fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and
- lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

- financial instruments that are determined to have low credit risk at each reporting date; and
- other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument’s external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and

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- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor’s ability to meet its obligation to the Group.
- the financial asset is 1 year past due.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).
- the financial asset is 3 years past due.

The Group considers a financial instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument’s credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group otherwise determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (“CGU”s).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

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Impairment losses are recognised in profit or loss. They are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

An impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(k) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(s)). A contract liability is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable would also be recognised (see note 2(l)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(s)).

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost (see note 2(i)(i)).

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions and other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL (see note 2(i)(i)).

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(o) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with note 2(t).

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(p) Employee benefits

(i) *Short term employee benefits and contributions to defined contribution retirement plans*

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Pursuant to the relevant laws and regulations of the PRC, the Group participates in a defined contribution basic pension insurance in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. The local government authorities are responsible for the pension obligations payable to the retired employees covered under the defined contribution basic pension insurance. There are no forfeited contributions for the defined contribution basic pension insurance in the PRC social insurance system as the contributions are fully vested to the employees upon payment to the scheme.

Obligations for contributions to defined contribution retirement plans are recognised as part of the cost of assets or expensed as the related service is provided.

(ii) *Termination benefits*

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

(q) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities, provisions and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

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The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(r) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(s) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods and the provision of services or the use by others of the Group’s assets under leases in the ordinary course of the Group’s business.

Further details of the Group’s revenue and other income recognition are as follows:

(i) Revenue from contracts with customers

The Group is the principal for its revenue transactions and recognises revenue on a gross basis. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group’s ability to direct the use of and obtain substantially all of the remaining benefits from the products or services.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes. The Group’s revenue is derived from the following sources:

(a) Direct sales to customers

The Group sells tea products to retail customers through online and offline stores.

- For retail customers that purchase from the Group’s offline stores, sales revenue is recognised when customers take possession of the products.
- For retail customers that purchase from the Group’s online stores, payment is collected when customers place purchase orders and sales revenue is recognised when customers accept the products upon delivery.

The Group sells tea products through e-commerce platforms. Sales of products through e-commerce platforms are recognised when the Group’s products are sold to end-customer by the e-commerce platform, as these are when the control of the Group’s products has been passed.

The Group typically offers retail customers a right of return for a period of 7 days upon customer acceptance. The Group estimates the constrained transaction price with all reasonably available information and updates the variable consideration at each reporting date.

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The Group operates membership programs for retail customers and members can earn loyalty points on their purchases. Points are redeemable against any future purchases of the Group’s products or other offerings provided by the Group. The Group allocates a portion of the consideration to loyalty points based on the relative stand-alone selling prices. The amount allocated to the membership programs is deferred and recognised as revenue when loyalty points are redeemed or expire. Unused loyalty points generally expire in 24 months after they are granted.

(b) Sales to franchisees

The Group sells tea products to franchisees. Franchisees generally make payments for their purchase orders before product shipment. Sales revenue is recognised when the products are delivered to and accepted by franchisees at the locations specified in the purchase orders.

The Group generally does not accept return of products from franchisees, except for quality defects. Group provides sales rebates to franchisees who satisfy relevant requirements specified in the purchase agreements and the Group’s franchisees incentivising policies.

The above cash rewards to franchisees give rise to variable consideration. The Group uses the most likely amount approach to estimate variable consideration based on the Group’s current and future performance expectations and all information that is reasonably available. This estimated amount is included in the transaction price to the extent it is highly probable that a significant reversal of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved. At the time of sale of products to franchisees, the Group recognises revenue after taking into account adjustment to transaction price arising from cash rewards and returns which are estimated and updated at each reporting date.

(c) Other practical expedients applied

In addition, the Group has applied the following practical expedient:

- For sales contracts that had an original expected duration of one year or less, the Group has not disclosed the information related to the aggregated amount of the transaction price allocated to the remaining performance obligations in accordance with paragraph 121(a) of IFRS 15.

(ii) Revenue from other sources and other income

(a) Interest income

Interest income is recognised using the effective interest method. The “effective interest rate” is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(b) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

Grants that compensate the Group for the cost of assets are initially recognised as deferred income and subsequently recognised as other income in profit or loss over the useful life of the assets.

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(c) *Rental income from operating leases*

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(t) **Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(u) **Related parties**

(a) A person, or a close member of that person’s family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group’s parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group’s parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(x) **Segment reporting**

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group’s most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group’s various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

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3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Notes 26 contain information about the assumptions and their risk factors relating to fair value of financial instruments. Other significant sources of estimation uncertainty are as follows:

(a) Impairment of property, plant and equipment and right-of-use assets

Internal and external sources of information are reviewed at the end of each reporting period to assess whether there is any indication that property, plant and equipment and right-of-use assets may be impaired. If any such indication exists, the recoverable amount of the property, plant and equipment and right-of-use assets is estimated. Changes in facts and circumstances may result in revisions to the conclusion of whether an indication of impairment exists and revised estimates of recoverable amounts, which would affect profit or loss in future periods.

(b) Expected credit losses for receivables

The credit losses for trade and other receivables are based on assumptions about the expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, which are based on the Group’s past collection history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see note 26(a). Changes in these assumptions and estimates could materially affect the result of the assessment and the Group may be necessary to make additional loss allowances in future periods.

(c) Determining the lease term

As explained in policy note 2(h), the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group’s operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group’s control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(d) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of businesses, less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling products with similar nature. It could change significantly as a result of changes in customer preferences and competitor actions in response to severe industry cycles. Management reassesses these estimates at the end of each reporting period.

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4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are processing, production and sales of tea leaves and other tea products.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major service lines is as follows:

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Revenue from contracts with customers within the scope of IFRS 15:					
Sales of tea leaves	1,571,552	1,882,524	1,901,031	996,002	958,818
Sales of tea ware	101,819	115,296	130,507	60,929	61,447
Sales of tea snacks	94,937	95,338	81,206	35,291	28,329
Sales of other products	38,563	23,307	23,873	14,372	10,481
Others	9,655	4,687	5,426	2,612	3,561
	<u>1,816,526</u>	<u>2,121,152</u>	<u>2,142,043</u>	<u>1,109,206</u>	<u>1,062,636</u>
Revenue from other sources					
Gross rentals from investment properties	1,014	1,153	1,216	595	558
	<u>1,817,540</u>	<u>2,122,305</u>	<u>2,143,259</u>	<u>1,109,801</u>	<u>1,063,194</u>
Disaggregated by timing of revenue recognition					
– Point in time	1,815,481	2,118,739	2,139,458	1,107,789	1,060,963
– Over time	2,059	3,566	3,801	2,012	2,231
	<u>1,817,540</u>	<u>2,122,305</u>	<u>2,143,259</u>	<u>1,109,801</u>	<u>1,063,194</u>

Others mainly comprised the revenue generated from rendering pre-opening training services and tea lounge services for the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2024 and 2025.

No revenue from individual customer contributing over 10% of total revenue of the Group for the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2024 (unaudited) and 2025.

(ii) Revenue expected to be recognised in the future arising from contracts in existence at the reporting date

Contracts within the scope of IFRS 15

The Group has applied the practical expedient in paragraph 121(a) of IFRS 15 to its contracts for sales tea products and rendering service that had an original expected duration of one year or less and does not disclose the information related to the aggregated amount of the transaction price allocated to the remaining performance obligations.

(b) Segment Reporting

The directors of the Company have been identified as the Group’s most senior executive management. The Group manages its businesses as a whole by the most senior executive management for the purposes of resource allocation and performance assessment. Therefore, the Group has one operating segment. The Group’s most senior executive management reviews the Group’s consolidated results of operations in assessing performance of and making decisions about allocations to this segment. Accordingly, no reportable segment information is presented.

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As substantially all of the Group’s operations and assets are in the PRC, no geographic information is presented.

5 OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Interest income on:					
– bank deposits and others	2,181	2,887	2,376	1,346	1,168
– time deposits	–	369	2,460	1,230	1,230
– rental deposits	725	848	743	387	304
	2,906	4,104	5,579	2,963	2,702
Income from value-added tax exemption (<i>note (i)</i>)	3,389	3,249	3,494	1,399	1,808
Government grants					
– Unconditional subsidies	7,793	6,900	4,566	2,588	2,101
– Conditional subsidies (<i>note 24</i>)	1,727	2,110	2,596	799	1,443
	<u>15,815</u>	<u>16,363</u>	<u>16,235</u>	<u>7,749</u>	<u>8,054</u>

Notes:

- (i) Income from value-added tax exemption represented the exemption on value-added tax granted by the government authorities to small and low profit-making enterprise in the PRC.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Interest on bank loans (<i>note 18(c)</i>)	–	324	694	519	–
Interest on lease liabilities (<i>note 18(c)</i>)	11,197	10,566	8,930	4,625	4,117
	<u>11,197</u>	<u>10,890</u>	<u>9,624</u>	<u>5,144</u>	<u>4,117</u>

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(b) Staff costs (including directors’ emoluments)

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Salaries, wages and other benefits	304,142	330,892	323,778	163,778	160,560
Contributions to defined contribution retirement plans .	16,570	16,741	19,336	9,555	11,341
Termination benefits	288	5,997	2,767	1,477	1,367
	<u>321,000</u>	<u>353,630</u>	<u>345,881</u>	<u>174,810</u>	<u>173,268</u>

(c) Other net (losses)/income

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
(Losses)/gains on disposal of property, plant and equipment and right-of-use assets	(4,900)	(977)	2,625	1,597	907
Donation	(1,179)	(691)	(347)	(100)	(214)
Net fair value changes of financial assets measured at FVPL	–	240	–	(9)	–
Investment income from financial assets measured at FVPL	1,593	2,062	1,711	1,410	979
Termination cost of purchase contract for land use right (note 17)	–	–	(4,390)	–	–
Others	<u>773</u>	<u>866</u>	<u>2,863</u>	<u>922</u>	<u>7</u>
	<u>(3,713)</u>	<u>1,500</u>	<u>2,462</u>	<u>3,820</u>	<u>1,679</u>

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(d) Expense by nature

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cost of inventories	773,392	930,163	876,836	453,795	431,390
Staff cost	321,000	353,630	345,881	174,810	173,268
Advertising and promotion expenses	209,152	251,830	276,177	135,748	138,119
Depreciation of property, plant and equipment	50,492	54,490	54,740	26,572	27,580
Depreciation of right-of-use assets	78,123	83,695	72,805	38,575	32,302
Amortisation of intangible assets	4,189	5,963	7,959	3,829	4,645
Depreciation of investment property	274	274	274	137	137
[REDACTED]	–	–	13,978	–	5,167
Transportation expense	33,788	36,035	40,641	21,433	20,606
Rental expense related to short- term leases and variable payments	18,752	13,885	15,295	7,008	8,668
Property management expenses .	21,639	19,475	20,910	10,372	9,809
Travelling expenses	11,459	16,772	17,848	6,595	6,596
Utility expense	9,290	10,436	11,749	5,115	4,758
Write-down of inventories	284	436	200	–	–
Auditor’s remuneration – Audit services	2,875	1,132	372	99	58
Business development expenses .	7,927	11,425	15,962	6,681	5,707
Other taxes and levies	13,877	18,698	17,786	8,275	8,717
Restoration costs	270	224	314	120	94
Others	32,274	31,910	49,337	17,457	27,980
	<u>1,589,057</u>	<u>1,840,473</u>	<u>1,839,064</u>	<u>916,621</u>	<u>905,601</u>

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) Taxation in the consolidated statements of profit or loss represents:

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current tax					
Provision for the year/period . .	68,994	80,889	83,476	51,846	38,681
Deferred tax					
(Origination)/reversal of accumulated tax loss and temporary differences (note 23(b)).	(8,289)	(2,604)	687	(324)	4,291
	<u>60,705</u>	<u>78,285</u>	<u>84,163</u>	<u>51,522</u>	<u>42,972</u>

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(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before taxation	226,554	284,013	308,364	197,555	163,007
Notional tax on profit before taxation	56,639	71,003	77,091	49,389	40,752
Statutory tax concession (i) . . .	(760)	(703)	(302)	(279)	(405)
Tax effect of non-deductible expenses.	3,682	5,877	6,061	2,200	2,054
Tax effect of non-taxable income.	(210)	(205)	(95)	(54)	(73)
Tax effect of unused tax losses and deductible temporary differences not recognised . . .	1,361	2,334	2,011	292	644
Tax effect of using the deductible losses and deductible temporary differences not recognised . . .	(7)	(21)	(603)	(26)	–
Actual tax expense.	60,705	78,285	84,163	51,522	42,972

Note:

- (i) Taxable income for the Group’s subsidiaries in the PRC are subject to PRC income tax rate of 25% for the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2024 and 2025, unless otherwise specified below.

Certain subsidiaries met the criteria required for preferential income tax rate granted to small and low profit-making enterprise in the PRC, and were entitled to a preferential income tax rate of 5% on taxable income for the first RMB3,000,000 for the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2024 and 2025.

- (ii) The Group’s subsidiary established in Hong Kong which is newly set up in 2024, did not have any assessable profits for the year ended 31 December 2024 and the six months ended 30 June 2025.

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8 DIRECTORS’ EMOLUMENTS

Directors’ emoluments as recorded in the financial statements are set out below:

Year ended 31 December 2022					
	Directors' and supervisors' fees	Salaries, allowances and other benefits	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman and director					
Wang Wenli.	—	749	—	68	817
Directors					
Wang Wenbin	—	—	—	—	—
Wang Wenchao.	—	425	127	51	603
Wu Qingbiao	—	1,085	750	68	1,903
Wu Qingxiang	—	854	645	67	1,566
He Lei	—	887	750	67	1,704
Independent non-executive directors					
Liu Zhonghua	120	—	—	—	120
Zhang Qingwei.	120	—	—	—	120
Tong Naqiong	120	—	—	—	120
Supervisors					
Zhang Yongjian	—	345	97	37	479
Li Xiaoyi	—	—	—	—	—
Su Limin	—	242	145	27	414
Total	360	4,587	2,514	385	7,846

Year ended 31 December 2023					
	Directors' and supervisors' fees	Salaries, allowances and other benefits	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman and director					
Wang Wenli.	—	764	—	71	835
Directors					
Wang Wenbin	—	—	—	—	—
Wang Wenchao.	—	466	261	50	777
Wu Qingbiao	—	1,100	890	71	2,061
Wu Qingxiang	—	864	728	66	1,658
He Lei	—	898	751	66	1,715
Independent non-executive directors					
Liu Zhonghua	120	—	—	—	120
Zhang Qingwei.	120	—	—	—	120
Tong Naqiong	120	—	—	—	120
Supervisors					
Zhang Yongjian	—	360	219	36	615
Li Xiaoyi	—	—	—	—	—
Su Limin	—	257	108	26	391
Total	360	4,709	2,957	386	8,412

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Year ended 31 December 2024					
	Directors’ and supervisors’ fees	Salaries, allowances and other benefits	Discretionary bonuses	Retirement scheme contributions	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Chairman and director					
Wang Wenli	–	1,044	51	76	1,171
Directors					
Wang Wenbin	–	–	–	–	–
Wang Wenchao	–	904	623	76	1,603
Wu Qingbiao	–	1,108	890	76	2,074
Wang Kunheng (appointed on 21 February 2024) . .	–	1,006	821	69	1,896
He Lei	–	934	748	76	1,758
Wu Qingxiang (resigned on 21 February 2024) . .	–	146	1	12	159
Independent non-executive directors					
Liu Zhonghua (resigned on 21 February 2024)	–	–	–	–	–
Zhang Qingwei (resigned on 21 February 2024) . .	–	–	–	–	–
Tong Naqiong	120	–	–	–	120
Ma Yuquan (appointed on 21 February 2024)	120	–	–	–	120
Wang yuefei (appointed on 21 February 2024)	120	–	–	–	120
Supervisors					
Huang Lieping (appointed on 21 February 2024) . .	–	374	272	38	684
Li Xiaoyi	–	–	–	–	–
Su Limin	–	284	116	31	431
Zhang Yongjian (resigned on 21 February 2024) . .	–	61	–	6	67
Total	<u>360</u>	<u>5,861</u>	<u>3,522</u>	<u>460</u>	<u>10,203</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Six months ended 30 June 2024 (unaudited)					
	Directors' and supervisors' fees	Salaries, allowances and other benefits	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman and director					
Wang Wenli.	—	452	26	37	515
Directors					
Wang Wenbin	—	—	—	—	—
Wang Wenchao.	—	439	312	37	788
Wu Qingbiao	—	551	450	37	1,038
Wang Kunheng (appointed on 21 February 2024) . .	—	449	411	31	891
Wu Qingxiang (resigned on 21 February 2024) . .	—	146	1	12	159
He Lei	—	454	492	37	983
Independent non- executive directors					
Liu Zhonghua (resigned on 21 February 2024)	—	—	—	—	—
Zhang Qingwei (resigned on 21 February 2024) . .	—	—	—	—	—
Tong Naqiong	60	—	—	—	60
Ma Yuquan (appointed on 21 February 2024)	60	—	—	—	60
Wang Yuefei (appointed on 21 February 2024)	60	—	—	—	60
Supervisors					
Huang Lieping (appointed on 21 February 2024) . .	—	165	137	17	319
Li Xiaoyi	—	—	—	—	—
Su Limin	—	138	58	15	211
Zhang Yongjian (resigned on 21 February 2024) . .	—	60	1	6	67
Total	<u>180</u>	<u>2,854</u>	<u>1,888</u>	<u>229</u>	<u>5,151</u>

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ACCOUNTANTS’ REPORT

Six months ended 30 June 2025					
	Directors’ and supervisors’ fees	Salaries, allowances and other benefits	Discretionary bonuses	Retirement scheme contributions	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Chairman and director					
Wang Wenli	–	594	23	43	660
Executive directors					
Wang Wenchao	–	465	275	43	783
Wu Qingbiao	–	558	393	43	994
Wang Kunheng	–	558	362	43	963
He Lei (resigned on 5 January 2025)	–	82	1	8	91
Wang Wenlong (appointed on 8 January 2025)	–	346	110	41	497
Non-executive director					
Wang Wenbin	–	–	–	–	–
Independent non- executive directors					
Tong Naqiong	60	–	–	–	60
Ma Yuquan (resigned on 8 January 2025)	–	–	–	–	–
Wang Yuefei	60	–	–	–	60
Chiu Mun Wai (appointed on 8 January 2025)	115	–	–	–	115
Supervisors*					
Huang Lieping	–	177	2	19	198
Li Xiaoyi	–	–	–	–	–
Su Limin	–	127	86	15	228
Total	<u>235</u>	<u>2,907</u>	<u>1,252</u>	<u>255</u>	<u>4,649</u>

* The Company abolished the supervisor committee on 22 May 2025. Accordingly, the supervisors’ emoluments for the six months ended 30 June 2025 represent the emoluments paid to those supervisors up to the date of abolishing the supervisory committee.

Note: For the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2024 and 2025, except for the termination benefits paid to 2, 1 (unaudited) and 1 individuals with the highest emoluments as set out in note 9 for the year ended 31 December 2023 and the six months ended 30 June 2024 and 2025, there were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in note 9 below as an inducement to join or upon joining the Group or as a compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2024 and 2025.

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9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2024 and 2025, of the five individuals with the highest emoluments, 3, 2, 3, 3 (unaudited) and 2 are directors whose emoluments are disclosed in note 8.

The aggregate of the emoluments in respect of the other 2, 3, 2, 2 (unaudited) and 3 individuals are as follows:

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries and other emoluments	833	1,737	1,230	381	975
Discretionary bonuses	1,977	1,897	1,934	748	1,153
Retirement scheme contributions	100	187	124	37	100
Termination benefits (note 8)	–	1,743	–	914	466
	<u>2,910</u>	<u>5,564</u>	<u>3,288</u>	<u>2,080</u>	<u>2,694</u>

The emolument of the 2, 3, 2, 2 (unaudited) and 3 individuals with the highest emoluments are within the following bands:

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	Number of individuals	Number of individuals	Number of individuals	Number of individuals (unaudited)	Number of individuals
Nil – HKD1,000,000	–	–	–	–	2
HKD1,000,001 – HKD1,500,000	1	–	–	2	1
HKD1,500,001 – HKD2,000,000	1	2	2	–	–
HKD2,000,001 – HKD2,500,000	–	1	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

10 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the ordinary equity shareholders of the Company by the weighted average number of ordinary shares in issue for the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2024 and 2025 as follows:

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
				(unaudited)	
Profit attributable to ordinary equity shareholders of the Company (RMB'000)	166,095	205,832	224,344	146,032	119,728
Weighted average number of shares at the end of the year/period	76,000,000	76,000,000	76,000,000	76,000,000	76,000,000
Basic earnings per share (expressed in RMB per share)	2.19	2.71	2.95	1.92	1.58

(b) Diluted earnings per share

For the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2024 and 2025, there were no dilutive potential ordinary shares in existence and therefore diluted earnings per share were the same as basic earnings per share.

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ACCOUNTANTS’ REPORT

11 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

(a) Reconciliation of carrying amount

The Group

Cost:

	Buildings	Leasehold improvements	Plant and machinery	Motor vehicles	Furniture equipment	Electronic equipment and others	Construction in progress	Subtotal	Property -Right-of-use assets	Leasehold land -Right-of-use assets	Subtotal	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	170,848	168,269	28,739	7,376	19,663	34,966	12,152	442,013	291,268	19,108	310,376	752,389
Additions	6,686	20,268	6,515	3,299	4,868	6,569	39,918	88,123	92,706	12,470	105,176	193,299
Transfer from investment property	26,785	–	–	–	–	–	–	26,785	–	–	–	26,785
Transfer from construction in progress	1,247	–	5,485	–	–	–	(6,732)	–	–	–	–	–
Disposals	–	(15,420)	(8,169)	(1,889)	(985)	(852)	–	(27,315)	(18,743)	–	(18,743)	(46,058)
At 31 December 2022 and 1 January 2023	205,566	173,117	32,570	8,786	23,546	40,683	45,338	529,606	365,231	31,578	396,809	926,415
Additions	4,648	18,320	968	1,058	3,831	7,343	124,626	160,794	65,755	–	65,755	226,549
Transfer from construction in progress	149,139	–	15,323	–	5,502	–	(169,964)	–	–	–	–	–
Disposals	–	(17,683)	(1,621)	(376)	(1,766)	(6,129)	–	(27,575)	(62,298)	–	(62,298)	(89,873)
At 31 December 2023 and 1 January 2024	359,353	173,754	47,240	9,468	31,113	41,897	–	662,825	368,688	31,578	400,266	1,063,091
Additions	4,745	41,961	1,863	1,662	8,950	7,263	15,832	82,276	64,729	–	64,729	147,005
Transfer from construction in progress	14,994	–	–	–	100	738	(15,832)	–	–	–	–	–
Disposals	–	(28,186)	(557)	(308)	(4,964)	(2,415)	–	(36,430)	(114,294)	–	(114,294)	(150,724)
At 31 December 2024 and 1 January 2025	379,092	187,529	48,546	10,822	35,199	47,483	–	708,671	319,123	31,578	350,701	1,059,372
Additions	–	–	–	–	–	–	–	–	–	–	–	–
Transfer from construction in progress	62	10,235	1,754	635	2,731	1,857	2,240	19,452	30,332	–	30,332	49,784
Disposals	–	(4,139)	–	(295)	(514)	(483)	(62)	(6,784)	(38,786)	–	(38,786)	(45,570)
At 30 June 2025	379,154	193,625	48,947	11,162	37,416	48,857	2,178	721,339	310,669	31,578	342,247	1,063,586
Accumulated depreciation:												
At 1 January 2022	25,621	89,550	15,881	3,936	8,758	18,176	–	161,922	61,908	1,106	63,014	224,936
Charge for the year	7,441	26,733	3,793	919	4,823	6,783	–	50,492	77,576	547	78,123	128,615
Transfer from investment property	1,747	–	–	–	–	–	–	1,747	–	–	–	1,747
Written back on disposals	–	(10,423)	(4,801)	(1,819)	(569)	(735)	–	(18,347)	(11,416)	–	(11,416)	(29,763)

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	Buildings	Leasehold improvements	Plant and machinery	Motor vehicles	Furniture equipment	Electronic equipment and others	Construction in progress	Subtotal	Property -Right-of-use assets	Leasehold land -Right-of-use assets	Subtotal	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2022 and 1 January 2023	34,809	105,860	14,873	3,036	13,012	24,224	–	195,814	128,068	1,653	129,721	325,535
Charge for the year	8,731	26,686	4,517	1,124	5,173	8,259	–	54,490	83,062	633	83,695	138,185
Written back on disposals	–	(14,356)	(1,340)	(314)	(1,195)	(4,814)	–	(22,019)	(46,372)	–	(46,372)	(68,391)
At 31 December 2023 and 1 January 2024	43,540	118,190	18,050	3,846	16,990	27,669	–	228,285	164,758	2,286	167,044	395,329
Charge for the year	12,915	21,660	5,208	1,594	6,898	6,465	–	54,740	72,167	638	72,805	127,545
Written back on disposals	–	(24,018)	(525)	(224)	(3,665)	(2,234)	–	(30,666)	(90,733)	–	(90,733)	(121,399)
At 31 December 2024 and 1 January 2025	56,455	115,832	22,733	5,216	20,223	31,900	–	252,359	146,192	2,924	149,116	401,475
Charge for the period	6,646	10,703	2,546	885	3,559	3,241	–	27,580	31,983	319	32,302	59,882
Written back on disposals	–	(2,673)	(922)	(280)	(327)	(452)	–	(4,654)	(33,816)	–	(33,816)	(38,470)
At 30 June 2025	63,101	123,862	24,357	5,821	23,455	34,689	–	275,285	144,359	3,243	147,602	422,887
Impairment:												
At 1 January 2022	–	1,201	3,465	–	36	7	–	4,709	–	–	–	4,709
Addition	–	1,610	–	–	216	60	–	1,886	–	–	–	1,886
Written back on disposals	–	–	(3,300)	–	–	–	–	(3,300)	–	–	–	(3,300)
At 31 December 2022 and 1 January 2023	–	2,811	165	–	252	67	–	3,295	–	–	–	3,295
Addition	–	2,422	–	–	475	150	–	3,047	–	–	–	3,047
Written back on disposals	–	(239)	(165)	–	(2)	(1)	–	(407)	–	–	–	(407)
At 31 December 2023 and 1 January 2024	–	4,994	–	–	725	216	–	5,935	–	–	–	5,935
Addition	–	1,917	–	–	242	54	–	2,213	–	–	–	2,213
Written back on disposals	–	(261)	–	–	(51)	(64)	–	(376)	–	–	–	(376)
At 31 December 2024 and 1 January 2025	–	6,650	–	–	916	206	–	7,772	–	–	–	7,772
Addition	–	849	–	–	218	49	–	1,116	–	–	–	1,116
Written back on disposals	–	(796)	–	–	(32)	(1)	–	(829)	–	–	–	(829)
At 30 June 2025	–	6,703	–	–	1,102	254	–	8,059	–	–	–	8,059
Net Book Value:												
At 30 June 2025	316,053	63,060	24,590	5,341	12,859	13,914	2,178	437,995	166,310	28,335	194,645	632,640
At 31 December 2024	322,637	65,047	25,813	5,606	14,060	15,377	–	448,540	172,931	28,654	201,585	650,125

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	Buildings		Leasehold improvements		Plant and machinery		Motor vehicles		Furniture equipment		Electronic equipment and others		Construction in progress		Subtotal		Property -Right-of-use assets		Subtotal		Total		
	RMB'000		RMB'000		RMB'000		RMB'000		RMB'000		RMB'000		RMB'000		RMB'000		RMB'000		RMB'000		RMB'000		
At 31 December 2023	315,813		50,570		29,190		5,622		13,398		14,012		–		428,605		203,930		29,292		233,222		661,827
At 31 December 2022	170,757		64,446		17,532		5,750		10,282		16,392		45,338		330,497		237,163		29,925		267,088		597,585
The Company																							
Cost:																							
At 1 January 2022			60,308		54,582		–		4,064		7,838		16,195		–		–		142,987		144,614		287,601
Additions			–		10,120		–		1,438		2,050		5,351		–		–		18,959		66,554		85,513
Disposals			–		(6,989)		–		(1,787)		(352)		(42)		–		–		(9,170)		(2,448)		(11,618)
At 31 December 2022 and 1 January 2023			60,308		57,713		–		3,715		9,536		21,504		–		–		152,776		208,720		361,496
Additions			–		7,640		–		537		2,222		3,898		–		–		14,297		55,399		69,696
Disposals			–		(4,071)		–		(376)		(891)		(5,635)		–		–		(10,973)		(37,020)		(47,993)
At 31 December 2023 and 1 January 2024			60,308		61,282		–		3,876		10,867		19,767		–		–		156,100		227,099		383,199
Additions			–		12,415		–		1,109		4,550		3,445		–		–		21,519		35,990		57,509
Disposals			–		(17,026)		–		(308)		(3,014)		(1,575)		–		–		(21,923)		(73,655)		(95,578)
At 31 December 2024 and 1 January 2025			60,308		56,671		–		4,677		12,403		21,637		–		–		155,696		189,434		345,130
Additions			–		958		20		62		542		682		63		63		2,327		18,734		21,061
Disposals			–		(2,115)		–		–		(236)		(201)		–		–		(2,552)		(28,478)		(31,030)
At 30 June 2025			60,308		55,514		20		4,739		12,709		22,118		63		63		155,471		179,690		335,161
Accumulated depreciation:																							
At 1 January 2022			10,954		26,228		–		2,466		3,238		8,014		–		–		50,900		29,943		80,843
Charge for the year			2,770		10,000		–		355		1,992		3,746		–		–		18,863		45,306		64,169
Written back on disposals			–		(4,308)		–		(1,721)		(220)		(41)		–		–		(6,290)		(2,215)		(8,505)
At 31 December 2022 and 1 January 2023			13,724		31,920		–		1,100		5,010		11,719		–		–		63,473		73,034		136,507

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	Buildings	Leasehold improvements	Plant and machinery	Motor vehicles	Furniture equipment	Electronic equipment and others	Construction in progress	Subtotal	Property -Right-of-use assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Charge for the year	2,770	9,848	—	452	2,320	4,922	—	20,312	52,935	73,247
Written back on disposals	—	(3,557)	—	(314)	(574)	(4,107)	—	(8,552)	(28,964)	(37,516)
At 31 December 2023 and 1 January 2024	16,494	38,211	—	1,238	6,756	12,534	—	75,233	97,005	172,238
Charge for the year	2,770	8,360	—	780	2,322	3,459	—	17,691	46,088	63,779
Written back on disposals	—	(14,386)	—	(224)	(1,834)	(1,033)	—	(17,477)	(60,880)	(78,357)
At 31 December 2024 and 1 January 2025	19,264	32,185	—	1,794	7,244	14,960	—	75,447	82,213	157,660
Charge for the period	1,385	3,703	2	417	1,143	1,556	—	8,206	19,563	27,769
Written back on disposals	—	(1,328)	—	—	(209)	(105)	—	(1,642)	(24,299)	(25,941)
At 30 June 2025	20,649	34,560	2	2,211	8,178	16,411	—	82,011	77,477	159,488
Impairment:										
At 1 January 2022	—	637	—	—	30	4	—	671	—	671
Addition	—	943	—	—	119	55	—	1,117	—	1,117
At 31 December 2022 and 1 January 2023	—	1,580	—	—	149	59	—	1,788	—	1,788
Addition	—	1,729	—	—	179	59	—	1,967	—	1,967
Written back on disposals	—	—	—	—	(2)	(1)	—	(3)	—	(3)
At 31 December 2023 and 1 January 2024	—	3,309	—	—	326	117	—	3,752	—	3,752
Addition	—	749	—	—	140	33	—	922	—	922
Written back on disposals	—	(248)	—	—	(4)	—	—	(252)	—	(252)
At 31 December 2024 and 1 January 2025	—	3,810	—	—	462	150	—	4,422	—	4,422
Addition	—	813	—	—	216	49	—	1,078	—	1,078
Written back on disposals	—	(478)	—	—	(2)	—	—	(480)	—	(480)
At 30 June 2025	—	4,145	—	—	676	199	—	5,020	—	5,020
Net Book Value:										
At 30 June 2025	39,659	16,809	18	2,528	3,855	5,508	63	68,440	102,213	170,653
At 31 December 2024	41,044	20,676	—	2,883	4,697	6,527	—	75,827	107,221	183,048
At 31 December 2023	43,814	19,762	—	2,638	3,785	7,116	—	77,115	130,094	207,209
At 31 December 2022	46,584	24,213	—	2,615	4,377	9,726	—	87,515	135,686	223,201

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Impairment loss

As at 31 December 2022, 2023 and 2024 and 30 June 2025, in view of the unfavourable future prospects of certain self-operated physical stores, the Group’s management estimated the recoverable amount of each such stores (cash-generating unit (“CGU”)) with an indication of impairment. The recoverable amount of each CGU is determined based on fair value less cost of disposal, using direct comparison approach by assuming each of the stores is assigned in its current condition with vacant possession.

Significant unobservable inputs used in the fair value measurement include market rentals, by making reference to lease transactions of comparable properties in close proximity as available in the relevant market, adjusted for any difference in factors such as location and property size. The fair value on which the recoverable amount is based on its categorised as level 3 measurement.

For the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2024 and 2025, the carrying amount of certain CGUs exceeds their recoverable amount, therefore, an impairment loss of RMB1,886,000, RMB3,047,000, RMB2,213,000, RMB1,268,000 (unaudited) and RMB1,116,000 was recognised in the consolidated statements of profit or loss and other comprehensive income respectively.

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Property – Right-of-use assets, carried at depreciated cost (note (i))	237,163	203,930	172,931	166,310
Leasehold land – Right-of-use assets, carried at depreciated cost (note (ii)).	29,925	29,292	28,654	28,335
	<u>267,088</u>	<u>233,222</u>	<u>201,585</u>	<u>194,645</u>

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:					
Property – Right-of-use assets . .	77,576	83,062	72,167	38,256	31,983
Leasehold land – Right-of-use assets	547	633	638	319	319
	<u>78,123</u>	<u>83,695</u>	<u>72,805</u>	<u>38,575</u>	<u>32,302</u>
Interest on lease liabilities (note 6(a))	11,197	10,566	8,930	4,625	4,117
Expense relating to short-term leases	17,219	12,446	13,657	6,157	7,990
Variable lease payments not included in the measurement of lease liabilities	1,533	1,439	1,638	851	678

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For the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2025, additions to right-of-use assets were RMB105,176,000, RMB65,755,000, RMB64,729,000 and RMB30,332,000. These amounts included the purchase of a leasehold land of RMB12,470,000, nil, nil and nil for the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2025, and the remainder primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 18(d) and 21, respectively.

Notes:

(i) Property — Right-of-use assets

The Group has obtained the right to use properties as its self-operated physical stores through tenancy agreements. The leases run for an initial period of 2 to 12 years.

The Group leased a number of stores which contain variable lease payment terms that are based on sales generated from the stores and minimum annual lease payment terms that are fixed. These payment terms are common in stores in the PRC where the Group principally operates.

The amount of fixed and variable lease payments for each reporting period is summarised below:

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Fixed payments	78,074	89,980	77,650	40,713	35,300
Rental expense related to variable payments	1,533	2,076	2,272	472	359
Total payments	<u>79,607</u>	<u>92,056</u>	<u>79,922</u>	<u>41,185</u>	<u>35,659</u>

(ii) Leasehold land — Right-of-use assets

The Group’s land-use rights on leasehold land are located in Chinese Mainland. Depreciation is recognised in profit or loss on a straight-line basis over the respective periods of the land-use rights, which are 44 to 50 years for the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2025.

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12 INVESTMENT PROPERTY

The Group

	<i>RMB'000</i>
Cost:	
At 1 January 2022.	37,207
Transfer to property, plant and equipment	<u>(26,785)</u>
At 31 December 2022 and 1 January 2023 and 31 December 2023 and 1 January 2024 and 31 December 2024 and 1 January 2025 and 30 June 2025	<u>10,422</u> -----
Accumulated amortisation:	
At 1 January 2022.	4,124
Charge for the year	274
Transfer to property, plant and equipment	<u>(1,747)</u>
At 31 December 2022 and 1 January 2023.	2,651
Charge for the year	<u>274</u>
At 31 December 2023 and 1 January 2024.	2,925
Charge for the year	<u>274</u>
At 31 December 2024 and 1 January 2025.	3,199
Charge for the period	<u>137</u>
At 30 June 2025	<u>3,336</u> -----
Net book value:	
At 30 June 2025	<u>7,086</u>
At 31 December 2024	<u>7,223</u>
At 31 December 2023	<u>7,497</u>
At 31 December 2022	<u>7,771</u>

The rental income is included in ‘revenue’. The Group leased out investment property under operating leases. The operating leases mainly run for an initial period of 1 to 5 years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are regularly increased to reflect market rentals. None of the leases includes contingent rentals.

Undiscounted lease payments under operating leases in place at the each reporting date will be receivable by the Group in future periods as follows:

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Less than 1 year	822	1,060	990	831
1 to 2 years.	577	986	599	209
2 to 3 years.	474	599	10	10
3 to 4 years.	213	10	5	—
4 to 5 years.	<u>—</u>	<u>5</u>	<u>—</u>	<u>—</u>
Total undiscounted lease payments.	<u>2,086</u>	<u>2,660</u>	<u>1,604</u>	<u>1,050</u>

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Amount recognised in profit or loss

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Rental income, excluding service charges (note 4(a))	1,014	1,153	1,216	595	558
Direct operating expenses that generated rental income during the year/period	(274)	(274)	(274)	(137)	(137)
Direct operating expenses that did not generate rental income during the year/period	(96)	(96)	(96)	(48)	(48)
	<u>644</u>	<u>783</u>	<u>846</u>	<u>410</u>	<u>373</u>

As at 31 December 2022, 2023 and 2024 and 30 June 2025, the fair value of the Group’s investment property was approximately RMB17,900,000, RMB17,800,000, RMB17,100,000 and RMB16,800,000. The fair value is determined by the Directors of the Company mainly with reference to the valuation performed by an independent qualified professional valuer, using the income capitalisation approach with reference to the term value and the reversionary value calculated by discounting the contracted annual rent at the capitalisation rate over the existing lease period and the sum of average unit market rent at the capitalisation rate after the existing lease period.

13 INTANGIBLE ASSETS

The Group

	Software	Copyrights and trademarks	Total
	RMB'000	RMB'000	RMB'000
Cost:			
At 1 January 2022.	26,000	67	26,067
Additions	16,908	–	16,908
Disposals	(7,699)	–	(7,699)
At 31 December 2022 and 1 January 2023	35,209	67	35,276
Additions	13,120	–	13,120
Disposals	(2,264)	–	(2,264)
At 31 December 2023 and 1 January 2024	46,065	67	46,132
Additions	7,694	–	7,694
At 31 December 2024 and 1 January 2025.	53,759	67	53,826
Additions	2,473	–	2,473
At 30 June 2025	56,232	67	56,299
Accumulated amortisation:			
At 1 January 2022.	14,261	52	14,313
Charge for the year	4,186	3	4,189
Written back on disposals	(5,551)	–	(5,551)
At 31 December 2022 and 1 January 2023	12,896	55	12,951
Charge for the year	5,960	3	5,963
Written back on disposals	(2,046)	–	(2,046)

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	Software	Copyrights and trademarks	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 31 December 2023 and 1 January 2024	16,810	58	16,868
Charge for the year	<u>7,956</u>	<u>3</u>	<u>7,959</u>
At 31 December 2024 and 1 January 2025	24,766	61	24,827
Charge for the period	<u>4,644</u>	<u>1</u>	<u>4,645</u>
At 30 June 2025	<u>29,410</u>	<u>62</u>	<u>29,472</u>
Net book value:	<u>----</u>	<u>--</u>	<u>----</u>
At 30 June 2025	<u>26,822</u>	<u>5</u>	<u>26,827</u>
At 31 December 2024	<u>28,993</u>	<u>6</u>	<u>28,999</u>
At 31 December 2023	<u>29,255</u>	<u>9</u>	<u>29,264</u>
At 31 December 2022	<u>22,313</u>	<u>12</u>	<u>22,325</u>

The amortisation charge for the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2025 is included in “cost of sales” and “administrative expenses” in the consolidated statements of profit or loss and other comprehensive income.

The Company

	Software	Copyrights and trademarks	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost:			
At 1 January 2022.	24,712	41	24,753
Additions	13,631	–	13,631
Disposals	<u>(6,626)</u>	<u>–</u>	<u>(6,626)</u>
At 31 December 2022 and 1 January 2023.	31,717	41	31,758
Additions	12,335	–	12,335
Disposals	<u>(2,049)</u>	<u>–</u>	<u>(2,049)</u>
At 31 December 2023 and 1 January 2024.	42,003	41	42,044
Additions	<u>7,529</u>	<u>6</u>	<u>7,535</u>
At 31 December 2024 and 1 January 2025.	49,532	47	49,579
Additions	<u>2,473</u>	<u>–</u>	<u>2,473</u>
At 30 June 2025	<u>52,005</u>	<u>47</u>	<u>52,052</u>
Accumulated amortisation:	<u>----</u>	<u>--</u>	<u>----</u>
At 1 January 2022.	13,444	41	13,485
Charge for the year	3,601	–	3,601
Written back on disposals	<u>(4,854)</u>	<u>–</u>	<u>(4,854)</u>
At 31 December 2022 and 1 January 2023.	12,191	41	12,232
Charge for the year	5,291	–	5,291
Written back on disposals	<u>(1,831)</u>	<u>–</u>	<u>(1,831)</u>
At 31 December 2023 and 1 January 2024.	15,651	41	15,692
Charge for the year	<u>7,140</u>	<u>–*</u>	<u>7,140</u>
At 31 December 2024 and 1 January 2025.	22,791	41	22,832
Charge for the period	<u>4,221</u>	<u>1</u>	<u>4,222</u>
At 30 June 2025	<u>27,012</u>	<u>42</u>	<u>27,054</u>

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	Software	Copyrights and trademarks	Total
	RMB'000	RMB'000	RMB'000
Net book value:			
At 30 June 2025	24,993	5	24,998
At 31 December 2024	26,741	6	26,747
At 31 December 2023	26,352	—	26,352
At 31 December 2022	19,526	—	19,526

* The amount represents amount less than RMB1,000.

14 INVESTMENTS IN SUBSIDIARIES

The Company

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Investments in subsidiaries	59,967	62,967	76,067	72,567

The financial statements of the Company for the years ended 31 December 2022, 2023 and 2024 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC and audited by Shinewing Certified Public Accountants (信永中和會計師事務所(特殊普通合夥)), Shinewing Certified Public Accountants (信永中和會計師事務所(特殊普通合夥)) and Shinewing Certified Public Accountants Shenzhen Branch (信永中和會計師事務所(特殊普通合夥)深圳分所), respectively.

The following list contains only the particulars of subsidiaries which principally and significantly affected the results, assets or liabilities of the Group for the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2025 and as at the date of this report. The class of shares held is ordinary unless otherwise stated.

Company name	Place of incorporation and operation	Particulars of issued capital	Particulars of paid-up capital	Proportion of ownership interest		Principal activities
				Direct interest	Indirect interest	
福建武夷山王信記茶業有限公司 (Fujian Wuyishan Wangxinji Tea Co., Ltd.) (note (i) (ii))	PRC	RMB8,000,000	RMB8,000,000	—	100.0%	Processing and production of tea leaves and other tea products
福建八馬茶業有限公司 (Fujian Bama Tea Co., Ltd.) (note (i) (iii)).	PRC	RMB30,800,000	RMB30,800,000	100.0%	—	Processing, production and sales of tea leaves and other tea products

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Company name	Place of incorporation and operation	Particulars of issued capital	Particulars of paid-up capital	Proportion of ownership interest		Principal activities
				Direct interest	Indirect interest	
泉州八馬茶業有限公司 (Quanzhou Bama Tea Co., Ltd.) (note (i) (iv))	PRC	RMB5,000,000	RMB1,000,000	100.0%	–	Sales of tea leaves and other tea products
廈門鑫八馬茶業有限公司 (Xiamen Xin Bama Tea Co., Ltd.) (note (i) (iv))	PRC	RMB5,000,000	RMB1,000,000	100.0%	–	Sales of tea leaves and other tea products
福州鑫八馬茶業有限公司 (Fuzhou Xin Bama Tea Co., Ltd.) (note (i) (iv))	PRC	RMB500,000	RMB500,000	–	100.0%	Sales of tea leaves and other tea products
泉州豐澤八馬茶業有限公司 (Quanzhou Fengze Bama Tea Co., Ltd.) (note (i) (iv))	PRC	RMB5,000,000	Nil	–	100.0%	Sales of tea leaves and other tea products
深圳市萬山紅茶業有限公司 (Shenzhen Wanshanhong Tea Co., Ltd.) (note (i) (iv))	PRC	RMB30,000,000	RMB9,000,000	80.0%	–	Sales of tea leaves and other tea products

Notes:

- (i) These entities are PRC limited liability companies. The official names of these entities are in Chinese. The English translation of the names is for reference only.
- (ii) The financial statements of the entity for the years ended 31 December 2022, 2023 and 2024 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC and audited by Shinewing Certified Public Accountants (信永中和會計師事務所(特殊普通合夥)), Shinewing Certified Public Accountants (信永中和會計師事務所(特殊普通合夥)) and Shinewing Certified Public Accountants Shenzhen Branch (信永中和會計師事務所(特殊普通合夥)深圳分所), respectively.
- (iii) The financial statements of the entity for the years ended 31 December 2022, 2023 and 2024 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC and audited by Shenzhen Xuanyi Certified Public Accountants’ Firm (深圳市深業會計師事務所(普通合夥)) and Shinewing Certified Public Accountants (信永中和會計師事務所(特殊普通合夥)) and Shinewing Certified Public Accountants Shenzhen Branch (信永中和會計師事務所(特殊普通合夥)深圳分所), respectively.
- (iv) No audited financial statements have been prepared for these entities for the years ended 31 December 2022, 2023 and 2024.

All subsidiaries have adopted December 31 as their financial year end date.

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15 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group and The Company

	As at 31 December			As at 30 June	
	2022	2023	2024	2025	
	RMB'000	RMB'000	RMB'000	RMB'000	
Financial assets measured at FVPL					
– Unlisted structured deposits.	–	140,240	–	–	
	=	=	=	=	

The amount represents investments in structured deposits issued by financial institutions in the PRC. There are no fixed or determinable returns of these structured deposits.

16 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

The Group

	As at 31 December			As at 30 June	
	2022	2023	2024	2025	
	RMB'000	RMB'000	RMB'000	RMB'000	
Raw material	42,561	47,380	47,467	70,787	
Work in progress	63,980	55,657	46,411	46,299	
Finished goods and goods in transit .	333,880	333,305	345,099	326,730	
	440,421	436,342	438,977	443,816	
	=	=	=	=	

The Company

	As at 31 December			As at 30 June	
	2022	2023	2024	2025	
	RMB'000	RMB'000	RMB'000	RMB'000	
Finished goods and goods in transit .	349,020	345,446	371,591	337,970	
	=	=	=	=	

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Carrying amount of inventories consumed	838,624	998,582	944,483	488,155	461,829
Write-down of inventories	284	436	200	–	–
	838,908	999,018	944,683	488,155	461,829
	=	=	=	=	=

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17 TRADE AND OTHER RECEIVABLES

The Group

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Trade receivables, net of loss allowance	46,649	58,522	64,039	46,251
Deposits	14,343	22,281	18,897	20,291
Value-added tax recoverable	6,973	14,540	11,464	6,753
Amount due from local authority (note (i))	–	–	66,410	66,410
Other receivables	432	1,910	3,554	4,583
Payments for [REDACTED]	–	–	6,962	4,565
Prepayments to vendors	27,110	26,387	22,136	29,628
	<u>95,507</u>	<u>123,640</u>	<u>193,462</u>	<u>178,481</u>
Non-current				
Rental deposits	16,777	8,993	8,197	7,467
Prepayment for purchase of property, plant and equipment and right-of-use assets	8,751	74,080	953	520

The Company

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Trade receivables, net of loss allowance	42,628	54,663	59,690	42,609
Deposits	12,426	18,730	15,989	17,268
Amount due from local authority (note (i))	–	–	66,410	66,410
Other receivables	1,638	1,049	3,908	4,858
Amounts due from subsidiaries	76,673	167,742	96,164	100,506
Payments for [REDACTED]	–	–	6,962	4,565
Prepayments to vendors	25,755	25,198	19,144	26,686
	<u>159,120</u>	<u>267,382</u>	<u>268,267</u>	<u>262,902</u>
Non-current				
Rental deposits	11,089	6,170	5,122	4,422
Prepayment for purchase of property, plant and equipment and right-of-use assets (note (i))	8,340	72,154	677	462

Current portion of the trade and other receivables are expected to be recovered or recognised as expense within one year or are recovered on demand.

For the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2024 and 2025, an impairment loss of other receivables of RMB484,000, RMB1,126,000, RMB1,616,000, RMB617,000 (unaudited) and RMB(35,000) was recognised/(reversed) in profit or loss in the consolidated statements of profit or loss and other comprehensive income respectively.

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Note:

- (i) In December 2023, the Company and a third party entered into a land use right transfer contract (the “Contract”) with the local authority. Pursuant to the Contract, the Company and the third party jointly agreed to acquire a parcel of land from the local authority and planned to jointly develop a building on the parcel of land (the “Joint Development Project”). As at 31 December 2023, the Company made a total prepayment of RMB70,800,000, representing 60% of the Company’s interest in the land use right, while the remaining 40% was held by the third party. The Company intended to use its portion of the building as the Group’s headquarters.

In 2024, the third party withdrew from the Joint Development Project. Consequently, the Company also decided to terminate its involvement in the project and applied to the local authority for the return of its prepayment in October 2024. This application was approved by the local authority in November 2024. Under the termination terms of the Contract, the Company is required to pay a land occupation fee of RMB4,390,000, which corresponds to the period during which the Company held the land use right prior to termination. This amount has been recognised as an expense in “Other net (losses)/income” in the consolidated statements of profit or loss and other comprehensive income. The remaining balance is expected to be refunded by the local authority in 2025.

Ageing analysis:

As at 31 December 2022, 2023 and 2024 and 30 June 2025, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the revenue recognition date and net of loss allowance, is as follows:

The Group

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000
Within 1 year.	46,554	58,394	63,502	45,922
More than 1 year but within				
2 years	82	90	515	218
More than 2 years but within				
3 years	13	38	22	111
	<u>46,649</u>	<u>58,522</u>	<u>64,039</u>	<u>46,251</u>

The Company

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000
Within 1 year.	42,536	54,539	59,344	42,398
More than 1 year but within				
2 years	82	86	327	211
More than 2 years but within				
3 years	10	38	19	–
	<u>42,628</u>	<u>54,663</u>	<u>59,690</u>	<u>42,609</u>

Further details on the Group’s credit policy are set out in note 26(a).

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18 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

The Group

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank	245,393	302,811	443,323	532,098
Less: deposits with banks with original maturity date over three months	–	(90,000)	(90,000)	(90,000)
Less: restricted bank deposits (note (i))	<u>(6,130)</u>	<u>(6,254)</u>	<u>(6,124)</u>	<u>(6,077)</u>
Cash and cash equivalents in the consolidated statement of financial position and the consolidated cash flow statement.	<u>239,263</u>	<u>206,557</u>	<u>347,199</u>	<u>436,021</u>

The Company

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank	205,827	260,296	394,536	496,201
Less: deposits with banks with original maturity date over three months	–	(90,000)	(90,000)	(90,000)
Less: restricted bank deposits (note (i))	<u>(6,128)</u>	<u>(6,251)</u>	<u>(6,122)</u>	<u>(6,075)</u>
Cash and cash equivalents in the statement of financial position of the Company	<u>199,699</u>	<u>164,045</u>	<u>298,414</u>	<u>400,126</u>

- (i) Restricted cash of RMB6,128,000, RMB6,251,000, RMB6,122,000 and RMB6,075,000 as at 31 December 2022, 2023 and 2024 and 30 June 2025, respectively mainly was reserved for receipts in advance of prepaid cards in accordance with relevant regulations issued by Ministry of Commerce of PRC.

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(b) Reconciliation of profit before taxation to cash generated from operations:

	<i>Note</i>	Year ended 31 December			Six months ended 30 June	
		2022	2023	2024	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i>
Profit before taxation		226,554	284,013	308,364	197,555	163,007
Adjustments for:						
Investment income from financial assets measured at FVPL	6(c)	(1,593)	(2,062)	(1,711)	(1,410)	(979)
Depreciation	6(d)	128,889	138,459	127,819	65,284	60,019
Amortisation of intangible assets	6(d)	4,189	5,963	7,959	3,829	4,645
Interest income	5	(725)	(1,217)	(3,766)	(1,998)	(1,534)
Finance costs	6(a)	11,197	10,890	9,624	5,144	4,117
Losses/(gains) on disposal of property, plant and equipment and right-of-use assets	6(c)	4,900	977	(2,625)	(1,597)	(907)
Impairment losses/(reversal) on trade and other receivables		948	1,745	2,691	782	(914)
Impairment losses of property, plant and equipment and right-of-use assets	11(a)	1,886	3,047	2,213	1,268	1,116
Change in fair value of financial assets measured at FVPL	6(c)	–	(240)	–	9	–
Restoration costs	6(d)	270	224	314	120	94
Termination cost of purchase contract for land use right	6(c)	–	–	4,390	–	–
Changes in working capital:						
(Increase)/decrease in inventories		(109,265)	4,079	(2,635)	(27,846)	(4,839)
Increase/(decrease) in deferred income		1,503	690	1,357	(799)	(1,443)
Increase/(decrease) in trade and other receivables and rental deposits		(21,434)	(10,295)	(4,433)	(56,549)	15,168
Increase/(decrease) in trade and other payables and accruals		29,081	68,534	(60,340)	(49,053)	(6,210)
(Decrease)/increase in contract liabilities		(3,668)	19,000	(22,106)	(19,188)	2,947
Increase in restricted bank deposits		547	124	130	39	47
Cash generated from operations		<u>273,279</u>	<u>523,931</u>	<u>367,245</u>	<u>115,590</u>	<u>234,334</u>

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(c) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group’s liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group’s consolidated cash flow statement as cash flows from financing activities.

	Bank loans	Lease liabilities	Dividends payable	Total
	RMB’000 note 22	RMB’000 note 21	RMB’000 note 19	RMB’000
At 1 January 2022	–	228,041	15	228,056
Changes from financing cash flows:				
Payment of capital element of lease liabilities	–	(66,877)	–	(66,877)
Payment of interest element of lease liabilities	–	(11,197)	–	(11,197)
Dividends paid to equity shareholders of the Company*	–	–	(37,985)	(37,985)
Total changes from financing cash flows	–	(78,074)	(37,985)	(116,059)
Other changes:				
Interest expenses (note 6(a))	–	11,197	–	11,197
Dividends approved to equity shareholders of the Company	–	–	38,000	38,000
Increase in lease liabilities from entering into new leases during the year	–	92,706	–	92,706
Decrease in lease liabilities from terminating leases during the year	–	(7,829)	–	(7,829)
Total other changes	–	96,074	38,000	134,074
At 31 December 2022 and 1 January 2023	–	246,041	30	246,071
Changes from financing cash flows:				
Proceeds from bank loans	90,000	–	–	90,000
Repayment of bank loans	(30,000)	–	–	(30,000)
Payment of capital element of lease liabilities	–	(79,414)	–	(79,414)
Payment of interest element of lease liabilities	–	(10,566)	–	(10,566)
Interest of bank loans paid	(324)	–	–	(324)
Dividends paid to equity shareholders of the Company*	–	–	(30,388)	(30,388)
Total changes from financing cash flows	59,676	(89,980)	(30,388)	(60,692)
Other changes:				
Interest expenses (note 6(a))	324	10,566	–	10,890
Dividends approved to equity shareholders of the Company	–	–	30,400	30,400
Increase in lease liabilities from entering into new leases during the year	–	65,755	–	65,755
Decrease in lease liabilities from terminating leases during the year	–	(15,940)	–	(15,940)
Total other changes	324	60,381	30,400	91,105
At 31 December 2023	60,000	216,442	42	276,484

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	Bank loans	Lease liabilities	Dividends payable	Total
	RMB'000 note 22	RMB'000 note 21	RMB'000 note 19	RMB'000
At 1 January 2024	60,000	216,442	42	276,484
Changes from financing cash flows:				
Repayment of bank loans	(60,000)	–	–	(60,000)
Payment of capital element of lease liabilities	–	(68,720)	–	(68,720)
Payment of interest element of lease liabilities	–	(8,930)	–	(8,930)
Interest of bank loans paid	(694)	–	–	(694)
Dividends paid to equity shareholders of the Company*	–	–	(31,912)	(31,912)
Total changes from financing cash flows	(60,694)	(77,650)	(31,912)	(170,256)
Other changes:				
Interest expenses (note 6(a))	694	8,930	–	9,624
Dividends approved to equity shareholders of the Company	–	–	31,920	31,920
Increase in lease liabilities from entering into new leases during the year	–	64,729	–	64,729
Decrease in lease liabilities from terminating leases during the year	–	(29,068)	–	(29,068)
Total other changes	694	44,591	31,920	77,205
At 31 December 2024	–	183,383	50	183,433

(unaudited)	Bank loans	Lease liabilities	Dividends payable	Total
	RMB'000 note 22	RMB'000 note 21	RMB'000 note 19	RMB'000
At 1 January 2024	60,000	216,442	42	276,484
Changes from financing cash flows:				
Repayment of bank loans	(30,000)	–	–	(30,000)
Payment of capital element of lease liabilities	–	(36,088)	–	(36,088)
Payment of interest element of lease liabilities	–	(4,625)	–	(4,625)
Interest of bank loans paid	(519)	–	–	(519)
Dividends paid to equity shareholders of the Company*	–	–	(31,899)	(31,899)
Total changes from financing cash flows	(30,519)	(40,713)	(31,899)	(103,131)
Other changes:				
Interest expenses (note 6(a))	519	4,625	–	5,144
Dividends approved to equity shareholders of the Company	–	–	31,920	31,920
Increase in lease liabilities from entering into new leases during the period	–	24,335	–	24,335
Decrease in lease liabilities from terminating leases during the period	–	(17,555)	–	(17,555)
Total other changes	519	11,405	31,920	43,844
At 30 June 2024	30,000	187,134	63	217,197

* The amount of dividends paid to equity shareholders of the Company includes the payment of withholding individual income tax.

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	Bank loans	Lease liabilities	Dividends payable	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>note 22</i>	<i>note 21</i>	<i>note 19</i>	
At 1 January 2025	–	183,383	50	183,433
Changes from financing cash flows:				
Payment of capital element of lease liabilities	–	(31,183)	–	(31,183)
Payment of interest element of lease liabilities	–	(4,117)	–	(4,117)
Dividends paid to equity shareholders of the Company	–	–	(31,343)	(31,343)
Total changes from financing cash flows	–	(35,300)	(31,343)	(66,643)
Other changes:				
Interest expenses (<i>note 6(a)</i>)	–	4,117	–	4,117
Dividends approved to equity shareholders of the Company	–	–	36,181	36,181
Withholding individual income tax in respect of dividend paid	–	–	(4,825)	(4,825)
Increase in lease liabilities from entering into new leases during the period	–	30,332	–	30,332
Decrease in lease liabilities from terminating leases during the period	–	(6,236)	–	(6,236)
Total other changes	–	28,213	31,356	59,569
At 30 June 2025	–	176,296	63	176,359

(d) **Total cash out flow for leases:**

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Within operating cash flows	14,331	10,854	12,013	6,698	8,229
Within investing cash flows	12,470	70,800	–	–	–
Within financing cash flows	78,074	89,980	77,650	40,713	35,300
	104,875	171,634	89,663	47,411	43,529

These amounts relate to the following:

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Lease rentals settled	92,405	100,834	89,663	47,411	43,529
Purchase of leasehold land	12,470	70,800	–	–	–
	104,875	171,634	89,663	47,411	43,529

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19 TRADE AND OTHER PAYABLES

The Group

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	187,261	199,327	155,749	181,775
Bill payables	—	4,843	—	—
Deposits	63,880	71,250	74,385	78,979
Payables for purchase of property, plant and equipment	12,146	50,114	30,230	21,634
Staff cost payables	50,178	64,311	50,330	37,001
Other taxes payables	8,647	15,521	22,270	18,294
Dividends payable	30	42	50	63
Refund liabilities arising from sales rebate	3,926	26,159	12,726	12,043
Amounts due to related parties (note 28(d))	1,776	2,112	1,734	1,656
Other payables	29,726	29,220	34,972	21,032
	<u>357,570</u>	<u>462,899</u>	<u>382,446</u>	<u>372,477</u>

The Company

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	59,955	86,106	80,503	70,803
Bill payables	—	4,843	—	—
Deposits	63,615	71,064	73,935	78,435
Payables for purchase of property, plant and equipment	2,181	3,546	8,681	3,172
Staff cost payables	29,549	46,240	36,537	24,729
Other taxes payables	2,428	5,583	16,851	13,820
Dividends payable	30	42	50	63
Refund liabilities arising from sales rebate	3,926	26,160	12,726	12,043
Amounts due to related parties	272,640	370,739	344,062	432,788
Other payables	27,428	18,251	29,592	15,766
	<u>461,752</u>	<u>632,574</u>	<u>602,937</u>	<u>651,619</u>

Deposits received from suppliers and franchisees may be repayable to suppliers and franchisees after more than one year. All of the other payables is expected to be settled within one year or are repayable on demand.

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As at 31 December 2022, 2023 and 2024 and 30 June 2025, the ageing analysis of trade payables and bill payables, based on the invoice date, is as follows:

The Group

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year.	187,254	204,161	155,530	181,587
After 1 year	7	9	219	188
	<u>187,261</u>	<u>204,170</u>	<u>155,749</u>	<u>181,775</u>

The Company

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year.	59,955	90,940	80,471	70,803
After 1 year	–	9	32	–
	<u>59,955</u>	<u>90,949</u>	<u>80,503</u>	<u>70,803</u>

20 CONTRACT LIABILITIES

The Group

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Customer loyalty scheme	3,938	4,268	4,432	6,280
Prepaid card	14,772	15,469	14,949	15,011
Advanced payment received.	<u>37,500</u>	<u>55,473</u>	<u>33,723</u>	<u>34,760</u>
	<u>56,210</u>	<u>75,210</u>	<u>53,104</u>	<u>56,051</u>

The Company

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Customer loyalty scheme	3,938	4,268	4,432	6,280
Prepaid card	4,860	4,766	4,501	4,177
Advanced payment received.	<u>27,347</u>	<u>43,832</u>	<u>27,324</u>	<u>24,769</u>
	<u>36,145</u>	<u>52,866</u>	<u>36,257</u>	<u>35,226</u>

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Movements in contract liabilities:

The Group

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period .	59,878	56,210	75,210	53,104
Increase in contract liabilities as a result of receiving advance payment of prepaid card during the year/period	3,608	3,735	3,419	1,725
Increase in contract liabilities as a result of receiving advance payment of customer loyalty scheme during the year/period . . .	5,158	2,586	3,885	2,551
Increase in contract liabilities as a result of receiving advance payment from franchisees for purchase of goods during the year/period	37,458	64,578	48,864	30,618
Decrease in contract liabilities as a result of recognising revenue during the year/period	(49,892)	(51,899)	(78,274)	(31,947)
Balance at the end of the year/period	<u>56,210</u>	<u>75,210</u>	<u>53,104</u>	<u>56,051</u>

The Company

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period .	49,531	36,145	52,866	36,257
Increase in contract liabilities as a result of receiving advance payment of prepaid card during the year/period	1,790	390	479	134
Increase in contract liabilities as a result of receiving advance payment of customer loyalty scheme during the year/period . . .	5,158	2,586	3,885	2,551
Increase in contract liabilities as a result of receiving advance payment from franchisees for purchase of goods during the year/period	25,168	49,817	38,370	21,820
Decrease in contract liabilities as a result of recognising revenue during the year/period	(45,502)	(36,072)	(59,343)	(25,536)
Balance at the end of the year/period	<u>36,145</u>	<u>52,866</u>	<u>36,257</u>	<u>35,226</u>

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21 LEASE LIABILITIES

As at 31 December 2022, 2023 and 2024 and 30 June 2025, the lease liabilities were repayable as follows:

The Group

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year.	101,407	87,103	62,672	59,704
After 1 year but within 2 years. . . .	107,926	54,843	82,819	46,537
After 2 years but within 5 years . . .	46,863	71,922	55,010	69,362
After 5 years	16,257	25,462	2,060	19,357
	272,453	239,330	202,561	194,960
Less: total future interest expenses .	26,412	22,888	19,178	18,664
Present value of lease liabilities . . .	246,041	216,442	183,383	176,296
Lease liabilities included in the consolidated statement of financial position				
– Within 1 year	89,945	77,620	55,577	52,840
– After 1 year but within 2 years . . .	98,439	50,186	74,982	41,879
– After 2 years but within 5 years . . .	42,423	65,150	50,809	63,260
– After 5 years	15,234	23,486	2,015	18,317
	156,096	138,822	127,806	123,456
	246,041	216,442	183,383	176,296

The Company

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year.	55,890	54,853	38,296	36,364
After 1 year but within 2 years. . . .	60,741	32,563	49,939	28,077
After 2 years but within 5 years . . .	29,557	46,842	39,009	43,373
After 5 years	13,294	21,516	2,060	15,668
	159,482	155,774	129,304	123,482
Less: total future interest expenses .	15,841	15,767	13,152	12,605
Present value of lease liabilities . . .	143,641	140,007	116,152	110,877
Lease liabilities included in the statements of financial position of the Company				
– Within 1 year	49,851	48,925	33,775	32,011
– After 1 year but within 2 years . . .	55,023	29,530	44,736	25,067
– After 2 years but within 5 years . . .	26,321	41,798	35,626	39,041
– After 5 years	12,446	19,754	2,015	14,758
	93,790	91,082	82,377	78,866
	143,641	140,007	116,152	110,877

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22 BANK LOANS

The analysis of the repayment schedule of bank loans is as follows:

The Group and The Company

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year or on demand – guaranteed	–	60,000	–	–
	=	=	=	=

All of the bank loans as at 31 December 2023 were guaranteed by related parties (note 28(c)).

23 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AND STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(a) Current taxation in the consolidated statements of financial position represents:

The Group

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period .	23,102	33,353	55,373	40,631
Provisions for income tax for the year/period	68,994	80,889	83,476	38,681
Income tax paid	(58,743)	(58,869)	(98,218)	(53,093)
At the end of the year/period	<u>33,353</u>	<u>55,373</u>	<u>40,631</u>	<u>26,219</u>

Current taxation in the statements of financial position of the Company represents:

The Company

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period .	9,098	9,843	28,335	10,358
Provisions for income tax for the year/period	36,818	43,448	39,715	15,437
Income tax paid	(36,073)	(24,956)	(57,692)	(20,395)
At the end of the year/period	<u>9,843</u>	<u>28,335</u>	<u>10,358</u>	<u>5,400</u>

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(b) Deferred tax assets and liabilities recognised

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the movements for the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2025 are as follows:

The Group

Deferred tax assets/(liabilities) arising from:	Unused tax losses	Right-of-use assets	Lease liabilities	Impairment losses	Unrealised intra-group profit	Deferred income	Customer loyalty scheme	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	699	(52,078)	54,377	6,270	7,943	1,433	667	113	19,424
Credited/(charged) to profit or loss (note 7(a))	162	(3,850)	5,115	(338)	6,301	586	148	165	8,289
At 31 December 2022 and 1 January 2023	861	(55,928)	59,492	5,932	14,244	2,019	815	278	27,713
Credited/(charged) to profit or loss (note 7(a))	568	6,789	(5,492)	1,068	(945)	377	180	59	2,604
At 31 December 2023 and 1 January 2024	1,429	(49,139)	54,000	7,000	13,299	2,396	995	337	30,317
(Charged)/credited to profit or loss (note 7(a))	(641)	8,707	(10,901)	918	2,976	473	(14)	(2,205)	(687)
At 31 December 2024 and 1 January 2025	788	(40,432)	43,099	7,918	16,275	2,869	981	(1,868)	29,630
Credited/(charged) to profit or loss (note 7(a))	73	1,507	(1,715)	(351)	(4,078)	(359)	363	269	(4,291)
At 30 June 2025	861	(38,925)	41,384	7,567	12,197	2,510	1,344	(1,599)	25,339

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The components of deferred tax assets/(liabilities) recognised in the statements of financial position of the Company and the movements for the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2025 are as follows:

The Company

Deferred tax assets/(liabilities) arising from:	Right-of- use assets	Lease liabilities	Impairment losses	Deferred income	Customer loyalty scheme	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	(28,674)	29,926	4,590	1,433	667	–	7,942
(Charged)/credited to profit or loss	<u>(5,259)</u>	<u>6,380</u>	<u>257</u>	<u>586</u>	<u>148</u>	<u>50</u>	<u>2,162</u>
At 31 December 2022 and 1 January 2023	(33,933)	36,306	4,847	2,019	815	50	10,104
Credited/(charged) to profit or loss	<u>1,390</u>	<u>(757)</u>	<u>761</u>	<u>377</u>	<u>180</u>	<u>(88)</u>	<u>1,863</u>
At 31 December 2023 and 1 January 2024	(32,543)	35,549	5,608	2,396	995	(38)	11,967
Credited/(charged) to profit or loss	<u>5,726</u>	<u>(6,510)</u>	<u>507</u>	<u>357</u>	<u>(14)</u>	<u>(2,217)</u>	<u>(2,151)</u>
At 31 December 2024 and 1 January 2025	<u>(26,817)</u>	<u>29,039</u>	<u>6,115</u>	<u>2,753</u>	<u>981</u>	<u>(2,255)</u>	<u>9,816</u>
Credited/(charged) to profit or loss	<u>1,349</u>	<u>(1,319)</u>	<u>(334)</u>	<u>(312)</u>	<u>363</u>	<u>190</u>	<u>(63)</u>
At 30 June 2025	<u>(25,468)</u>	<u>27,720</u>	<u>5,781</u>	<u>2,441</u>	<u>1,344</u>	<u>(2,065)</u>	<u>9,753</u>

(ii) Reconciliation to the consolidated statements of financial position

The Group

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Net deferred tax asset in the consolidated statements of financial position		<u>27,713</u>	<u>30,317</u>	<u>25,339</u>
			<u>29,630</u>	

Reconciliation to the statements of financial position of the Company

The Company

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Net deferred tax asset in the statements of financial position of the Company		<u>10,104</u>	<u>11,967</u>	<u>9,753</u>
			<u>9,816</u>	

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(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(q), as at 31 December 2022, 2023 and 2024 and 30 June 2025, the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB19,300,000, RMB25,113,000, RMB23,157,000 and RMB23,612,000, as it is not probable that future taxable profits against which the losses or temporary differences can be utilised will be available in the relevant tax jurisdiction and entity.

The expiration information of the Group’s unrecognised deferred tax assets in respect of cumulative tax losses is set out below:

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
2023	4,215	–	–	–
2024	3,715	3,715	–	–
2025	2,369	2,369	2,369	2,363
2026	4,837	4,837	4,837	4,404
2027	4,164	4,081	4,081	3,372
2028	–	10,111	9,351	8,595
2029	–	–	2,256	2,255
2030	–	–	–	2,197
No expiration date.	–	–	263	426
Total	<u>19,300</u>	<u>25,113</u>	<u>23,157</u>	<u>23,612</u>

All the tax losses of subsidiaries of the Group in PRC can be carried forward for a maximum period of five years. The tax losses of subsidiary of the Group in Hong Kong do not expire under current tax legislation.

24 DEFERRED INCOME

The Group

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	10,303	11,806	12,496	13,853
Additions	3,230	2,800	3,953	–
Credited to profit or loss (note 5)	<u>(1,727)</u>	<u>(2,110)</u>	<u>(2,596)</u>	<u>(1,443)</u>
At the end of the year/period	<u>11,806</u>	<u>12,496</u>	<u>13,853</u>	<u>12,410</u>

The Company

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	5,734	8,077	9,586	10,414
Additions	3,230	2,800	3,000	–
Credited to profit or loss.	<u>(887)</u>	<u>(1,291)</u>	<u>(2,172)</u>	<u>(1,248)</u>
At the end of the year/period	<u>8,077</u>	<u>9,586</u>	<u>10,414</u>	<u>9,166</u>

Deferred income mainly represents government grants relating to construction of property, plant and equipment, which are recognised as income on a straight-line basis over the expected useful life of relevant assets.

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25 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group’s consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company’s individual components of equity between the beginning and the end of each reporting period are set out below:

Company	Note	Share capital	Capital reserve	Statutory reserve	Retained profits	Total
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At 1 January 2022		76,000	82,214	28,576	136,832	323,622
Total comprehensive income for the year . .		–	–	–	101,114	101,114
Appropriation to statutory reserve		–	–	10,112	(10,112)	–
Dividends approved . . .	25(b)	–	–	–	(38,000)	(38,000)
At 31 December 2022 and 1 January 2023 . .		76,000	82,214	38,688	189,834	386,736
Total comprehensive income for the year . .		–	–	–	120,479	120,479
Dividends approved . . .	25(b)	–	–	–	(30,400)	(30,400)
At 31 December 2023 and 1 January 2024 . .		76,000	82,214	38,688	279,913	476,815
Total comprehensive income for the year . .		–	–	–	114,858	114,858
Dividends approved . . .	25(b)	–	–	–	(31,920)	(31,920)
At 31 December 2024 and 1 January 2025 . .		76,000	82,214	38,688	362,851	559,753
Total comprehensive income for the period		–	–	–	44,068	44,068
Dividends approved . . .	25(b)	–	–	–	(36,181)	(36,181)
At 30 June 2025		76,000	82,214	38,688	370,738	567,640

(b) Dividends

For the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2025, the Company approved dividends of RMB38,000,000 (RMB0.50 per ordinary share), RMB30,400,000 (RMB0.40 per ordinary share), RMB31,920,000 (RMB0.42 per ordinary share) and RMB36,181,000 (RMB0.48 per ordinary share) respectively to its equity shareholders.

(c) Share capital

Issued share capital

	No. of shares	Nominal value of fully paid shares
		RMB’000
Ordinary shares of RMB1.00 each, issued and fully paid:		
At 1 January 2022, 31 December 2022, 2023 and 2024 and		
30 June 2025	76,000,000	76,000

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(d) Nature and purposes of reserves

(i) Capital reserve

Arising from conversion into a joint stock limited liability company

It represents the capital reserve contributed by the shareholders of the Company after its conversion into a joint stock limited liability company in August 2014.

Arising from business combination involving enterprises under common control

It represents the difference between the capital reserve of the subsidiary now comprising the Group and consideration paid by the Company for acquiring the subsidiary now comprising the Group under common control.

Arising from acquisition of non-controlling interest

It represents the differences between the consideration paid and acquired proportionate interest in identifiable net assets of Fujian Wuyishan Wangxinji Tea Co., Ltd. and Shenzhen Dike Catering Management Co., Ltd. from non-controlling shareholders was recognised as a deduction from capital reserve.

Arising from capital injection

It represents the excess of capital injections made by the equity shareholders over the par value of the shares issued.

(ii) Statutory reserve

According to the PRC Company Law, the Company’s PRC subsidiaries are required to transfer 10% of their profit after taxation, as determined under the PRC accounting regulations, to statutory reserve until the reserve balance reaches 50% of the registered capital. From 31 December 2022 onward, the statutory reserve balance of the Company reached 50% of the registered capital. For the purpose of calculating the transfer to reserve, the profit after taxation shall be the amount determined based on the statutory financial statements prepared in accordance with PRC accounting standards. The transfer to this reserve must be made before distribution of dividend to shareholders.

Statutory reserve fund can be used to cover previous years’ losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

(e) Capital management

The Group’s primary objectives when managing capital are to safeguard the Group’s ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group’s overall strategy remains unchanged throughout the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2025. The Group monitors its capital structure with reference to its debt position. The Group’s strategy is to maintain the equity and debt in a balanced position and ensure there are adequate working capital to service its debt obligations. The Group’s debt to asset ratio, being the Group’s total liabilities over its total assets, as at 31 December 2022, 2023 and 2024 and 30 June 2025 was 48.2%, 48.6%, 37.4% and 34.7%, respectively.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

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26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group’s business.

The Group’s exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group’s credit risk is primarily attributable to trade and other receivables. The Group’s exposure to credit risk arising from cash and cash equivalents, restricted deposits and deposits with a bank with original maturity date over three months is limited because the counterparties are banks and financial institutions with high-credit-quality, for which the Group considers to have low credit risk. The Group’s exposure to credit risk arising from refundable rental deposits is considered to be low, taking into account (i) the landlords’ credit rating and (ii) the remaining lease term and the period covered by the rental deposits.

Trade receivables

The Group’s trade receivables mainly due from e-commerce platforms, the third party payment platforms such as UnionPay, Alipay and WeChat Pay and shopping mall.

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer’s past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Group’s trade receivables are settled through the third party payment platforms within 3 days. The receivables due from e-commerce platforms and shopping mall are due within 30-60 days from the date of billing. Debtors with balances that are more than 2 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group’s exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2022, 2023 and 2024 and 30 June 2025, 49%, 63%, 62% and 59% of the total trade receivables was due from the Group’s largest customer respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group’s historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group’s different customer bases.

The following table provides information about the Group’s exposure to credit risk and ECLs for trade receivables as at 31 December 2022, 2023 and 2024 and 30 June 2025:

	As at 31 December 2022		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB’000	RMB’000
Within 1 year.	3.75%	48,369	1,815
More than 1 year but within 2 years	19.61%	102	20
More than 2 years but within 3 years	50.00%	26	13
More than 3 years	100.00%	93	93
		<u>48,590</u>	<u>1,941</u>

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As at 31 December 2023			
	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Within 1 year.	4.03%	60,847	2,453
More than 1 year but within 2 years	23.08%	117	27
More than 2 years but within 3 years	49.33%	75	37
More than 3 years	100.00%	30	30
		<u>61,069</u>	<u>2,547</u>

As at 31 December 2024			
	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Within 1 year.	4.89%	66,766	3,264
More than 1 year but within 2 years	19.91%	643	128
More than 2 years but within 3 years	50.00%	44	22
More than 3 years	100.00%	105	105
		<u>67,558</u>	<u>3,519</u>

As at 30 June 2025			
	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Within 1 year.	4.75%	48,212	2,290
More than 1 year but within 2 years	20.15%	273	55
More than 2 years but within 3 years	51.53%	229	118
More than 3 years	100.00%	46	46
		<u>48,760</u>	<u>2,509</u>

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group’s view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables for the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2025 is as follows:

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	1,505	1,941	2,547	3,519
Amounts written off	(28)	(13)	(103)	(131)
Impairment losses recognised	464	619	1,075	–
Impairment losses reversed	–	–	–	(879)
At the end of the year/period	<u>1,941</u>	<u>2,547</u>	<u>3,519</u>	<u>2,509</u>

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(b) Liquidity risk

The Group’s policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group’s financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contracted rates or, if floating, based on rates current as at 31 December 2022, 2023 and 2024 and 30 June 2025) and the earliest date the Group can be required to pay.

	As at 31 December 2022					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables	357,570	—	—	—	357,570	357,570
Lease liabilities	101,407	107,926	46,863	16,257	272,453	246,041
	<u>458,977</u>	<u>107,926</u>	<u>46,863</u>	<u>16,257</u>	<u>630,023</u>	<u>603,611</u>

As at 31 December 2023						
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and other payables	462,899	—	—	—	462,899	462,899
Bank loans	60,049	—	—	—	60,049	60,000
Lease liabilities	87,103	54,843	71,922	25,462	239,330	216,442
	<u>610,051</u>	<u>54,843</u>	<u>71,922</u>	<u>25,462</u>	<u>762,278</u>	<u>739,341</u>

As at 31 December 2024						
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables	382,446	—	—	—	382,446	382,446
Lease liabilities	62,672	82,819	55,010	2,060	202,561	183,383
	<u>445,118</u>	<u>82,819</u>	<u>55,010</u>	<u>2,060</u>	<u>585,007</u>	<u>565,829</u>

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As at 30 June 2025

	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables	372,477	–	–	–	372,477	372,477
Lease liabilities . .	59,704	46,537	69,362	19,357	194,960	176,296
	<u>432,181</u>	<u>46,537</u>	<u>69,362</u>	<u>19,357</u>	<u>567,437</u>	<u>548,773</u>

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group’s interest rate risk arises primarily from bank loans. Interest-bearing financial instruments at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk, respectively. The Group’s interest rate risk profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group’s bank loans as at 31 December 2022, 2023 and 2024 and 30 June 2025:

	As at 31 December 2022		As at 31 December 2023		As at 31 December 2024		As at 30 June 2025	
	Effective interest rates	Amount	Effective interest rates	Amount	Effective interest rates	Amount	Effective interest rates	Amount
	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000
Fixed rate instruments:								
Bank loans . .	–	–	2.23%	30,000	–	–	–	–
		–		30,000		–		–
		–		–		–		–
Variable rate instruments:								
Bank loans . .	–	–	2.30%	30,000	–	–	–	–
Total		–		60,000		–		–
		–		–		–		–

(ii) Sensitivity analysis

At 31 December 2022, 2023 and 2024 and 30 June 2025, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variable held constant, would have decreased/increased the Group’s profit after tax and retained profits by approximately nil, RMB225,000, nil and nil in response to the general increase/decrease in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group’s profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the end of each reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of each reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of each reporting period, the impact on the Group’s profit after tax and retained profits is estimated as an annualised impact on interest expense or income of such a change in interest rates.

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(d) Currency risk

The Group is not exposed to significant foreign currency risk since financial assets and liabilities denominated in currencies other than the functional currencies of the Company and its subsidiaries are not significant.

As the Group’s principal activities are carried out in the PRC, the Group’s transactions are mainly dominated in Renminbi, which is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People’s Bank of China or other institutions authorised to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the People’s Bank of China that are determined largely by supply and demand.

(e) Fair value measurement

(i) Financial assets measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group’s financial instruments measured at the end of each reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The Group has a team headed by the finance manager performing valuations for the financial instruments, including structured deposits which are categorised into Level 3 of the fair value hierarchy. The team reports directly to the chief financial officer. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the chief financial officer.

Fair value at 31 December	Fair value measurements as at 31 December 2022 categorised into		
2022	Level 1	Level 2	Level 3
RMB’000	RMB’000	RMB’000	RMB’000

Recurring fair value measurement

Financial assets measured at FVPL:

– Unlisted structured deposits.	–	–	–	–

Fair value at 31 December	Fair value measurements as at 31 December 2023 categorised into		
2023	Level 1	Level 2	Level 3
RMB’000	RMB’000	RMB’000	RMB’000

Recurring fair value measurement

Financial assets measured at FVPL:

– Unlisted structured deposits.	140,240	–	–	140,240

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	Fair value at 31 December	Fair value measurements as at 31 December 2024 categorised into		
	2024	Level 1	Level 2	Level 3
	RMB’000	RMB’000	RMB’000	RMB’000

Recurring fair value measurement

Financial assets measured at FVPL:

– Unlisted structured deposits.	=	=	=	=

	Fair value at 30 June	Fair value measurements as at 30 June 2025 categorised into		
	2025	Level 1	Level 2	Level 3
	RMB’000	RMB’000	RMB’000	RMB’000

Recurring fair value measurement

Financial assets measured at FVPL:

– Unlisted structured deposits.	=	=	=	=

For the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2025, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3. The Group’s policy is to recognise transfers between levels of fair value hierarchy as at the end of each reporting period in which they occur.

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs
Unlisted structured deposits	Discounted cash flow (<i>Note</i>)	Discount rate

Note:

The fair value of unlisted structured deposits is determined by discounting the estimated future cash flows at risk-adjusted rate, which is the benchmark interest rate plus the risk premium as at the end of each reporting period. At 31 December 2022, 2023 and 2024 and 30 June 2025, it is estimated that with all other variables held constant, an increase/decrease in fair value of wealth management products by 5% would have increased/decreased the Group’s after tax and retained profits by approximately nil, RMB5,259,000, nil and nil.

(ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group’s financial instruments carried at amortised cost are not materially different from their fair values as at 31 December 2022, 2023 and 2024 and 30 June 2025 because of the short-term maturities of all these financial instruments.

27 COMMITMENTS

Capital commitments of the Group outstanding at 31 December 2022, 2023 and 2024 and 30 June 2025 not provided for in the financial statements were as follows:

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000
Contracted for acquisition of property, plant and equipment and right-of-use assets	<u>107,633</u>	<u>2,772</u>	<u>1,610</u>	<u>11,894</u>

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28 MATERIAL RELATED PARTY TRANSACTIONS

(a) Names and relationships of the related parties that had material transactions with the Group

For the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2025, the directors are of the view that the following are related parties of the Group:

Name of party	Relationship with the Group
Wang Wenli (王文禮)*	Controlling shareholder
Wang Wenbin (王文彬)*	Controlling shareholder
Wang Wenchao (王文超)*	Controlling shareholder
Chen Xin (陳昕)*	Close members of the family of the controlling shareholder
Liu Chaolan (劉超蘭)*	Close members of the family of the director
Guangxi Jiuyun Tea Industry Co., Ltd (廣西九雲茶業有限公司)*	Entity controlled by close members of the family of the controlling shareholder
Shenzhen Yintai Tea Industry Co., Ltd (深圳市銀泰茶業有限公司)*	Entity controlled by close members of the family of the director
Jiangxi Youyuan Industrial Co., Ltd (江西優源實業有限公司)*	Entity controlled by close members of the family of the controlling shareholder
Shenzhen Futian District Guangfutang Tea Firm (深圳市福田區廣福堂茶業商行)*	Entity controlled by close members of the family of the controlling shareholder (ceased to be a related party since 1 January 2025)
Shenzhen Yunxiang Tea Industry Co., Ltd (深圳市雲祥茶業有限公司)*	Entity controlled by close members of the family of the director
Foshan Dacheng Tea Industry Co., Ltd (佛山市大成茶業有限公司)*	Entity controlled by close members of the family of the key management personnel (ceased to be a related party since 1 January 2025)
Fujian Shouxi Furniture Co., Ltd (福建首璽家具有限公司)*	Entity controlled by close members of the family of the controlling shareholder
Fujian Anxi Yuanfang Tea Co., Ltd (福建省安溪源芳茶業有限公司)*	Entity controlled by close members of the family of the controlling shareholder
Guangzhou Xiangtai Tea Industry Co., Ltd (廣州市祥泰茶業有限公司)*	Entity controlled by close members of the family of the director

* The official names of these entities are in Chinese. The English names are for identification purpose only.

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into the following material related party transactions.

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company’s directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows.

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Salaries, wages and other benefits	11,136	11,897	14,041	6,762	5,938
Contributions to defined contribution retirement plan	578	580	625	306	335
Termination benefits	—	1,743	—	—	—
	<u>11,714</u>	<u>14,220</u>	<u>14,666</u>	<u>7,068</u>	<u>6,273</u>

Total remuneration is included in “staff costs” (see note 6(b)).

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(c) Related parties transactions

In addition to those related party transactions disclosed elsewhere in this Accountants’ Report, the Group entered into the following material related party transactions for the years ended 31 December 2022, 2023, 2024 and the six months ended 30 June 2025:

	Year ended 31 December			Six months ended 30 June	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Trade in nature					
Sales of tea leaves and other products					
– Guangxi Jiuyun Tea Industry Co., Ltd	11,468	9,804	8,596	5,138	3,297
– Shenzhen Yintai Tea Industry Co., Ltd	6,332	7,826	8,558	4,114	4,142
– Jiangxi Youyuan Industrial Co., Ltd.	4,269	5,032	3,769	2,371	1,575
– Shenzhen Futian District Guangfutang Tea Firm	4,964	4,767	3,542	1,670	–
– Shenzhen Yunxiang Tea Industry Co., Ltd	3,401	4,583	5,892	2,961	3,052
– Foshan Dacheng Tea Industry Co., Ltd	2,781	3,252	3,783	1,535	–
– Fujian Shouxi Furniture Co., Ltd.	380	328	21	21	–
– Guangzhou Xiangtai Tea Industry Co., Ltd	–	–	123	57	115
	<u>33,595</u>	<u>35,592</u>	<u>34,284</u>	<u>17,867</u>	<u>12,181</u>
Rental income					
– Fujian Anxi Yuanfang Tea Co., Ltd.	218	309	309	155	155
– Fujian Shouxi Furniture Co., Ltd.	380	334	–	–	–
	<u>598</u>	<u>643</u>	<u>309</u>	<u>155</u>	<u>155</u>
Payment of lease liabilities					
– Chen Xin	91	91	86	43	43
– Liu Chaolan	221	219	196	98	98
	<u>312</u>	<u>310</u>	<u>282</u>	<u>141</u>	<u>141</u>
Non-trade in nature					
Bank loan guaranteed by					
– Wang Wenli, Wang Wenbin and Wang Wenchao	–	60,000	–	–	–

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(d) Balance with related parties

As at 31 December 2022, 2023 and 2024 and 30 June 2025, the Group had the following balances with related parties:

	As at 31 December			As at 30 June
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Trade in nature				
Trade and other payables				
– Foshan Dacheng Tea Industry Co., Ltd	200	275	200	–
– Guangxi Jiuyun Tea Industry Co., Ltd.	662	834	583	544
– Jiangxi Youyuan Industrial Co., Ltd. . .	302	293	116	232
– Shenzhen Futian District Guangfutang Tea Firm	110	110	130	–
– Shenzhen Yintai Tea Industry Co., Ltd	230	290	343	350
– Shenzhen Yunxiang Tea Industry Co., Ltd	272	310	282	450
– Guangzhou Xiangtai Tea Industry Co., Ltd	–	–	80	80
	<u>1,776</u>	<u>2,112</u>	<u>1,734</u>	<u>1,656</u>
	----	----	----	----
Contract liabilities				
– Fujian Shouxi Furniture Co., Ltd. . . .	334	11	18	18
– Foshan Dacheng Tea Industry Co., Ltd	21	52	8	–
– Guangxi Jiuyun Tea Industry Co., Ltd.	219	593	139	254
– Jiangxi Youyuan Industrial Co., Ltd. . .	177	558	400	120
– Shenzhen Yunxiang Tea Industry Co., Ltd	664	641	313	70
– Shenzhen Futian District Guangfutang Tea Firm	39	53	2	–
– Shenzhen Yintai Tea Industry Co., Ltd	255	512	107	76
– Fujian Anxi Yuanfang Tea Co., Ltd . .	181	181	181	26
– Guangzhou Xiangtai Tea Industry Co., Ltd	–	–	61	1
	<u>1,890</u>	<u>2,601</u>	<u>1,229</u>	<u>565</u>
	----	----	----	----
Lease liabilities				
– Chen Xin	67	383	309	271
– Liu Chaolan	108	282	96	–
	<u>175</u>	<u>665</u>	<u>405</u>	<u>271</u>
	----	----	----	----
	<u>3,841</u>	<u>5,378</u>	<u>3,368</u>	<u>2,492</u>
	=====	=====	=====	=====

(e) Leasing arrangement

For the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2025, the Group entered into several lease contracts in respect of certain leasehold properties from Liu Chaolan and Chen Xin for office and stores operations. The amount of rent payable (excluding taxes) by the Group under the leases ranges from RMB7,000 to RMB18,000 per month, which was determined with reference to amounts charged by Liu Chaolan and Chen Xin to third parties. As at 31 December 2022, 2023 and 2024 and 30 June 2025, the relevant right-of-use assets amounted to RMB255,000, RMB737,000, RMB467,000 and RMB332,000, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

29 IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

As at the date of this report, the Directors consider the immediate parent and ultimate controlling parties of the Group to be Wang Wenli, Wang Wenbin, Chen Yajing, Wu Xiaoning, Wang Xiaoping and Wang Wenchao.

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING PERIOD BEGINNING ON 1 JANUARY 2025

Up to the date of issue of these financial statements, the IASB has issued a number of new or amended standards, which are not yet effective for the year beginning on 1 January 2025 and which have not been adopted in the Historical Financial Information. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 9 and IFRS 7, <i>Contracts Referencing Nature-dependent Electricity</i>	1 January 2026
Amendments to IFRS 9 and IFRS 7, <i>Amendments to the classification and measurement of financial instruments</i>	1 January 2026
Annual improvements to IFRS Accounting Standards – Volume 11	1 January 2026
IFRS 18, <i>Presentation and disclosure in financial statements</i>	1 January 2027
IFRS 19, <i>Subsidiaries without public accountability: disclosures</i>	1 January 2027
Amendments to IFRS 10 and IAS 28, <i>Sale or contribution of assets between an investor and its associate or joint venture</i>	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Historical Financial Information.

31 SUBSEQUENT EVENTS

There were no significant events after [30 June 2025] that require additional disclosures in or adjustments to the Historical Financial Information.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to [30 June 2025].

APPENDIX II

UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

TAXATION ON SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and jurisdictions in which holders of H Shares are residents or otherwise subject to tax. The following summary of certain relevant tax provisions is based on currently effective laws and practices, makes no predictions on changes or adjustments to relevant laws or policies and does not constitute any comments or suggestions accordingly. The discussion does not deal with all possible tax consequences relating to an investment in H Shares, nor does it take into account the specific circumstances of any individual investor. Therefore, you should consult a tax advisor on the tax consequences of an investment in H Shares. The discussion is based on the laws and related interpretations in effect as of the date of this document, which are subject to changes or adjustments and may have retrospective effect. The discussion does not address any PRC or Hong Kong tax issues other than income tax, capital gains and profits tax, value-added tax, stamp duty and estate duty. Potential investors are urged to consult their financial advisors on the PRC, Hong Kong and other tax consequences of holding and selling H Shares.

THE PRC TAXATION

Taxation on Dividends

Individual Investors

Pursuant to the Law of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) (“Individual Income Tax Law”) and its implementing regulations, personal income such as interest, dividends and bonuses is subject to individual income tax at an applicable rate of 20%. Unless otherwise provided by the competent financial and tax authorities of the State Council, all interest, dividends and bonuses are deemed to be derived from the PRC, regardless of whether the place of payment is within the PRC. Pursuant to the Circular on Certain Issues Concerning the Policies of Individual Income Tax (《關於個人所得稅若干政策問題的通知》) promulgated on May 13, 1994, foreign individuals are temporarily exempted from the individual income tax for dividends or bonuses received from foreign-invested enterprises.

Enterprise Investors

Pursuant to the EIT Law and its implementing regulations, a uniform EIT rate of 25% is imposed on all resident enterprises in the PRC, including foreign-invested enterprises. Non-resident enterprises that do not have an establishment or a premise in the PRC or have an establishment or a premise but their PRC-sourced income is not effectively connected with their establishments or a premises are generally subject to an EIT rate of 10% on PRC-sourced income, including dividends received from a PRC resident enterprise for shares issued in Hong Kong. The above-mentioned income tax for non-resident enterprises is deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise when every such payment is made or due.

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

The Circular on Issues Relating to the Withholding of Corporate 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》), issued by the State Administration of Taxation on November 6, 2008, further clarifies that a PRC resident enterprise must withhold and pay EIT at a rate of 10% on dividends paid to overseas non-resident enterprise shareholders of H shares for 2008 and subsequent years. In addition, the Response to Questions on Levying Corporate Income Tax on Dividends Derived by Non-resident Enterprises from Holding Stocks such as B Shares (《國家稅務總局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》), issued by the State Administration of Taxation on July 24, 2009, further stipulates that any PRC resident enterprise whose shares are listed on overseas stock exchanges must withhold and pay EIT at a rate of 10% on dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H shares for 2008 and subsequent years. The above tax rates are subject to further changes pursuant to tax treaties or agreements (if applicable) concluded between the PRC and relevant countries or regions.

Under the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) entered into on August 21, 2006, the PRC government may impose tax on dividends paid by a PRC company to Hong Kong residents, including natural persons and legal entities, in an amount not exceeding 10% of the total dividends payable by such PRC company. Where a Hong Kong resident directly holds 25% or more of the equity interest in a PRC company, the tax levied shall not exceed 5% of the total amount of dividends payable by such PRC company. The Fifth Protocol to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》), which came into effect on December 31, 2019, adds a criteria for the qualification of entitlement to enjoy treaty benefits. Notwithstanding that the Arrangement may have provisions otherwise, the treaty benefits under the criteria shall not be granted in the circumstance where the main purposes for the arrangement or transactions is to bring any direct or indirect benefits under this Arrangement, after taking into account all relevant facts and conditions, except when the grant of such benefits under such circumstance is consistent with relevant objectives and goals under the Arrangement. The application of the dividend clauses of tax treaties is subject to the statutory provisions of PRC tax law documents, such as the Notice of the State Administration of Taxation on the Issues Concerning the Enforcement of the Dividend Clauses of Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》).

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

Tax Treaties

Non-PRC resident investors residing in countries that have entered into double taxation avoidance agreements with the PRC or residing in Hong Kong or Macau are entitled to a reduction of the withholding taxes imposed on dividends received from PRC companies. The PRC currently has entered into double taxation avoidance agreements/arrangements with a number of countries and regions, including Hong Kong, Macau, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom, the United States. Non-PRC resident enterprises that are entitled to preferential tax rates under relevant income tax agreements or arrangements shall apply to the PRC tax authorities for a refund of the withholding tax in excess of the agreed tax rate, and the refund shall be paid after approval by the PRC tax authorities.

Taxation on Share Transfer

Individual Investors

Pursuant to the Individual Income Tax Law and its implementing regulations, gains realized on the sale of equity interests in a PRC resident enterprise are subject to individual income tax at a rate of 20%.

Pursuant to the Circular of the Ministry of Finance and the State Administration of Taxation Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the Ministry of Finance and the State Administration of Taxation on March 30, 1998, from January 1, 1997, individual income from transfer of shares in listed enterprises continues to be temporarily exempted from individual income tax. On December 31, 2009, the Ministry of Finance, the State Administration of Taxation and the CSRC jointly issued the Circular on Related Issues on Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《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 stipulates that individual income from transfer of shares listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange continues to be exempted from individual income tax, except for the relevant restricted shares as defined in the Supplementary Notice on Issues Concerning the Levy of Individual Income Tax on Individuals' Income from the Transfer of Restricted Stocks 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》) jointly issued by the above three departments on November 10, 2010.

As of the Latest Practicable Date, the above provisions did not clearly provide for whether individual income tax would be levied on non-PRC resident individuals transferring shares of PRC resident enterprises listed on overseas stock exchanges. To the best of knowledge of the Company, the PRC tax authorities do not in practice levy income tax on non-PRC resident individuals transferring shares of PRC resident enterprises listed on overseas stock exchanges. However, there is no assurance that the PRC tax authorities will not change such practices, resulting in income tax levied on gains from the sale of H shares by non-PRC resident individuals.

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TAXATION AND FOREIGN EXCHANGE

Enterprise Investors

Pursuant to the EIT Law and its implementing regulations, non-resident enterprises that do not have an establishment or a premise in the PRC or have an establishment or a premise but their PRC-sourced income is not effectively connected with their establishments or a premises are generally subject to an EIT rate of 10% on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise. The above-mentioned income tax for non-resident enterprises is deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise when every such payment is made or due. Such tax may be reduced or exempted under relevant tax treaties or agreements to avoid double taxation.

Stamp Duty

Pursuant to the Stamp Tax Law of the PRC (《中華人民共和國印花稅法》) promulgated by the SCNPC on June 10, 2021 and implemented on July 1, 2022, the PRC stamp duty applies to entities and individuals that conclude taxable documents and conduct securities transactions within the PRC and entities and individuals that conclude taxable certificates outside the PRC for use within the PRC. Therefore, such stamp duty levied on the transfer of shares of the PRC listed companies does not apply to non-PRC investors buying and selling H shares outside the PRC.

Estate Tax

No estate duty is currently levied in the PRC.

Major taxation of the Company in the PRC

EIT

According to the EIT Law promulgated on March 16, 2007 and amended on February 24, 2017 and December 29, 2018, and its implementing regulations, enterprises are classified into resident enterprises and non-resident enterprises. Enterprises established in the PRC or established under foreign laws but with their “de facto management bodies” located in the PRC are deemed as “resident enterprises” and are subject to an EIT rate of 25% on their global income. Non-resident enterprises (i) that have an establishment or a premise in the PRC shall pay an EIT rate of 25% on the income derived from their establishments or premises as well as income arising outside the PRC but effectively connected with their establishments or premises; and (ii) shall pay an EIT rate of 10% on their income derived from the PRC but not connected with their establishments or premises in the PRC. Non-resident enterprises that do not have an establishments or premises in the PRC shall pay an EIT rate of 10% on their income derived from the PRC.

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

Value-Added Tax

Pursuant to the Interim Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例》), which was promulgated on December 13, 1993 and last amended on November 19, 2017, and its implementing regulations, entities and individuals engaged in selling goods or labor services of processing, repair or maintenance, selling services, intangible assets or immovables within the PRC, or importing goods into the PRC are subject to the payment of value-added tax. In accordance with the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting the Value-Added Tax Rate (《財政部、稅務總局關於調整增值稅稅率的通知》), which came into effect on May 1, 2018, a taxpayer who is previously subject to 17% on value-added tax-taxable sales activities shall have the applicable tax rate adjusted to 16%. Pursuant to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》), which came into effect on April 1, 2019, a general value-added tax taxpayer who is previously subject to 16% and 10% on value-added taxable sales activities or imported goods shall have the applicable tax rate adjusted to 13% and 9%, respectively.

TAXATION OF THE COMPANY IN HONG KONG

Taxation on Dividends

No tax is payable by any person or corporation under the laws of Hong Kong in respect of dividends paid by our Company.

Profits Tax

Shareholders (other than Shareholders who engage in a trade, profession or business in Hong Kong and hold their Shares for trading purposes) are not subject to Hong Kong profits tax on capital gains derived from the sale or disposal of their Shares. Shareholders shall seek advice from their own professional advisors on their specific tax situation.

Stamp Duty

Hong Kong stamp duty will be charged on the sale and purchase of Shares at the current rate of 0.2% of the consideration for, or (if greater) the value of, the Shares being sold or purchased, in total, whether or not the sale or purchase is on or off the Hong Kong Stock Exchange. The Shareholders who buy or sell Shares will each be liable for one-half of the amount of Hong Kong stamp duty payable upon such transfer. In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of Shares.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

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TAXATION AND FOREIGN EXCHANGE

PRC LAWS AND REGULATIONS ON FOREIGN EXCHANGE

Pursuant to the Foreign Exchange Administration Regulations of the People’s Republic of China promulgated on January 29, 1996 and amended from time to time, RMB is freely convertible under current account items (including dividend distribution, trade and service-related foreign exchange transactions), but not freely convertible under capital account items (including direct investment, loans, capital transfers and securities investment outside the PRC). Prior approval from the State Administration of Foreign Exchange or its designated banks is required.

According to the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Management Policy of Capital Account Foreign Exchange Settlement (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), which was promulgated on June 9, 2016 and revised on December 4, 2023, the settlement of foreign exchange receipts under the capital account (including foreign exchange capital, foreign debt funds and the repatriation of capital raised from overseas listing) may convert from foreign currency into RMB on self-discretionary basis. The ratio of the discretionary exchange rate of foreign exchange receipts under domestic capital account is tentatively set at 100%. The State Administration of Foreign Exchange may adjust the above ratio in due course according to the international balance of payment status.

Pursuant to the Notice of the State Administration of Foreign Exchange on Further Promoting Cross-Border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) promulgated on October 23, 2019 (as amended by the Notice of the State Administration of Foreign Exchange on Further Deepening Reforms to Promote Cross-Border Trade and Investment Facilitation (《國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知》) promulgated on December 4, 2023), non-investment foreign-invested enterprises are allowed 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.

On December 26, 2014, the State Administration of Foreign Exchange issued the Notice of the State Administration of Foreign Exchange on Issues Concerning Foreign Exchange Administration for Overseas Listings (《國家外匯管理局關於境外上市外匯管理有關問題的通知》). Pursuant to the notice, a domestic company shall, within 15 business days of the date of the end of its overseas listing issuance, register the overseas listing with the Administration of Foreign Exchange at the place of its establishment; the proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the document and other disclosure documents. A domestic company (except for bank financial institutions) shall present its certificate of overseas listing to open a “special account for overseas listing of domestic company” at a local bank for its initial public offering (or follow-on offering) and repurchase business to handle the exchange, remittance, and transfer of funds for the business concerned.

APPENDIX IV

SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

This Appendix contains a summary of laws and regulations on companies and securities in the PRC. The principal objective of this summary is to provide potential investors with an overview of the principal laws and regulations applicable to us. This summary is not intended to include all the information which may be important to the potential investors. For discussion of laws and regulations specifically governing the business of the Company, see “Regulatory Overview”.

PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the PRC (《中華人民共和國憲法》) (the “**Constitution**”) and is made up of statute law, administrative regulations, local regulations, separate regulations, autonomous regulations, departmental rules, rules of local governments, international treaties of which the PRC government is a signatory, and other regulatory documents. Court verdicts do not constitute binding precedents; however, they may be used as judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (2023 Revision) (《中華人民共和國立法法(2023修正)》) (the “**Legislation Law**”), the NPC and the SCNPC are empowered to exercise the legislative power of the State in accordance with the Constitution. The NPC has the power to formulate and amend basic laws governing civil and criminal matters, state organs and other matters. The SCNPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of the laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people’s congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations.

The ministries and commissions of the State Council, PBOC, the State Audit Administration, organs endowed with administrative functions directly under the State Council and the organizations prescribed by laws may, in accordance with the laws as well as the administrative regulations, decisions and orders of the State Council and within the limits of their power, formulate rules.

The people’s congresses of cities divided into districts and their respective standing committees may formulate local regulations in respect of urban and rural development and management, ecological civilization development, primary-level governance, and historical and cultural protection based on the specific circumstances and actual requirements of such

APPENDIX IV

SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

cities. The regulations of such cities will become enforceable after being reported to and approved by the standing committees of the people’s congresses of the relevant provinces or autonomous regions, but such local regulations shall conform with the Constitution, laws, administrative regulations, and the relevant local regulations of the relevant provinces or autonomous regions. People’s congresses of ethnic autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned.

The people’s governments of provinces, autonomous regions, municipalities and cities divided into districts or autonomous prefectures may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

The Constitution has supreme legal authority, and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The authority of laws is superior to that of administrative regulations, local regulations and rules. The authority of administrative regulations is superior to that of local regulations and rules. The authority of local regulations is superior to that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people’s governments of the provinces or autonomous regions is superior to that of the rules enacted by the people’s governments of the city divided into districts or autonomous prefecture within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to modify or annul any inappropriate laws enacted by its standing committee, and to annul any autonomous regulations or separate regulations which have been approved by its standing committee but which contravene the Constitution or the Legislation Law. The SCNPC has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people’s congresses of the relevant provinces, autonomous regions or municipalities but which contravene the Constitution and the Legislation Law. The State Council has the power to modify or annul any inappropriate departmental rules and rules of local governments. The people’s congresses of provinces, autonomous regions or municipalities have the power to modify or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people’s governments of provinces and autonomous regions have the power to modify or annul any inappropriate rules enacted by the people’s governments at a lower level.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the SCNPC. According to the Resolution of the Standing Committee of the National People’s Congress on Strengthening Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, the Supreme People’s Court of the PRC (the “**Supreme People’s Court**”) has the power to give general interpretation on issues involving specific application of laws and decrees in court trials. The State Council and its

APPENDIX IV

SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At regional level, the power to give interpretations of local laws and regulations as well as administrative rules is vested in the local legislative and administrative organs which promulgate such laws, regulations and rules.

PRC JUDICIAL SYSTEM

Under the Constitution and the Organic Law of the People’s Courts of the PRC (2018 Revision) (《中華人民共和國人民法院組織法(2018年修訂)》), the PRC judicial system consists of the Supreme People’s Court, the local people’s courts and the special people’s courts.

The local people’s courts are comprised of the primary people’s courts, the intermediate people’s courts and the higher people’s courts. The higher level people’s courts supervise the primary and intermediate people’s courts. The people’s procuratorates also have the power to exercise legal supervision over the civil proceedings of people’s courts of the same level and lower levels. The Supreme People’s Court is the highest judicial body in the PRC. It supervises the judicial administration of the people’s courts at all levels.

The PRC Civil Procedure Law (《中華人民共和國民事訴訟法》) (the “**Civil Procedure Law**”) was adopted in 1991 and amended in 2007, 2012, 2017, 2021 and 2023, and its latest version came into effect on January 1, 2024. The Civil Procedure Law sets forth the criteria for instituting a civil action, the jurisdiction of the people’s courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a judicial court where civil actions may be brought, provided that the judicial court is located in a place of domicile of either the plaintiff or the defendant, the place of execution or implementation of the contract or the place of the object of the action, provided that the provisions of this law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

Generally, a foreign national or enterprise has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country’s judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC.

If any party to a civil action refuses to comply with a judgment or ruling made by a people’s court or an award made by an arbitration panel in the PRC, the other party may apply to the people’s court for the enforcement of the same. There are time limits of two years imposed on the right to apply for such enforcement. If any party fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, enforce the judgment in accordance with the law.

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A party seeking to enforce a judgment or ruling of a people’s court against a party who is not personally or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people’s court according to PRC enforcement procedures if the PRC has entered into or acceded to an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court’s examination according to the principle of reciprocity. However, if the people’s court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security or against social and public interest, or if other circumstances specified in Article 300 of the Civil Procedure Law occur, the people’s court shall, upon examination, not to recognize or enforce such judgment or ruling.

THE COMPANY LAW, OVERSEAS LISTING TRIAL MEASURES AND PRC GUIDELINES ON AOA

A joint stock limited company which was incorporated in the PRC and seeking a listing on the Hong Kong Stock Exchange is mainly subject to the following laws and regulations in the PRC:

- The Company Law which was promulgated by the SCNPC on December 29, 1993, came into effect on July 1, 1994, and revised on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018 and December 29, 2023 respectively, of which the latest revision of the Company Law has been put into effect on July 1, 2024;
- The Overseas Listing Trial Measures and its five guidelines, which were promulgated by the CSRC on February 17, 2023 and came into effect on March 31, 2023, are applicable to the overseas offering and listing of joint stock limited companies; and
- The Guidelines on the Application of Regulatory Rules — Overseas Offering and Listing No. 1 (《監管規則適用指引—境外發行上市類第1號》) which was promulgated by the CSRC on February 17, 2023, according to which the domestic companies that have direct offering and listing of securities in overseas markets, shall formulate their articles of association by reference to the Guidelines for the Articles of Association of Listed Companies (《上市公司章程指引》) (the “**PRC Guidelines on AoA**”) promulgated by the CSRC on December 16, 1997 and last revised on December 15, 2023.

Set out below is a summary of the major provisions of the PRC Company Law, Overseas Listing Trial Measures and the PRC Guidelines on AoA.

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SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

General

A joint stock limited company refers to an enterprise legal person incorporated under the Company Law with its registered capital divided into shares of equal par value. The liability of shareholders is limited to the amount of shares held by them and the company is liable to its creditors for an amount equal to the total value of its assets.

A joint stock limited company shall conduct its business in accordance with laws and administrative regulations. A joint stock limited company may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Unless otherwise provided by law, the joint stock limited company may not be a contributor that undertakes joint and several liabilities for the debts of the invested companies.

Incorporation

A joint stock limited company may be incorporated by promotion or public subscription.

A joint stock limited company may be incorporated by a minimum of one but not more than 200 promoters, and at least half of the promoters shall have residence within the PRC.

The promoters shall convene an inaugural meeting within 30 days after the issued shares have been fully paid up and shall give notice to all subscribers or make an announcement of the date of the meeting 15 days prior to the meeting. The inaugural meeting may be convened only with the presence of subscribers representing at least half of the shares in the company. Convening of the inaugural meeting of the company incorporated by promotion and the voting procedures shall be prescribed by the articles of association or agreed by the promoters. At the inaugural meeting, matters including the adoption of articles of association and the election of members of the board of directors and members of the supervisory committee of the company will be dealt with. All resolutions of the meeting are subject to the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors must apply to the registration authority for registration of the establishment of the joint stock limited company.

Share Capital

The promoters of a company may make capital contributions in cash or in kind, intellectual property rights, land-use rights, equity or creditors' rights, which may be valued in monetary term and transferable according to laws based on their appraised value.

If capital contribution is made in a way other than in cash, valuation and verification of the property contributed shall be carried out and converted into shares.

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Shares in a company are in the form of share certificates. Share certificates are certificates issued by a company which serve as a proof of shares being held by shareholders. Share certificates issued by a company shall be registered share certificates.

Under the Overseas Listing Trial Measures, if a domestic enterprise issues shares overseas, it may raise funds and make dividend distributions in foreign currency or RMB. Subject to specific circumstances, the Overseas Listing Trial Measures requires that, among other things, (i) initial public offerings or listings of domestic companies in overseas markets shall be filed with the CSRC within 3 working days after the relevant application is submitted overseas, (ii) subsequent securities offerings of an issuer in the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within 3 working days after the offering is completed, and (iii) subsequent securities offerings or listings of an issuer in other overseas markets other than where it has offered and listed securities shall be filed with the CSRC within 3 working days after the relevant application is submitted overseas.

The share offering price may be equal to or greater than par value, but shall not be less than par value.

Transfer of shares by shareholders shall be conducted via the legally established stock exchange or in accordance with other methods as stipulated by the State Council. Transfer of shares by a shareholder are to be made by means of an endorsement or by other means stipulated by laws or administrative regulations.

Shares issued by a company prior to the public offer of its shares shall not be transferred within one year from the date of listing and dealing of the shares of the company on a stock exchange. Where laws, administrative regulations or regulatory authority of securities under the State Council provide otherwise transfer of a company’s shares held by its shareholders or de facto controllers, such provisions shall prevail. Directors, supervisors and senior management of a company shall not transfer over 25% of the shares held by each of them in the company each year during their term of office and shall not transfer any share of the company held by each of them within one year after the listing date. There is no restriction under the Company Law as to the percentage of shareholding a single shareholder may hold in a company.

Transfers of shares may not be entered in the register of shareholders within twenty days before the date of a shareholders’ meeting or within five days before the record date set for the purpose of distribution of dividends.

Allotment and Issue of Shares

Issue of shares of a joint stock limited company shall be based on the principles of equality and fairness. Each share of the same class shall carry equal rights. Shares of the same issuance and within the same class shall be issued on the same conditions and at the same price per share, and may be issued at a price equal to or greater than par value, but no less than the par value.

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Under the Overseas Listing Trial Measures, if a domestic enterprise issues shares overseas, it may raise funds and make dividend distributions in foreign currency or RMB. Subject to specific circumstances, the Overseas Listing Trial Measures requires that, among other things, (i) initial public offerings or listings of domestic companies in overseas markets shall be filed with the CSRC within 3 working days after the relevant application is submitted overseas, (ii) subsequent securities offerings of an issuer in the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within 3 working days after the offering is completed, and (iii) subsequent securities offerings or listings of an issuer in other overseas markets other than where it has offered and listed securities shall be filed with the CSRC within 3 working days after the relevant application is submitted overseas.

Registered Shares

Under the Company Law, shareholders may make capital contributions in cash, or such non-monetary property as physical items, intellectual property rights, land-use rights, equity or creditors’ rights that may be valued in monetary term and transferable in accordance with laws.

Under the Company Law, when the company issues shares in registered form, it shall maintain a register of shareholders, stating the following matters:

- the name and domicile of each shareholder;
- the class of shares and number of shares subscribed by each shareholder;
- the serial numbers of shares certificate if the shares are issued in paper form; and
- the date on which each shareholder acquired the shares.

Increase of Share Capital

According to the Company Law, when the joint stock limited company issues new shares, resolutions shall be passed by a shareholders’ general meeting, approving the class and number of the new shares, the issue price of the new shares, the commencement and closing date of the new share issuance, the class and amount of new shares to be issued and the issue of non-par value shares to existing shareholders, and the amount of proceeds from the new issue recognized in registered capital. When the company launches a public issuance of shares, it shall register with the securities regulatory authority of the State Council and publish a document. The document shall attach with the company’s articles of association and specify matters required by law.

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Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law:

- it shall prepare a balance sheet and a property list;
- the reduction of registered capital shall be approved by a shareholders’ general meeting;
- it shall inform its creditors of the reduction in registered capital within ten days from the resolution on reduction of registered capital and shall publish an announcement in the newspapers or on the National Enterprise Credit Information Publicity System within thirty days;
- creditors shall have the rights within thirty days after receiving the notice, or within 45 days of the public announcement if no notice has been received, to require the company to settle its debts or provide guarantees accordingly; and
- it shall apply for change registration in accordance with laws if there is any change in the registered matters of the company.

Acquisition of Shares

According to the Company Law, a joint stock limited company may not acquire its own shares, other than for one of the following purposes: (i) to reduce its registered capital; (ii) to merge with another company that holds its shares; (iii) to grant its shares for carrying out an employee shareholding plan or equity incentive plan; (iv) to acquire its shares from shareholders who are against the resolution regarding the merger or division with other companies at a shareholders’ general meeting; (v) to use the shares for converting convertible corporate bonds issued by a listed company into stocks; and (vi) where it is necessary for a listed company to maintain its corporate value and protect its shareholders’ interests.

The acquisition of shares on the grounds set out in (i) and (ii) above shall require approval by way of a resolution passed by the shareholders’ general meeting. For acquisition of a company’s share under any of the circumstances stipulated in (iii), (v) or (vi) above, a resolution made by a two-third majority of directors attending the meeting of the board of directors shall be required according to the provisions of the company’s articles of association or as authorized by the shareholders’ general meeting.

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Following the acquisition of the company’s shares in accordance with (i), such shares shall be canceled within 10 days from the date of acquisition. The shares shall be assigned or deregistered within six months if the share acquisition is made under circumstances (ii) or (iv). Shares held in total by a company under circumstances (iii), (v) or (vi) shall not exceed 10% of the company’s total issued shares and shall be assigned or deregistered within three years.

Listed companies acquiring shares of the company shall perform their obligation of information disclosure as required by the Securities Law. Acquisition of the company’s shares by listed companies as a result of the aforesaid circumstances (iii), (v) or (vi) shall be conducted publicly via centralized trading.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the Company Law, transfer of shares by shareholders shall be carried out at a legally established securities exchange or otherwise stipulated by the State Council. No modifications of registration in the share register shall be made within 20 days prior to the convening of shareholder’s general meeting or 5 days prior to the record date for determination of dividend distributions. Where laws, administrative regulations or regulatory authority of securities under the State Council provide otherwise changes to the register of shareholders of listed companies, such provisions shall prevail.

Under the Company law, shares issued prior to the public issuance of shares must not be transferred within one year from the date of the joint stock limited company’s listing on a stock exchange. Where laws, administrative regulations or regulatory authority of securities under the State Council provide otherwise transfer of a company’s shares held by shareholders or de facto controllers of listed companies, such provisions shall prevail. Directors, supervisors and the senior management of the company shall declare to the company their shareholdings in the company and any changes to such shareholdings. They shall not transfer more than 25% of all the shares they hold in the company annually during their tenure; shall not transfer the shares they hold within one year from the date on which the company’s shares are listed and commenced trading on a stock exchange, nor within half a year following their resignation from their positions.

Shareholders

Under the Company Law and the PRC Guidelines on AoA, the rights of holders of ordinary shares of a joint stock limited company include:

- the right to request, convene, preside over, participate in or appoint proxies of shareholders to attend shareholders’ general meeting and to exercise the corresponding voting rights according to laws;

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- the right to transfer, donate or pledge their shares in accordance with laws, administrative regulations and provisions of the articles of association;
- the right to supervise, make suggestions on or question the operations of the company;
- the right to inspect the articles of association, share register, counterfoil of debentures, minutes of shareholder’s general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the supervisory committee and financial and accounting reports;
- any shareholder who objects on a resolution on the merger or division of the company made by a shareholders’ general meeting has the right to require the Company to repurchase his/its shares;
- the right to receive dividends and other types of interest distributed in proportion to the number of shares held;
- in the event of the termination or liquidation of the company, the right to participate in the distribution of remaining properties of the company in proportion to the number of shares held; and
- other rights granted by laws, administrative regulations, other regulatory documents and the company’s articles of association.

The obligations of a shareholder include the obligation to abide by the articles of association, to pay the application moneys in respect of the shares subscribed for and in accordance with the form of making capital contributions, to be liable for the company’s debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholders’ obligation specified in the company’s articles of association.

Shareholders’ General Meetings

The shareholders’ general meeting is the organ of authority of the company, which exercises its powers in accordance with the Company Law.

Under the Company Law, the shareholders’ general meeting exercises the following principal powers:

- to elect and replace directors and supervisors, and decide on the remuneration of directors and supervisors;
- to review and approve the report of the board of directors;

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- to review and approve the report of the supervisory committee;
- to review and approve the company’s profit distribution plan and loss compensation plan;
- to make resolutions on increase or reduction of the company’s registered capital;
- to make resolutions on issuing corporate bonds;
- to make resolutions on the merger, division, dissolution, liquidation or change in the form of the company;
- to amend the company’s articles of association;
- other powers stipulated in the company’s articles of association;

Shareholders’ general meetings are required to be held once every year. Under the Company Law, an extraordinary shareholders’ general meeting is required to be held within two months subsequent to the occurrence of any of the following:

- the number of directors is less than the number stipulated by laws or less than two-thirds of the number specified in the articles of association;
- the aggregate losses of the company which have not been recovered reach one-third of the company’s total paid-in share capital;
- convening of an extraordinary general meeting is requested by shareholders alone or in aggregate holding 10% or more of the company’s shares;
- whenever the board of directors deems necessary;
- when the supervisory committee so requests; or
- other circumstances as provided in the laws, administrative regulations, departmental provisions or the articles of associations.

Under the Company Law, shareholders’ general meetings shall be convened by the board of directors, and be presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or fails to perform his duties, the meeting shall be presided over by the vice chairman; in the event that the vice chairman is incapable of performing or fails to perform his duties, a director nominated by more than half of the directors shall preside over the meeting.

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Where the board of directors is incapable of performing or fails to perform its duties of convening the shareholders’ general meeting, the supervisory committee shall convene and preside over such meeting in a timely manner; where the supervisory committee fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% or more of the company’s shares consecutively for 90 days or more may unilaterally convene and preside over such meeting.

Under the Company Law, notice of shareholders’ general meeting shall state the time, venue and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of extraordinary shareholder’s general meetings shall be given to all shareholders 15 days prior to the meeting.

Under the Company Law, shareholders (except for holders of class shares) present at shareholders’ general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights.

Pursuant to the provisions of the articles of association or a resolution of the shareholders’ general meeting, the accumulative voting system may be adopted for the election of directors and supervisors at the shareholders’ general meeting. Under the accumulative voting system, each share shall be entitled to a number of votes equivalent to the number of directors or supervisors to be elected at the shareholders’ general meeting and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the Company Law and the PRC Guidelines on AoA, resolutions of the shareholders’ general meeting must be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders’ general meeting regarding the following matters shall be adopted by more than two-thirds of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) the increase or decrease of registered capital; (iii) the merger, division, dissolution, liquidation or change in the form of the company; (iv) any purchase or sale of major assets or any provision of guarantee within one year in an amount in excess of 30% of the company’s latest audited total assets; (v) any equity incentive scheme; and (vi) any other matters specified by laws, administrative regulations or the articles of association and other matters considered by the shareholders’ general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

Under the Company Law, minutes of meeting shall be prepared in respect of decisions on matters discussed at the shareholders’ general meeting. The chairman of the meeting and directors attending the meeting shall sign on such minutes of meeting for endorsement. The minutes of meetings shall be kept together with the shareholders’ attendance register and the proxy forms.

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Board of Directors

Under the Company Law, a joint stock limited company shall have a board of directors, which shall consist of three members or above, and members thereof may include representatives of the employees of the company. For a company with more than 300 employees, unless it has established a supervisory committee with employee representatives of the company in accordance with the law, there should be representatives of company employees among the members of its board of directors. The employee representatives on the board of directors are democratically elected by the company’s employees through employee representative meetings, employee meetings or other forms of democratic elections. The term of a director shall be stipulated in the articles of association, but no term of office shall last for more than three years. Directors may serve consecutive terms if re-elected. A director shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of directors results in the number of directors being less than the statutory minimum number.

Under the Company Law, the board of directors mainly exercises the following powers:

- to convene shareholders’ meetings and report its work at shareholders’ meetings;
- to implement resolutions of shareholders’ meetings;
- to decide on the company’s business plan and investment plan;
- to formulate the company’s profit distribution plan and loss compensation plan;
- to formulate plans for the company to increase or reduce registered capital and issue corporate bonds;
- to formulate plans for company mergers, divisions, dissolutions or changes in company form;
- to formulate the establishment of the company’s internal management organization;
- to decide on the appointment or dismissal of the company’s manager and his remuneration, and decide on the appointment or dismissal of the company’s deputy manager, financial controller and their remuneration based on the manager’s nomination;
- to formulate the company’s basic management system;
- other powers stipulated in the company’s articles of association or granted by the shareholders’ meeting.

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Board Meetings

Under the Company Law, meetings of the board of directors of a joint stock limited company shall be convened at least twice a year, and the notice of meeting shall be given to all directors and supervisors 10 days before the date of meeting. Extraordinary board meetings may be proposed to be convened by shareholders representing more than 10% of voting rights, more than one-third of the board of directors or the supervisory committee. The chairman shall convene and preside over such meeting within 10 days after receiving such proposal. Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. The board of directors shall keep minutes of meetings for the decisions made on the matters discussed, and the directors present at the meeting shall sign on the minutes of meetings for endorsement. The board of directors meeting shall be attended by the directors themselves in person; if a director is unable to attend for a reason, he or she may authorize another director in writing to attend on his/her behalf, and the scope of authorization shall be stated in the power of attorney.

If the resolution of the board of directors violates the laws, administrative regulations, the company’s articles of association or the resolution of the shareholders’ meeting, and causes the company to suffer serious losses, the directors who participated in the resolution shall be liable to the company for compensation. However, if it is proved that the director expressed his objection during the voting and it was recorded in the minutes of meeting, such director may be exempted from liability.

Chairman of the Board

Under the Company Law, the board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist the work of the chairman. In the event that the chairman is incapable of performing or fails to perform his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or fails to performing his duties, a director nominated by more than half of the directors shall perform his duties.

Qualification of Directors

The Company Law provides that the following persons may not serve as a director:

- a person who is unable or has limited ability to undertake any civil liabilities;
- a person who has been convicted of an offense of bribery, corruption, embezzlement or misappropriation of property, or the destruction of socialist market economy order; or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed after the date of completion of serving the sentence; and if a suspended sentence is pronounced, in each case less than two years have elapsed after the date of expiry of the probation period;

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- a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of such company or enterprise;
- a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violation of the laws and has been ordered to close down, and the person was personally responsible, where less than three years have elapsed since the date of such revocation of business license and closure order of such company or enterprise; or
- a person who is liable for a relatively large amount of debts that are overdue and has been listed by the people’s court as a person for execution in breach of trust.

Audit Committee

A joint stock company can choose not to establish a board of supervisors or appoint any supervisors by setting up an audit committee in the board of directors comprised of directors, in accordance with its articles of associations, to exercise the duty of the board of supervisors.

According to the Relevant Arrangements for the Transitional Period for Implementing the Supporting Systems and Rules for the New Company Law (《關於新<公司法>配套制度規則實施相關過渡期安排》) promulgated by the CSRC and became effective on December 27, 2024, as from January 1, 2026, enterprises applying for IPO that still establishes board of supervisors or appoint supervisors, shall formulate a plan to ensure that, prior to listing, a audit committee within the board of directors will be established to exercise the duties of the board of supervisors, and the company shall cease to establish board of supervisors and shall no longer appoint any supervisors, in accordance with the Company Law.

An audit committee shall comprise of at least three members, and more than half of its members shall not hold any position other than directors in the company. No member of the audit committee shall have any relationship with the company that will affect its independence with objectivity in decision making.

Where a listed company have established an audit committee in its board of directors, the following issues shall be passed by more than half of all members of the audit committee before they are submitted to the board of directors:

- hiring, dismissing accounting firm hired for auditing the company;
- appointing or dismissing the chief finance officer;
- disclosing financial accounting report;
- any other matters required by the securities regulatory authority of the State Council.

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Manager and Senior Management

Under the Company Law, a company shall have a manager who shall be appointed or dismissed by the board of directors.

The manager shall report to the board of directors and may exercise the powers in accordance with the provisions under the Articles of Association or the authorization from the board.

The manager attends board meetings as non-voting participant.

According to the Company Law, senior management personnel refer to the company’s manager, deputy manager, financial controller, secretary to the board of directors of listed companies and other personnel as specified in the company’s articles of association.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management of the company have a duty of honesty to the company under the Company Law and shall adopt measures to avoid conflicts between their own interests and the interests of the company, they are prohibited from abusing their powers to seek improper benefits. Directors, supervisors and senior management officers have a duty of diligence to the company and should exercise reasonable care in performing their duties to maximize the interests of the company.

Directors and senior management are prohibited from:

- embezzlement and misappropriation of company property and company funds;
- depositing company funds in an account opened in his personal name or in the name of another individual;
- using his power to offer bribes or receive other illegal income;
- taking commissions from others’ transactions with the company as personal gains;
- disclosing the company’s business secrets without authorization;
- other acts that violate the duty of honesty to the company.

A director, supervisor or senior management officer who contravenes any laws, regulations or the company’s articles of association in the performance of his duties resulting in any loss to the company shall be personally liable to compensate the company.

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Finance and Accounting

Under the Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each financial year prepare a financial and accounting report which shall be audited by an accounting firm as required by law. The company's financial and accounting report shall be prepared in accordance with provisions of laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to the Company Law, a joint stock limited company shall deliver its financial and accounting reports for inspection by the shareholders at least 20 days before the convening of an annual general meeting of shareholders. A joint stock limited company that makes a public offer of shares shall publish its financial and accounting reports.

When distributing after-tax profits for the current year, it shall set aside ten percent of such profits into a statutory surplus reserve; no allocation is needed where the reserve has reached fifty percent of its registered capital.

If its statutory surplus reserve is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation to the statutory surplus reserve pursuant to the above provisions.

After allocation of the statutory surplus reserve from the after-tax profits, it may, upon a resolution passed at the shareholders' general meeting, allocate a discretionary surplus reserve from the after-tax profits.

The remaining after-tax profits after making up losses and allocation to the surplus reserve shall be distributed in proportion to the paid-in capital contributed by the shareholders unless otherwise agreed by all shareholders. A joint stock limited company shall distribute its profits in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association.

Shares held by a company shall not be entitled to any distribution of profit.

The premium received from issuance of shares at a price above the par value, proceeds from issuance of non-par value shares, which has not been allocated to the registered capital, and other incomes required by the financial department of the State Council to be allocated to the capital reserve shall be allocated to the company's capital reserve.

The surplus reserve of a company shall be applied to make up losses of the company, expand its business operations or be capitalized as the registered capital of the company. The discretionary surplus reserve and the statutory surplus reserve shall be applied for making up losses of the company with surplus reserve, insufficient of which, the capital reserve may be applied in accordance with the provisions. Upon capitalization of the statutory surplus reserve into the registered capital, the balance of the statutory surplus reserve shall not be less than twenty-five percent of the registered capital of the company before such conversion.

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A company shall have no other accounting books other than the statutory accounting books. Funds of a company shall not be deposited in any accounts opened in the name of any individual.

Appointment and Retirement of Accounting Firm

Pursuant to the Company Law, appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by the shareholders’ general meeting or the board of directors in accordance with the provisions of the articles of association. Representations of the accounting firm shall be allowed for voting on the dismissal of the accounting firm to be conducted by the shareholders’ general meeting or the board of directors. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm it employs without any refusal, withholding and misrepresentation.

Distribution of Profits

According to the Company Law, the remaining after-tax profits of a company after making up for losses and withdrawing reserves shall be distributed by a joint stock company in proportion to the shares held by the shareholders, unless otherwise provided in the articles of association.

Amendments to the Articles of Association

Any amendments to the articles of association must be made in accordance with the procedures set out in the articles of association. In relation to matters involving registration of the company, changes of registration shall be made accordingly.

Dissolution and Liquidation

According to the Company Law, a company shall be dissolved by reason of the following: (i) the term of its operations set down in the articles of association has expired or other grounds for dissolution specified in the articles of association have occurred; (ii) the shareholders’ general meeting has resolved to dissolution; (iii) the company is dissolved by reason of a merger or a division; (iv) the business license is revoked, for which the company is ordered to close down or be dissolved; or (v) the company is dissolved by the people’s court in response to the request of shareholders holding shares that represent more than ten percent of the voting rights of all the shareholders, on the grounds that the company suffers significant hardship in its operation and management that cannot be resolved through other means, and subsistence of the company would subject the shareholders to significant losses.

In the event of (i) or (ii) above, where property has yet to be distributed to shareholders, it may subsist by amending its articles of association. The amendment to the articles of association in accordance with provisions set out above shall require approval of more than two-thirds of the voting rights of shareholders attending a shareholders’ general meeting.

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Where the company is dissolved in the circumstances prescribed in (i), (ii), (iv), or (v) above, a liquidation shall be carried out. The directors, as the obligor of the liquidation, shall establish a liquidation group for such purpose within fifteen days of the occurrence of a dissolution.

The liquidation group shall be composed of its directors or other personnel as otherwise stipulated in the articles of association or resolved by the shareholders' general meeting. The obligor of the liquidation shall be liable for the compensation for any losses to the company or creditors arising from his failure in performing the liquidation obligation in a timely manner. If a liquidation group is not established within the stipulated period, stakeholders may apply to the people's court and request the designation of relevant personnel to form the liquidation group for the liquidation. The people's court should accept such application and form a liquidation group to conduct liquidation in a timely manner.

The liquidation group shall exercise the following powers during the liquidation period:

- to liquidate the company's property and prepare a balance sheet and property list respectively;
- to notify creditors by means of notice or announcement;
- to deal with the company's outstanding business related to liquidation;
- to pay the taxes owed and the taxes generated during the liquidation process;
- to handle the claims and settle the debts;
- to distribute the remaining property of the company after paying off its debts; and
- to represent the company in civil litigation activities on behalf of the company.

The liquidation group shall notify the company's creditors within ten days after its establishment and issue a notice in the newspapers within sixty days. A creditor shall lodge his claim with the liquidation group within thirty days upon receiving such notice, or within forty-five days of the notice if no notice had been received. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation group shall register such creditor rights. The liquidation group shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of properties and preparation of the balance sheet and inventory of assets, the liquidation group shall draw up a liquidation plan to be submitted to the shareholders' general meeting or people's court for confirmation.

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The company’s remaining assets after payment of liquidation expenses, wages of employees, social insurance expenses and statutory compensation, outstanding taxes and debts shall be distributed to shareholders according to their shareholding proportion. The company shall subsist during the liquidation period, except that no operating activities is permitted to be conducted other than those related to the liquidation. The company’s properties shall not be distributed to the shareholders before repayments are made in accordance with the foregoing provisions.

The liquidation group shall apply to the people’s court for declaration of bankruptcy of the company if it becomes aware that the company’s properties are insufficient to meet its liabilities upon liquidation of the company’s properties and preparation of the balance sheet and inventory of assets.

Following such declaration, the liquidation group shall hand over all matters relating to the liquidation to a bankruptcy administrator designated by the people’s court.

Upon completion of the liquidation, the liquidation group shall prepare and submit a liquidation report to the shareholders’ general meeting or the people’s court for verification, subsequent to which, the report shall be submitted to the company registry for deregistration. Members of the liquidation group is responsible to discharge their liquidation duties faithfully and diligently.

A member of the liquidation group shall be liable for indemnifying the company and the creditors in respect of any loss arising from his intentional or gross negligence.

Overseas Listing

Subject to specific circumstances, the Overseas Listing Trial Measures and its guidelines require that, among other things, (i) initial public offerings or listings of domestic companies in overseas markets shall be filed with the CSRC within 3 working days upon submission of the relevant application overseas, (ii) subsequent securities offerings of an issuer in the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within 3 working days upon completion of the offering, (iii) subsequent securities offerings or listings of an issuer in other overseas markets other than where it has offered and listed securities shall be filed with the CSRC within 3 working days upon submission of documents for the listing application overseas; and (iv) if the overseas offering or listing has not been completed within one year upon the completion of the filing with CSRC, the filed documents shall be updated if such overseas offering or listing is to be continued.

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Loss of Share Certificates

If a registered share certificate is lost, stolen or destroyed, the relevant shareholder may apply, in accordance with the relevant provisions set out in the Civil Procedure Law, to a people’s court to declare such certificate invalid. After the people’s court declares the invalidity of such certificate, the shareholder may apply to the company for a replacement share certificate.

Termination of Listing

The PRC Securities Law (2019 Revision) (《中華人民共和國證券法》(2019年修訂)) (“**Securities Law**”) stipulates that the trading of shares of a company on a stock exchange may be terminated if so decided by the stock exchange. Where the stock exchange decides on delisting of any securities, it shall promptly announce and file records with the securities regulatory authority of the State Council.

The Overseas Listing Trial Measures requires that, upon occurrence of a voluntary or mandatory delisting following an offering and listing of securities by an issuer in an overseas market, the issuer shall submit a report to CSRC within three working days upon occurrence and public announcement of such event.

Merger and Demerger

A company may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it merges by forming a new corporation, both parties shall be dissolved.

SECURITIES LAW AND REGULATIONS

CSRC, a ministerial-level public institution directly under the State Council, performs a unified regulatory function, according to the relevant laws and regulations, and with the authority by the State Council, over the securities and futures market of China, maintains an orderly securities and futures market order, and ensure legal operation of the securities and futures market.

The Securities Law took effect on July 1, 1999 and was revised on August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019, respectively. This is the first national securities law in the PRC, which is divided into 14 chapters and 226 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council’s securities regulatory authorities. The Securities Law comprehensively regulates activities in the PRC securities market. Article 224 of the Securities Law provides that domestic enterprises shall comply with the relevant provisions of the State Council for overseas listing of its shares outside the PRC. Currently, the issue and trading of overseas issued shares (including H shares) are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

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ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the “**Arbitration Law**”) was passed by the SCNPC on August 31, 1994, became effective on September 1, 1995 and was amended on August 27, 2009 and September 1, 2017. Under the Arbitration Law, before the promulgation of arbitration rules by the PRC Arbitration Association, an arbitration committee may formulate interim arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have entered into an agreement to adopt arbitration as the method for dispute resolution, the people’s court will refuse to handle the case except when the arbitration agreement is declared invalid.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會) (“**CIETAC**”) in accordance with its arbitration rules or the Hong Kong International Arbitration Centre (“**HKIAC**”) in accordance with its Securities Arbitration Rules (the “**Securities Arbitration Rules**”). Once a claimant refers a dispute or claim to arbitration, the other party shall submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the HKIAC, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules. In accordance with the Arbitration Rules of CIETAC (《中國國際經濟貿易仲裁委員會仲裁規則》) which was last amended on September 2, 2023 and implemented on January 1, 2024, CIETAC shall deal with economic and trade disputes over contractual or non-contractual transactions based on the agreement between the parties, including cases of disputes involving Hong Kong.

Under the Arbitration Law and provisions of the Civil Procedure Law, an arbitral award is final and conclusive and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people’s court for enforcement. A people’s court may refuse to enforce an arbitral award made by an arbitration commission if there is any irregularity on the procedures or composition of the arbitral tribunal, or the matter for arbitration is not within the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

Where an arbitral award with effective legal force is made by an arbitral tribunal in the PRC, if the liable party, or whose property, is not within the PRC, the party seeking to enforce the arbitral award shall apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award with effective legal force made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the “**New York Convention**”) adopted on June 10, 1958 pursuant to a resolution of the SCNPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by all other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public

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policy of the state to which the application for enforcement is made. It was declared by the SCNPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

An arrangement was reached between Hong Kong and the Supreme People’s Court for the mutual enforcement of arbitral awards. On June 18, 1999, the Supreme People’s Court adopted the Arrangement Concerning Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《關於內地與香港特別行政區相互執行仲裁裁決的安排》), which became effective on February 1, 2000. On November 26, 2020, the Supreme People’s Court promulgated the Supplemental Arrangement Concerning Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《關於內地與香港特別行政區相互執行仲裁裁決的補充安排》) which became effective on November 27, 2020. Under this arrangement and its supplemental arrangement, upon satisfying certain requirements, arbitral awards made by PRC arbitral authorities under the Arbitration Law can be enforced in Hong Kong SAR, and arbitral awards made in Hong Kong SAR are also enforceable in the Mainland.

Judicial judgment and its enforcement

According to the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “Arrangement”) promulgated by the Supreme People’s Court on July 3, 2008 and implemented on August 1, 2008, for final judgments made by the court of China and the court of the Hong Kong Special Administrative Region with enforcement force that require payment of money on a case of civil and commercial matters within the scope of a choice of court agreement in writing, the parties concerned may apply to the People’s Court of China or the court of the Hong Kong Special Administrative Region for recognition and enforcement based on the Arrangement. A “choice of court agreement in writing” refers to a written agreement between the parties concerned defining the exclusive jurisdiction of either the People’s Court of China or the court of the Hong Kong Special Administrative Region in order to resolve disputes with particular legal relation occurred or likely to occur. Therefore, the parties concerned may apply to the Court of China or the court of the Hong Kong Special Administrative Region to recognize and enforce the final judgment made in China or Hong Kong that meet certain conditions of the aforementioned regulations.

On January 18, 2019, the Hong Kong Special Administrative Region and the Supreme People’s Court reached another arrangement, namely the “Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region”, which took effect on January 29, 2024 and replace the previous arrangement. The “choice of court agreement in writing” reached under the arrangement before January 29, 2024, will still apply. The new

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arrangement further stipulates the scope and content of judgments applicable to reciprocal recognition and enforcement, as well as the corresponding application procedures and methods, the circumstances for reviewing and refusing to recognize and enforce the jurisdiction of the first instance court, and the remedies. Under the new arrangement, non-monetary judgments and judgments of some intellectual property cases are included in reciprocal recognition and enforcement.

Shareholding and Transfer of Shares

Under PRC law, our Domestic Shares, which are denominated and subscribed for in Renminbi, may only be subscribed for and traded by the government or authorized government departments, PRC legal persons, natural persons, qualified foreign institutional investors, or eligible foreign strategic investors. Overseas listed shares, which are denominated in Renminbi and subscribed for in a foreign currency other than Renminbi, may only be subscribed for and traded by investors from Hong Kong, Macau or Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors. However, qualified institutional investors and individual investors may trade the shares through the Southbound Hong Kong trading Link and Northbound Shanghai trading Link (or the Northbound Shenzhen trading Link) via participating in Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect.

After the application for “full circulation” has been approved by the CSRC, the domestic unlisted shares of the H share listed company may be listed and circulated on the Hong Kong Stock Exchange.

Under the Company Law, shares issued prior to the public offering of shares of a company cannot be transferred within one year from the listing date of the shares of the company on a stock exchange. If any laws, administrative regulations or the securities regulatory authority under the State Council provide otherwise for the shareholders or actual controllers of listed companies to transfer their shares held in the company, such provisions shall prevail. The company’s directors, supervisors and senior management officers shall report to the company on the shares of the company held by them and any changes thereof. The shares transferred in each year during their respective term of office determined when they take office shall not exceed 25% of the total number of shares held by them in the company; the shares held by them in the company shall not be transferred within one year from the date of listing of the company’s shares. Within half a year after the aforesaid personnel have left office, they are forbidden to transfer the shares held by them in the company. The articles of association may set other restrictive requirements on the transfer of the company’s shares held by its directors, supervisors and senior management officers.

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Derivative Action by Minority Shareholders

The Company Law provides shareholders of a joint stock limited company with the right so that in the event where the directors and senior management violate their obligations and cause damage to a company, the shareholders individually or jointly holding more than 1% of the shares in the company for more than 180 consecutive days may request the supervisory committee in writing to initiate proceedings in the people’s court. In the event that the supervisory committee violates their obligations and cause damage to the company, the aforesaid shareholders may send written request to the board of directors to initiate proceedings in the people’s court. Upon receipt of aforesaid written request from the shareholders, if the supervisory committee or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days from the date of receipt of the request, or if under urgent situations, failure to initiate immediate proceedings may cause irreparable damage to the company, then the aforesaid shareholders shall, for the benefit of the company’s interests, have the right to initiate proceedings directly to the people’s court in their own name.

Dividends

The company has the power under certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under the PRC laws on any dividends or other distributions payable to shareholders. Under the PRC laws, the relevant limitation period is three years. The company must not exercise its powers to forfeit any unclaimed dividends in respect of the shares until after the expiry of such applicable limitation period.

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SUMMARY OF ARTICLES OF ASSOCIATION

This appendix summarizes the principal provisions of the articles of association of the Company approved on May 22, 2025, which are effective since the date of listing of the H shares on the Stock Exchange. As the primary purpose of this appendix is to provide potential investors with an overview of the articles of association, it does not necessarily contain all of the information that is important to potential investors.

1 SHARES AND REGISTERED CAPITAL

Shares in a company are in the form of share certificates.

Issuance of shares of a company shall follow the principles of fairness and justice, and each share of same class shall have same rights. Shares of same class issued at the same time shall have the same issuance conditions and price per share. Any entity or individual shall pay the same price per share for the shares subscribed by them.

A company shall always have common stock; with the approval of examination and approval departments, the company may issue other types of shares as needed.

After completing the filing procedures with China Securities Regulatory Commission and obtaining approval from The Stock Exchange of Hong Kong Limited (“SEHK”), the company may issue stocks to qualified domestic and foreign investors. Upon the approval of the plan for issuing overseas listed foreign shares and unlisted shares by the securities regulatory authority of the State Council, the board of directors of the company (the “Board”) may arrange for the implementation of such plan by means of separate issues.

2 INCREASE AND REDUCTION IN CAPITAL AND REPURCHASE OF SHARES

In accordance with the laws and regulations, a company may, based on its operating and development needs and the resolution of a shareholders’ general meeting, increase its capital by the following methods:

- (I) issuance of shares to specific subscribers;
- (II) issuance of shares to non-specific subscribers;
- (III) distribution of bonus shares to existing shareholders;
- (IV) conversion of capital reserve to increase share capital;
- (V) other methods required by laws, administrative regulations and state authorities such as CSRC.

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When a company increases capital by issuing new shares, resolutions shall be passed by a shareholders’ general meeting, approving the following matters:

- (I) the class and number of the new shares;
- (II) the issue price of the new shares;
- (III) the commencement and closing date of the new share issuance;
- (IV) the class and amount of new shares to be issued to existing shareholders;
- (V) the issue of non-par value shares, and the amount of proceeds from the new issue recognized in registered capital.

A company may set the offer price for new share issuance according to its business operations and financial status.

Upon being approved in accordance with the articles of association, it shall be handled based on the procedures provided for in relevant laws, administrative regulations, the Hong Kong Listing Rules, etc.

A company may reduce its registered capital. Such reduction shall follow the procedures prescribed by the Company Law, the Hong Kong Listing Rules, as well as other relevant provisions and the articles of association. In case of reduction of registered capital, a company must prepare a balance sheet and a property list. A company shall inform its creditors of the reduction in registered capital within 10 days from the resolution on reduction of registered capital and shall publish an announcement in the newspapers designated for information disclosure or on the National Enterprise Credit Information Publicity System within 30 days. Creditors shall have the rights within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, to require the company to settle its debts or provide guarantees accordingly. The registered capital of the company after the decrease shall not be less than the statutory minimum amount.

A company may not acquire its own shares except for the following purposes:

- (I) to reduce its registered capital;
- (II) to merge with another company that holds its shares;
- (III) to grant its shares for carrying out an employee shareholding plan or equity incentive;
- (IV) to acquire its shares from shareholders who are against the resolution regarding the merger or division with other companies at a shareholders’ general meeting;

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- (V) to use the shares for converting convertible corporate bonds issued by a company into stocks;
- (VI) where it is necessary for a company to maintain its corporate value and protect its shareholders’ interests;
- (VII) other circumstances required by laws, administrative regulations, departmental rules, regulatory rules of the place where the company’s shares are listed, etc.

Except for the aforesaid circumstances, the company shall not purchase or sell its shares.

When a company acquires its own shares, it may choose to do so through one of the following methods:

- (I) publicly via centralized trading;
- (II) other means approved by laws, administrative regulations, the CSRC and the securities regulatory authorities of the place where the company’s shares are listed, and in compliance with applicable laws, administrative regulations, departmental rules and the securities regulatory rules of the place where the company’s shares are listed.

3 TRANSFER OF SHARES

Unless otherwise provided by laws, administrative regulations, the securities regulatory authority of the place where the company’s shares are listed, and the Hong Kong Listing Rules, fully paid-up shares of a company may be freely transferred in accordance with the law, without any encumbrances. Company shares may be donated, inherited or pledged in accordance with relevant laws, administrative regulations, and these articles of association. The legal transfer of company shares shall be registered with the local stock registration authority entrusted by the company.

4 FINANCIAL ASSISTANCE FOR THE PURCHASE OF COMPANY SHARES

As stipulated in article 25 of the articles of association, the company or its subsidiaries (including the company’s affiliates) shall not provide any financial support in the form of gifts, advances, guarantees, or loans to any person to acquire shares of the company or its parent company, unless it is for the initiation of employee stock ownership plan.

5 SHARE CERTIFICATES AND REGISTER OF SHAREHOLDERS

Share certificates issued by a company are registered share certificates. The share certificates of the company shall contain the particulars as required by the Company Law, and any other items as required by any stock exchange on which the company’s shares are listed.

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The company shall keep a register of shareholders containing the following particulars or register shareholders pursuant to laws, administrative regulations, departmental rules and the Hong Kong Listing Rules:

- (I) the name and address (domicile) of each shareholder;
- (II) the class and number of shares held by each shareholder;
- (III) the serial numbers of shares certificate held by each shareholder if the shares are issued in paper form;
- (IV) the date on which each shareholder was registered as a shareholder.

The register of shareholders shall be sufficient evidence of the shareholders' shareholding in a company, unless there is evidence to the contrary.

Subject to compliance with these articles of association and other applicable regulations, upon transfer of company shares, the name of the transferee shall be entered into the register of shareholders as the holder of such shares.

6 SHAREHOLDERS

The company shall establish a register of shareholders that shall be sufficient evidence of the shareholders' shareholding in a company. The shareholders shall enjoy the rights and assume the obligations according to the class and amount of the shares they hold; the shareholders holding the same class of shares shall enjoy the same rights and assume the same obligations.

Holders of ordinary shares of a company shall enjoy the following rights:

- (I) the right to receive dividends and other types of interest distributed in proportion to the number of shares held;
- (II) the right to request, convene, preside over, participate in or appoint proxies of shareholders to attend shareholders' general meeting and to speak and exercise the corresponding voting rights thereat according to laws;
- (III) the right to supervise, make suggestions on or question the operations of the company;
- (IV) the right to transfer, donate or pledge their shares held in accordance with laws, administrative regulations and provisions of these articles of association;

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- (V) the right to inspect and make copies of these articles of association, register of shareholders, counterfoil of debentures, minutes of shareholder’s general meetings, resolutions of meetings of the Board and financial and accounting reports;
- (VI) in the event of the termination or liquidation of the company, the right to participate in the distribution of remaining properties of the company in proportion to the number of shares held;
- (VII) any shareholder who objects on a resolution on the merger or division of the company made by a shareholders’ general meeting has the right to require the company to repurchase his/her shares;
- (VIII) other rights conferred by laws, administrative regulations, departmental rules, regulatory rules of the place where the company’s shares are listed and these articles of association.

Shareholders are entitled to request the people’s court to invalidate the resolution of the shareholders’ general meetings and board meetings which violates the laws and administrative regulations.

Shareholders are entitled to request the people’s court to cancel the relevant resolution within 60 days after the resolution is adopted if the convening procedure and voting method of a shareholders’ general meeting or board meeting violates the laws, administrative regulations or these articles of association, or the resolution content breaches these articles of association, unless the procedures or the voting form contains a minor defect without a substantial impact on the resolution.

If a director or senior management officer other than member of the audit committee contravenes any laws, administrative regulations or these articles of association in the performance of his/her duties resulting in any loss to the company, shareholders who hold more than 1%, individually or jointly, of the company’s shares for more than 180 consecutive days, have the right to request the audit committee to bring a suit to the people’s court; if the audit committee contravenes any laws, administrative regulations or these articles of association in the performance of his/her duties resulting in any loss to the company, shareholders can request the Board in written form to file a suit in the people’s court.

The shareholders described in the preceding paragraph may bring legal action in the People’s Court directly in their own names in the interest of the company in the event that the audit committee or the Board refuses to initiate legal proceedings after receiving the aforesaid written request of shareholders, or fails to initiate such legal proceedings within 30 days on which such request is received, or in case of emergency where failure to initiate such legal proceedings immediately will result in irreparable damage to the company’s interest.

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If any person infringes the lawful rights and interests of the company, thus causing any losses to the company, the shareholders as aforementioned may initiate legal proceedings in the People's Court in accordance with the provisions of the preceding two paragraphs.

If any director or senior management officer is in violation of laws, administrative regulations or these articles of association, thus causing any losses to the shareholders, the shareholders may initiate legal proceedings against such Director or senior management officer in the People's Court.

Holders of ordinary shares of the company shall assume the following obligations:

- (I) to observe laws, administrative regulations, departmental rules, regulatory rules of the place where the company's shares are listed and these articles of association;
- (II) to pay fund contribution as per the number of shares subscribed and the method of subscription;
- (III) not to withdraw their capital contribution unless required by laws and regulations;
- (IV) not to abuse their shareholders' rights to jeopardize the interests of the company or other shareholders; and not to abuse the status of the company as an independent legal person and the limited liability of shareholders to jeopardize the interests of any creditors of the company;
- (V) other obligations imposed by laws, administrative regulations, regulatory rules of the place where the shares are listed and these articles of association.

Where any shareholder of the company abuses the shareholders' rights and incur losses to the company or other shareholders, such shareholder shall be liable for the damages; Where shareholders of the company abuse the company's status as an independent legal person and the limited liability of shareholders for the purposes of evading repayment of debts, thereby materially impairing the interests of the creditors of the company, such shareholders shall be jointly and severally liable for the debts owed by the company.

Save for the conditions agreed by a subscriber for shares during the subscription, shareholders shall not be liable for any subsequent contribution of additional share capital.

7 GENERAL PROVISIONS OF THE SHAREHOLDERS' GENERAL MEETING

The shareholders' general meeting is the organ of authority of the company, which exercises its following powers in accordance with the law:

- (I) to determine the business guidelines and investment plans of the company;

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- (II) to elect and replace directors who are not representatives of the employees, and decide on the remuneration of directors;
- (III) to review and approve the report of the Board;
- (IV) to review and approve the company's annual financial budgets and the final accounts;
- (V) to review and approve the company's profit distribution plan and loss compensation plan;
- (VI) to make resolutions on increase or reduction of the company's registered capital;
- (VII) to make resolutions on issuing corporate bonds;
- (VIII) to make resolutions on the merger, division, dissolution, liquidation or change in the form of the company;
- (IX) to amend these articles of association;
- (X) to make a resolution on the company's engagement and dismissal of an accounting firm;
- (XI) to review purchase and sale of the company's vital assets within the preceding year that accounts for 30% of the latest audited total assets of the company;
- (XII) to review and approve the external guarantees of the company that require the approval by the shareholders' general meetings under the articles of association;
- (XIII) to review and approve changes in the use of proceeds;
- (XIV) to review and approve equity incentive schemes and employee stock ownership plan;
- (XV) to terminate or substantially alter the business of the company, or change the business scope of the company;
- (XVI) to review other matters to be resolved thereby as required by laws, administrative regulation, departmental rules and securities regulatory rules of the place where the shares of the company are listed or these articles of association.

Shareholders' general meetings are classified into annual shareholders' general meetings and extraordinary shareholders' general meetings. The annual shareholders' general meetings shall be convened once a year and shall be held within 6 months from the end of the previous fiscal year.

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The Board shall convene an extraordinary shareholders' general meeting within 2 months from the occurrence of any of the following circumstances:

- (I) the number of directors is less than the number stipulated by the Company Law or less than two-thirds of the number specified in these articles of association;
- (II) the aggregate losses of the company which have not been recovered reach one-third of the company's total paid-in share capital;
- (III) convening of an extraordinary general meeting is requested in writing by shareholders alone or in aggregate holding 10% or more of the company's shares;
- (IV) whenever the Board deems necessary;
- (V) when the audit committee so requests; or
- (VI) other circumstances as provided in laws, administrative regulations, departmental rules, regulatory rules of the place where the company's shares are listed and these articles of association.

The number of shares held under item (III) above shall be calculated from the date of such shareholder's written request.

8 CONVENING OF THE SHAREHOLDERS' GENERAL MEETING

Shareholders' general meetings shall be presided over by the chairman of the Board. In the event that the chairman is incapable of performing or fails to perform his/her duties, a director nominated by more than half of the directors shall preside over the meeting.

Shareholders' general meetings convened by the audit committee shall be presided over by the chairman of the audit committee. In the event that the chairman is incapable of performing or fails to perform his/her duties, a member of the audit committee nominated by more than half of the members of the audit committee shall preside over the meeting.

Shareholders' general meetings convened by the shareholders shall be presided over by the convener or a representative proposed by the convener.

In a shareholders' general meeting, where the chairman violates the rules of procedure of the meeting, resulting in the failure of continuing of the meeting, one person may be elected as the chairman of the shareholders' general meeting with the consent of more than half of the attending shareholders with voting rights so as to carry on with the meeting.

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9 PROPOSALS AND NOTICES OF THE SHAREHOLDERS' GENERAL MEETING

The Board, the audit committee or shareholders who hold, individually or collectively, more than 1% of the company's shares shall have the right to propose a motion to the company for consideration at the shareholders' general meeting of the company.

Shareholders individually or collectively holding 1% or more of the shares of the company shall be entitled to propose new resolutions to the company in writing which should be submitted to the convener ten days prior to the convening of the shareholders' general meeting. The convener of the shareholders' general meeting shall send out the supplemental shareholder notices within two days of the receipt of such proposal and submit the interim proposal to the shareholders' general meeting for consideration, unless such interim proposals are in violation of the requirements under laws, administrative regulations or these articles of association, or do not fall within the scope of duties of the shareholders' general meeting.

The convener shall notify all shareholders in writing 21 days prior to the convening of the annual general meeting. In case of an extraordinary general meeting, the shareholders shall be notified in writing 15 days prior to the convening of the meeting. If laws, regulations and the securities regulatory body of the place where the company's shares are listed otherwise provide, such provisions shall prevail.

10 VOTING AND RESOLUTIONS AT THE SHAREHOLDERS' GENERAL MEETING

Resolutions of the shareholders' general meeting include ordinary resolutions and special resolutions.

Ordinary resolution at a shareholders' general meeting shall be adopted by shareholders in attendance (including proxies) holding more than half of the voting rights.

Special resolution at a shareholders' general meeting shall be adopted by shareholders in attendance (including proxies) holding two-thirds of the voting rights.

The following matters shall be resolved by ordinary resolutions at a shareholders' general meeting:

- (I) work reports of the Board;
- (II) plans formulated by the Board for distribution of profits and for making up losses;
- (III) appointment or removal of members of the Board (other than employee representative directors), and their remuneration and manner of payment thereof;
- (IV) the company's annual budget and final accounts report;
- (V) the company's annual reports;

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- (VI) other matters other than those approved by special resolution as stipulated in laws, administrative regulations or these articles of association.

The following matters shall be approved by special resolutions at the shareholders' general meeting:

- (I) the increase or reduction of the registered capital and issuance of any class of shares, warrants or other similar securities by the company;
- (II) issuance of corporate bonds;
- (III) the division, merger, partition, dissolution and liquidation or change of corporate form of the company;
- (IV) the amendment to these articles of association;
- (V) substantial assets acquired or disposed of or security provided by the company for an amount in aggregate exceeding 30% of the latest audited total assets of the company in twelve consecutive months;
- (VI) equity incentive schemes;
- (VII) other matters as required by laws, administrative regulations, departmental rules, regulatory rules of the place where the company's shares are listed or these articles of association, and confirmed by an ordinary resolution at a shareholders' general meeting that it may have a material impact on the company and accordingly shall be approved by special resolutions.

Shareholders (including their proxies) may exercise their voting rights in respect of the number of shares held by them which carry the right to vote. Each share carries out one vote, unless individual shareholders are required by the Hong Kong Listing Rules to abstain from voting on specific matters. On a poll taken at a meeting, a shareholder (including his/her proxy) entitled to two or more votes need not cast all his/her votes in favor of or against voting.

The company has no voting right for the shares it holds, and such part of shares shall be excluded from the total number of voting shares represented by the shareholders attending the shareholders' general meeting. Any shareholder who is required by applicable laws and regulations and the Hong Kong Listing Rules to abstain from voting on a resolution, or is restricted from voting only for or against a resolution, shall abstain from polling or voting in accordance with such requirement; votes taken by or on their behalf in contravention of these provisions or restrictions shall not be counted.

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11 DIRECTORS

Directors shall be elected or replaced at the shareholders' general meetings and may be removed at the shareholders' general meetings before the expiration of the term of office. Directors shall serve a term of three years and may serve a consecutive term if re-elected upon expiration of their term of office.

Directors shall observe laws, administrative regulations and regulatory rules of the place where the company's shares are listed and these articles of association, and fulfill the following obligations of honesty to the company:

- (I) not to abuse their powers to accept bribes or other unlawful income;
- (II) not to embezzle the company's properties or misappropriate the company's capital;
- (III) not to deposit the company's assets or capital into accounts under their own names or the name of other individuals;
- (IV) not to loan the company's capital to others or provide guarantees in favor of others supported by the company's assets in violation of these articles of association or without approval of the shareholders' general meeting or the Board;
- (V) not to violate these articles of association or fail to perform the reporting obligations of the Board or the shareholders' general meeting, and not to enter into contracts or transactions with the company without the approval of the Board or the shareholders' general meeting; the provisions of this paragraph shall apply to entering into contracts or transactions with the company by close family members of the directors and senior management officers, enterprises directly or indirectly controlled by the directors and senior management officers or their close family members, and associates who have other affiliations with the directors and senior management officers;
- (VI) not to take advantage of his/her position to seek business opportunities that shall belong to the company for himself/herself or others, unless such act has been reported to and approved by the Board or at the shareholders' general meeting in accordance with these articles of association; or the company is unable to take the business opportunity in accordance with laws, administrative regulations or these articles of association;
- (VII) not to engage in business similar to that of the company for himself/herself or others, unless such act has been reported to and approved by the Board or the shareholders' general meeting in accordance with these articles of association;
- (VIII) not to accept and possess commissions for transactions with the company;

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(IX) not to disclose any secret of the company without permission;

(X) not to use their connected relations to damage the interests of the company;

(XI) other fiduciary duties stipulated by laws, administrative regulations, departmental rules, regulatory rules of the place where the company’s shares are listed and these articles of association.

Earnings obtained by directors in violation of the provisions in this Article shall belong to the company, and such directors shall be liable for compensation for any loss incurred to the company.

If any director fails to attend in person (the director shall be deemed to be present in person if he/she attends or votes at the board meetings by correspondence) or appoint other directors to attend the board meetings for two consecutive times, such director shall be deemed incapable of performing his/her duties, and the Board shall propose to replace such director at the shareholders’ general meeting.

A director may resign before expiry of his/her term of office. The resigning director shall submit a written resignation to the Board.

12 INDEPENDENT NON-EXECUTIVE DIRECTORS

The company has independent non-executive directors and the issues including conditions of appointment, nomination and election procedures, term of office, resignation, functions and powers of the independent non-executive directors are implemented in accordance with the relevant provisions of the laws, administrative regulations, departmental rules and regulatory rules of the place where the company’s shares are listed. Unless otherwise stipulated herein, the provisions of these articles of association relating to the qualifications and duties of directors shall apply to independent non-executive directors.

Independent directors shall faithfully perform their duties and safeguard the interests of the company, with particular attention to ensuring that the legitimate rights and interests of public shareholders are not jeopardized, so as to ensure that the interests of all shareholders are adequately represented. The functions and powers of the independent non-executive directors and the related matters shall be subject to the relevant provisions of laws, administrative regulations, departmental rules and regulatory rules of the place where the company’s shares are listed.

13 THE BOARD

The Board shall consist of nine directors, including 6 non-independent directors and 3 independent directors. At least one of the independent directors shall be a financial or accounting professional as determined by the Hong Kong Listing Rules.

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The Board is responsible for the shareholders’ general meeting and shall exercise the following powers:

- (I) to convene shareholders’ general meeting and report its work at shareholders’ general meeting;
- (II) to implement resolutions of shareholders’ general meeting;
- (III) to decide on the company’s business plan and investment plan;
- (IV) to formulate the company’s annual financial budgets and the final accounts;
- (V) to formulate the company’s profit distribution plan and loss compensation plan;
- (VI) to formulate plans for the company to increase or reduce registered capital and issue corporate bonds or other securities, as well as the listing of the company;
- (VII) to formulate plans for major acquisitions of the company, the acquisition of shares of the company, or mergers, divisions, dissolutions or changes in company form;
- (VIII) to decide on the company’s external investment, acquisition and disposal of assets, asset mortgage, external guarantees, entrust financial management, connected transactions and other matters within the scope of authorization by the shareholders’ general meeting;
- (IX) to decide on the establishment of the company’s internal management organization;
- (X) to decide on the appointment or dismissal of the company’s general manager, co-general manager and the secretary to the Board, and based on the manager’s or the co-general manager’s nomination, to decide on the appointment or dismissal of the company’s deputy general manager, financial controller and other senior management officers; and to decide on the senior manager’s remuneration, rewards and penalties;
- (XI) to formulate the company’s basic management system;
- (XII) to formulate the modification plan to these articles of association;
- (XIII) to manage the disclosure of company information;
- (XIV) to propose the appointment or replacement of the accounting firm that performs audits for the company at the shareholders’ general meeting;
- (XV) to receive the work report of the company’s general manager or co-general manager and review the work of the general manager or the co-general manager;

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- (XVI) other powers authorized in laws, administrative regulations, departmental rules, regulatory rules of the place where the company's shares are listed and the company's articles of association.

The chairman of the Board shall exercise the following powers:

- (I) to preside over the shareholders' general meetings and to convene and preside over board meetings;
- (II) to supervise and inspect the implementation of resolutions of the Board;
- (III) to sign share certificates, debentures and other marketable securities of the company;
- (IV) to nominate candidates for the company's general manager, co-general manager and the secretary to the Board;
- (V) to propose to convene an extraordinary board meeting as and when it deems necessary;
- (VI) in the event of any urgent situation due to force majeure such as catastrophic natural disasters, to exercise special powers of disposal in relation to the company's affairs in compliance with legal requirements and in the interests of the company and subsequently report such activities to the Board of the company and the shareholders' general meeting;
- (VII) other powers granted by the Board or by laws, administrative regulations and regulatory rules of the place where the company's shares are listed.

The board meetings are comprised of regular meetings and extraordinary meetings. Regular meetings of the Board shall be held at least 4 times every year, with about one meeting to be held in each quarter. The meetings shall be convened by the chairman, with the written notice to be given to all directors and supervisors, general manager, co-general manager and secretary of the Board 14 days before such meetings. Regular board meetings shall exclude approval from the Board by circulation of written resolutions. The notice of an extraordinary meeting of the Board shall be served by personal delivery, fax, mail, email, announcement or other means. Notice shall be delivered three days prior to the meeting. Where an extraordinary board meeting needs to be convened in emergency, the notice of the meeting may be served without the form of notice and time limitation above.

Meetings of the Board shall be held only if more than half of the directors are present. Resolutions of the Board shall be passed by more than half of all directors. Resolutions on external guarantee shall not only be adopted by more than half of all directors, but also be adopted by two-thirds or more of all directors attending the meeting. Each director shall have one vote for resolutions to be approved by the Board.

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The board meeting shall be attended by the directors themselves in person; if a director is unable to attend for a reason, he or she may authorize another director in writing to attend on his/her behalf, and the power of attorney shall contain the name of the attorney, the matters to be represented, the scope of authorization and the validity period, and shall be signed or sealed by the attorney. The director attending the meeting on other's behalf shall exercise the rights of director within the scope of authorization. However, an independent director may not authorize a person other than an independent director to attend the meeting on his/her behalf. If a director fails to attend a board meeting or appoint a representative to attend on his/her behalf, such director shall be deemed to have waived his/her right to vote at such meeting.

14 SPECIAL COMMITTEES UNDER THE BOARD

There are four special committees under the Board, namely the strategy committee, audit committee, remuneration committee and nomination committee. The special committees shall be accountable to the Board and shall perform their duties in accordance with these articles of association and the authorization of the Board. Their proposals shall be submitted to the Board for consideration and decision.

15 GENERAL MANAGER AND OTHER SENIOR MANAGEMENT OFFICERS

The company shall have one general manager, one co-general manager and several deputy general managers, who shall be appointed and dismissed by the Board.

The general manager and co-general manager shall be accountable to the Board and shall exercise the following powers:

- (I) to be in charge of the company's operation and management, and to organize the implementation of the resolutions of the Board and report on works to the Board;
- (II) to organize the implementation of the company's annual business plan and investment proposals;
- (III) to draft plans for the establishment of the company's internal management organization;
- (IV) to draft the company's basic management system;
- (V) to formulate specific rules and regulations for the company;
- (VI) to propose the appointment or dismissal by the Board of the company's deputy general manager, chief financial officer and other senior management officers;
- (VII) to decide the appointment or dismissal of management personnel other than those required to be appointed or dismissed by the Board;

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- (VIII) to determine salary, welfare, rewards and penalties system of the company's employees, and to decide their employment and dismissal;
- (IX) transactions that do not meet the criteria for consideration and approval by the shareholders' general meeting or the Board as stipulated in these articles of association;
- (X) other powers authorized by these articles of association or the Board.

The general manager or co-general manager shall attend the Board meetings, but has no voting rights at the meetings if he/she is not a director of the company.

16 AUDIT COMMITTEE

The company does not establish supervisory committee, and the audit committee of the Board exercises the following powers:

- (I) to review the company's finances, and the company's financial accounting report;
- (II) to supervise the directors and senior management officers in their performance of their duties and to propose the removal of directors and senior management officers who have violated laws, administrative regulations, these articles of association or the resolutions of shareholders' general meeting;
- (III) to require correction of the acts of directors and senior management officers which are harmful to the company's interests;
- (IV) may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accounting firm, a law firm or other professional institutions to assist their work with the expenses to be borne by the company; and
- (V) any other issues empowered to the audit committee of the Board in accordance with law, administrative regulation, departmental rules, security regulatory rules of the place of listing, this articles of association and rules of the audit committee of the Board.

17 QUALIFICATIONS AND OBLIGATIONS OF DIRECTORS AND SENIOR MANAGEMENT MEMBERS

In any of the following circumstances, a person shall not serve as director or senior management member of the company:

- (I) a person without or with limited capacity for civil conduct;

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- (II) a person who is sentenced to criminal punishment for corruption, bribery, embezzlement of property, misappropriation of property or disruption of the order of the socialist market economy, where less than 5 years have elapsed since the sentence was served; or who has been deprived of his/her political rights for committing a crime, where less than 5 years have elapsed since the sentence was served; or who has been placed on probation, where less than 2 years have elapsed since the date of the completion of the probation period;
- (III) a person who is a director or plant manager or manager of a company or enterprise in bankruptcy liquidation and is personally held responsible for the bankruptcy of such company or enterprise, where less than 3 years have lapsed from the date of completion of the bankruptcy liquidation of the said company or enterprise;
- (IV) a person who is the legal representative of a company or enterprise whose business license has been revoked or which has been ordered to close down due to violation of laws and is personally held responsible for such circumstance, where less than 3 years have lapsed from the date on which the business license of the company or enterprise has been revoked or ordered to close;
- (V) a person who is listed as a dishonest person subject to enforcement by a people's court since his large amount of outstanding debts have become overdue;
- (VI) a person who is subject to market debarment measures by security regulatory authorities such as the CSRC prohibiting the person from acting as a director, supervisor and senior management of a listed company, the period of which has not yet expired;
- (VII) a person who is deemed inappropriate to act as personnels such as director, senior manager of a listed company, the period of which has not yet expired;
- (VIII) other circumstances specified by the laws, administrative regulations and departmental rules.

Any election, designation or appointment of directors or senior management officers in violation of this provision shall be invalid. The company shall dismiss the directors or senior management officers if they are involved in the said circumstances during their respective term of office.

The duty of loyalty of the company's directors and senior management officers to the company and its shareholders does not necessarily terminate upon the expiration of their term of office, and shall remain valid for two years after their resignation takes effect or the term of office expires. The obligation of the company's directors and senior management officers to keep confidential the company's business secrets shall remain effective after their resignation reports take effect or after their terms of office expire, until such secrets become public

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information. The duration of other obligations shall be determined on an arm’s length basis, depending on the length of time between the occurrence of the event and the termination of the office, as well as the circumstances and conditions under which the relationship with the company ends.

Subject to the exceptions permitted under the Hong Kong Listing Rules, if a director or any of his close associates (as defined in the Hong Kong Listing Rules) has a significant interest or connected relationship in the proposed matter of the Board, such director shall not exercise its voting rights on the resolution of such matter at the board meeting, nor act as a proxy for other directors to exercise their voting rights, nor be counted in the quorum at the meeting. The board meeting shall be held with the attendance of a majority of directors without connected relationship, and any resolutions made at the board meeting must be adopted by a majority of directors without connected relationship in attendance. If there are less than 3 directors without connected relationship in attendance at the board meeting, the matter shall be submitted to the shareholders’ general meeting for deliberation.

18 FINANCIAL ACCOUNTING SYSTEM AND PROFIT DISTRIBUTION

The company formulates its financial and accounting systems in accordance with laws, administrative regulations and the requirements of relevant state departments.

A company shall file, disclose and/or submit to shareholders documents such as annual report, interim report and announcement of preliminary results in accordance with the laws and regulations of the place where it is listed, the Hong Kong Listing Rules and other normative documents.

The reserves of the company shall be used to cover the company’s losses, expand its production and operation, or be converted to increase the company’s registered capital. When the reserves are used to cover the losses of the company, the discretionary reserve and the statutory reserve shall be prioritized; the capital reserve may be used in accordance with the regulations if such reserves are not sufficient to cover the losses.

19 APPOINTMENT OF ACCOUNTING FIRM

The company shall engage an accounting firm that complies with the Securities Laws to conduct the audit of financial statements, verify net assets and offer other relevant advisory services. The term shall be one year and is renewable.

The company’s appointment and dismissal of an accounting firm must be decided by the shareholders’ general meeting, and the Board shall not appoint an accounting firm before the decision of the shareholders’ general meeting.

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20 NOTICE AND ANNOUNCEMENT

The company’s notices shall be given in the following ways:

- (I) by hand;
- (II) by mail or fax;
- (III) by way of a public announcement;
- (IV) by way of an announcement made in the press or other designated media;
- (V) subject to compliance with laws, administrative regulations, departmental rules, normative documents, and the provisions under these Articles of Association, by way of posting on the website of the company and the website(s) designated by the stock exchange in the place where the company’s shares are listed;
- (VI) other ways which are recognized by the securities regulatory authorities of the place where the company’s shares are listed, or stipulated in these Articles of Association.

The Articles of Association does not prohibit sending notices to shareholders whose registered addresses are outside Hong Kong.

If a notice issued by a company is made by way of a public announcement, it shall be deemed that all relevant persons have received the notice after the announcement is made.

Even where these Articles of Association have otherwise provided for the methods of announcement or notification for any documents, notices, or other corporate communication, subject to the relevant provisions of the securities regulatory authorities of the place where the company’s shares are listed, the company may choose to publish its communication by the means specified in Item 5 of the first paragraph in the Articles, to replace the means of sending written documents to each shareholder by hand or by prepaid mail. The said communications above refer to any documents sent or to be sent by the company to the shareholders for reference or for taking action, include but are not limited to annual reports (including annual financial reports), interim reports (including interim financial reports), reports of the board of directors (together with balance sheets and income statements), notice of shareholders’ general meetings, circulars and other communication.

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21 MERGER, DIVISION, INCREASE OR DECREASE OF REGISTERED CAPITAL, DISSOLUTION AND LIQUIDATION

The merger of the company may proceed by either merger by absorption or merger by the establishment of a new company.

In the event of a merger, the parties to the merger shall enter into a merger agreement and prepare balance sheets and inventories of assets. The company shall notify its creditors within 10 days from the date of the company's resolution on merger and shall make an announcement on newspapers designated by the company for information disclosure or the National Enterprise Credit Information Publicity System within 30 days from the date of the company's resolution on merger. Creditors have the right to, within 30 days after receipt of such notice, or within 45 days from the date of the first announcement on newspapers for those who do not receive such notice, demand that the company repay their debts or provide a corresponding guarantee for such debts.

When the company needs to decrease its registered capital, a balance sheet and an inventory of assets shall be prepared. The company shall notify creditors within 10 days from the date of the company's resolution on the decrease in registered capital and make an announcement on newspapers designated by the company for information disclosure or the National Enterprise Credit Information Publicity System within 30 days from such date. Creditors have the right to, within 30 days after receipt of such notice, or within 45 days from the date of the first announcement on newspapers for those who do not receive such notice, demand that the company repay their debts or provide a corresponding guarantee for such debts.

When the merger or division of the company involves changes in registered particulars, such changes shall be registered with the company registration authority in accordance with the law; when the company dissolves, the company shall complete its deregistration in accordance with the law; when a new company is established, its establishment shall be registered in accordance with the law.

The company shall be dissolved upon the occurrence of any of the following:

- (I) The term of operation specified in these Articles of Association expires or other reasons for dissolution specified in the Articles of Association occur;
- (II) A resolution on dissolution is passed by shareholders' general meeting;
- (III) Dissolution is necessary due to a merger or division of the company;
- (IV) The company's business license is revoked or canceled or it is ordered to close down according to the law;

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- (V) Where the company meets any serious difficulty during its operation and/or management so that the interests of the shareholders will be subject to heavy loss if it continues and it cannot be solved by any other means, the shareholders who hold 10% or more of the voting rights of all the shareholders of the company may plead the people’s court to dissolve the company.

During the liquidation period, the liquidation committee shall exercise the following functions and duties:

- (I) to ascertain the company’s assets and separately prepare a balance sheet and an inventory of assets;
- (II) to notify creditors by sending notice or by making an announcement;
- (III) to deal with and settle the company’s outstanding business deals relating to the liquidation;
- (IV) to settle outstanding taxes or the taxes incurred in the liquidation process;
- (V) to ascertain all claims and debts;
- (VI) to dispose of the remaining assets of the company after the repayment of debts;
- (VII) to represent the company in any civil proceedings.

The liquidation committee shall notify creditors within 10 days from the date of its establishment and make an announcement on newspapers or the National Enterprise Credit Information Publicity System within 60 days from such date. Creditors should, within 30 days after receipt of the notice, or within 45 days from the date of the announcement for those who do not receive the notice, submit their claims to the liquidation committee.

After checking the company’s assets and preparing a balance sheet and an inventory of assets, the liquidation committee shall formulate a liquidation plan and submit to the shareholders’ general meeting or the People’s Court for confirmation.

After paying the liquidation cost, staff salary, social insurance, statutory compensation and the outstanding taxes respectively, and after repayment of its debts, the remaining assets of the company shall be distributed to the shareholders based on the class of shares they hold and in proportion to their respective shareholdings.

During the liquidation period, the company shall continue to exist but shall not carry out any business activities not relating to liquidation. The assets of the company shall not be distributed to the shareholders before the repayment in accordance with provisions of the preceding paragraph.

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Following the completion of liquidation, the liquidation committee shall prepare a liquidation report and submit it to the shareholders’ general meeting or the People’s Court for confirmation. The liquidation committee shall also submit the report to the company registration authority for application for deregistration of the company and announce that the company ceases to exist.

22 AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The company shall amend the Articles of Association under any of the following circumstances:

- (I) There is a discrepancy between the provisions of the Articles of Association and those of the laws and administrative regulations after amendments to the Company Law or relevant laws and administrative regulations;
- (II) There are changes in the situation of the company resulting in inconsistency in relation to that mentioned in the Articles of Association;
- (III) The shareholders’ general meeting resolves to amend the Articles of Association.

If the amendments upon the resolutions of shareholders’ general meeting are subject to approval by the competent authorities, such amendments shall be submitted to such competent authority for approval; if registration is necessary for the amendments, such registration shall be carried out in compliance with the relevant laws.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was established as a limited liability company under the laws of the PRC on July 28, 1997 and was converted into a joint stock company with limited liability on September 10, 2014. As of the Latest Practicable Date, the registered capital of our Company was RMB76.0 million, divided into 76 million Shares with a nominal value of RMB1.00 each.

The registered office of our Company is at 7th Floor, Huaduyuan Building, Dongmen South Road, Nanhu Street, Luohu District, Shenzhen, Guangdong Province, the PRC. Our Company has established a place of business in Hong Kong at 40/F, Dah Sing Financial Centre, 248 Queen’s Road East, Wan Chai, Hong Kong. Our Company was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Companies (Non-Hong Kong Companies) Regulation (Chapter 622J of the Laws of Hong Kong) on January 28, 2025. Mr. Cheng Ching Kit, a Hong Kong resident, has been appointed as our authorized representative for the acceptance of service of process and notices in Hong Kong.

As our Company was established in the PRC, its operations 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 the Articles of Association is set out in Appendix IV and Appendix V of this document, respectively.

2. Changes in Share Capital of Our Company

As of the date of our establishment, our registered capital was RMB500,000. On September 10, 2014, our Company was converted into a joint stock company with limited liability.

There has been no alteration in the share capital of our Company within two years immediately preceding the date of this document. See “History and Corporate Structure” for more details on historical increase in registered share capital.

3. Changes in Share Capital of Our Subsidiaries

Our Company’s principal subsidiaries are referred to in the accountants’ report, the text of which is set out in Appendix I to this document.

The following sets forth the changes in share capitals of the subsidiaries of our Company took place during the two years immediately preceding the date of this document:

On April 28, 2024, Shenzhen Benxiao was established with a registered capital of RMB5,000,000, being fully paid in cash.

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On June 19, 2024, Shenzhen Wanshanhong was established with a registered capital of RMB30,000,000, of which RMB8,082,000 had been paid in cash and the outstanding amount to be paid in cash according to its articles of association and the PRC Company Law.

On July 12, 2024, YuHui Enterprise was incorporated with a share capital of HKD1,000,000 by Shenzhen Benxiao, a wholly owned subsidiary of our Company.

On May 12, 2025, Chayuan Technology was established with a registered capital of RMB5,000,000, of which RMB300,000 had been paid in cash and the outstanding amount to be paid in cash according to its articles of association and the PRC Company Law.

On June 30, 2025, Bama Tea Inc was incorporated as a company under the laws of the State of Wyoming with 50,000 shares of par value of US\$1.00 each being authorized to be issued. At the time of incorporation, 50,000 shares was issued and owned by YuHui Enterprise, a wholly owned subsidiary of our Company.

Save as disclosed above, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this document.

4. Resolutions Passed by Our Shareholders’ General Meeting in Relation to the [REDACTED]

At the extraordinary general meeting of the Shareholders held on January 8, 2025, the following resolutions, among other things, were duly passed:

- (i) the [REDACTED] of the H Shares and the [REDACTED], whereby the number of H Shares to be [REDACTED] before the exercise of the [REDACTED] shall not exceed [REDACTED]% of the total issued shares of the Company (without taking into account the H Shares which may be [REDACTED] upon the exercise of the [REDACTED]), and granting the [REDACTED] the [REDACTED] of no more than [REDACTED]% of the number of H Shares [REDACTED] pursuant to the [REDACTED];
- (ii) upon completion of the [REDACTED], [REDACTED] Domestic Unlisted Shares in aggregate will be converted into H Shares on a one-for-one basis;
- (iii) subject to the completion of the [REDACTED], the adoption of the Articles of Association, which shall become effective on the [REDACTED] and the authorization of the Board to amend the Articles of Association in accordance with relevant laws and regulations and upon the request from the Stock Exchange and other regulatory authorities; and

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- (iv) authorization of the Board and its authorized persons to handle all matters relating to, among other things, the [REDACTED], the [REDACTED] and [REDACTED] of the H Shares.

5. Restrictions on Repurchase

Please refer to “Regulatory Overview — Share Capital — Repurchase of Shares” and “Appendix V — Summary of Articles of Association” to this document for details.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

Our Group has entered into the following contract (not being contract entered into in the ordinary course of business) within the two years immediately preceding the date of this document that is or may be material:

- (a) the [REDACTED].

2. Intellectual Property Rights

As of the Latest Practicable Date, the following intellectual property rights are material to our Group’s business:

(a) Trademarks

As of the Latest Practicable Date, our Group had registered the following trademarks in Hong Kong and the PRC which, in the opinion of our Directors, are material to our business:

No.	Trademark	Registered owner	Place of registration	Registration number	Class	Expiry date
1.		Fujian Bama	Hong Kong	306446593	21 and 30	July 31, 2034
2.		Fujian Bama	PRC	60450083	30	February 27, 2035
3.		Fujian Bama	PRC	74044643	30	March 6, 2035

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No.	Trademark	Registered owner	Place of registration	Registration number	Class	Expiry date
4. . .	 八马纯茶	Fujian Bama	PRC	71507509	30	December 20, 2034
5. . .	八马纯茶	Fujian Bama	PRC	71525995	30	December 20, 2034
6. . .	逸珍珠	Fujian Bama	PRC	81210692	30	March 13, 2035
7. . .	 信記號	Our Company	PRC	65210721	30	August 6, 2033
8. . .	信记号龙蛋	Our Company	PRC	70795458	30	October 20, 2033
9. . .	信记号八喜临门	Our Company	PRC	69993734	30	October 13, 2033
10. . .	信记号云上景迈	Our Company	PRC	68963742	30	July 6, 2033
11. . .	 信记号老村长	Our Company	PRC	73380771	30	March 6, 2034
12. . .	信记号龙珠	Our Company	PRC	62458708	30	July 27, 2032
13. . .	信记号象往班章	Our Company	PRC	61908519	35	August 6, 2032
14. . .	飞龙在天	Our Company	PRC	60058357	30	June 27, 2032
15. . .	信记号代代相传	Our Company	PRC	60007991	30	April 13, 2032
16. . .	信记号大象班章	Our Company	PRC	59917981	35	March 27, 2032
17. . .	信记号孔雀班章	Our Company	PRC	59920756	35	March 27, 2032
18. . .	信记号龙凤老班章	Our Company	PRC	59913363	30	March 27, 2032
19. . .	白日香	Our Company	PRC	59787821	35	June 13, 2032
20. . .	白日红	Our Company	PRC	59803462	35	March 20, 2032
21. . .	 超速溶茶	Our Company	PRC	59458564	30	July 27, 2032

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No.	Trademark	Registered owner	Place of registration	Registration number	Class	Expiry date
22. . .	WOOFUN	Our Company	PRC	58101799	21	April 20, 2033
23. . .	信記號 八方來財	Our Company	PRC	57282435	35	January 13, 2032
24. . .	馬踏祥韻	Our Company	PRC	57143236	30	December 6, 2032
25. . .	王信記三年陳	Our Company	PRC	56007437	35	January 27, 2032
26. . .	三年陳	Our Company	PRC	55998578	35	November 27, 2031
27. . .	信記號萬壽龍餅	Our Company	PRC	54997202	35	December 27, 2031
28. . .	信記號茶皇老班章	Our Company	PRC	55002522	35	December 27, 2031
29. . .	信記號昔歸老樹	Our Company	PRC	54799728	35	October 20, 2031
30. . .	信記號昔歸大樹	Our Company	PRC	54795480	35	October 20, 2031
31. . .	信記號吉慶雙喜	Our Company	PRC	54774658	30	October 20, 2031
32. . .	信記號易武老樹	Our Company	PRC	54653870	30	October 20, 2031
33. . .	信記號雙溝頂峰	Our Company	PRC	54267680	30	October 13, 2031
34. . .	信記號老樹	Our Company	PRC	53790765	35	September 13, 2031
35. . .	信記號靠普	Our Company	PRC	53667121	30	September 6, 2031
36. . .	信記號有普	Our Company	PRC	53669895	35	September 13, 2031
37. . .	數一針珍好	Our Company	PRC	53300790	35	September 20, 2031
38. . .	八馬	Our Company	PRC	53304213	8	September 20, 2031
39. . .	八馬茶業	Our Company	PRC	53309980	8	September 20, 2031
40. . .	信記王	Our Company	PRC	53317886	35	October 27, 2032
41. . .	信記號散塊王	Our Company	PRC	52992273	35	September 6, 2031

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No.	Trademark	Registered owner	Place of registration	Registration number	Class	Expiry date
42. . .	王信记丛生	Our Company	PRC	52291502	35	August 27, 2031
43. . .	王信记生生不息	Our Company	PRC	52289834	30	August 27, 2031
44. . .	王信记丛生	Our Company	PRC	52288414	30	August 27, 2031
45. . .	信记号顶峰	Our Company	PRC	52032359	35	August 13, 2031
46. . .	信记号黑冠	Our Company	PRC	51977746	30	August 13, 2031
47. . .	信记号高杆古树	Our Company	PRC	50076479	35	May 13, 2031
48. . .	信记号大山谷	Our Company	PRC	49506873	35	April 20, 2031
49. . .	信记号熊猫班章	Our Company	PRC	49455989	30	April 13, 2031
50. . .	信记号万棵	Our Company	PRC	48936466	35	March 27, 2031
51. . .	信记号圆茶	Our Company	PRC	48924040	35	March 27, 2031
52. . .	信记号大树	Our Company	PRC	48924030	35	March 27, 2031
53. . .	茗旅	Our Company	PRC	48269367	11	March 6, 2031
54. . .	信记号散块	Our Company	PRC	48280707	30	March 6, 2031
55. . .	信记号步步高升	Our Company	PRC	48265583	30	April 6, 2031
56. . .	信记号冲天金	Our Company	PRC	47478945	35	February 20, 2031
57. . .	八纯	Our Company	PRC	47472095	30	April 20, 2031
58. . .	信記號 翡翠白茶	Our Company	PRC	47082363	35	April 27, 2031
59. . .	茶小马	Our Company	PRC	47044133	35	January 27, 2031
60. . .	信記號 1856	Our Company	PRC	45405883	30	March 6, 2031
61. . .	御水成仙	Our Company	PRC	43936937	30	September 27, 2030
62. . .	信记号状元	Our Company	PRC	43892620	35	October 6, 2030

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No.	Trademark	Registered owner	Place of registration	Registration number	Class	Expiry date
63. . .	茶時	Our Company	PRC	43149062	29	August 27, 2030
64. . .	壺 度	Our Company	PRC	41718846	11	June 27, 2030
65. . .	蒸 茗	Our Company	PRC	41741146	11	July 6, 2030
66. . .	双煮	Our Company	PRC	41714790	11	July 13, 2030
67. . .		Our Company	PRC	41216052	35	October 27, 2030
68. . .		Our Company	PRC	40730598	35	August 20, 2030
69. . .	十八渡	Our Company	PRC	40451704	29	July 20, 2030
70. . .	信记号一片红	Our Company	PRC	40433269	35	June 13, 2030
71. . .	十八渡	Our Company	PRC	40451702	21	June 13, 2030
72. . .	信记号红印	Our Company	PRC	39588563	35	June 20, 2030
73. . .	 橡筋班章	Our Company	PRC	39578686	35	April 27, 2030
74. . .	贵妃白	Our Company	PRC	39039900	30	March 13, 2031
75. . .	鹿 与 茶 鲸	Our Company	PRC	38681515	11	March 6, 2030
76. . .	八八七	Our Company	PRC	36457539	30	December 20, 2029
77. . .	掌门茶	Our Company	PRC	36188975	30	August 27, 2031
78. . .	茶泡弹	Our Company	PRC	35836704	42	September 6, 2029
79. . .	小马智泡	Our Company	PRC	35396428	30	August 27, 2029
80. . .	贵妃白	Our Company	PRC	35228205	35	August 13, 2029
81. . .	金索红	Our Company	PRC	30326446	30	April 20, 2029
82. . .	头丛	Our Company	PRC	29278171	30	January 13, 2029

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No.	Trademark	Registered owner	Place of registration	Registration number	Class	Expiry date
83. . .	紫金白兰	Our Company	PRC	28798255	30	December 20, 2028
84. . .		Our Company	PRC	22734633	21	April 6, 2028
85. . .		Our Company	PRC	22734492	30	April 6, 2028
86. . .		Our Company	PRC	22734441	21	February 20, 2028
87. . .	Whale my deer	Our Company	PRC	17001212	32	July 20, 2026
88. . .		Our Company	PRC	17001013	30	October 27, 2026
89. . .		Our Company	PRC	9037532	35	October 13, 2032
90. . .	铁韵	Our Company	PRC	5149473	29	March 20, 2029
91. . .		Our Company	PRC	1953000	30	October 20, 2032
92. . .	波丁兔	Our Company	PRC	59329861	29	March 20, 2032
93. . .		Our Company	PRC	56181261	35	December 27, 2031
94. . .	小馬茶趣	Our Company	PRC	47113171	28	February 20, 2031
95. . .	茶茶不息	Our Company	PRC	40718661	30	June 6, 2030
96. . .		Our Company	PRC	27752242	30	November 20, 2028
97. . .	teator	Our Company	PRC	26347979	35	November 13, 2028
98. . .	identitea	Our Company	PRC	26271838	35	August 27, 2028
99. . .	茶研仕	Our Company	PRC	26255416	35	August 27, 2028
100. . .	茶茶有绪	Our Company	PRC	26255372	43	September 13, 2028

APPENDIX VI STATUTORY AND GENERAL INFORMATION

(b) Patents

As of the Latest Practicable Date, we have registered the following patents in the PRC which, in the opinion of our Directors, are material to our business:

No.	Patent name	Patentee(s)	Patent no.	Patent type	Date of application	Patent grant date
1. . . .	Tea Tin (Seasoning Tin) (茶葉罐(歷煉罐))	Our Company	ZL202330864113.6	Design patent	December 28, 2023	July 19, 2024
2. . . .	Tea Tin (Mingrun) (茶葉罐(茗潤))	Our Company	ZL202330699744.7	Design patent	October 27, 2023	April 5, 2024
3. . . .	Tea Tin (Mingzhen) (茶葉罐(茗臻))	Our Company	ZL202330681745.9	Design patent	October 20, 2023	April 5, 2024
4. . . .	Package Tin (Chenpi Tin) (包裝罐(陳皮罐))	Our Company	ZL202330578499.4	Design patent	September 6, 2023	May 3, 2024
5. . . .	Tea Tin (Black Gold Tin) (茶葉罐(小黑金罐))	Our Company	ZL202330478205.0	Design patent	July 28, 2023	December 15, 2023
6. . . .	Tea Tin (Xiaoruyi China Tin) (茶葉罐(小如意瓷罐))	Our Company	ZL202330478233.2	Design patent	July 28, 2023	January 5, 2024
7. . . .	Tea Tin (Aged Dry Storage) (茶葉罐(年份干倉))	Our Company	ZL202330310645.5	Design patent	May 24, 2023	October 31, 2023
8. . . .	Tea Tin (Liufulinmen) (茶葉罐(六福臨門))	Our Company	ZL202230764249.5	Design patent	November 16, 2022	March 28, 2023
9. . . .	Tea Tin (Mashangyoufu) (茶葉罐(馬上有福))	Our Company	ZL202230765571.X	Design patent	November 16, 2022	March 28, 2023
10. . .	A Kind of Tea Intelligent Storage Warehouse (一種茶葉 智慧儲存倉)	Our Company	ZL202222709275.5	Utility model patent	October 14, 2022	February 10, 2023
11. . .	Pu'er Tea Intelligent Storage Warehouse (Xinji hao) (普洱茶智能儲存倉 (信記號))	Our Company	ZL202230594550.6	Design patent	September 8, 2022	December 30, 2022
12. . .	Package Tin (Ganpu Tin) (包裝罐(柑普罐))	Our Company	ZL202130445809.6	Design patent	July 14, 2021	December 24, 2021

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No.	Patent name	Patentee(s)	Patent no.	Patent type	Date of application	Patent grant date
13. . .	Package Tin (Saizhenzhu) (包裝罐(賽珍珠))	Our Company	ZL202130390900.2	Design patent	June 23, 2021	January 18, 2022
14. . .	一種盒子鈍化裝置及覆膜機	Our Company	ZL202110636607.9	Invention patent	June 8, 2021	August 3, 2021
15. . .	一種盒子鈍化裝置及覆膜機	Our Company	ZL202121282661.X	Utility model patent	June 8, 2021	January 4, 2022
16. . .	Package Tin (Dinghong 10000 Series Aluminum Tin) (包裝罐(鼎紅10000系列鋁罐))	Our Company	ZL202130232042.9	Design patent	April 22, 2021	August 24, 2021
17. . .	Package Tin (Baifu Series No. 3 Tin) (包裝罐(百福系列3號罐))	Our Company	ZL202130232048.6	Design patent	April 22, 2021	October 26, 2021
18. . .	Package Tin (Dinghong Tin) (包裝罐(鼎紅罐))	Our Company	ZL202130011717.7	Design patent	January 8, 2021	May 28, 2021
19. . .	Tea Tin (Bama Baifu Series) (茶罐(八馬百福系列))	Our Company	ZL202030280515.8	Design patent	June 5, 2020	October 30, 2020
20. . .	Package Tin (Small Tin) (包裝罐(小罐子))	Our Company	ZL202030143775.0	Design patent	April 13, 2020	August 18, 2020
21. . .	Package Box (Longma) (包裝盒(龍馬))	Fujian Bama	ZL202330682001.9	Design patent	October 20, 2023	July 19, 2024
22. . .	Roasting Method for Intense Spring Oolong Tea (濃香春閩烏龍茶的烘焙方法)	Fujian Bama	ZL202311349469.1	Design patent	October 18, 2023	January 16, 2024
23. . .	Tea Tin (Saizhenzhu Tin) (茶葉罐(賽珍珠罐))	Fujian Bama	ZL202330478914.9	Design patent	July 28, 2023	December 15, 2023
24. . .	A Kind of Tea Bag Canning Equipment (一種泡裝茶裝罐設備)	Fujian Bama	ZL202320541613.0	Design patent	March 20, 2023	October 13, 2023
25. . .	A Kind of Tea Bag Canning Line (一種泡袋茶裝罐流水線)	Fujian Bama	ZL202320363765.6	Design patent	March 2, 2023	September 1, 2023

APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Patent name	Patentee(s)	Patent no.	Patent type	Date of application	Patent grant date
26. . .	A Kind of Split Can Weighing Assembly Line (一種分罐稱重流水線)	Fujian Bama	ZL202320127855.5	Design patent	January 17, 2023	June 23, 2023
27. . .	A Kind of Centralized Feeding System with High Production Efficiency (一種生產效率高的集中供料系統)	Fujian Bama	ZL202223198942.4	Design patent	November 30, 2022	June 27, 2023
28. . .	Tea Tin (Junziyaji) (茶葉罐(君子雅集))	Fujian Bama	ZL202230735742.4	Design patent	November 4, 2022	February 21, 2023
29. . .	Tea Tin (Xuridongsheng) (茶葉罐(旭日東升))	Fujian Bama	ZL202230736223.X	Design patent	November 4, 2022	February 21, 2023
30. . .	A Kind of Automatic Feeding and Sealing Packaging Equipment (一種自動下料封罐包裝設備)	Fujian Bama	ZL202110926744.6	Design patent	August 12, 2021	October 1, 2021
31. . .	A Kind of Automatic Discharging and Sealing Packaging Equipment (一種自動下料封罐包裝設備)	Fujian Bama	ZL202121886274.7	Utility model patent	August 12, 2021	January 28, 2022
32. . .	A Kind Oolong Tea and its Roasting Method (一種烏龍茶及其烘焙方法)	Fujian Bama	ZL202110340829.6	Design patent	March 30, 2021	June 11, 2021
33. . .	A Kind of Oolong Tea Roasting Equipment (一種烏龍茶類烘焙設備)	Fujian Bama	ZL202120649823.2	Design patent	March 30, 2021	October 26, 2021
34. . .	A Kind of Tea Roasting Machine (一種茶葉烘焙機)	Fujian Bama	ZL202120649579.X	Design patent	March 30, 2021	October 29, 2021
35. . .	A Kind of Pushing Device for Tea Packaging (一種用於茶葉包裝的推料裝置)	Fujian Bama	ZL202021766029.8	Invention patent	August 21, 2020	March 16, 2021

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No.	Patent name	Patentee(s)	Patent no.	Patent type	Date of application	Patent grant date
36. . .	A Kind of Quantity Measuring Machine for Tea Packaging (一種茶葉包裝的定量機器)	Fujian Bama	ZL202021764228.5	Utility model patent	August 21, 2020	March 16, 2021
37. . .	A Kind of Vacuum Packaging Line for Tea Packaging (一種包裝茶葉真空包裝流水線)	Fujian Bama	ZL202021766139.4	Design patent	August 21, 2020	March 16, 2021
38. . .	A kind of Canned Tea Integrated Production Line (一種罐裝茶葉一體化生產線)	Fujian Bama	ZL202021764224.7	Design patent	August 21, 2020	March 16, 2021
39. . .	A New Type of Fixation Machine (一種新型殺青機)	Fujian Bama	ZL201720712954.4	Design patent	June 19, 2017	March 16, 2018
40. . .	A Kind of Automatic Tea Packaging Line (一種全自動茶葉包裝線)	Fujian Bama	ZL201520527893.5	Design patent	July 21, 2015	January 6, 2016
41. . .	A Kind of Automatic Feeding Device for Tea Packaging Line (一種茶葉包裝線自動上料裝置)	Fujian Bama	ZL201520527833.3	Design patent	July 21, 2015	January 6, 2016
42. . .	A Roasting Method of Strong Flavor Tieguanyin (濃香鐵觀音的烘焙方法)	Fujian Bama	ZL201510156593.5	Design patent	April 3, 2015	November 24, 2017
43. . .	A Kind of Tieguanyin with Black Tea By-products and its Production Process (一種帶有紅茶副產品的鐵觀音及其製作工藝)	Fujian Bama	ZL201210368468.7	Design patent	September 28, 2012	February 19, 2014

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No.	Patent name	Patentee(s)	Patent no.	Patent type	Date of application	Patent grant date
44. . .	A Production Method of Strong Flavor Tieguanyin (濃香型鐵觀音的生產方法)	Fujian Bama	ZL201010245727.8	Design patent	August 5, 2010	February 8, 2012
45. . .	A Production Method of Gardenia Tieguanyin (梔子花鐵觀音的生產方法)	Fujian Bama	ZL201010245728.2	Design patent	August 5, 2010	January 9, 2013
46. . .	A Production Method of Osmanthus Tieguanyin (桂花鐵觀音的生產方法)	Fujian Bama	ZL201010245729.7	Design patent	August 5, 2010	February 1, 2012

(c) Domain Names

As of the Latest Practicable Date, we have registered the following domain names which, in the opinion of our Directors, are material to our business:

No.	Domain name	Registrant	Registration date
1. . . .	賽珍珠.net	Our Company	August 3, 2023
2. . . .	bamatea.com	Our Company	August 3, 2023
3. . . .	saizhenzhu.com.cn	Our Company	August 3, 2023
4. . . .	八馬集團.com	Our Company	August 3, 2023
5. . . .	bamagroup.com.cn	Our Company	August 3, 2023
6. . . .	xinjihao.com.cn	Our Company	November 23, 2022
7. . . .	8ma.net	Our Company	December 15, 2022
8. . . .	222.77.86.98	Fujian Bama	April 19, 2023

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(d) Copyrights

As of the Latest Practicable Date, we have registered the following computer software and non-computer software copyrights which, in the opinion of our Directors, are material to our business:

No.	Computer software copyright	Registrant	Registration number	Registration date
1	Xinjihao Pu’er APP	Our Company	2020SR0572262	June 5, 2020
2	Deep Learning Based Software for Tea Data Acquisition and Grading	Fujian Bama	2024SR1237428	August 23, 2024

No.	Non-computer software copyright	Registrant	Registration no.	Registration date
1. . . .	Bama Tea Xiao Cha Xian (八馬茶業小茶仙)	Our Company	2024-F-00218446	July 26, 2024
2. . . .	Xinjihao Nanyang Laopu (信記號南洋老鋪)	Our Company	2024-F-00201436	July 12, 2024
3. . . .	Dynamic Yunnan (印象雲南)	Our Company	2024-F-00190184	July 3, 2024
4. . . .	Think, Enjoy, TeaTalk (思享茶敘 TeaTalk)	Our Company	2024-F-00104308	April 19, 2024
5. . . .	Xinjihao – Reliable Tea Leaves Age Tracing (信記號年份更可靠)	Our Company	2024-F-00095508	April 8, 2024
6. . . .	Bama Figurine II (八馬盲盒玩偶 (二))	Our Company and Zhejiang Natural Creation Culture Creative Co., Ltd. (浙江自然造物文化創意有限公司)	2024-F-00036616	January 30, 2024
7. . . .	Bama Tea Xinjihao Age Pu’er (八馬茶業信記號年份普洱茶)	Our Company	2024-F-00004810	January 8, 2024
8. . . .	Tea in China (中國有茶)	Our Company	2023-F-00306694	December 21, 2023
9. . . .	Bingdao Tea Mountain (冰島茶山)	Our Company	2023-F-00271261	November 14, 2023
10. . .	Bama Wanshanhong (八馬萬山紅)	Our Company	2023-F-00260614	November 2, 2023

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No.	Non-computer software copyright	Registrant	Registration no.	Registration date
11. . .	Bama Pure Tea • Chenpi Baicha Beverage (八馬純茶•陳皮白茶調味茶飲料)	Our Company	2023-F-00094384	May 19, 2023
12. . .	Bama Pure Tea • Oolong Tea Beverage (八馬純茶•烏龍茶飲料)	Our Company	2023-F-00094383	May 19, 2023
13. . .	Bama Figurine (八馬盲盒玩偶)	Our Company and Zhejiang Natural Creation Culture Creative Co. Ltd.	2023-F-00040775	March 2, 2023
14. . .	Xinjihao Pu'er Hundred-Year Tea – Eat Well and Drink Yu'er (信記普洱百年名茶吃太好,喝普洱)	Our Company	2022-F-10261613	December 13, 2022
15. . .	Great Chinese Tea (了不起的中國茶)	Our Company	2022-F-10232142	November 9, 2022
16. . .	Bama Fresh Longjing (八馬領鮮龍井)	Our Company	2022-F-10116521	June 9, 2022
17. . .	Fumaye in Work (富馬爺工作篇)	Our Company	2022-F-10097979	May 12, 2022
18. . .	Bama Sales Tips (八馬銷售秘笈)	Our Company	2022-L-10097980	May 12, 2022
19. . .	Fortune College (創富學苑)	Our Company	2022-F-10097977	May 12, 2022
20. . .	Fumaye (富馬爺)	Our Company	2022-F-10097976	May 12, 2022
21. . .	Fumaye in New Year (富馬爺新年篇)	Our Company	2022-F-10097978	May 12, 2022
22. . .	Fine Selection – Ice-cold Old White Tea (世間少有,冰涼感老白茶)	Our Company	2022-F-10097975	May 12, 2022
23. . .	Thumbs-Up Like Logo (大大點贊標籤版LOGO)	Our Company	2022-F-10064381	March 28, 2022
24. . .	Kaopu Series Illustrations (靠普系列插畫)	Our Company	2021-F-00285639	December 13, 2021
25. . .	Tea Renaissance Logo (茶葉複新LOGO)	Our Company	2021-F-00264533	November 17, 2021
26. . .	Xinjihao Aged Pu'er (信記號年份普洱茶)	Our Company	2021-F-00264543	November 17, 2021
27. . .	Xinjihao Well Aged (信記號夠年份年份足)	Our Company	2021-F-00217967	September 18, 2021
28. . .	Yuelai Yuehao (悅來悅好)	Our Company	2021-F-00217968	September 18, 2021

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No.	Non-computer software copyright	Registrant	Registration no.	Registration date
29. . .	Characteristics Description and Tea Making Methods of Some of Bama Tea Products (八馬茶業部分產品品質特徵描述及沖泡方法)	Our Company	2021-L-00217966	September 18, 2021
30. . .	Origin of Tieguanyin (鐵觀音發源地)	Our Company	2021-F-00183512	August 11, 2021
31. . .	West Lake Joy (西湖逸趣)	Our Company	2021-F-00183510	August 11, 2021
32. . .	Spring in Mount Wuyi (武夷之春)	Our Company	2021-F-00183511	August 11, 2021
33. . .	Vertical Logo of Bama Celebrities Series – Tea Snacks (八馬名家系列名家茶食豎版LOGO)	Our Company	2021-F-00124561	June 4, 2021
34. . .	Horizontal Logo of Bama Celebrities Series – Tea Ware (八馬名家系列名家器橫版LOGO)	Our Company	2021-F-00124563	June 4, 2021
35. . .	Vertical Logo of Bama Celebrities Series – Tea Ware (八馬名家系列名家器豎版LOGO)	Our Company	2021-F-00124564	June 4, 2021
36. . .	Vertical Logo of Bama Celebrities Series – Tea Products (八馬名家系列名家茶豎版LOGO)	Our Company	2021-F-00124562	June 4, 2021
37. . .	Logo of Bama Celebrities Series – Three Major Categories of Tea (八馬名家系列三大品類LOGO)	Our Company	2021-F-00124467	June 4, 2021
38. . .	Logo of Bama Celebrities Series – Tea Products (八馬名家系列名家茶標籤版LOGO)	Our Company	2021-F-00124468	June 4, 2021
39. . .	Logo of Bama Celebrities Series – Tea Ware (八馬名家系列名家茶食標籤版LOGO)	Our Company	2021-F-00124559	June 4, 2021
40. . .	Horizontal Logo of Bama Celebrities Series – Tea Snacks (八馬名家系列名家茶食橫版LOGO)	Our Company	2021-F-00124560	June 4, 2021

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No.	Non-computer software copyright	Registrant	Registration no.	Registration date
41. . .	Horizontal Logo of Bama Celebrities Series – Tea Products (八馬名家系列名家茶橫版LOGO)	Our Company	2021-F-00124558	June 4, 2021
42. . .	ag Logo of Bama Celebrities Series – Tea Ware (八馬名家系列名家器標籤版LOGO)	Our Company	2021-F-00124466	June 4, 2021
43. . .	Baifu Series Pattern Fresh Tieguanyin (百福系列圖案清香鐵觀音)	Our Company	2021-F-00059058	March 15, 2021
44. . .	Bama Guifei Baicha (八馬貴妃白)	Our Company	2021-F-00059057	March 15, 2021
45. . .	Baifu Series Pattern (百福系列圖案)	Our Company	2021-F-00059059	March 15, 2021
46. . .	Junzi Yaji (君子雅集)	Our Company	2021-F-00018294	January 26, 2021
47. . .	Xinjihao 887 Pu'er Xinjihao Round Tea (信記號八八七普洱茶信記號圓茶)	Our Company	2020-F-00023648	December 21, 2020
48. . .	Merit Youth Osmanthus Black Tea, Great Color Great Tea Great Fun (三好青年桂花紅茶, 有顏有料有趣味)	Our Company	2020-F-00023620	December 21, 2020
49. . .	Large-Leaf Variety Large Tree Tea (大葉種的大樹茶)	Our Company	2020-F-00023647	December 21, 2020
50. . .	Merit Youth Peach Oolong Tea, Real Pleasure (三好青年蜜桃烏龍茶, 玩轉態度真滋味)	Our Company	2020-F-00023649	December 21, 2020
51. . .	Laobanzhang from Banzhang Village (班章村的老班章)	Our Company	2020-F-00023650	December 21, 2020
52. . .	Merit Youth, Keep Positive and Drink Tea (三好青年好好喝茶 天天向上)	Our Company	2020-F-00023640	December 21, 2020
53. . .	Bama Tea Originated from Century-Old Tea-Making Family (八馬茶業源自百年製茶世家)	Our Company	2020-F-01129549	November 6, 2020
54. . .	Bama Chawang Series Seven Categories of Tea (八馬茶王系列七大茶類)	Our Company	2020-F-01129254	October 16, 2020
55. . .	Bama Tea Three Selection Criteria (八馬茶業三大選品標準)	Our Company	2020-F-01129255	October 16, 2020

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No.	Non-computer software copyright	Registrant	Registration no.	Registration date
56. . .	Bama Great Tea Four Criteria 八馬好茶四大標準	Our Company	2020-F-01129256	October 16, 2020
57. . .	Bama Tea Xinjiahao Aged Pu’er (八馬茶業信記號年份普洱茶)	Our Company	2020-F-01083415	August 27, 2020
58. . .	Century-Old Tea-Making Family (百年製茶世家)	Our Company	2020-F-01083416	August 27, 2020
59. . .	Xigui – Great Flavour In The Present and Future (昔歸-現在 香,未來也香)	Our Company	2020-F-01083414	August 27, 2020
60. . .	Guifei White Tea (貴妃白)	Our Company	2020-F-01046135	June 10, 2020
61. . .	Guifei Black Tea (貴妃紅)	Our Company	2020-F-01046134	June 10, 2020
62. . .	Merit Gentlemen On the Up and Up (步步高升君子以順德積小 以高大)	Our Company	2020-F-01046133	June 10, 2020
63. . .	Stay Tuned and Drink Bama (認 準這匹馬,好茶喝八馬)	Our Company	2020-F-01029827	May 13, 2020
64. . .	Pretty People Drink Jasmine Tea (喝茉莉花茶的人美)	Our Company	2020-F-01004246	April 27, 2020
65. . .	Xinjiahao Aged Pu’er Anti- Counterfeit Label (信記號年份 普洱茶防偽標籤)	Our Company	2020-F-01004244	April 27, 2020
66. . .	Pretty Ladies Drink Jasmine Tea (喝茉莉花茶的女人美)	Our Company	2020-F-01004245	April 27, 2020
67. . .	Many Love Pu’er (愛你愛你普洱 茶)	Our Company	2020-F-00968874	March 12, 2020
68. . .	Xinjiahao Many Love Pu’er (信記號愛你愛你普洱茶)	Our Company	2020-F-00968870	March 12, 2020
69. . .	Bama Yanke (八馬岩苛)	Our Company	2020-F-00968873	March 12, 2020
70. . .	Xinjiahao Aged Pu’er, One Cup After Meal to Relieve Grease (信記號年份普洱茶,飯後一杯, 解油膩)	Our Company	2020-F-00968872	March 12, 2020
71. . .	Xinjiahao Many Love (信記號愛 你愛你)	Our Company	2020-F-00968871	March 12, 2020
72. . .	Bama Baifu (八馬百福)	Our Company	2020-F-00968615	March 4, 2020
73. . .	Bama Chawang Competition (八馬茶王賽)	Our Company	2020-F-00968614	March 4, 2020
74. . .	Bama Falling In Love Tea (八馬 愛上茶)	Our Company	2020-F-00968616	March 4, 2020
75. . .	Big Heart For You (大大心意)	Our Company	2020-F-00968152	January 9, 2020

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No.	Non-computer software copyright	Registrant	Registration no.	Registration date
76. . .	Xinjihao Aged Pu'er (Non-fermented), One Cup After Meal to Relieve Grease (信記號年份普洱生茶, 飯後一杯,解油膩)	Our Company	2020-F-00968151	January 9, 2020
77. . .	Xinjihao Aged Pu'er (Non-fermented) (信記號年份 普洱生茶)	Our Company	2019-F-00888659	December 25, 2019
78. . .	Bama Tea Etiquettes (八馬茶禮理 念)	Our Company	2019-F-00827940	October 22, 2019
79. . .	Fermented Off-Ground, Clean and Great Fermented Pu'er (離地發酵,乾淨好喝,熟普)	Our Company	2019-F-00827937	October 22, 2019
80. . .	Xinjihao Qianshan Wanzhai Pu'er (信記號千山萬寨普洱茶)	Our Company	2019-F-00827938	October 22, 2019
81. . .	Great Round Tea, Great Fortune (一印在手紅紅火火)	Our Company	2019-F-00827939	October 22, 2019
82. . .	Xinjihao Xiangjin Banzhang (信記號橡筋班章)	Our Company	2019-F-00827479	September 5, 2019
83. . .	Xinjihao Pu'er, High-End Pu'er (信記號普洱高端的普洱茶)	Our Company	2019-F-00827235	August 12, 2019
84. . .	Xinjihao Aged Pu'er (Non-fermented) (信記號年份 普洱生茶)	Our Company	2019-F-00827234	August 12, 2019
85. . .	Xinjihao Pu'er, Great Choice for Consumption and Collection (信記號普洱茶現喝好藏是寶)	Our Company	2019-F-00827045	July 24, 2019
86. . .	Produce Products Welcomed By Consumers, Operate Stores Welcoming Consumers (做有 溫度的產品開有溫度的店)	Our Company	2019-F-00827046	July 24, 2019
87. . .	Go for Bama Celebrities Series Tea (名家茶選八馬)	Our Company	2019-F-00797161	July 3, 2019
88. . .	Xinjihao Fermented Pu'er – Drink and Sleep Well (信記號 熟普不影響睡眠的茶)	Our Company	2019-F-00681394	May 27, 2019
89. . .	Xinjihao Pu'er – Drink and Sleep Well (信記號普洱不影響睡眠 的茶)	Our Company	2019-F-00681168	April 29, 2019
90. . .	Great Efforts in Raw Material Selection and Tea Making (選料萬重山做茶不惜力)	Our Company	2019-F-00681110	April 17, 2019

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No.	Non-computer software copyright	Registrant	Registration no.	Registration date
91. . .	Century-Old Commitment in Making Chinese Tea (百年匠心做國茶)	Our Company	2018-F-00680206	December 21, 2018
92. . .	Devoted to Serve You, Serve China and Serve the World Great Tea (為您喝好、為中國喝好、為世界喝好)	Our Company	2018-F-00680204	December 21, 2018
93. . .	Wish You Great Success with A Cup of Bama Tea (八馬一沖, 馬到成功)	Our Company	2018-F-00680203	December 21, 2018
94. . .	Let the World Enjoy the Health and Happiness Brought by Tea (讓天下人享受茶的健康與快樂)	Our Company	2018-F-00680205	December 21, 2018
95. . .	Treat You Well with Tea (以茶養人)	Our Company	2018-F-00680202	December 21, 2018
96. . .	Promoting Chinese Tea, Serving the World (中華復興有國茶, 五湖四海都喝好)	Our Company	2018-F-00680201	December 21, 2018
97. . .	Bama Tea Slogan – Bama: Serving Great Chinese Tea (八馬茶業廣告語–中國好茶, 買好茶到八馬)	Our Company	2017-F-00467972	August 25, 2017
98. . .	Bama Tieguanyin Fonts Set (八馬•鐵觀音字體組合)	Our Company	2013-F-00086895	March 19, 2013
99. . .	Bama Tea Logo (八馬茶業標誌)	Our Company	2012-F-00060852	May 14, 2012
100. . .	Saizhenzhu Logo (賽珍珠標誌)	Our Company	2012-F-00060853	May 14, 2012
101. . .	Tea Time (茶時)	Our Company	2011-F-050672	December 20, 2011
102. . .	Bama Etiquette Tea (八馬商政禮節茶)	Our Company	2011-F-038531	April 13, 2011
103. . .	Bama Tea Fun (八馬茶趣)	Fujian Bama	2019-F-00833615	August 1, 2019

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C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interest

(1) *Disclosure of Interests of Directors and Chief Executive of our Company*

The following table sets out the interests and short positions of our Directors and chief executive of our Company immediately following completion of the [REDACTED] 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 (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required 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, once our H Shares are [REDACTED]:

Interests and short positions in the Shares, underlying Shares and debentures of our Company:

Name	Nature of interest	Type of Shares	Number of Shares	Approximate percentage of interest	
				In the relevant type of Shares upon the completion of the [REDACTED] ⁽¹⁾	In the total share capital of our Company upon the completion of the [REDACTED] ⁽¹⁾
				(%)	(%)
Mr. Wang Wenbin (王文彬) ⁽²⁾	Interest held jointly with other persons	Domestic Unlisted Shares	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Wang Wenli (王文禮) ⁽²⁾	Interest held jointly with other persons	Domestic Unlisted Shares	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Wang Wenchao (王文超) ⁽²⁾	Interest held jointly with other persons	Domestic Unlisted Shares	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Wu Qingbiao (吳清標) ⁽³⁾	Beneficial interest	H Shares	[REDACTED]	[REDACTED]	[REDACTED]
	Interest of spouse	H Shares	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Wang Kunheng (王焜恒)	Beneficial interest	H Shares	[REDACTED]	[REDACTED]	[REDACTED]

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Name	Nature of interest	Type of Shares	Number of Shares	Approximate percentage of interest	
				In the relevant type of Shares upon the completion of the [REDACTED] ⁽¹⁾	In the total share capital of our Company upon the completion of the [REDACTED] ⁽¹⁾
				(%)	(%)
Mr. Huang Lieping (黃烈平)	Beneficial interest	H Shares	[REDACTED]	[REDACTED]	[REDACTED]
Ms. Su Limin (蘇麗敏)	Beneficial interest	H Shares	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

- (1) Without taking into account any H Shares to be [REDACTED] pursuant to the exercise of [REDACTED].
- (2) On August 9, 2019, Mr. Wang Wenbin, Mr. Wang Wenli, Mr. Wang Wenchao, together with Ms. Chen Yajing, Ms. Wu Xiaoning and Ms. Wang Xiaoping, entered into the 2019 Concert Party Agreement, pursuant to which, they have agreed and confirmed that they would act in concert (i) as the Shareholders of the Company in respect of their rights to call for general meetings, to make proposals and to vote on the general meetings, and (ii) where the relevant parties in the Concert Party Group act as the Directors, in respect of their rights as Directors in the decision-making process of the Board. If the Concert Party Group could not reach consensus on certain issues in respect of the Company’s operation and management, the proposal which is approved by half or more than half of the total number of Shares held by the Concert Party Group will be implemented and if no proposal is approved by half or more than half of the total number of Shares held by the Concert Party Group, the Concert Party Group should follow Mr. Wang Wenli’s decisions. On September 9, 2024, the Concert Party Group entered into a supplemental agreement to the 2019 Concert Party Agreement which confirms the acting-in-concert arrangements among the Concert Party Group. Therefore, under the SFO, our Controlling Shareholders are deemed to be jointly interested in the Shares held by them.
- (3) Ms. Huang Qin (黃琴), the spouse of Mr. Wu Qingbiao, holds 552,375 Shares of the Company. Mr. Wu Qingbiao is deemed to be interested in the same number of Shares held by Ms. Huang Qin under the SFO.

(2) Substantial Shareholders

(i). Interests of the substantial Shareholders in the Shares

Save as disclosed in the section headed “Substantial Shareholders” of this document, immediately following the completion of the [REDACTED], our Directors are not aware of any other person (not being a Director or chief executive of our Company) who will have an interest 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 who is, directly or indirectly, interested in 10% or more of the issued voting shares of our Company.

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(ii). *Interests of the substantial shareholders of any members of our Group (except our Company)*

Save as set out above and in the table below, as of the Latest Practicable Date, our Directors are not aware of any persons (not being a Director or chief executive of our Company) who would, immediately following the completion of the [REDACTED] be directly or indirectly interested in 10% or more of the issued voting shares of any member of our Group (except our Company).

Members of our Group	Registered capital	Party with 10% or more equity interest	Capacity	Approximate percentage of shareholding (%)
Shenzhen Wanshanhong . . .	RMB30.0 million	Shenzhen Binglong Technology Partnership (Limited Partnership)	Beneficial owner	20%

2. Particulars of the Directors’ Service Contracts

Each of the Directors entered into a service contract or a letter of appointment with our Company. The principal particulars of these service contracts and letters of appointment comprise (i) the terms of the services and (ii) termination provisions in accordance with their respective terms. The service contracts and letters of appointment may be renewed in accordance with the Articles of Association and the applicable laws, rules and regulations.

Save as disclosed above, none of our Directors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation)).

3. Remuneration of Directors

For the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2025, the aggregate of emoluments (including salaries, allowances and other benefits, discretionary bonuses, and retirement scheme contribution) paid to our Directors were approximately RMB6.95 million, RMB7.41 million, RMB9.02 million and RMB4.22 million, respectively.

Save as disclosed in this document, no other emoluments have been paid or are payable, in respect of the years ended December 31, 2022, 2023, 2024 and the six months ended June 30, 2025 by us to our Directors.

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Under the arrangements currently in force, we estimate that the aggregate amounts of emoluments (including salaries, allowances and other benefits, discretionary bonuses and retirement scheme contribution) payable to our Directors for the year ending December 31, 2025 will be approximately RMB[9.05] million.

4. Agency Fees or Commissions Received

Save as disclosed in the section headed “[REDACTED] — [REDACTED] and [REDACTED]” in this document, no commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group was granted within the two years immediately preceding the date of this document.

5. Disclaimers

- (a) Save as disclosed in the paragraph headed “C. Further Information about our Directors and Substantial Shareholders” in this Appendix, none of our Directors or our chief executive has any interest or short position in the Shares, underlying Shares or debentures of us or any of our associated corporations (within the meaning of Part XV 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 [REDACTED] on the Stock Exchange;
- (b) None of our Directors is a director or employee of a company which is expected to have an interest in the Shares falling to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO once the H Shares are [REDACTED] on the Stock Exchange;
- (c) Save as disclosed in the section headed “History and Corporate Structure” in this document, none of our Directors nor any of the parties listed in the section headed “D. Other Information — 8. Qualifications and Consents of Experts” in this Appendix is interested in the promotion of our Company, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries;
- (d) None of our Directors nor any of the parties listed in the section headed “D. Other Information — 8. Qualifications and Consents of Experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to our business;

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- (e) Save in connection with the [REDACTED], none of the parties listed in the section headed “D. Other Information — 8. Qualifications and Consents of Experts” in this Appendix:
 - (i) is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries; and
- (f) None of our Directors or their respective close associates (as defined in the Listing Rules) or the existing Shareholders (who, to the knowledge of our Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest customers or the five largest suppliers of our Group in each year during the Track Record Period.

D. OTHER INFORMATION

1. Estate Duty

We have been advised that no material liability for estate duty under PRC law is likely to fall upon the Group.

2. Litigation

As of the Latest Practicable Date, our Company was 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 us, that would have a material adverse effect on our results of operations or financial conditions.

3. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee of the Stock Exchange for the [REDACTED] of, and permission to [REDACTED], the H Shares as mentioned in this document. All necessary arrangements have been made enabling the H Shares to be admitted into [REDACTED].

The Joint Sponsors satisfy the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules. The Joint Sponsors will receive an aggregate fee of US\$1 million to act as the sponsors to our Company in connection with the [REDACTED].

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4. Compliance Advisor

Our Company has appointed UOB Kay Hian (Hong Kong) Limited as our compliance advisor in compliance with Rule 3A.19 of the Listing Rules.

5. Preliminary Expenses

Our Company has not incurred any material preliminary expenses.

6. Taxation of Holder 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 the H Shares being sold or transferred. For further details in relation to taxation, please refer to Appendix III to this document.

7. Promoters

The information of our promoters when we were established as a joint stock limited company is as follows:

Name of Promoter	Number of Shares held upon our establishment	Shareholding percentage upon our establishment (%)
Mr. Wang Wenbin	28,927,500	38.75
Mr. Wang Wenli	25,447,500	33.93
Mr. Wang Wenchao	3,600,000	4.80
Mr. Wu Qingbiao	1,012,500	1.35
Mr. Wu Qingxiang	675,000	0.90
Ms. Wang Xiaoping	337,500	0.45
Harmonious Growth	7,500,000	10.00
Tiantu Xinghua	3,600,000	4.80
Nanhai Growth	3,150,000	4.20
Tianjixing Investment	750,000	1.00

Save as disclosed in the section headed “History and Corporate Structure” in this document, within the two years immediately preceding the date of this document, no cash, securities, amount or benefit has been paid, allotted or given, or has been proposed to be paid, allotted or given, to any of the promoters named above in connection with the [REDACTED] or the related transactions described in this document.

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8. Qualifications and Consents of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this document:

Name	Qualification
Huatai Financial Holdings (Hong Kong) Limited . . .	A licensed corporation under the SFO for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 3 (leveraged foreign exchange trading), type 4 (advising on securities), type 6 (advising on corporate finance), type 7 (providing automated trading services) and type 9 (asset management) of the regulated activities as defined under the SFO
ABCI Capital Limited	A licensed corporation under the SFO for type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
TFI Capital Limited	A licensed corporation under the SFO for type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
KPMG	Certified Public Accountants and Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
Commerce & Finance Law Offices	Legal advisors as to the laws of the PRC to our Company
Frost & Sullivan (Beijing), Inc., Shanghai Branch Co.	Independent industry consultant

Each of the experts listed above has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and/or letter and/or opinion and/or references to its name and qualifications included herein in the form and context in which they respectively appear.

Save as disclosed in this document, none of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

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9. Binding Effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

10. Bilingual Document

The English language and the Chinese language versions of this document are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

11. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in our Company’s financial or trading position or prospects since December 31, 2024 (being the date to which our latest audited consolidated financial statements were made up).

12. Miscellaneous

- (a) Save as disclosed in the paragraph headed “A. Further Information about Our Company — 2. Changes in Share Capital of Our Company and 3. Changes in Share Capital of our Subsidiaries”, within the two years preceding the date of this document, no share or loan capital of our Company or any of its subsidiary has been issued or has been agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
- (b) No share or loan capital of our Company or any of its subsidiary is under option or is agreed conditionally or unconditionally to be put under option;
- (c) No founder, management or deferred shares of our Company or any of its subsidiary have been issued or have been agreed to be issued;
- (d) Our Company has no outstanding convertible debt securities or debentures;
- (e) The English text of this document shall prevail over their respective Chinese text;
- (f) There is no arrangement under which future dividends are waived or agreed to be waived;
- (g) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document;

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

- (h) Save for the proposed [REDACTED] on the Stock Exchange, none of our equity and debt securities is [REDACTED] or [REDACTED] with in any other stock exchange nor is any [REDACTED] or permission to [REDACTED] being or proposed to be sought; and
- (i) Our Company is a joint stock limited company and is subject to the PRC Company Law.

APPENDIX VII

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of the material contracts referred to in “Appendix VI — Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts” in this document; and
- (b) the written consents referred to in “Appendix VI — Statutory and General Information — D. Other Information — 8. Qualifications and Consents of Experts”.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be on display on the website of the Stock Exchange at www.hkexnews.hk and our website at www.bamatea.com during a period of 14 days from the date of this document:

- (1) the Articles of Association;
- (2) the Accountants’ Report from KPMG, the text of which is set out in Appendix I to this document;
- (3) the audited financial statements of the Group for each of the years ended December 31, 2022, 2023 and 2024 and the six months ended 30 June 2025;
- (4) the report received from KPMG on unaudited [REDACTED] financial information, the texts of which is set out in Appendix II to this document;
- (5) the material contracts referred to in the paragraph headed “B. Further Information about Our Business — 1. Summary of Material Contracts” of Appendix VI to this document;
- (6) the service contracts and letters of appointment with Directors, referred to in the paragraph headed “C. Further Information about Our Directors and Substantial Shareholders — 2. Particulars of the Directors’ Service Contracts” of Appendix VI to this document;
- (7) the written consents referred to in the paragraph headed “D. Other Information — 8. Qualifications and Consents of Experts” of Appendix VI to this document;
- (8) the PRC legal opinions prepared by Commerce & Finance Law Offices, our legal advisors as to the PRC law, in respect of certain aspects of our Group;

APPENDIX VII

**DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND AVAILABLE ON DISPLAY**

- (9) the Frost & Sullivan Report; and
- (10) the PRC Company Law, the PRC Securities Law, and the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies together with their unofficial English translations.