

## 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 and is qualified in its entirety by, and should be read in conjunction with, the full text of this Document. You should read the entire 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

In 2008, we launched our first ChaPanda store in Chengdu. Since establishment, we have been dedicated to exploring innovative combinations of natural ingredients with Chinese tea, adhering to the core product philosophy of “fresh flavors built upon quality tea (好茶為底, 製造新鮮).” We have been continuously developing quality, diversified and creative tea products, and focusing on enabling consumers’ access to fresh and healthy tea products anywhere at any time. Through effective franchise model that drives mutual benefits for our franchisees and ourselves, we have grown to be a leading new-style tea drink company in China.

As of the Latest Practicable Date, ChaPanda store network comprised 7,117 stores, spanning across 31 provinces and municipalities, covering all provinces and different tiers of cities in mainland China. In 2022, the total retail sales value of ChaPanda stores reached approximately RMB13.3 billion, representing a CAGR of 139.7% from 2020 to 2022. We are the fastest-growing new-style tea drink company among China’s top ten new-style tea drink companies with the highest CAGR of retail sales value from 2020 to 2022, according to Frost & Sullivan. According to Frost & Sullivan, we ranked third in China’s new-style tea shop market in terms of retail sales value in 2022 with a market share of 6.6%.

As consumer spending and health consciousness rise, beverage preferences of consumers are evolving to encompass not only basic physiological needs but also functional, social and cultural dimensions. Traditional Chinese tea has a long and profound history, and Chinese consumers generally have a tea-drinking habit. Developed from such legacy, new-style tea drinks have grown to become the go-to choice for a growing number of consumers. In the meantime, the wide adoption of new infrastructures in China’s consumer sector has enabled and driven the significant development of new-style tea shops in the key aspect of their business operation, such as location planning, marketing, product manufacturing and delivery. Benefiting from the foregoing factors, the new-style tea shop market in China has developed rapidly. According to Frost & Sullivan, the CAGR of China’s new-style tea shop market was 24.9% from 2017 to 2022, significantly higher than the CAGR of China’s soft beverage market of 4.1% for the same period. China’s new-style tea shop market is also expected to have great growth potential in the coming years, with an estimated CAGR of 19.0% from 2022 to 2027.

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Our rapid development is attributed to our unwavering dedication to product offering, consumer service and franchisee empowerment, which has been our guiding operation philosophy since our inception. For products, we are dedicated to ensuring the quality of our tea drinks by selecting through a strict process reliable suppliers as well as quality tea, premium fresh fruits and dairy products from superior sources. For consumers, we bring them a delightful and refreshing experience through our meticulous service in stores, strict food safety control and brand promotion that resonate with the younger generation. For franchisees, we conduct prudent screening process and deliver to our franchisees meticulous management and continuous empowerment. With ongoing supporting measures, we cultivate them into our long-term business partners.

During the Track Record Period, we achieved strong financial growth. Our revenue increased from RMB1,080.1 million in 2020 to RMB4,231.7 million in 2022, with a CAGR of 97.9%. Our revenue increased from RMB814.7 million for the three months ended March 31, 2022 to RMB1,246.2 million for the three months ended March 31, 2023, representing a period-on-period increase of 53.0%. From 2020 to 2022, the CAGR for our net profit reached 101.3%. For the three months ended March 31, 2022 and 2023, our net profit realized a 50.7% period-on-period increase.

## BRAND AND PRODUCTS

ChaPanda is a brand that integrates the traditional Chinese tea culture and modern-day innovation. As symbolized by our brand IP, “ChaCha,” we are dedicated to achieving a perfect balance of tea flavor and fruit freshness. We provide innovative fruit tea drinks to consumers, especially the young generations who value quality and creative tea drinks. Our dedication to product quality and innovation has allowed ChaPanda to become a leading player in the industry with a broad base of loyal consumers. Our product portfolio includes a wide range of classic tea drinks, seasonal tea drinks and regional tea drinks. In ChaPanda stores, our classic tea drinks are typically available throughout the year, whereas seasonal tea drinks and regional tea drinks are only sold in limited time periods or certain regions, primarily depending on accessibility of relevant seasonal fruits or local specialty fruits, consumer acceptance and sales and marketing considerations.

During the Track Record Period, we generated our revenue from the following sources:

- sale of goods and equipment, where we sold to franchised ChaPanda stores materials and ingredients for the production of tea drinks, such as dairy products, tea leaves and fruits, as well as packaging materials and store equipment;
- royalty and franchising income, consisting of non-refundable upfront initial fees, royalty income and pre-opening training service fees; and
- other revenue, which were mainly derived from (i) our design services in relation to ChaPanda stores, (ii) our online operation and management services in relation to the collaboration with third-party online delivery platforms and (iii) incomes from our self-operated ChaPanda stores.

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The following table sets forth the breakdown of our revenue for the periods indicated.

	For the year ended December 31,						For the three months ended March 31,			
	2020		2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
(unaudited)										
(in thousands, except percentages)										
Sale of goods and equipment . . .	1,020,709	94.5	3,446,864	94.6	4,019,519	95.0	764,416	93.8	1,185,556	95.1
Royalty and franchising income . . . . .	52,935	4.9	158,735	4.4	171,642	4.0	40,679	5.0	48,709	3.9
Others . . . . .	6,451	0.6	38,610	1.0	40,509	1.0	9,639	1.2	11,927	1.0
<b>Total . . . . .</b>	<b>1,080,095</b>	<b>100.0</b>	<b>3,644,209</b>	<b>100.0</b>	<b>4,231,670</b>	<b>100.0</b>	<b>814,734</b>	<b>100.0</b>	<b>1,246,192</b>	<b>100.0</b>

## OUR STORE OPERATION MODEL

We primarily operate our ChaPanda network through a franchise model. We believe our franchise model is key to our rapid business growth and our established success. On the one hand, by partnering with qualified franchisees, we efficiently scale up our business across China, which is evidenced by our industry-leading position. On the other hand, we ensure that consumers receive consistent, satisfactory products and services through our effective franchise model. As of December 31, 2020, 2021 and 2022, March 31, 2023 and the Latest Practicable Date, there were 2,240, 5,070, 6,352, 6,588 and 7,111 franchised stores in our ChaPanda store network, respectively, each representing more than 99.0% of total ChaPanda stores under operation as of the respective dates. We also strategically maintain a limited number of self-operated stores in selected cities to create immersive consumer experience and to serve as a prominent representation of our brand. Our self-operated stores followed the same standards we set for the franchised stores. As of December 31, 2020, 2021 and 2022, March 31, 2023 and as of the Latest Practicable Date, we had two, seven, nine, nine and six self-operated stores, respectively.

## OUR CHAPANDA STORE NETWORK

ChaPanda stores are strategically dispersed across various tiers of cities in China. While maintaining our position in first-tier and new first-tier cities to enhance our brand identity and keep up with the ever-changing market trend, we have been penetrating and will continue to penetrate into lower-tier cities with promising potential for consumption growth. This deliberate distribution ensures that we reach a broad spectrum of consumers and establish brand visibility across all levels of urban areas. The following table sets forth a breakdown of our store coverage by city tier as of December 31, 2020, 2021 and 2022, and March 31, 2023.

	As of December 31.						As of March 31,	
	2020		2021		2022		2023	
	Number of stores	%	Number of stores	%	Number of stores	%	Number of stores	%
First-tier cities . . . . .	195	8.7	537	10.6	690	10.8	709	10.7
New first-tier cities . . . . .	882	39.3	1,571	30.9	1,848	29.1	1,893	28.7

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	As of December 31.						As of March 31,	
	2020		2021		2022		2023	
	Number of stores	%	Number of stores	%	Number of stores	%	Number of stores	%
Second-tier cities . . . . .	408	18.2	1,095	21.6	1,347	21.2	1,394	21.1
Third-tier cities . . . . .	332	14.8	929	18.3	1,221	19.2	1,283	19.5
Fourth-tier and below cities . . . . .	425	19.0	945	18.6	1,255	19.7	1,318	20.0
<b>Total . . . . .</b>	<b>2,242</b>	<b>100.0</b>	<b>5,077</b>	<b>100.0</b>	<b>6,361</b>	<b>100.0</b>	<b>6,597</b>	<b>100.0</b>

### Operation Performance

The following table sets forth the key performance indicators (“KPIs”) relating to ChaPanda stores during the Track Record Period.

	As of/For the year ended December 31,			As of/For the three months ended March 31,	
	2020	2021	2022	2022	2023
Total retail sales value (RMB in million) . . . . .	2,320.5	9,984.0	13,331.7	2,664.1	3,730.8
Total sales volume (number of cups in million) . . . . .	147.7	597.2	794.4	161.2	226.6
Total number of orders (million) . . . . .	83.5	345.4	465.9	92.7	133.0
Total number of stores . . . . .	2,242	5,077	6,361	5,378	6,597
Retail sales value per order (RMB) . . . . .	27.8	28.9	28.6	28.8	28.1

### OUR COMPETITIVE STRENGTHS AND GROWTH STRATEGIES

We believe the following strengths have contributed to our continuous growth and differentiated us from our competitors.

- We are a leading and fast-growing new-style tea drink company in China.
- Innovative product development brings differentiated and consistent tea-drinking experience.
- Our brand is appealing to the young group.

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- Our efficient and mutually beneficial business model enables us to realize rapid and sustainable development.
- We have an industry-leading franchise system and sustainable franchisee base.
- We have built advanced capabilities to manage our supply chain across China and a strict quality control system.
- Our corporate culture reflects our unwavering dedication to product offering, consumer service and franchisee empowerment and the commitment of our forward-looking management team.

Our growth strategies include growing our store network by deepening penetration in existing markets and expanding into new markets, improving our supply chain capabilities, increasing investment in technology to promote overall operating efficiency, strengthening product development and expanding product matrix, and enhancing brand image and strengthening our bond with consumers.

## OUR CUSTOMERS AND SUPPLIERS

Our customers primarily include the franchisees who operate franchised ChaPanda stores pursuant to the franchise agreements with us. We generated substantially all of our revenue from the sale of goods and equipment to franchised stores as well as the royalty and franchising income charged to our franchisees. In our ordinary course of business, we also sell packaging materials to external customers. Our five largest customers during the Track Record Period comprised our franchisees, including certain franchisees who also acted as regional marketing firms and external customers who purchased packaging materials from us. In 2020, 2021, 2022 and the three months ended March 31, 2023, revenue from our five largest customers accounted for 6.6%, 3.7%, 1.0% and 0.9% of our total revenue for the respective periods. During the Track Record Period, we were not subject to any material customer concentration risk.

Our suppliers primarily include the suppliers of materials and ingredients used to make our tea drinks, such as dairy products, tea leaves, sugar, fresh fruits, fruit juices and packaging materials. In 2020, 2021 and 2022 and the three months ended March 31, 2023, purchases from our five largest suppliers accounted for 41.6%, 29.5%, 37.4% and 41.4% of our total purchases for the respective periods. In 2020, 2021 and 2022 and the three months ended March 31, 2023, purchases from our largest supplier accounted for 12.0%, 10.0%, 11.6% and 12.9% of our total purchases for the respective periods.

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### SUMMARY OF HISTORICAL FINANCIAL INFORMATION

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

The following table sets forth 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 three months ended March 31,			
	2020		2021		2022		2022		2023	
	% of		% of		% of		% of		% of	
	RMB	Revenue	RMB	Revenue	RMB	Revenue	RMB	Revenue	RMB	Revenue
(unaudited)										
(in thousands, except percentages)										
Revenue . . . . .	1,080,095	100.0	3,644,209	100.0	4,231,670	100.0	814,734	100.0	1,246,192	100.0
Cost of sales . . . . .	(683,369)	(63.3)	(2,343,169)	(64.3)	(2,775,481)	(65.6)	(529,693)	(65.0)	(807,486)	(64.8)
<b>Gross profit . . . . .</b>	<b>396,726</b>	<b>36.7</b>	<b>1,301,040</b>	<b>35.7</b>	<b>1,456,189</b>	<b>34.4</b>	<b>285,041</b>	<b>35.0</b>	<b>438,706</b>	<b>35.2</b>
Other income . . . . .	1,234	0.1	3,587	0.1	39,221	0.9	1,426	0.2	1,292	0.1
Other gains and losses, net . .	(124)	(0.0)	10,897	0.3	19,380	0.5	2,522	0.3	6,478	0.5
Distribution and selling										
expenses . . . . .	(10,779)	(1.0)	(19,125)	(0.5)	(60,684)	(1.4)	(8,197)	(1.0)	(15,829)	(1.3)
Administrative expenses . . . .	(65,598)	(6.1)	(358,435)	(9.8)	(291,846)	(6.9)	(52,921)	(6.5)	(87,320)	(7.0)
Research and development										
expenses . . . . .	–	–	–	–	(3,581)	(0.1)	(304)	(0.0)	(1,742)	(0.1)
Other expenses . . . . .	(313)	(0.0)	(7,432)	(0.2)	(1,323)	(0.0)	(322)	(0.0)	(65)	(0.0)
[REDACTED] expenses . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Finance costs . . . . .	(1,034)	(0.1)	(2,672)	(0.1)	(4,569)	(0.1)	(1,144)	(0.1)	(978)	(0.1)
<b>Profit before taxation . . . .</b>	<b>320,112</b>	<b>29.6</b>	<b>921,668</b>	<b>25.3</b>	<b>1,150,745</b>	<b>27.2</b>	<b>225,733</b>	<b>27.7</b>	<b>340,542</b>	<b>27.3</b>
Income tax expense . . . . .	(81,968)	(7.6)	(143,151)	(3.9)	(185,986)	(4.4)	(36,531)	(4.5)	(55,449)	(4.4)
<b>Profit for the year/period . .</b>	<b>238,144</b>	<b>22.0</b>	<b>778,517</b>	<b>21.4</b>	<b>964,759</b>	<b>22.8</b>	<b>189,202</b>	<b>23.2</b>	<b>285,093</b>	<b>22.9</b>

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	For the year ended December 31,						For the three months ended March 31,			
	2020		2021		2022		2022		2023	
	% of		% of		% of		% of		% of	
	RMB	Revenue	RMB	Revenue	RMB	Revenue	RMB	Revenue	RMB	Revenue
	(unaudited)									
	(in thousands, except percentages)									
Profit and total comprehensive income for the year/period attributable to: . . . . .										
– Owners of the Company . .	200,576	18.6	755,816	20.8	954,316	22.6	187,647	23.0	281,637	22.6
– Non-controlling interests . .	37,568	3.4	22,701	0.6	10,443	0.2	1,555	0.2	3,456	0.3
	<b>238,144</b>	<b>22.0</b>	<b>778,517</b>	<b>21.4</b>	<b>964,759</b>	<b>22.8</b>	<b>189,202</b>	<b>23.2</b>	<b>285,093</b>	<b>22.9</b>

The table below sets forth the selected information from our consolidated statements of financial position as of the dates indicated, which have been extracted from our audited consolidated financial statements included in Appendix I to this Document.

	As of December 31,			As of
	2020	2021	2022	March 31, 2023
	(RMB in thousands)			
Total non-current assets . . . . .	92,827	200,299	333,631	370,769
Total current assets . . . . .	584,732	848,041	1,349,273	1,083,993
<b>Total assets . . . . .</b>	<b>677,559</b>	<b>1,048,340</b>	<b>1,682,904</b>	<b>1,454,762</b>
Total non-current liabilities . . .	137,053	215,371	192,408	174,889
Total current liabilities . . . . .	396,430	531,944	827,880	824,689
<b>Total liabilities . . . . .</b>	<b>533,483</b>	<b>747,315</b>	<b>1,020,288</b>	<b>999,578</b>
<b>Net assets . . . . .</b>	<b>144,076</b>	<b>301,025</b>	<b>662,616</b>	<b>455,184</b>
Paid up capital/share capital . .	12,530	100,000	100,000	100,000
Reserves . . . . .	126,322	196,299	550,615	339,727
Equity attributable to owners of the Company . . . . .	138,852	296,299	650,615	439,727
Non-controlling interests . . . . .	5,224	4,726	12,001	15,457
<b>Total equity . . . . .</b>	<b>144,076</b>	<b>301,025</b>	<b>662,616</b>	<b>455,184</b>

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

	For the year ended December 31,			For the three months ended March 31,	
	2020	2021	2022	2022	2023
	(unaudited)				
	(RMB in thousands)				
Operating cash flows					
before movements in					
working capital . . . .	330,497	1,052,772	1,182,338	234,793	350,247
Changes in working					
capital . . . . .	204,623	441,006	173,625	(89,009)	(5,813)
Income taxes paid . . . .	(45,114)	(223,685)	(170,024)	(35,627)	(39,556)
Net cash generated from					
operating activities . .	490,006	1,270,093	1,185,939	110,157	304,878
Net cash (used in)					
generated from					
investing activities . .	(241,428)	(691,141)	(415,523)	226,055	(86,666)
Net cash used in					
financing activities . .	(149,438)	(579,052)	(672,523)	(13,650)	(411,890)
<b>Net increase (decrease)</b>					
<b>in cash and cash</b>					
<b>equivalents . . . . .</b>	<b>99,140</b>	<b>(100)</b>	<b>97,893</b>	<b>322,562</b>	<b>(193,678)</b>
Cash and cash					
equivalents at the					
beginning of the					
year/period . . . . .	29,098	128,238	128,138	128,138	226,031
<b>Cash and cash</b>					
<b>equivalents at the</b>					
<b>end of the</b>					
<b>year/period . . . . .</b>	<b>128,238</b>	<b>128,138</b>	<b>226,031</b>	<b>450,700</b>	<b>32,353</b>



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### KEY FINANCIAL RATIOS

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

	For the year ended December 31,			For the three months ended March 31,
	2020	2021	2022	2023
Net profit margin <sup>(1)</sup> . . . . .	22.0%	21.4%	22.8%	22.9%
EBITDA margin <sup>(2)</sup> . . . . .	30.6%	26.1%	28.4%	28.6%
Return on assets <sup>(3)</sup> . . . . .	55.2%	90.2%	70.6%	73.7%
Current ratio . . . . .	1.47	1.59	1.63	1.31
Quick ratio . . . . .	1.25	1.38	1.40	1.13

*Notes:*

- (1) Equals net profit for the year/period divided by the revenue for the same year/period.
- (2) EBITDA is profit before income tax plus interest expenses recorded as finance costs, depreciation of property, plant and equipment, amortization of right-of-use assets, and amortization of intangible assets, less interest income on bank deposits.
- (3) Equals net profit for the year/period divided by the average of the beginning and ending total assets for that year/period and multiplied by 100%. Net profit for the period is annualized (divided by 90 days and multiplied by 365 days).

### RISK FACTORS

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

- Failure to maintain, protect and enhance our ChaPanda brand would limit our ability to expand or retain our consumer base, which would materially and adversely affect our business, financial condition and results of operations.
- Our business is highly dependent on consumer taste, preferences and perceptions, as well as consumers’ discretionary spending. We may not be able to respond to market dynamics and consumer preferences effectively, or at all.
- Failure to maintain the quality, safety and hygiene standards of our products could have a material and adverse effect on our reputation, financial condition and results of operations.

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- Our future growth depends on our ability to successfully expand our ChaPanda store network. Our new stores may not be able to successfully enter into new markets and achieve satisfying store performance.
- Our ChaPanda store network consists primarily of franchised stores that are operated by third parties. Our results of operations are significantly subject to the performance of the franchised stores. We cannot control and may not be able to effectively monitor the operations of these stores or maintain our current relationships with the franchisees.
- The industry in which we operate is highly competitive. We are faced with increasingly intense competition with other leading players within China’s new-style tea shop industry.
- Our operating history may not be indicative of our future growth or financial results.
- We and ChaPanda stores require various approvals, licenses and permits to operate our business and the loss or failure to obtain or renew any or all of these approvals, licenses and permits could materially and adversely affect our business and results of operations.
- We rely on third-party suppliers and other business partners to provide raw materials and services to us. The loss of any of these suppliers or other business partners, or any significant interruption in their operations, may negatively impact our business.
- Our success depends on a stable and adequate supply of quality raw materials, which is subject to risk of shortage, unsatisfactory quality and fluctuations in the cost.

## LEGAL PROCEEDINGS AND NON-COMPLIANCE

During the Track Record Period, we had certain non-compliance incidents with respect to lease properties and social insurance and housing provident funds. For details, see “Business—Properties—Leased Properties.” Our Directors, as advised by our PRC Legal Advisor, confirm that during the Track Record Period and as of the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral, administrative proceedings or non-compliance incidents that led to fines, enforcement actions or other penalties, which could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations. Our Directors are of the view that, we had complied, in all material respects, with all relevant laws and regulations in the PRC during the Track Record Period and up to the Latest Practicable Date.

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[REDACTED]

### OUR SHAREHOLDING STRUCTURE

#### Our Controlling Shareholders

Immediately prior to the [REDACTED], our Company is owned directly as to (i) approximately 67.6758% by Hengsheng Herui, (ii) approximately 18.0167% by Mr. Wang, (iii) approximately 5.7449% by Ms. Liu and (iv) approximately 0.4802% by Tongchuang Gongjin, the [REDACTED] Employee Incentive Platform. Ms. Wang and Ms. Liu are spouses. Hengsheng Herui is a company directly owned as to 84.888% by Chengdu Jinbosen, which in turn is wholly owned by Mr. Wang and Ms. Liu collectively. Tongchuang Gongjin, our [REDACTED] Employee Incentive Platform is controlled by Mr. Wang as its sole general partner. Accordingly, Mr. Wang, Ms. Liu, Chengdu Jinbosen, Hengsheng Herui and Tongchuang Gongjin constitute a group of Controlling Shareholders before the [REDACTED].

Immediately following the completion the [REDACTED], the group of the Controlling Shareholders will be, in aggregate, entitled to control the exercise of approximately [REDACTED]% of the voting rights (assuming the [REDACTED] is not exercised) or approximately [REDACTED]% of the voting rights (assuming the [REDACTED] is exercised in full) and thus remain as a group of Controlling Shareholders.

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### **[REDACTED] Investments**

We conducted the [REDACTED] Investments with the [REDACTED] Investors, namely, Tower Quality, LVC Tanying, Suzhou Yuexiang, Xinjin Shengwang, Yellow Tomato LP and CICC Tongfu. Immediately following the completion of the [REDACTED], assuming that the [REDACTED] is not exercised, the [REDACTED] Investors will hold approximately [REDACTED]% of the issued Shares. For further details of the identity and background of the [REDACTED] Investors and the principal terms of the [REDACTED] Investments, see “History, Reorganization and Corporate Structure—[REDACTED] Investments.”

[REDACTED]

### **DIVIDENDS**

Our Company declared a dividend of RMB379.0 million with RMB3.79 per share for the year ended December 31, 2021 and a dividend of RMB600.0 million with RMB6.0 per share for the year ended December 31, 2022, which had been paid in full as of December 31, 2021 and December 31, 2022, respectively. Our Company declared a dividend of RMB492.5 million with RMB4.93 per share for the three months ended March 31, 2023, of which RMB400.0 million had been paid as of March 31, 2023, and RMB92.5 million was netted-off against amounts due from Shareholders. See Note 12 to the Accountants’ Report included in Appendix I to this Document for details. As of the Latest Practicable Date, we did not have a formal dividend policy or a fixed dividend distribution ratio. PRC laws require that dividends be paid only out of our distributable profits. Distributable profits are our after-tax profits, less appropriations to statutory and other reserves that we are required to make. Pursuant to our Articles of Association, subject to the approval of our Board and Shareholders, we may distribute dividends to our Shareholders when we have distributable profits and after ensuring sufficient working capital for the Company and making required statutory reserves until the aggregate amount of such reserves reach 50% of its registered capital, which are not available for distribution as cash dividends.

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

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## SUMMARY

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### USE OF [REDACTED]

We estimate that we will receive net [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED] million, after deducting [REDACTED], fees and estimated expenses payable by us in connection with the [REDACTED], assuming no [REDACTED] is exercised and assuming an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] range stated in this Document.

We intend to use the net [REDACTED] as follows (based on the mid-point of the [REDACTED] range stated in this Document):

- approximately [REDACTED]%, or HK\$[REDACTED], will be used to improve our overall operation capabilities and strengthen our supply chain.
- approximately [REDACTED]%, or HK\$[REDACTED], will be used to develop our digitalization capabilities, and engage and train professional talents.
- approximately [REDACTED]%, or HK\$[REDACTED], will be used in branding and promoting activities.
- approximately [REDACTED]%, or HK\$[REDACTED], will be used to launch and promote our self-operated coffee brand and develop the coffee shop network across China.
- approximately [REDACTED]%, or HK\$[REDACTED], will be used for our product development and innovation, including recruiting, training and retaining in-house research and development personnel and building a research and development center at our headquarter equipped with advanced systems leveraging our digitalization efforts.
- the remaining approximately [REDACTED]%, or HK\$[REDACTED], will be used for working capital and general corporate purposes.

For further details, see “Future Plans and Use of [REDACTED].”

### [REDACTED]

Our [REDACTED] mainly include (i) [REDACTED], such as [REDACTED], and (ii) [REDACTED], comprising professional fees paid to our legal advisors and Reporting Accountants for their services rendered in relation to the [REDACTED] and the [REDACTED], and other fees and expenses. Assuming full payment of the discretionary incentive fee, the estimated total [REDACTED] (based on the mid-point of the [REDACTED] Range and assuming that the [REDACTED] is not exercised) for the [REDACTED] are approximately HK\$[REDACTED], accounting for approximately of [REDACTED]% of our gross [REDACTED]. Among such estimated total [REDACTED], we expect to pay

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## SUMMARY

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[REDACTED] expenses of HK\$[REDACTED], professional fees for our legal advisors and Reporting Accountants of HK\$[REDACTED] and other fees and expenses of HK\$[REDACTED]. An estimated amount of HK\$[REDACTED] for our [REDACTED], accounting for approximately [REDACTED]% of our gross [REDACTED], is expected to be expensed through the statement of profit or loss and an estimated amount of HK\$[REDACTED] is expected to be recognized directly as a deduction from equity upon the [REDACTED]. We did not recognize any [REDACTED] in 2020. We recognized [REDACTED] of RMB[REDACTED] and RMB[REDACTED] in 2021 and 2022 in our consolidated statements of profit or loss and other comprehensive income, respectively.

### RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

In June 2023, we settled our [REDACTED] Investments for the consideration of RMB970 million. See “History, Reorganization and Corporate Structure—[REDACTED] Investments” in this Document. As of the Latest Practicable Date, ChaPanda store network comprised 7,117 stores, spanning across 31 provinces and municipalities, covering all provinces and different tiers of cities in mainland China.

#### 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, operational or trading position, indebtedness, contingent liabilities or prospects since March 31, 2023, being the end date of our latest audited financial statements, and there has been no event since March 31, 2023 that would materially affect the information shown in the Accountants’ Report set out in Appendix I to this Document.