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## BUSINESS

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### MISSION

Our mission is to enable everyone to enjoy life's little surprises.

### OVERVIEW

We are a global retailer offering a variety of design-led lifestyle products. Within nine years since we opened our first store in China in 2013, we have successfully incubated two brands – MINISO and TOP TOY. In 2021, the aggregate GMV of products sold through our MINISO network reached approximately RMB18.0 billion (US\$2.8 billion), making us the largest global branded variety retailer of lifestyle products according to the Frost & Sullivan Report. TOP TOY, a new brand we launched in December 2020 to pioneer the concept of pop toy collection stores, achieved a GMV of RMB374.4 million in 2021, ranking seventh in the pop toy industry in China, according to the same source.

We have built our flagship brand “MINISO” as a globally recognized retail brand and established a store network worldwide. According to the Frost & Sullivan Report, we had the most extensive global store network in the global branded variety retail industry in terms of number of countries and regions entered as of December 31, 2021, which encompassed over 5,000 MINISO stores, including over 3,100 MINISO stores in China and approximately 1,900 MINISO stores overseas. As of December 31, 2021, we had entered approximately 100 countries and regions throughout the world.

Observing an emerging pop toy culture, we leveraged our extensive retail know-how, supply chain capabilities, and established a platform to launch the “TOP TOY” brand with the strategic goal of entering into the pop toy market and eventually building our platform of pop toys. We believe that our “TOP TOY” brand is highly complementary to our “MINISO” brand, as it caters to a broader consumer demographic with a much wider product price range and higher average order value. Our experience as a leading global retailer has helped us realize our strategic goal with TOP TOY and make rapid headway in the pop toy market in China. We had a total of 89 TOP TOY stores as of December 31, 2021, which ranked third among major brands in China's pop toy market as of December 31, 2021, according to the Frost & Sullivan Report. During the Track Record Period, the vast majority of the revenue from TOP TOY was derived from the sales of third-party branded products with a small portion generated from the sales of co-developed IP products and in-house incubated IP products.

Design, quality, and affordability are at the core of every MINISO product we deliver, and we continually and frequently roll out MINISO products of these qualities. In the fiscal year ended June 30, 2021, we launched an average of about 550 SKUs under the “MINISO” brand per month, and offered consumers a wide selection of over 8,800 core SKUs, the vast majority of which are under the “MINISO” brand. Our MINISO product offering spans across 11 major categories, including home decor, small electronics, textile, accessories, beauty tools, toys, cosmetics, personal care, snacks, fragrance and perfumes, and stationery and gifts. Under the

TOP TOY brand, we offered around 4,600 SKUs as of December 31, 2021 across 8 major categories, including blind boxes, toy bricks, model figures, model kits, collectible dolls, Ichiban Kuji, sculptures, and other popular toys.

We believe a quality offline retail experience is essential for our ability to retain and attract consumers and maintain their engagement. We therefore promote a relaxing, treasure-hunting, and engaging shopping experience that appeals to all demographics regardless of their cultural background and the geographical location of the stores. In particular, we organize pop toy workshops and shows in our TOP TOY stores and various other offline events where consumers can simply enjoy and have fun, making the offline retail experience more immersive and engaging for consumers in the process. Our focus on delivering distinct value propositions within a relaxing and engaging shopping environment generates excitement and encourages frequent visits, allowing us to build a large and loyal base of consumers mostly from the younger generations.

We pair value concepts with a touch of appeal, creativity and innovation, focusing on long-term sustainability instead of short-term profits. Our highly effective approach to retail, which mainly encompasses dynamic product development, an efficient supply chain, and deep operation know-how backed by digitalization, is critical to the success and forms the backbone of our business.

- **Dynamic product development.** The collective efforts of product managers, designers and suppliers help us achieve dynamic product development. Our experienced product managers are responsible for identifying trends, co-creating product designs in collaboration with our designers, coordinating with suppliers on production and bringing the finished products to market. We have made significant investment in our design capabilities by maintaining a dedicated and capable in-house design team and partnering with capable third-party designers, and have established our MINISO Design Academy to fully integrate these design capabilities to create trendy, attractive and quality products. Our philosophy is to launch approximately 100 new MINISO SKUs, every 7 days, carefully selected from a large library of 10,000 product ideas, which we refer to as the “711 philosophy.” We believe our efficiency and speed-to-market at large scale are difficult for competitors to replicate.

Our co-branding collaborations with IP licensors owning popular brands allow us to capitalize on cultural phenomena or influential trends in mass media by featuring their elements in our product design and adding exciting diversity to our products. Our established co-branding relationships with 75 IP licensors as of December 31, 2021, who own popular brands such as Marvel, Disney, Hello Kitty and Universal, are a strong testimony to our brand value and elevate our brand equity and awareness by unlocking new possibilities of product design. As a result, more consumers are attracted to MINISO and TOP TOY stores to enjoy a shopping experience replete with pleasant surprises.

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- **Efficient supply chain.** Leveraging China's unmatched and massive supply chain, we source directly from qualified manufacturers in China that can meet our demands. Our large procurement volumes as a result of our scale further contribute to our procurement cost advantages. We maintain a mutually beneficial relationship with our suppliers by being punctual with our payments to them and helping them grow with us. In addition, we digitally integrate almost all of our suppliers and streamline the supply chain process through our supply chain management system and regularly assist suppliers in improving production efficiency and cost control, which enable us to continuously optimize our supply chain efficiency. Our supply chain also remained resilient during the COVID-19 pandemic, with our inventory turnover days remaining stable at 78 days in the fiscal year ended June 30, 2020 and 79 days in the fiscal year ended June 30, 2021, and decreasing to 68 days for the six months ended December 31, 2021. We believe our efficient supply chain sets the foundation for our competitive product pricing strategy.
- **Deep operation know-how backed by digitalization.** We have accumulated in-depth operational know-how based on our deep insights into consumer tastes and preferences developed from serving millions of consumers on a daily basis. We use such know-how to optimize and systemize key aspects of store operation from welcoming ambience and friendly staff, to easy-to-navigate store layout, and precise product curation.

Our technology augments our operational know-how by digitalizing every aspect of our business operations and giving us deeper insights into consumer preferences. With our self-developed intelligent store management tools, we are able to provide store managers with real-time sales and inventory data and inventory replenishment and merchandise display management suggestions based on big data analytics, and tailor our store merchandise selection accordingly. The real-time inventory level covers our directly operated stores and MINISO stores operated by MINISO Retail Partners in China. We monitor the store-level inventories mainly through our SAP ERP system, which has tailored inventory modules, and through our merchandise display management system, which is designed to visualize, synchronize and optimize shelf display management at the MINISO stores. By digitalizing the management of merchandise placement in each store, it allows us to centrally and digitally manage and adjust merchandise display in each store, monitor the in-store stock of specific products, maintain up-to-date records of the inventories kept by MINISO Retail Partners and optimize product replenishment. In addition, our store AI assistant can also generate and provide MINISO store managers with real-time inventory level and other important store operating metrics and their analytics, empowering the store managers to enhance merchandise management and monitor the store-level inventories.

We have also developed an AI store monitoring system that supports real-time automatic store-level management. We adopt AI image recognition technologies to facilitate real-time automatic store layout check, order/payment fraud detection,

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store congestion control and store worker attendance check, among other things. For example, leveraging image recognition and detection technologies, our AI store monitoring system detects any semblance of congestion near a store's cash registers, and reminds store managers to add cashiers in time.

In addition, our data analytics capabilities and insights derived from proprietary consumer data have guided us in developing products that meet prevailing consumer tastes and preferences. Beyond our physical store premises, we have also engaged consumers through various online channels, including our MINISO membership program, Weixin mini-programs, third-party e-commerce and online-to-offline platforms, and store-based communities on Weixin. Such expanded consumer engagement, coupled with our intelligent consumer profiling technologies and data analytics capabilities, allow us to enhance the accuracy of our targeted marketing and consumer engagement efforts.

Our path to success in our home market, China, where we had expanded to approximately over 3,100 MINISO store as of December 31, 2021, depends on the effectiveness and scalability of our MINISO Retail Partner model. Under this model, MINISO Retail Partners mobilize their resources to open and operate MINISO stores at optimal locations and shoulder the associated capital expenditure and operating expenses, while we let them use our brand and provide them with valuable guidance on key aspects of store operation in exchange for a pre-agreed portion of in-store sales proceeds. The MINISO Retail Partners keep the remaining sales proceeds and we retain inventory ownership until in-store sale to consumers. The MINISO Retail Partner model aligns the interests and creates mutual benefits between us and the MINISO Retail Partners, allowing us to achieve rapid store network expansion with consistent brand image and consumer experience in an asset-light manner, and enabling our MINISO Retail Partners to attain attractive investment returns. Based on a survey conducted by Frost & Sullivan, our MINISO Retail Partners in China generally recover their store investment in a period of 12 to 15 months after store opening. Our MINISO Retail Partners are also motivated to maintain a loyal relationship with us. As of December 31, 2021, 475 of our 860 MINISO Retail Partners had invested in MINISO stores for over 3 years.

Our rich product design, relaxing shopping experience, efficient supply chain, and deep operation know-how backed by digitalization make our business highly scalable globally. Since we opened our first MINISO store in China in 2013, we had expanded to approximately 1,900 MINISO stores by entering into approximately 100 countries and regions outside of China as of December 31, 2021. We accomplished such international store expansion under flexible models tailored to local conditions, including direct operation, the MINISO Retail Partner model, and partnership with local distributors. Our insights into local consumer tastes and preferences and our sourcing capabilities enable us to meet the local demands in each international market. As a testament to our expanding international operation, our revenue from markets outside of China accounted for 32.3% and 32.7% of our total revenue for the fiscal

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years ended June 30, 2019 and 2020, respectively. Although the percentage decreased to 19.6% for the fiscal year ended June 30, 2021 due to the negative impact of the COVID-19 pandemic on the international markets, we managed to improve it to 24.7% for the six months ended December 31, 2021.

In the fiscal years ended June 30, 2019, 2020 and 2021, we recorded revenue of RMB9,394.9 million, RMB8,979.0 million and RMB9,071.7 million and gross profit of RMB2,511.0 million, RMB2,732.5 million and RMB2,430.7 million, respectively. We recorded net profit from continuing operations of RMB9.4 million in the fiscal year ended June 30, 2019, and a net loss from continuing operations of RMB130.1 million and RMB1,429.4 million in the fiscal years ended June 30, 2020 and 2021, respectively. We recorded adjusted net profit, a non-IFRS financial measure, of RMB841.3 million, RMB933.9 million and RMB477.2 million in the fiscal years ended June 30, 2019, 2020 and 2021, respectively. Our financial results since 2020 have been negatively affected by the COVID-19 pandemic. However, despite the continuous impact of COVID-19, we have experienced fast growth in business and profitability recently. Our revenue increased by 24.2% from RMB4,369.9 million in the six months ended December 31, 2020 to RMB5,426.9 million in the six months ended December 31, 2021. Our gross profit increased by 36.6% from RMB1,165.1 million in the six months ended December 31, 2020 to RMB1,591.3 million in the six months ended December 31, 2021, with our gross margin improving from 26.7% to 29.3% during the same period. We recorded a net profit of RMB338.6 million in the six months ended December 31, 2021, compared to a net loss of RMB1,655.6 million in the six months ended December 31, 2020. Our adjusted net profit, a non-IFRS financial measure, increased from RMB186.1 million in the six months ended December 31, 2020 to RMB389.0 million in the six months ended December 31, 2021.

### OUR STRENGTHS

We believe that the following competitive strengths contribute to our success and set us apart from our competitors.

#### *Global Retailer Offering Design-led Lifestyle Products*

We are a global retailer of lifestyle products as evidenced by the speed of expansion of our store network globally. We opened our first store in China in 2013, and we had become a globally proven retail concept with more than 5,000 MINISO stores worldwide as of December 31, 2021, including over 3,100 MINISO stores in over 330 cities across China and approximately 1,900 MINISO stores overseas. As of December 31, 2021, we had entered approximately 100 countries and regions throughout the world. This store network was the most extensive retail network for lifestyle products in terms of countries and regions covered globally as of December 31, 2021, according to the Frost & Sullivan Report. In 2021, we generated GMV of approximately RMB18.0 billion (US\$2.8 billion) through our MINISO network globally, making us the largest global branded variety retailer of lifestyle products, according to the same source.

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We have also achieved rapid growth with the TOP TOY brand we launched in December 2020. We had a total of 89 TOP TOY stores as of December 31, 2021, which ranked third among major brands in China’s pop toy market as of December 31, 2021, according to the Frost & Sullivan Report. In 2021, TOP TOY’s GMV was RMB374.4 million, which ranked seventh in China’s pop toy market, and GMV per TOP TOY store was RMB7.1 million, which ranked third in China’s pop toy market, according to the same source.

We have been able to accurately identify consumption trends and incubate multiple brands by leveraging our deep consumer insights, retail know-how, and digitalized supply chain management capabilities. Our brands have gained popularity and recognition among global consumers, and we have gained an engaged and loyal customer base. During the Track Record Period, we had approximately 3 billion visits to our MINISO stores in China, and a total of approximately 1 billion in-store orders were generated during the same period.

In our pursuit of an optimal balance of appeal, quality and affordability, we strive to deliver the right merchandise, adapt to evolving consumer needs and preferences, and maximize consumer value. Our balanced approach serves as the foundation for our hard-to-replicate, enticing value propositions that attract constant consumer spending globally. We believe these value propositions, supported by our strong capabilities in product development, supply chain, and operations, contribute to our navigation through economics cycles, including during the COVID-19 pandemic.

### *Frequently-refreshed Product Assortment with Universal Appeal*

Our products reflect designs of mass appeal, and they are also frequently refreshed to satisfy the evolving needs and preferences of consumers. We apply our data analytics tools to insights derived from consumer data to capture the latest consumer trends and to guide and test our product design and product assortment. Our experienced product managers work closely with our designers and suppliers in product design to ensure that our product designs are innovative, trendy, feasible, and appealing to mass consumers. As of December 31, 2021, we had won a total of 32 reputable international design awards, including iF Product Design Awards, Red Dot Design Awards, European Product Design Awards, K-Design Awards, A’ Design Awards, and Red Star Design Awards, which attest to our strengths in product design. Our “711 philosophy” for product rollout under the MINISO brand – every 7 days, to launch approximately 100 new SKUs, carefully selected from a large library of 10,000 product ideas – drives our speed to market and adds to the diversity and trendiness of our product assortment. In the fiscal year ended June 30, 2021, we launched an average of about 550 SKUs per month under our MINISO brand.

Compared to MINISO, TOP TOY has a product lineup more focused on trendy products, targets a consumer demographic that is wider in terms of age and more balanced in terms of gender distribution, and has a much wider product price range and higher average order value. Pioneering the pop toy collection store concept with the TOP TOY brand, TOP TOY has expanded the concept of pop toy from blind boxes to seven other major categories and is constantly exploring more product categories. We are able to identify popular pop toy brands

and distribute their products through our scalable retail network efficiently. Leveraging our robust supply chain and product design capabilities, we have also launched TOP TOY-brand products and improved their revenue contribution to about 14.0% in the quarter ended December 31, 2021.

Co-branding with IP licensors represents another example of our efforts to frequently refresh our product assortment. Collaborations with IP licensors owning popular brands allow us to capitalize on cultural phenomena or influential trends in mass media by featuring their elements in our product design, adding exciting diversity to our products and elevating our brand equity and awareness as a result. Our co-branding collaborations with 75 IP licensors as of December 31, 2021, who own many popular brands such as Marvel, Disney, Hello Kitty and Universal, are a strong testimony to the value of our brands and product competency. Leveraging our in-depth know-how, we actively explore collaboration with popular brands that resonate with consumers globally, invoking a feeling of trendiness and fun. In particular, we co-develop popular IPs with talented independent design artists and empower these independent design artists with scalable sales channels and real-time consumer feedbacks, as well as strong supply chain capabilities that help turn their design ideas promptly into products. In turn, most of these independent design artists have chosen to stay with our platform and continued to contribute their designs. As of December 31, 2021, we had co-developed 72 of such IP products under our TOP TOY brand with three IP licensors, although during the Track Record Period, the vast majority of the revenue from TOP TOY was derived from the sales of third-party branded products with a small portion generated from the sales of co-developed IP products and in-house incubated IP products.

### ***Efficient and Digitalized Supply Chain***

Our supply chain differentiates us from other industry players and allows us to offer an evolving assortment of quality products at exceptional value. Leveraging China's large supply chain in the lifestyle product sector, we source our products from over 1,000 suppliers as of December 31, 2021. These suppliers are mostly qualified manufacturers in China, with some having extensive experience in supplying to other global brands, and they are able to meet our demand cost-effectively and efficiently. We carefully nurture our mutually beneficial relationships with our suppliers by procuring in large volumes directly from manufacturers, being punctual with our payment to them, and guiding them towards better production efficiency and enhanced cost control.

We excel in supply chain management as a result of our efforts in deeply integrating suppliers within our product development and supply chain process. Our designers, product managers and suppliers collaborate closely to rapidly roll out popular products catering to changing consumer tastes and preferences across global markets. Furthermore, almost all of our suppliers are digitally connected with us through our supply chain management system, and the system can give suppliers access to real-time sales data on our end. This enables us to synchronize with suppliers to dynamically optimize production planning and minimize inventory risk.

Our efficient and digitalized supply chain has allowed us to achieve production flexibility, fast inventory turnover, rapid product launches, and procurement cost advantages, and these advantages have allowed our supply chain to fulfill global demand effectively and weather the COVID-19 pandemic relatively unscathed. We had average inventory turnover of 63 days, 78 days, 79 days and 68 days in the fiscal years ended June 30, 2019, 2020 and 2021 and the six months ended December 31, 2021, respectively. Our procurement cost advantages have also enabled our competitive pricing strategy.

### *In-depth Know-how and Digitalization Driving Operational Excellence*

We have accumulated in-depth operational know-how from extensive experience and deep consumer insights developed through our interaction with millions of consumers visiting MINISO stores on a daily basis. We place strong emphasis on optimizing and systemizing every key aspect of store operations using such know-how to create a relaxing and engaging shopping environment and improve our efficiency. The standardized layout, decoration and lighting, modestly priced products, and the friendly staff in a MINISO store all contribute to a welcoming ambience for store visitors, who will also find the store easy to navigate due to its optimized product arrangement and display. In our TOP TOY stores, we organize pop toy workshops and shows where consumers can simply enjoy and have fun, bringing consumers an immersive and engaging shopping experience.

Our technological capabilities further augment our operational effectiveness and efficiency on a store level. With our self-developed intelligent store management tools, we are able to provide store managers with real-time sales and inventory data and inventory replenishment and merchandise display management suggestions based on different store demographics, and tailor our merchandise selection for each individual store. As of the Latest Practicable Date, about 80% of our store inventory replenishment plans followed such system suggestions. We also developed an AI store monitoring system that supports real-time automatic store-level management, including store layout review, order or payment fraud detection, among others.

In addition, our data analytics capabilities and insights derived from proprietary consumer data have guided us in developing products that meet prevailing consumer tastes and preferences. We have developed a proprietary module on the product lifecycle system on which frontline workers provide a rich and constant supply of the latest ideas and consumer information that serve as the basis for the next successful product design, our designers, product managers, and other participants collaborate closely in core processes of product development. In the fiscal year ended June 30, 2021, almost all of our products were designed through the product lifecycle management system.



***Multi-channel Operation and Consumer Engagement***

Aside from our offline channels mainly consisting of our store network, we have explored and developed online channels to supplement our offline store network in our operation and expand our consumer engagement. Such expanded consumer engagement, coupled with our intelligent consumer profiling technologies and data analytics capabilities, have allowed us to enhance the accuracy of our targeted marketing and consumer engagement efforts.

Our online channels encompass e-commerce channels where consumers can place orders, which mainly include third-party e-commerce platforms such as Tmall, JD.com and Douyin, and online-to-offline channels based on our offline store network, which include Weixin mini-programs and store-based communities on Weixin as well as other online-to-offline platforms through collaboration such as Meituan and Ele.me. The Weixin store-based communities are typically run by our operation specialists to engage with consumers who would like to receive updates about our brands and products on a more regular and personal basis.

We have accumulated a massive consumer base and enhanced our consumer engagement through our multi-channel operation. We first launched our membership program in China in August 2018. As of June 30, 2019, 2020, and 2021, the number of MINISO members with at least one purchase over the past 12 months was approximately 5 million, 19 million and 27 million, respectively, and as of December 31, 2021, the number of MINISO members with at least one purchase over the past six months was approximately 28 million. As of June 30, 2021, the number of TOP TOY members with at least one purchase over the past 12 months was approximately 387 thousand, and as of December 31, 2021, the number of TOP TOY members with at least one purchase over the past six months was approximately 979 thousand. The successful implementation of the membership program has driven customer spending. In the quarter ended December 31, 2021, through our consumer engagement efforts, the number of average monthly active users of MINISO's Weixin mini-program reached more than 7 million. Supported by our precise consumer profiling algorithms and data from expanded consumer engagement, we have been able to have tailored and dynamic interactions and marketing strategies for different consumer groups, and ultimately improve our customer conversion, repeat purchase rate, and customer lifetime value. Our online promotion activities are mainly conducted through livestreaming, publication on our Weixin public accounts, and KOL collaboration on various social platforms. In particular, livestreaming was especially effective in broadening our consumer reach and deepening member conversion for our TOP TOY brand.

***Global Scalability and Capability of Penetrating into Various Tiers of Cities***

We have adopted a range of flexible store operation models, including MINISO Retail Partner model, direct operation model and the distributor model, as we expand our footprints in China and globally.

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We employ our MINISO Retail Partner model extensively in China as well as in certain overseas markets to facilitate store network expansion. Our MINISO Retail Partner model allows us to quickly and effectively expand our store network in an asset-light manner while maintaining consistent brand image and consumer experience across MINISO stores.

Under the MINISO Retail Partner model, MINISO Retail Partners join our store network by mobilizing their resources to open and operate MINISO stores at optimal locations, shouldering the associated capital expenditure and operating expenses. On the other hand, we guide the MINISO Retail Partners in key aspects of store operation while maintaining ownership of store inventory before it gets sold to consumers in exchange for a pre-agreed portion of sales proceeds. This model creates an attractive investment opportunity for our MINISO Retail Partners. Based on a survey conducted by Frost & Sullivan, our MINISO Retail Partners in China generally recover their store investment in a period of 12 to 15 months after store opening. Our MINISO Retail Partners are also motivated to maintain a loyal relationship with us. As of December 31, 2021, 475 out of our total 860 MINISO Retail Partners had invested in MINISO stores for over 3 years. Our MINISO Retail Partner Model and close collaborations with loyal MINISO Retail Partners also helped us become highly resilient during the COVID-19 pandemic as such collaborations enabled us to quickly and effectively expand our store network in an asset-light manner even during the pandemic. During 2020 and 2021, when the pandemic negatively impacted many offline retailers' expansion in China, we added 625 stores in China, among which 624 were MINISO Retail Partner stores. In the twelve months ended December 31, 2021, we successfully achieved a net increase of 400 MINISO stores and 84 TOP TOY stores in China despite the impact from the pandemic.

Our brand attraction, operational know-how and proven track record have well positioned us to be the partner of choice for overseas business partners who wish to join our store network. We have also developed a thorough and systematic approach to researching and understanding the local competitive dynamics, consumer behaviors, regulatory environment before we enter into any international market, which serves as a solid foundation for us to efficiently penetrate into and rapidly expand our business in such local market. While our store network expanded to approximately 100 countries and regions as of December 31, 2021, the majority of our overseas markets are at early stage, and huge potential remains for further penetration in these markets. Our revenue contribution from overseas markets was 32.3%, 32.7%, 19.6% and 24.7% in the fiscal years ended June 30, 2019, 2020, and 2021 and the six months ended December 31, 2021, respectively.

We consider our ability to penetrate into various tiers of cities to be as important as our ability to expand globally for the continued success of our business, which has established a globally recognized retail network. Our ability to penetrate into various tiers of cities is evidenced by our proven track record of successfully penetrating into various lower-tier cities in China despite our previous experience operating in mostly high-tier Chinese cities. As of December 31, 2021, about 41% of our MINISO stores in China were located in third- or lower-tier cities, and about 70% of the new MINISO stores opened in China in 2021 were

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located in third- or lower-tier cities. Our deep operation know-how backed by digitalization and close relationships with our MINISO Retail Partners have equipped us with all the tools needed to deepen the market penetration of both the MINISO brand and TOP TOY brand in lower-tier cities in China.

### *Experienced Founder and Entrepreneurial Management Team*

We benefit from the vision and experience of our seasoned senior management team, who has remained stable through different business cycles since our inception and has always committed to fulfilling our mission and vision. Their rich industry experience, concrete vision, and strong execution capabilities have enabled us to deliver solid performance in the rapidly changing retail industry, identify market opportunities and cultivate multiple brands including MINISO and TOP TOY. Mr. Guofu Ye, our founder and chief executive officer, is a seasoned entrepreneur in the retail industry with a successful business track record. Mr. Ye has set the strategic direction for our business with a focus on bringing high-appeal, high-quality merchandise with exceptional value to consumers globally. This commitment is shared by our experienced and stable management team, who has over 16 years of relevant industry experience on average. All of our executive officers have joined from leading retail and technology, media, and telecom companies in China, with extensive expertise across a broad range of business areas, including merchandizing, finance, store operations and supply chain management. We have cultivated a corporate culture of valuing sustainable growth and strong execution capabilities.

### **OUR STRATEGIES**

We aim to further grow our business by pursuing the following strategies.

#### *Expand and Upgrade Our Store Network*

We believe there is still huge potential for market expansion in China, and we plan to further expand our store network in China. We intend to take a disciplined approach in store network expansion to capture opportunities in lower-tiered cities in China primarily for our MINISO stores, and further penetrate into the cities we have covered. For TOP TOY, we plan to continue to focus our store expansion in first- and second-tier cities in China in the near future while exploring opportunities to further expand into lower-tier cities. In addition, we plan to add more MINISO and TOP TOY stores at locations with proven consumer traffic and high sales potential with their sizes and merchandise selections based on analysis of local consumer demographics and other peculiarities.

In overseas markets, we plan to actively identify and collaborate with the right business partners and local distributors to open more MINISO stores. When selecting local partners, we prioritize those with financial strength and sufficient resources to open MINISO stores at optimal locations, while also considering their management ability and industry experience. We will continue to apply our flexible store operation models to further expand our store

network based on local conditions in each market. Moreover, we will continue to leverage our existing international operations to develop and more deeply penetrate into strategic markets, most notably Asia, North America, and Europe.

### ***Enhance Product Development and Supply Chain Capabilities***

We will maintain and improve the value propositions of our products. We will further enhance our dynamic product development strategy and enrich our product offerings by launching more playful, appealing and useful SKUs, timely adjust our merchandise mix catering to consumer preferences across the globe, and expand to new adjacent product categories within the lifestyle segment. Furthermore, we plan to strengthen our efforts at incubating and co-developing our own IPs and deepen our relationships with existing co-branding partners and foster new co-branding collaborations to drive product innovation.

We will further optimize our supply chain by strengthening our cooperation with existing qualified suppliers, attracting new capable suppliers and further developing our global sourcing capabilities. We will also more deeply integrate suppliers through our digitalized supply chain management system to achieve shorter lead time and faster reorder, ultimately increasing efficiency of the whole supply chain.

By enhancing our product development and supply chain capabilities, we aim to buttress our products' value-for-money, frequent renewals and broad selection to make our products attractive to global consumers.

### ***Deepen Consumer Engagement and Drive Multi-channel Experience***

We will continue to take initiatives to deepen consumer engagement and drive multi-channel experience, where consumers may engage or shop with us via both online channels, which encompass store-based online-to-offline channels as well as e-commerce channels, and offline channels. We plan to expand our online offerings and broaden our online sales channels by further developing our own e-commerce channels and collaborating with more third-party e-commerce and online-to-offline platforms. We will also leverage our network of store-based consumer communities on Weixin to allow consumers to conveniently place orders with their MINISO and TOP TOY stores of choice, providing them with a seamless multi-channel shopping experience. In international markets, we similarly plan to cooperate with more local e-commerce platforms to expand our online sales channels. We believe that offering additional channels of consumer experience will enhance our brand awareness and consumer loyalty, which drive increases in store traffic and in-store purchases. For example, consumers who have purchased our products online may well be impressed and become interested in visiting MINISO and TOP TOY stores offline and making purchases in store. This may lead to higher revenue and profitability for MINISO and TOP TOY stores.

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Building on our existing strong consumer affinity, we will continue to improve our membership program, through which we will expand our membership base and accumulate valuable insights into consumer preferences and behavior to further improve operational efficiency, merchandise mix, and shopping experience. We will continue to launch innovative marketing initiatives leveraging popular social media platforms to reinforce consumer outreach efforts and increase our brand awareness.

### *Strengthen Technological Capabilities*

We aim to increase operational efficiency by further developing and upgrading our technological capabilities. In particular, we will further utilize data analytics throughout our operation to facilitate product design and our supply chain process, tailor merchandising to consumer needs, optimize inventory management and otherwise digitalize operation. To that end, we plan to further develop and enhance our own technology systems, modules and other applications for our operations in China and overseas, respectively, purchase or license technologies or technology systems from third parties and upgrade our core technology platform.

### *Continue to Invest in Branding and Incubate New Brands*

We aim to continue to invest in branding and incubate new brands to better monetize our product capabilities, to effectively convert store visitors and consumers to customers, and to improve customer loyalty. To that end, we plan to enhance our brand recognition through marketing campaigns and customer engagement activities across various online and offline channels, exploration of alternative retail channels and expansion of online sales channels, increasing the proportion of TOP TOY-brand products under our TOP TOY label, and brand upgrade for our MINISO brand, including renovating and upgrading our store display and appearance to match our upgraded brand positioning. To continue our success after TOP TOY, we also plan to incubate new brands leveraging our core competitiveness accumulated through our existing businesses in a highly disciplined manner.

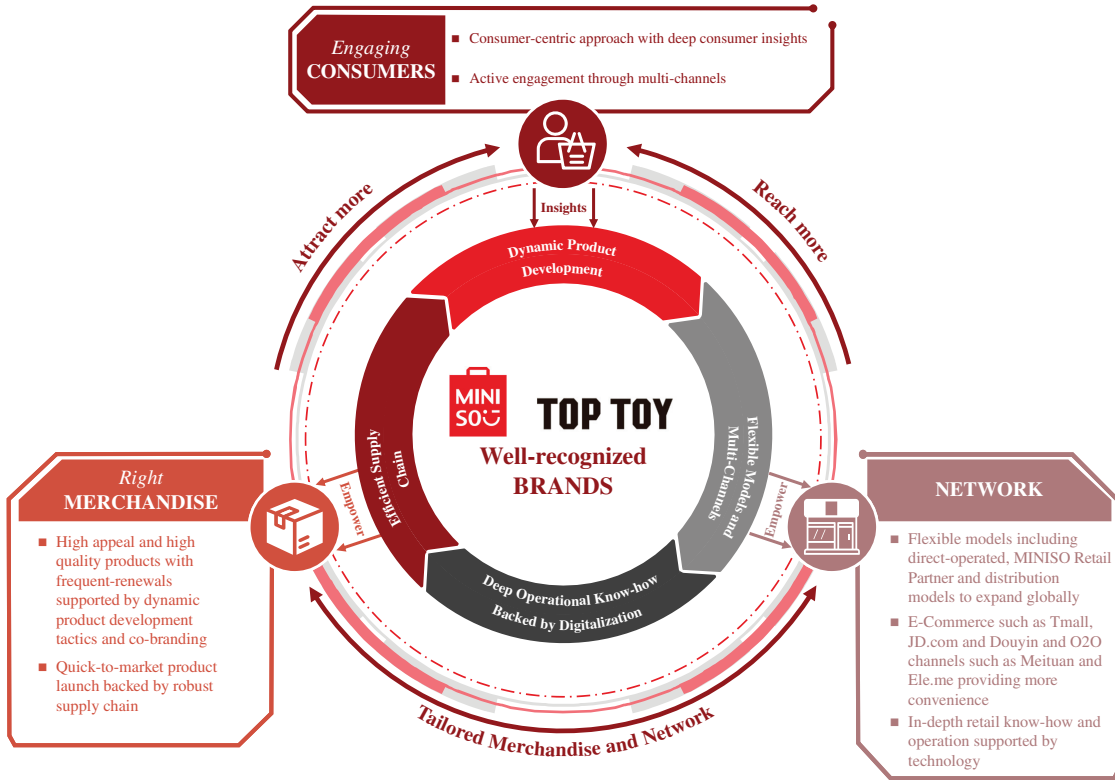
### *Strategically Explore Investment and Acquisition Opportunities*

We plan to strategically explore investment or acquisition opportunities to strengthen our market position and enhance our competitiveness. We will consider targets based on their synergies with our business and financial performance. As of the Latest Practicable Date, we did not expect to pursue any imminent material acquisitions or investments.

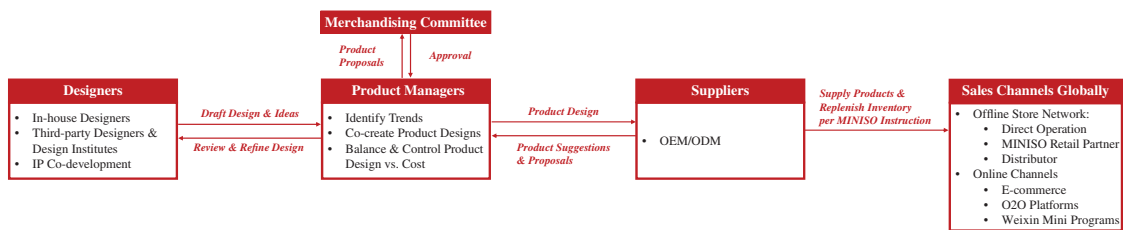
# BUSINESS

## OUR BUSINESS MODEL

The following diagram illustrates our business model and the various participants in our business:



The following is a flow chart illustrating the business flows of our key business functions:



## OUR PRODUCTS

Our flagship brand “MINISO” offers a frequently-refreshed assortment lifestyle products covering diverse consumer needs, and consumers are attracted to our products’ trendiness, creativeness, high quality and affordability. Our MINISO product offering encompassed about 8,800 core SKUs in the fiscal year ended June 30, 2021 across 11 major categories: home decor, small electronics, textile, accessories, beauty tools, toys, cosmetics, personal care, snacks, fragrance and perfumes, and stationery and gifts. In December 2020, we launched a new brand, “TOP TOY,” which is committed to building our platform of pop toys. Under the

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fast-growing TOP TOY brand, we offered around 4,600 SKUs as of December 31, 2021 across 8 major categories: blind boxes, toy bricks, model figures, model kits, collectible dolls, Ichiban Kuji, sculptures, and other popular toys.

Below are sample photos of our products:

### MINISO Brand



### TOP TOY Brand



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We are able to deliver our value propositions by leveraging our supply chain capabilities that are built on China's large supply chain, our large procurement volumes, our punctual payment to suppliers, and our digitalized, continuously optimized supply chain, which collectively contribute to our overall supply chain efficiency and procurement cost advantages.

Our philosophy is to launch approximately 100 new MINISO SKUs, every 7 days, carefully selected from a large library of 10,000 product ideas, which we refer to as the "711 philosophy." In the fiscal year ended June 30, 2021, we launched an average of about 550 SKUs per month under our MINISO brand, and offered consumers a wide selection of over 8,800 core SKUs. Under the TOP TOY brand, we offered around 4,600 SKUs as of December 31, 2021. In general, our products are frequently refreshed to satisfy the evolving needs and preferences of consumers.

In the fiscal year ended June 30, 2021, more than 95% of the MINISO products had retail prices under RMB50 in China. TOP TOY products have a wide range of retail prices and approximately 70% of the TOP TOY products had retail prices ranging from RMB40 to RMB300 in China in 2021.

We adopt a cost plus mark-up pricing strategy for products we sell. The products we sell are manufactured by third-party manufacturers. We set prices for the products to be sold to customers based on manufacturing costs plus a mark-up. As a result, the level of our gross profit margin is dependent on the level of mark-ups we added on top of costs we incurred.

### **Brand Strategies**

We sell the vast majority of our products under our flagship brand "MINISO," which targets primarily the younger generation. Under this brand, we aim to deliver a wide range of lifestyle products that are high-quality and highly affordable. Almost all of the MINISO products are self-developed. To attract and keep the interest of consumers, we update our MINISO product portfolio frequently with new and trendy products. With our "711 philosophy" for our product rollout under the MINISO brand, every 7 days, we aim to launch approximately 100 new MINISO SKUs carefully selected from a large library of 10,000 product ideas. In the fiscal year ended June 30, 2021, we launched an average of about 550 SKUs under the MINISO brand per month.

We have developed and incubated new brands rapidly and successfully, such as the "TOP TOY" brand we launched in December 2020 to pioneer the concept of pop toy collection stores. TOP TOY provides a one-stop shopping platform for consumers attracted to pop culture through its cultivation of independent design teams and artists, incubation of IPs, and promotion and spreading of pop culture through its pop toy product line. TOP TOY's expansion of the concept of pop toys from blind boxes to seven other major categories has also distinguished itself from other pop toy brands in China. In comparison to the MINISO brand, TOP TOY has a product lineup more focused on trendy products, targets a consumer demographic that is wider in terms of age and more balanced in terms of gender distribution, relies more on cultivation of our own IPs to co-develop them into popular IP products with



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independent design artists, and has a much wider product price range and higher average order value. While products of third-party brands are still the majority of the TOP TOY product portfolio, we have steadily increased and will continue to increase the proportion of TOP TOY-brand products. We have increased the revenue contribution from our TOP TOY-brand products in TOP TOY stores to 14.0% in the quarter ended December 31, 2021 and plan to continue to increase it in the future.

### **Product Design and Development**

Popular and well-designed products that respond to evolving consumer tastes and needs are the core attraction to our consumers, and our product design and development capabilities are instrumental to us continuing to maintain this core attraction.

#### *Product Design Capabilities*

We work with both in-house designers and independent design partners globally to create innovative design concepts for us. As of December 31, 2021, we had a designer network that includes an in-house team of 124 designers as well as 37 design partners consisting of internationally renowned independent designers, professional design studios and design academies from 7 countries. To integrate the design capabilities of these design partners with our own, we have established the MINISO Design Academy consisting of a selection of our in-house designers. The MINISO Design Academy is mainly responsible for liaising with third-party designers and adding visual and packaging designs to the product prototype designs submitted by design partners, so that the final products have consistent appearance as the rest of our branded products. The vast majority of our SKUs feature elements of designs by our in-house design team.

We generally enter into form agreements with independent designers, artists and professional design studios. We generally pay a design service fee for each design we engage our design partners to make either as a fixed sum or as a percentage of its sales revenue, subject to a pre-agreed cap, and we generally own all intellectual property rights relating to the design. We sometimes allow the design partners to receive a small percentage of the sales revenue from products featuring their design in addition to the design service fee when the product sales exceed a certain threshold. The design partners are liable for any disputes, controversies or claims arising out of or in connection with the design concepts. Our agreements with these design partners typically have a term of not more than three years.

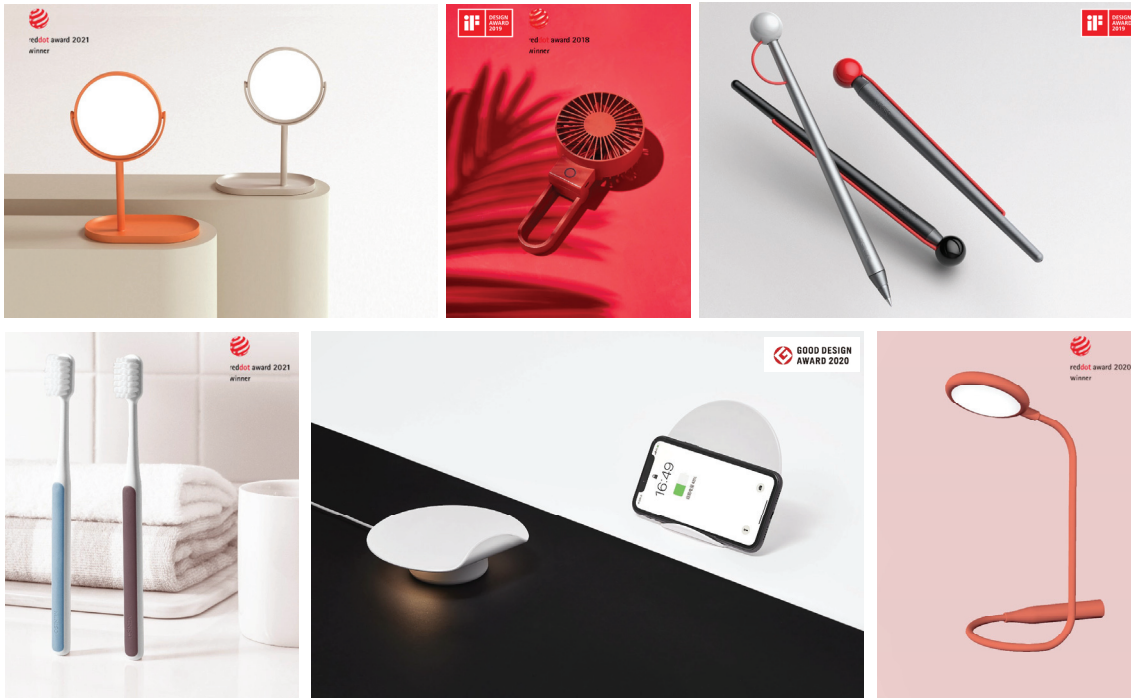
As for design academies, we generally pay a fee as stated in the collaboration agreements to support the training and design of students in the academies. In return, we may be granted intellectual property rights of the designs, or pre-emption rights to acquire intellectual property rights.

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As a testament to our excellence in product design, we had won a total of 32 reputable international design awards as of December 31, 2021, including iF Product Design Awards, Red Dot Design Awards, European Product Design Awards, K-Design Awards, A' Design Awards, and Red Star Design Awards. Below are photos of a selection of our award-winning products:



### *Product Development*

The collective efforts among product managers, designers and suppliers help us achieve dynamic product development. As of December 31, 2021, we had a team of 110 product managers, who are responsible for identifying trends, co-creating product designs, coordinating with suppliers on production and bringing the finished products to market. Our product development process begins with a product idea identified by our product managers from market research and inputs from suppliers. The product managers collaborate with our designers in developing the product idea to concrete product design, and then present the design to our suppliers for their inputs regarding production feasibility. Our product managers work closely with our designers and suppliers in product design to ensure that our product designs are innovative, trendy, feasible and appealing to mass consumers. The product managers then have the suppliers produce product prototypes and present them as part of the product proposal to our rigorous weekly merchandising committee meetings for approval. If approved, the product design will be further refined based on cooperation among the product managers, the designers and the suppliers before it is manufactured and becomes ready for sale.

Our technology capabilities play an important role in our product development process. For example, our Smart Merchandise Selection Assistant enables us to monitor and discover popular hits on major social media platforms and automate rapid identification of new and emerging trends, which maximize our ability to react quickly to rapidly changing consumer tastes and preferences. Our technology capabilities also allow us to monitor sales performance and consumer feedback of each SKU closely, helping us to actively manage product life cycles and continuously improve existing SKUs. See “– Our Technology – Digitalized supply chain management – Product lifecycle management system.”

We hold weekly merchandising committee meetings to adjust our merchandising strategies for market trends and select new SKUs to bring to market, with rigorous SKU selection criteria and deep involvement of our chairman and other experienced senior management. In certain international markets, we also have localized merchandising strategies supported by collaboration among our product managers, local suppliers and our international operation teams, and we tend to source uniquely local products directly from local sources. As a result, our new SKUs are responsive to prevailing market needs and local consumer tastes and preferences.

### **Co-branding Collaborations and Co-development of IP Products**

Co-branding with IP licensors is another example of our efforts to frequently refresh our product assortment. During the course of our business operations, we have developed an approach to collaborating with highly popular IP licensors in developing co-branded products. We believe these co-branding collaborations are a strong testimony to our brand value and elevate our brand equity and awareness by unlocking new possibilities of product design. In addition, we actively explore co-branding collaboration with IP licensors that resonate with a broad group of consumers globally. By orchestrating well-paced product launch plans, we release new co-branded product collections in a successive and coherent manner to maximize consumer reach.

As of December 31, 2021, we had established co-branding relationships with 75 IP licensors who own many popular brands such as Marvel, Disney, Hello Kitty and Universal. The terms and conditions of our agreements with IP licensors vary as they are typically based on form agreements provided by the licensors. However, our agreements with IP licensors typically have a term of not more than three years. Under these agreements, we are licensed to manufacture, sell and promote co-branded products within licensed territories and we may not reassign such rights to any third party without the approval of the IP licensors. The royalties we are obligated to pay our IP licensors typically consist of fixed minimum of royalties and royalties equal to a certain percentage of sales of co-branded products. None of the agreements between our IP licensors and us constitutes a material contract. The co-branding collaborations allow us to capitalize on cultural phenomena or influential trends in mass media by featuring their elements in our product design, adding exciting diversity to our products and attracting more consumers to MINISO stores as a result.

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We have also developed the ability to identify and cultivate new IPs and co-develop them with independent design artists into popular IP products, mostly under our TOP TOY brand. We form close collaboration with talented independent design artists by empowering them with scalable sales channels, real-time consumer feedback, as well as strong supply chain capabilities, which help turn their design ideas efficiently and faithfully into products. Contractually, we retain ownership of the IPs co-developed with independent design artists. As of December 31, 2021, we had co-developed 72 of such IP products under our TOP TOY brand with 3 IP licensors.

As an example of our success in collaboration with independent design artists, we have rolled out a TOP TOY blind box containing one of seven types of the figurine “Strong Lucky Cat” (大力招財貓). The figurine is in the form of a Maneki-neko with a comically large right arm, which is supposed to indicate the elevated strength “Strong Lucky Cat” uses to bring good luck to its owner. The different types of the figurine mostly vary in their color scheme, accessories, and facial expression. The “Strong Lucky Cat” blind box was able to resonate well with our target audience and bring them comfort through its appearance, and the blind box proved popular in sales. “Strong Lucky Cat” was the best-selling among our TOP TOY SKUs during the three-month period from December 1, 2021 to February 28, 2022.

### OUR STORE NETWORK

As of December 31, 2021, we served consumers primarily through a network of over 5,000 MINISO stores, including over 3,100 MINISO stores in China and approximately 1,900 MINISO stores overseas. The following table shows the number of MINISO stores in China and internationally as of the dates presented:

	As of June 30,			As of December 31,	
	2019	2020	2021	2020	2021
<b>Number of MINISO stores</b>					
<b>China</b>	<b>2,311</b>	<b>2,533</b>	<b>2,939</b>	<b>2,768</b>	<b>3,168</b>
Directly operated stores	9	7	5	5	5
Stores operated under MINISO Retail					
Partner model	2,288	2,513	2,919	2,746	3,146
Stores operated under distributor model	14	13	15	17	17
<b>Overseas<sup>1</sup></b>	<b>1,414</b>	<b>1,689</b>	<b>1,810</b>	<b>1,746</b>	<b>1,877</b>
Directly operated stores	74	122	127	105	136
Stores operated under MINISO Retail					
Partner model	165	193	195	194	203
Stores operated under distributor model	1,175	1,374	1,488	1,447	1,538
<b>Total</b>	<b>3,725</b>	<b>4,222</b>	<b>4,749</b>	<b>4,514</b>	<b>5,045</b>

*Note:*

- (1) Overseas stores exclude a small number of stores under certain overseas businesses that we had disposed of as of June 30, 2020. We completed such business disposal during the period from December 2019 to April 2020. See “Financial Information–Discontinued Operations.” After the disposal, these excluded stores may continue to have business transactions with us.

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The following table shows the number of TOP TOY stores in China as of the dates presented since the launch of TOP TOY in December 2020:

	<b>As of June 30,</b>	<b>As of December 31,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>
<b>Number of TOP TOY stores</b>			
Directly operated stores	2	1	5
Stores operated under MINISO Retail			
Partner model	31	4	84
<b>Total</b>	<b>33</b>	<b>5</b>	<b>89</b>

In addition, we also operate stores under our secondary brand “WonderLife,” which contributed insignificant revenue throughout the Track Record Period (2.7%, 2.9%, 2.5% and 1.8% for the fiscal years ended June 30, 2019, 2020 and 2021 and the six months ended December 31, 2021, respectively). Wonderlife is a lifestyle product brand targeting lower-tier cities in China. As the MINISO brand increasingly penetrates into lower-tier cities in China, the WonderLife brand has become marginalized, as evidenced by its declining revenue contribution since the fiscal year ended June 30, 2021, and the Company expects such trend to continue.

MINISO and TOP TOY stores are neatly organized, well maintained and typically in optimal locations. The standardized layout, decoration and lighting, modestly priced products, and the friendly staff in a MINISO store all contribute to a welcoming ambience for store visitors, who will find the store easy to navigate due to its optimized product arrangement and display. Such standardized store presentation scheme leads to a consistent, distinct style and shopping experience across MINISO stores, reinforcing a uniform brand image to consumers. In our TOP TOY stores, we organize pop toy workshops and shows where consumers can simply enjoy and have fun, bringing consumers an immersive, engaging shopping experience. Below are photos of a typical MINISO store and a typical TOP TOY store in China:

### MINISO Store



### TOP TOY Store



We manage the potential competition or cannibalization among (1) MINISO Retail Partners and distributors; and (2) all stores operated by us, MINISO Retail Partners and distributors primarily through the following measures: (i) Apart from directly-operated stores, stores in each country are primarily operated under the same model. In China, all stores except those in Tibet are operated by MINISO Retail Partners. In overseas markets, except for stores in a few countries directly operated by us, the vast majority of stores are operated under the distributor model. This prevents competition or cannibalization between MINISO Retail Partners and distributors; (ii) In most countries and regions outside China, other than directly-operated stores, stores are operated by one distributor in each country or region or a few distributors operating in different parts of a country or region, which prevents competition or cannibalization among distributors; (iii) We centrally manage and plan for new store openings based on a variety of factors such as the population, economic conditions and market potential of each city, region and country. New store openings by MINISO Retail Partners and distributors and the location of the new stores are subject to our approval. We make recommendations to MINISO Retail Partners and distributors based on the existing store network, the financial strength of the relevant MINISO Retail Partners or distributors, and the local market conditions, taking into account and aiming to minimize the potential competition or cannibalization among stores operated by us, MINISO Retail Partners and distributors.

With respect to the retail sales of the different channels, without taking into account the effect of VAT and sales taxes, (i) with MINISO Retail Partners, we set an agreed percentage of in-store sales proceeds payable by MINISO Retail Partners to us; (ii) with distributors, we generate revenue from sales to distributors, and the price at which we sell to distributors is usually a percentage of the price at which the distributors sells the same products to end customers; and (iii) with our directly operated stores and online sales channels, as we sell directly to end customers, substantially all of the total sales proceeds generated from these channels are retained by us.

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### Store Operation in China

As of December 31, 2021, apart from five directly operated MINISO stores and five directly operated TOP TOY stores, substantially all of our other MINISO and TOP TOY stores in China were operated under our MINISO Retail Partner model. In approximately one year since the launch of our “TOP TOY” brand, we had opened 89 stores, ranking third in store coverage among major brands in China’s pop toy market as of December 31, 2021, according to the Frost & Sullivan Report. The following table shows the aggregate numbers of MINISO stores in China during the Track Record Period:

	Fiscal year ended June 30,			Six months ended December 31,	
	2019	2020	2021	2020	2021
<b>Number of MINISO stores in China</b>					
<b>Directly operated stores</b>					
Number of stores at the beginning of period	2	9	7	7	5
Number of new stores opened during period	8	3	–	–	1
Number of closed stores during period <sup>1</sup>	1	5	2	2	1
Net increase (decrease) in number of stores during period	7	(2)	(2)	(2)	–
Number of stores at the end of period	9	7	5	5	5
<b>Stores operated under MINISO Retail Partner model</b>					
Number of stores at the beginning of period	2,079	2,288	2,513	2,513	2,919
Number of new stores opened during period	325	393	639	369	348
Number of closed stores during period <sup>1</sup>	116	168	233	136	121
Net increase (decrease) in number of stores during period	209	225	406	233	227
Number of stores at the end of period	2,288	2,513	2,919	2,746	3,146
<b>Stores operated under distributor model</b>					
Number of stores at the beginning of period	12	14	13	13	15
Number of new stores opened during period	2	–	6	6	2
Number of closed stores during period <sup>1</sup>	–	1	4	2	–
Net increase (decrease) in number of stores during period	2	(1)	2	4	2
Number of stores at the end of period	14	13	15	17	17

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*Note:*

- 1 The closure of MINISO stores during the Track Record Period was due to various reasons, such as expiration of store leases, increases in store rental, changes in the layout of shopping malls where the stores are located, unprofitableness of certain stores, and closure by MINISO Retail Partners or distributors for other considerations, as applicable.

Our ability to penetrate into various tiers of cities is evidenced by our proven track record of successfully penetrating into various lower-tier cities in China despite our previous experience operating in mostly high-tier Chinese cities. The following table shows the aggregate numbers of MINISO stores in China by city-tiers during the Track Record Period:

	As of				
	As of June 30,			December 31,	
	2019	2020	2021	2020	2021
<b>Number of MINISO stores in China</b>					
First-tier cities	422	453	482	477	472
Second-tier cities	1,083	1,186	1,320	1,262	1,389
Third- or lower-tier cities	806	894	1,137	1,029	1,307
<b>Total</b>	<b>2,311</b>	<b>2,533</b>	<b>2,939</b>	<b>2,768</b>	<b>3,168</b>

Since the launch of TOP TOY in December 2020, we had grown the number of TOP TOY stores in China from 5 as of December 31, 2020 to 33 as of June 30, 2021, and further to 89 as of December 31, 2021. Among the 89 TOP TOY stores as of December 31, 2021, 5 were directly operated, and 84 were operated under the MINISO Retail Partner Model.

The MINISO Retail Partner model is a hybrid store operation model that takes advantageous elements from the franchise store model and the self-operated chain store model, both of which are industry norms. Under this model, we provide operational guidance in the form of store management and consultation services to MINISO Retail Partners, operating in an asset-light manner.

Under our MINISO Retail Partner model, MINISO Retail Partners mobilize their resources to open and operate stores at optimal locations, shouldering the associated capital expenditure and operating expenses. On the other hand, we provide store management and consultation services to MINISO Retail Partners for a fee, retain store inventory ownership until in-store sale to consumers and receive a pre-agreed portion of the sales proceeds. The store management and consultation services optimize and unify store operations in key aspects, mainly including store layout and decoration, interior design, staff training, pricing, product curation and inventory replenishment, to maintain consistent brand image, consumer experience and product pricing across stores. While these key aspects of store operations are standardized, merchandise mix and product display are two primary aspects of store operations that can be customized by MINISO Retail Partner stores. We constantly monitor the operations of MINISO Retail Partner stores to help them customize merchandise mix and product display



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at a store level and advise on inventory management on a real-time basis. In general, managers of each store examine and record on the system inventories when they arrive at the stores, and the system records are automatically updated upon the sale of products when store cashiers scan the products. Our MINISO Retail Partners generally examine the inventories held at their stores on a monthly basis, the results of which are recorded on our system and available to us for review. We also conduct comprehensive examinations of inventories for all MINISO Retail Partner-operated stores at least once a year, checking against system data and recording updates as appropriate. Our contractual agreements with MINISO Retail Partners, which include a sales agreement, license agreement, and a store renovation agreement, typically last for three years or less.

Below is a summary of the key contractual terms with our MINISO Retail Partners:

*Payments for goods.* We set an agreed percentage of in-store sales proceeds payable by MINISO Retail Partners to us, while the MINISO Retail Partners keep the remaining in-store sales proceeds. For most of MINISO Retail Partners, sales proceeds generated from the stores they operate are deposited in an escrow account with a commercial bank, which will automatically fund the relevant portions to our account and the account of MINISO Retail Partners based on pre-agreed percentage between MINISO Retail Partners and us. We check sales proceeds data against bank account information on a daily basis. Please refer to note 2(u)(i) to the Accountant's Report in Appendix IA to this document for more details.

*Management of stores.* Under our license agreements, we provide store management and consultation service to our MINISO Retail Partners in return for a store management and consultation services fee and a sales-based royalty, each equal to a low single-digit percentage of in-store sales proceeds, payable by MINISO Retail Partners at the close of every business day. MINISO Retail Partners pay for store operating expenses, including logistics costs from product delivery to their stores.

*Term/duration.* The terms of our contracts with MINISO Retail Partners are generally not more than three years and renewable upon negotiation prior to the termination of the agreement.

*Termination.* Prior to expiration of contractual term, these agreements can typically be terminated under force majeure events, by mutual agreement or due to bankruptcy or certain breaches of contractual obligations by either party, such as failure to pay fees due, assignment of contractual rights without the other party's permission, MINISO Retail Partner selling counterfeit products or products not procured from us in its store, and MINISO Retail Partner not opening a store within an agreed time frame.

*Location and renovation.* MINISO Retail Partners are not able to open stores at a non-designated location. We recommend providers for store renovation and decoration for the MINISO Retail Partners, with the associated costs being borne by them.

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*Product offering and pricing.* MINISO Retail Partners shall only offer products supplied by us. They are able to set the retail price of the products to be sold in store within five percent of the price recommended by us for the same products with our written consent.

*Licensing rights.* MINISO Retail Partners are not able to have sub-contractors or sub-distributors or otherwise assign the rights under the licensing agreements to a third party without our prior written consent. A fixed annual license fee of between RMB0 and RMB100,000 is to be paid by MINISO Retail Partners on a per-store basis. The license fees for our MINISO Retail Partners are determined based on tiers of cities and number of stores the relevant MINISO Retail Partner owns. We typically charge higher license fees in first-tier cities and charge less in second- or lower-tier cities. We may charge certain MINISO Retail Partners who own multiple MINISO stores at a preferential rate. We may waive license fees for MINISO Retail Partners who operate a large number of stores, and we waived such fees for certain MINISO Retail Partners during the COVID-19 pandemic to alleviate the impact of the pandemic. Among the 3,349 stores operated under the MINISO Retail Partner model as of December 31, 2021, we recorded license fees of RMB0-30,000 for 1,779 stores, RMB30,000-50,000 for 1,006 stores, and RMB50,000-100,000 for 564 stores in 2021.

*Inventory.* The goods we dispatch to MINISO Retail Partners' premise for sale are under our inventory ownership until the goods are sold to consumers. In general, we do not have any obligation or practice to accept any return of unsold products, except in rare cases such as a latent defect that is spotted before putting on the shelf or wears and tears of unsold products resulting from transportation, which is in line with industry practice, according to the Frost & Sullivan Report. With respect to MINISO Retail Partners, our product return rates as a percentage of total GMV during the Track Record Period were below 1.0%. MINISO Retail Partners are generally required to place an inventory deposit with us, which generally covers the estimated maximum value of inventories held by the relevant MINISO Retail Partners at their stores at a point of time during the period of time in which they act as our MINISO Retail Partners. Generally, inventory deposits are returned to MINISO Retail Partners upon the termination of their relationship with us. We may deduct from the deposit unsettled amounts payable by the MINISO Retail Partners to us, if any, under the relevant agreements.

We usually choose MINISO Retail Partners with financial strength and strong local ties who can secure optimal locations for new stores, with our other main criteria for selecting MINISO Retail Partners being their management ability and industry experience. Most of our MINISO Retail Partners are individuals and many of our large MINISO Retail Partners are experienced retailers who own and operate retail stores in various sectors, such as apparel, cosmetics, lifestyle products and others. We have demonstrated a proven track record to rapidly build up our store network in tier-one and tier-two cities in China and successfully penetrate into lower-tier cities with our newly opened MINISO stores mainly located in lower-tier cities in China. Following the trajectory of our MINISO store network, we have typically positioned our new TOP TOY stores in core commercial areas in first- and second-tier cities since China at the inception of the TOP TOY brand. We verify the potential MINISO Retail Partners' financial strength by examining the content and status of their lease agreements for the store locations and monitoring whether they pay all upfront deposits on time.

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As of the Latest Practicable Date, to our knowledge, all of our MINISO Retail Partners in China were Independent Third Parties. We are the seller of products in our relationship with MINISO Retail Partners. We believe that our sales to MINISO Retail Partners during the Track Record Period reflected genuine market demand and there was effective management and control over the inventory levels. We recognize revenue from product sales to MINISO Retail Partners when they sell the products to end-customers in their own MINISO or TOP TOY stores. We do not impose a minimum purchase or sale target on our MINISO Retail Partners. For more details regarding our revenue recognition policies, please refer to note 2(u)(i) to the Accountants' Report in Appendix IA to this document.

The MINISO Retail Partner model represents a mutually beneficial relationship between us and the MINISO Retail Partners, where we achieve rapid store network expansion with consistent brand image and consumer experience in an asset-light manner, and our MINISO Retail Partners attain attractive investment opportunities. Based on a survey conducted by Frost & Sullivan, our MINISO Retail Partners in China generally recover their store investment in a period of 12 to 15 months after store opening. Our MINISO Retail Partners are also motivated to maintain a loyal relationship with us. As of December 31, 2021, 475 of our 860 MINISO Retail Partners had invested in MINISO stores for over three years.

We plan to focus on establishing and reinforcing the recognition of the TOP TOY brand and expanding our TOP TOY store network in first- and second-tier cities in China in the near future while also expanding into lower-tier cities. For expansion of our MINISO store network in China, our efforts will be focused on penetration into lower-tier cities as we have established a strong presence in more developed cities.

The following tables show the number of our MINISO Retail Partners in China during the Track Record Period. We only had one distributor for the MINISO brand in Tibet in China throughout the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, there has been no conversion of our collaboration partners in China from a MINISO Retail Partner to a distributor, or vice versa.

	<b>Fiscal year ended June 30,</b>			<b>Six months ended December 31,</b>	
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>
Number of MINISO Retail Partners at beginning of period <sup>1</sup>	714	721	742	742	821
Number of new MINISO Retail Partners during period <sup>2</sup>	71	72	177	107	97
Number of terminated MINISO Retail Partners during period <sup>3</sup>	64	51	98	70	47
Net increase in number of MINISO Retail Partners during period <sup>2</sup>	7	21	79	37	50
Number of MINISO Retail Partners at end of period <sup>1</sup>	721	742	821	779	871

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*Notes:*

- (1) Number of MINISO Retail Partners at a given date is calculated based on the number of individuals and entities with effective contractual relationships with us at that date.
- (2) We added 71, 72 and 177 new MINISO Retail Partners in the fiscal years ended June 30, 2019, 2020 and 2021, respectively. The increase in the number of new MINISO Retail Partners in the fiscal year ended June 30, 2021 was mainly due to a shift in focus of our store expansion strategy in China from first- and second-tier cities to lower-tier cities starting from 2021. Compared to first- and second-tier cities, there are many more lower-tier cities in China, which demands us to cooperate with many more long-tail MINISO Retail Partners with local resources for store expansion purposes.
- (3) The number of terminated MINISO Retail Partners increased to 98 in the fiscal year ended June 30, 2021 from 51 in the previous fiscal year, primarily due to the impact of the COVID-19 pandemic that significantly affected the performance of a number of MINISO stores in that period, and, to a lesser extent, our shift in focus of our store expansion strategy to lower-tier cities, as a result of which the number of terminated MINISO Retail Partners increased as we cooperated with more and more long-tail MINISO Retail Partners.

Our TOP TOY stores are operated under the MINISO Partner Model as well. Among the MINISO Retail Partners shown in the table above, we had 6 and 11 MINISO Retail Partners operating TOP TOY stores as of June 30, 2021 and December 31, 2021, respectively.

### **Store Operation Overseas**

We have adopted flexible store operation models, including direct operation, MINISO Retail Partner model and the distributor model as we expand our global footprints, depending on the growth potential, local regulation and other factors in the markets. In consideration of the evolving local regulatory requirements, market conditions and their operational needs, our overseas franchisees may sometimes convert from a MINISO Retail Partner to a distributor, or vice versa.

As of December 31, 2021, in international markets, there were over 130 stores directly operated by us and over 1,700 MINISO Retail Partner stores and stores under the distributor model. As of the Latest Practicable Date, to our knowledge, except for one distributor that is controlled by Mr. Ye, our chairman and chief executive officer, and another distributor which has a minority shareholding in one of our subsidiaries, all of our overseas Retail Partners and distributors were Independent Third Parties. For each fiscal year of the Track Record Period and for the six months ended December 31, 2021, the respective transaction amount with these two distributors accounted for insignificant percentages of our total revenue. The following table shows the aggregate numbers of MINISO stores in overseas markets during the Track Record Period.

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	<b>Fiscal year ended June 30,</b>			<b>Six months ended December 31,</b>	
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>
<b>Number of MINISO stores in overseas markets</b>					
<b>Directly operated stores</b>					
Number of stores at the beginning of period	50	74	122	122	127
Number of new stores opened during period	29	52	27	1	20
Number of closed stores during period <sup>1</sup>	5	4	22	18	11
Net increase (decrease) in number of stores during period	24	48	5	(17)	9
Number of stores at the end of period	74	122	127	105	136
<b>Stores operated under MINISO Retail Partner model</b>					
Number of stores at the beginning of period	124	165	193	193	195
Number of new stores opened during period	45	28	16	14	10
Number of closed stores during period <sup>1</sup>	4	–	14	13	2
Net increase in number of stores during period	41	28	2	1	8
Number of stores at the end of period	165	193	195	194	203
<b>Stores operated under distributor model</b>					
Number of stores at the beginning of period	688	1,175	1,374	1,374	1,488
Number of new stores opened during period	561	357	254	139	127
Number of closed stores during period <sup>1</sup>	74	158	140	66	77
Net increase in number of stores during period	487	199	114	73	50
Number of stores at the end of period	1,175	1,374	1,488	1,447	1,538

*Note:*

- 1 The closure of MINISO stores during the Track Record Period was due to various reasons, such as expiration of store leases, increases in store rental, changes in the layout of shopping malls where the stores are located, unprofitableness of certain stores, and closure by MINISO Retail Partners or distributors for other considerations, as applicable.

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In the majority of international markets, we expand our store network by collaborating with local distributors with abundant local resources and retail experiences. When selecting local distributors, we prioritize those with financial strength and sufficient resources to open MINISO stores at optimal locations, while also considering the distributor's management ability and industry experience. Our distributors are primarily corporates, and the nature of the business operation of our distributors is diverse, such as fashion, mobile communication retail, food retail, consulting and household goods retail. Such distributor model is an industry norm and allows us to effectively expand in international markets leveraging the financial resources and market experience of the local distributors.

We are the seller of products in our relationship with distributors. We believe that our sales to distributors during the Track Record Period reflected genuine market demand and there was effective management and control over the inventory levels held by our distributors. In order to mitigate channel stuffing risks, we have adopted stringent control measures, including but not limited to: (i) collecting inventory and sales data from each overseas markets and making quarterly analysis; and (ii) conducting site visits to and inventory examinations of overseas stores. We conduct such data collection, visits and examinations regularly to monitor the sales, inventory levels, and quality control of our distributors. Through these activities, we monitor our distributors' compliance with the terms and conditions of the relevant agreements and any potential risks in relation to channel stuffing. If we discover non-compliant issues or risks, we conduct further investigation, notify the relevant distributors, work with the distributors to take rectification or mitigation measures, or terminate the distributor relationship. In addition, we generally require our distributors to make advance payments in full for our products. We typically do not accept any return of unsold products, except in rare cases such as a latent defect subject to a product recall, which is in line with industry practice, according to the Frost & Sullivan Report. We also do not impose a minimum purchase or sale target on our distributors. We did not experience abnormal increases in revenues generated through distributors or significant product returns in the Track Record Period. With respect to distributors, our product return rates as a percentage of total GMV during the Track Record Period were close to zero. During the Track Record Period, we maintained generally stable and healthy relationships with our distributors. We recognize revenue from product sales to distributors when the products are shipped from or delivered to the locations specified in our sales agreements with the distributors, at which point the distributors take ownership of the products and assume the risk of loss. For more details regarding our revenue recognition policies, please refer to note 2(u)(i) to the Accountants' Report in Appendix IA to this document.

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Under the distributor model, we typically enter into a license agreement and a sales agreement with each of our local distributors. Below is a summary of the key contractual terms with our distributors:

*Product offering and pricing.* We grant our local distributors an exclusive right to establish MINISO stores in certain licensed territories. Our local distributors also have pricing right over the inventory sold in store, although we normally have contractual terms that allow us to recommend product pricing. Without our written consent, our local distributors are not allowed to sell in the licensed MINISO stores any products that are not our MINISO branded products. Our local distributors can only sell our products through licensed MINISO stores within licensed territories, any breach of such license will entitle us to terminate the sale agreement with such local distributor and claim damages.

*Intellectual property rights.* In order to maintain a consistent brand image and a minimum level of monitoring of the operations of MINISO stores operated by our local distributors, we license our local distributors to use our intellectual property rights such as brand name and trademarks in the licensed territories in a manner pursuant to the license agreements such as no further sublicense of our intellectual properties and using such intellectual properties without prejudicing our rights to such intellectual properties. Any breach of such intellectual property license provisions may be deemed to be a material breach.

*License fee.* We typically charge a fixed amount of license fee between RMB0 and RMB6,000,000 for such license. The license fees for our distributors are determined based on various factors, including but not limited to location of the store, local economic conditions and number of stores the relevant distributor owns. The license fees for our distributors are normally a one-off payment. We may grant preferential license fees to distributors who operate multiple stores. We may waive license fees for distributors who operate a large number of stores and/or with whom we have had a long-term relationship.

*Obligations of distributors.* We require our local distributors to deposit with us a compliance deposit to ensure that our local distributors perform their obligations under the license agreements. The license agreements also set forth certain targets for number of new stores. Failing to meet such targets by our local distributors may be construed as a material breach under the license agreements.

*Operational standards and store management.* The license agreements set out a set of operational standards for our local distributors to follow and we have the right to supervise the operation of MINISO stores by our local distributors. Though we do not have the same level of operational involvement with the local distributors as we do with MINISO Retail Partners, we provide assistance to them in many ways to ensure consistent store quality, management style and image, which include provision of staff training and other guidance in terms of store operation.

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*Term.* Our license agreements and sales agreements usually have a term of two to ten years. In the event of material breaches by our local distributors, we will be entitled to (i) confiscate the compliance deposit and seek additional damages if the compliance deposit cannot fully cover the losses we incurred, and (ii) unilaterally terminate the license agreements.

*Sub-licensing.* Our distributors typically do not have the right to sub-contract or sub-license their rights under the license agreement without our express written consent. Once we consent, our distributors are generally entitled to choose their sub-contractors or sub-distributors and negotiate the transaction terms directly with them. We typically do not have any contractual relationship with any sub-contractors or sub-distributors and do not control or deal with them directly, as our distributors enter into contractual relationship with and manage their sub-contractors or sub-distributors directly.

*Inventory.* Generally inventory ownership is transferred to distributors when inventory is shipped from or delivered to the locations specified in sales agreements. In general, we do not have any obligation or practice to accept any return of unsold products, except in rare cases such as a latent defect subject to a product recall.

The distributor model differs from the MINISO Retail Partner model in a few key facets. Operationally, although we have the right to supervise the operation of distributor stores to ensure that they adhere to certain operational standards, we do not provide store management and consultation services to distributors and have less operational involvement with them. In terms of product sales, generally inventory ownership is transferred to distributors when inventory is on board, while we retain inventory ownership until in-store sale to consumers under the MINISO Retail Partner model. In our agreements with MINISO Retail Partners, there is no equivalent to the performance targets in our license agreements with distributors, which usually specify the number of MINISO stores the distributors must open and successfully operate in their licensed territory within an agreed time frame.

In strategic markets with large population and huge market potential such as North America and India, we typically enter the markets by opening and operating stores on our own, which are meant to serve as pioneer stores in the region. In this way, we can more efficiently and directly gain local consumer insights and operational know-how. When local business partners become interested after seeing the performance of our pioneer stores, we invite some of them to join under our MINISO Retail Partner model or distributor model to more rapidly expand our store network in these markets.



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The following table shows the number of our distributors in overseas markets during the Track Record Period.

	Fiscal year ended June 30,			Six months ended December 31,	
	2019	2020	2021	2020	2021
Number of distributors at beginning of period <sup>1</sup>	47	116	145	145	170
Number of new distributors during period <sup>2</sup>	72	37	34	18	20
Number of terminated distributors during period <sup>2</sup>	3	8	9	4	11
Net increase in number of distributors during period <sup>3</sup>	69	29	25	14	9
Number of distributors at end of period <sup>1</sup>	116	145	170	159	179

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*Notes:*

- (1) Number of distributors at a given date is calculated based on the number of individuals and entities with effective contractual relationships with us at that date.
- (2) Change of contracting entities by the same distributor is not taken into account in the calculation of numbers of new or terminated distributors.
- (3) We added 69, 29 and 25 distributors in the fiscal years ended June 30, 2019, 2020 and 2021, respectively, primarily due to (i) our expansion into a substantial number of countries and regions in the fiscal year ended June 30, 2019 that led to a high number of new distributors during that period, and (ii) the negative impact of the COVID-19 on the international markets in the fiscal years ended June 30, 2020 and 2021.

As of June 30, 2019, 2020 and 2021 and December 31, 2020 and 2021, we had 22, 29, 28, 27 and 31 MINISO Retail Partners in overseas markets, respectively.

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### Other Key Operating Data

The following tables set forth certain of our key operating data other than store numbers for the periods indicated:

	Fiscal year ended June 30,			Six months ended December 31,	
	2019	2020	2021	2020	2021
	<i>(RMB in millions)</i>				
<b>MINISO stores in China<sup>1</sup></b>					
Total GMV	10,110	8,818	10,406	5,142	5,616
Annualized average revenue per					
MINISO store	2.8	2.4	2.5	2.5	2.5
Number of transactions (in millions)	290.4	254.6	305.7	151.0	154.2
Sales volume of SKUs (in millions)	806.0	761.0	904.0	442.0	474.1
Average spending per transaction					
(RMB)	34.8	34.6	34.0	34.1	36.4
Average selling price (RMB)	12.5	11.6	11.5	11.6	11.8
<b>MINISO stores in overseas markets<sup>1</sup></b>					
Total GMV <sup>2</sup>	6,819	6,547	4,860	2,608	3,228
Asian countries excluding China <sup>2</sup>	3,734	3,245	2,221	1,213	1,305
Americas <sup>2</sup>	2,191	2,426	1,813	962	1,368
Europe	182	246	276	153	254
Others	712	629	550	281	300
Annualized average revenue per					
MINISO store <sup>2</sup>	2.7	1.9	1.0	0.9	1.5
Asian countries excluding China <sup>2</sup>	2.4	1.6	1.0	0.9	1.1
Americas <sup>2</sup>	4.2	2.9	1.2	1.1	2.3
Europe	3.3	2.4	1.2	1.4	1.8
Others	0.9	0.7	0.6	0.6	0.5

*Notes:*

- (1) Annualized average revenue per MINISO store is annualized revenue calculated by dividing (a) revenue of MINISO brand (excluding Africa and Germany before 2021) by (b) the average of number of stores at the beginning and the end of the relevant period. The data of total GMV, number of transactions, sales volume of SKUs, average spending per transaction and average selling price includes data from offline channels only.
- (2) Total GMV of MINISO stores in overseas markets decreased from RMB6,547 million in the fiscal year ended June 30, 2020 to RMB4,860 million in the fiscal year ended June 30, 2021, mainly due to the negative impact of the COVID-19 pandemic to our overseas stores, especially in Asian countries excluding China and Americas, which were our largest and second largest overseas markets in terms of store count and GMV, respectively. A similar trend was seen in annualized average revenue per MINISO store, which was similarly primarily a result of the negative impact of COVID-19.

Our TOP TOY stores started operating in December 2020 in China. For the fiscal year ended June 30, 2021, and for the six months ended December 31, 2020 and December 31, 2021, (i) total GMV of TOP TOY stores was RMB86.3 million, RMB2.7 million and RMB253.6

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million, respectively, (ii) annualized average revenue per TOP TOY store was RMB6.0 million, RMB2.1 million and RMB7.9 million, respectively, (iii) number of transactions of TOP TOY stores was 0.6 million, 12.5 thousand and 2.0 million, respectively, (iv) sales volume of SKUs of TOP TOY stores was RMB1.2 million, RMB31.3 thousand and RMB3.6 million, respectively, (v) average spending per transaction in TOP TOY stores was RMB136.3, RMB219.4 and RMB129.0, respectively, and (vi) average selling price in TOP TOY stores was RMB70.5, RMB87.8 and RMB69.8, respectively. Annualized average revenue per TOP TOY store is annualized revenue calculated by dividing (a) revenue of TOP TOY brand by (b) the average of number of stores at the beginning and the end of the relevant period. The data of total GMV, number of transactions, sales volume of SKUs, average spending per transaction and average selling price includes data from offline channels only.

The following table sets forth the GMV through online channels of MINISO stores in China for the periods indicated:

	Fiscal year ended June 30,			Six months ended December 31,	
	2019	2020	2021	2020	2021
	<i>(RMB in millions)</i>				

### MINISO stores in China

Total GMV through online channels <sup>1</sup>	141	339	739	326	412
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*Note:*

- (1) Excludes GMV through O2O platforms which is accounted for in GMV through offline channels.

The following table sets forth the average number of stores operated of MINISO Retail Partners and distributors as of the dates presented:

	As of June 30,			As of December 31,	
	2019	2020	2021	2020	2021

### MINISO Retail Partners

Average number of stores operated <sup>1</sup>	3.2	3.4	3.6	3.6	3.7
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### Distributors

Average number of stores operated <sup>2</sup>	11.4	9.8	9.1	9.3	8.7
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*Notes:*

- (1) Average number of stores operated by MINISO Retail Partners is calculated by dividing the average of number of stores operated under the MINISO Retail Partner model at the beginning and the end of the relevant period by the average of number of MINISO Retail Partners at the beginning and the end of the relevant period.
- (2) Average number of stores operated by distributors is calculated by dividing the average of number of stores operated under the distributor model at the beginning and the end of the relevant period by the average of number of distributors at the beginning and the end of the relevant period.

## **SALES AND MARKETING**

### **Sales Channels**

We sell the majority of our products through our extensive offline store network, but we have also started to develop online sales channels, which have become increasingly important. Our sales channels mainly comprise the following:

*MINISO stores.* As of December 31, 2021, there were over 5,000 MINISO stores across the globe, with over 3,100 MINISO stores in China and about 1,900 MINISO stores overseas.

*TOP TOY stores and shops.* As of December 31, 2021, there were 89 TOP TOY stores, all of which were located in China. In addition to the TOP TOY stores, we also had a small number of roboshops to sell our TOP TOY products as of December 31, 2021.

*Online channels.* We supplement our offline store network by accepting online orders via our Weixin mini-programs, online distributors and our online stores on major third-party e-commerce and O2O platforms. Consumers may order products to be delivered from either local MINISO and TOP TOY stores or from our warehouses using either type of these online sales channels.

### **Marketing and Consumer Engagement**

We believe our wide assortment of trendy, innovative and affordable products are what draw consumers to visit MINISO and TOP TOY stores, and the shopping experience at MINISO and TOP TOY stores also helps turn store visitors into repeat visitors or purchasers. To promote our brand image, we have launched various marketing initiatives, including the appointment of celebrity brand ambassadors and featuring them in promotional material, marketing through video and short-video platforms, and KOL promotion on livestreams, with online and social media-based marketing and promotion efforts being our focus going forward. Specifically, our membership program and store-based consumer community are two marketing and consumer engagement measures that have proved particularly effective in China.

*Membership program.* We launched our MINISO membership program in China in August 2018. As of June 30, 2019, 2020, and 2021, the number of MINISO members with at least one purchase over the past 12 months was approximately 5 million, 19 million and 27 million, respectively, and as of December 31, 2021, the number of MINISO members with at least one purchase over the past six months was approximately 28 million. Our MINISO membership is structured in two tiers – premium membership and free membership, with the former requiring a membership fee but also enjoying more membership benefits than the latter. For example, premium members are entitled to special prices for select products and additional discounts on top of promotions both in store and on our Weixin mini-programs. The premium membership program was launched in China in April 2021. As of December 31, 2021, we had accumulated approximately 305 thousand premium members. In the six months ended December 31, 2021, we generated GMV of approximately RMB110 million from our premium members in China.

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As of June 30, 2021, the number of TOP TOY members with at least one purchase over the past 12 months was approximately 387 thousand, and as of December 31, 2021, the number of TOP TOY members with at least one purchase over the past six months was approximately 979 thousand. The successful implementation of the membership program has driven customer spending. Our membership program also provides valuable consumer data that allow us to personalize our digital marketing efforts and has been key to our multi-channel customer engagement strategy.

*Store-based consumer community.* MINISO and TOP TOY stores in China generally display a QR code that allows consumers visiting the stores to join the stores' Weixin groups, which are managed by our specialists. These specialists keep consumers constantly engaged by sharing mainly product-related information and promotion, sometimes in livestreaming format, in these Weixin groups. Consumers who are group participants may be enticed to shop for our products.

In the quarter ended December 31, 2021, through our consumer engagement efforts, the number of average monthly active users of MINISO's Weixin mini-program reached more than 7 million.

### OUR SUPPLY CHAIN

Our supply chain capabilities allow us to offer an evolving assortment of quality products at exceptional value.

#### Our Suppliers

As of December 31, 2021, we sourced from over 1,000 suppliers, who are mostly qualified manufacturers in China, with some having extensive experience in supplying to other global brands. Procurement costs of our five largest suppliers for the fiscal years ended June 30, 2019, 2020, and 2021 and the six months ended December 31, 2021 accounted for 11.2%, 9.9%, 9.7%, and 8.4%, respectively, of our total purchases during the same periods. Procurement costs of our largest supplier for the fiscal years ended June 30, 2019, 2020, and 2021 and the six months ended December 31, 2021 accounted for 2.9%, 3.2%, 2.1% and 1.9%, respectively, of our total purchases during the same periods.

The principal business of our five largest suppliers during the Track Record Period was manufacturing of (i) fragrance, cosmetics, and skin-care products, (ii) household and cleaning products, (iii) gifts, toys, and art crafts, (iv) textile, clothes, shoes, and bags, and (v) accessories and stationary products, respectively. We believe we have sufficient alternative suppliers for our business that can provide us with substitutes of comparable quality and prices. During the Track Record Period, we did not experience any disruption to our business as a result of any significant shortage or delay in supply.

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During the Track Record Period and up to the Latest Practicable Date, other than Shanghai Kerong Networks Limited, in which our Director, Mr. Ye, had a 20% equity interest, none of our Directors, their associates or any of our shareholders (who owned or to the knowledge of our Directors had owned more than five percent of our issued share capital) had any interest in any of our five largest suppliers.

We carefully nurture our relationship with suppliers and empower them to grow with us and adapt to our changing business needs. We select our suppliers mainly based on their production quality, capacity and reputation and position within their respective industry.

We involve our suppliers throughout our supply chain process, from product design to product shipment. In the product design stage, our product managers will solicit our suppliers' input and feedback on preliminary product designs. After a product is launched to market, our suppliers, being digitally integrated into our supply chain management system, will manufacture products based on orders automatically generated by the system based on real-time inventory level and sales data and confirmed by us. When the products are produced, our suppliers in China will generally also manage product shipment from their sites to our warehouses, subject to our instructions as to delivery location and timeliness. This thorough supplier involvement throughout the supply chain process via digital integration, coupled with the close working relationships with qualified suppliers fostered by our large procurement volumes and punctual payments to them, are the key reasons why we can operate an efficient supply chain, maintain a vast portfolio of core SKUs, frequently launch a sizeable number of new SKUs, and maintain competitive cost advantages; we do not rely on agreements with suppliers to achieve these goals.

We operate a centralized procurement system when sourcing from our suppliers. We digitally integrate our suppliers and streamline the supply chain process through our SCM (supply chain management) system. To illustrate, assume we are in the process of developing a new series of products and anticipates that our sales volume for the next three months after the launch will reach a certain level based on the sales plan. We will share such plan with our suppliers for this series of products over the SCM system and grant them access to the real-time sales data on the SCM system. The suppliers will then order raw materials and plan for manufacturing and logistics accordingly based on the three-month plan. If, one month after the launch, the suppliers see on the SCM system that the actual sales at our stores exceeded the original estimate, they will promptly adjust their manufacturing timetable and accelerate manufacturing and delivery to meet the higher-than-expected demand. If, on the other hand, the suppliers see that the demand has been lower than expected, as reflected in the real-time sales data on the SCM system, they can also adjust their plans to avoid oversupply and manage inventory risks. On the SCM system, warehouse information such as operation hours and capacity is available, and suppliers are able to reserve warehouse time slots and third-party logistics services as needed. For more information of our warehouses and logistics, see “–Warehouses and Logistics.”

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We have been strengthening our cooperation with existing qualified suppliers and attracting new capable suppliers. We further optimize our supply chain by regularly providing improvement advice to our suppliers on various production-related areas, including product quality, production efficiency, and cost control, so that supply chain optimization becomes an ongoing process. We have also sent experts to important suppliers to help them optimize production efficiency and cost control on site, among other production related areas.

Our framework agreements with our suppliers are legally binding and typically contain the following salient terms:

*Product delivery.* Our framework agreements with suppliers usually include terms to ensure that our suppliers will adhere to our delivery instructions, such as those stipulating our suppliers' obligations to pay liquidated damages for their failure to deliver goods on time.

*Quality control.* Our framework agreements with suppliers usually include terms that require supplier to obey our quality control standards, such as those stipulating our suppliers' obligations to compensate us for losses arising from defects in product quality.

*Breach of contract.* Our framework agreements with suppliers usually include terms of liability for breach of contract, such as that suppliers shall repair, replace, or recall the relevant products according to our requirements and bear the costs incurred thereby for providing products with quality problems.

*Intellectual property rights.* Our framework agreements with suppliers usually include terms to ensure that our suppliers provide products that are free from IP defects including potential infringement of the legitimate rights and interests of any third party. Suppliers' failure to meet such requirements will entitle us to terminate the agreement with such supplier in certain circumstances and claim damages.

*Confidentiality.* Our suppliers shall take adequate measures to keep all sensitive information from us strictly confidential. Suppliers and other relevant responsible parties shall be jointly and severally liable for our losses due to unauthorized disclosure of our business secrets and intellectual property information.

*Term/duration.* Our framework agreements with suppliers are usually of a term of two years.

Our Directors have confirmed that during the Track Record Period and up to the Latest Practicable Date, none of our suppliers had materially breached our agreement terms, and we did not have any material dispute with our suppliers.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material shortages, price fluctuations or delay in supply of raw materials, water and electricity.

### Production

We outsourced the production of our products to third party manufacturers during the Track Record Period. Leveraging China's strong supply chain capabilities in the lifestyle product sector, we sourced our products from over 1,000 suppliers as of December 31, 2021. We outsource our products production primarily through the original equipment manufacturer ("OEM") or original design manufacturer ("ODM") model, primarily because (i) these suppliers are mostly qualified manufacturers in China, with some having extensive supplying experience in the lifestyle products sector, and thus the OEM/ODM model allows us to optimize the manufacturing capacities and design resources of the suppliers to help our business development, (ii) the OEM/ODM model allows us to meet our demand for rapid product development so that we are able to have more flexibilities to maintain a diverse and frequently refreshed product portfolio, and (iii) the outsourcing arrangements allow us to control and manage product costs and better manage and minimize investment risks. We leverage our design capabilities and participate in product design with both OEMs and ODMs but are generally more deeply involved in the design process with OEMs. As such, we typically use ODMs to directly manage and take charge of the development and design of more standard products as these products require less design efforts from our own product managers and designers; and we typically use OEMs more often for products that require or allow new design ideas and concepts as our product managers and designers can work with OEMs to refine product design and prototype leveraging the manufacturing expertise of OEMs and their inputs on production feasibility. In some cases, we purchase certain products directly from suppliers without participating in the product design process, but the sales contribution of such products in China was merely 0.01%, 0.74%, 1.39% and 1.22% in the fiscal years ended June 30, 2019, 2020 and 2021 and the six months ended December 31, 2021, respectively.

We select our suppliers based on various factors, but we generally prioritize industry leaders such as those with a long history of operation, a good reputation or publicly listed companies. Other factors considered include, production quality, capacity, price, compliance with applicable laws and regulations, history of cooperation and intention to grow with us and adapt to our changing business needs. For details of the key terms of the agreements with our manufacturers, see "Our Suppliers."

We have been strengthening our cooperation with existing qualified suppliers and attracting new capable suppliers by regularly providing improvement advice to our suppliers on various production-related matters, including product quality, production efficiency and cost control, so as to constantly optimize our supply chain. We generally manage our relationship with suppliers including third-party manufacturers in the following aspects:

- (i) *Supplier selection.* We deploy a series of quality control procedures since the onboarding of our suppliers. Suppliers are required to go through detailed and comprehensive qualification and ability verification. In addition, we have a third-party factory inspection mechanism to conduct quality check and ESG



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assessment. We have also in place a series of stringent standards such as product quality standards, testing manuals, and supplier quality behaviour agreements to conduct quality inspection on our products.

- (ii) *Quality control.* We have in place digitalized quality control systems including a supplier quality control system and a big-data quality risk control system. See “Our Technology” for details.
- (iii) *SCM system and lead-time management.* We digitally integrate our suppliers and streamline the supply chain process through our SCM system. See “Our Suppliers” for details.
- (iv) *Product liability.* Our framework agreements with our suppliers are legally binding and have terms that ensure our suppliers will adhere to our delivery instructions and quality control standards, such as those stipulating our suppliers’ obligations to pay liquidated damages for their failure to deliver goods on time and to compensate us for losses arising from defects in product quality.

We have adopted measures to prevent the risk of over-reliance on certain product suppliers. Given our diverse product portfolio and frequently refreshed SKUs, currently no supplier has an outsized impact on our business operations. We believe we have sufficient alternative suppliers for our business that represent alternatives of comparable quality and prices. During the Track Record Period, we did not experience any disruption to our business as a result of any significant shortage or delay in supply.

### **Our Supply Chain Management System**

We utilize our supply chain management system to maintain close collaboration with our suppliers and deeply integrate them into our product development and inventory management process. Our supply chain management system allows us to plan, manage, monitor and coordinate on every step of the supply chain process, improve inventory management, and shorten order and reorder lead time. For example, the merchandising and procurement module of this system automatically generates orders and reorders of appropriate size to suppliers based on real-time inventory level and store-level sales forecast, streamlining the order and reorder processes. In addition, the automated replenishment module of this system regulates the store-level inventory replenishment process, and calculates just-in-time adjustment among stores for slow-moving SKUs to optimize our network-wide merchandise mix while mitigating inventory risk.

With the help of our supply chain management system, our inventory management is highly efficient, and we had average inventory turnover of 63 days, 78 days, 79 days, and 68 days in the fiscal years ended June 30, 2019, 2020, and 2021 and the six months ended December 31, 2021, respectively.

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### Quality Control

We have stringent quality assurance and control procedures in place to ensure supplier compliance with our product safety and quality standards. Suppliers have to undergo on-boarding procedures with a rigorous quality screening process before we begin working with them. In addition, our framework agreements with suppliers have clauses that ensure a baseline quality of the products produced by the suppliers, including those related to technical specification, quality specification, inspection standards, and defective product handling. Upon receipt of product shipments from suppliers, we perform quality inspection on random samples to detect any quality issue. We also pay regular visits to our suppliers to ensure that their facilities, equipment and finished products are up to our standards. We also have online quality control systems that visualize our standard quality inspection procedures and allows us to coordinate with our suppliers, MINISO Retail Partners and distributors on detecting and correcting any quality issues.

### Warehouses and Logistics

As of December 31, 2021, our products were distributed through our 20 leased warehouses, 12 of which were located in China. We distribute products out of each warehouse mostly to nearby markets, while also using some of our warehouses in China to distribute to international markets.

In China, suppliers are generally responsible for delivering products to our warehouses either by themselves or through third-party logistics service providers. Generally, in international markets, a majority of products are from our operation in China, which are delivered to the local warehouses by third-party logistics service providers engaged by us, while a minority of products are from local suppliers, which are delivered by these local suppliers or third-party logistics service providers engaged by them to local warehouses.

Products are distributed from our warehouses to MINISO stores (other than those operated by local distributors) at a frequency depending on demand, and shipments are allocated dynamically based on real-time consumer demand and inventory data.

### OUR CUSTOMERS

Our major customers are our MINISO Retail Partners and distributors. The major countries where we sell our products include China, Mexico, the United States, Canada, Indonesia, and India. Revenues from our five largest customers for the fiscal years ended June 30, 2019, 2020, and 2021 and the six months ended December 31, 2021 accounted for 26.6%, 25.1%, 19.8%, and 21.3%, respectively, of our total revenues during the same periods. The principal business of each of our five largest customers during the Track Record Period is lifestyle products retail. In the fiscal years ended June 30, 2019, 2020 and 2021 and the six months ended December 31, 2021, our largest customer, a lifestyle products retailer with whom we have had a relationship since 2013, purchased lifestyle products and pop toys from us in the amount of RMB978.9 million, RMB878.6 million, RMB941.5 million and RMB438.4 million, accounting for 10.4%, 9.8%, 10.4% and 8.1% of our total revenue, respectively. In the same periods, our second largest customer, another lifestyle products retailer with whom we

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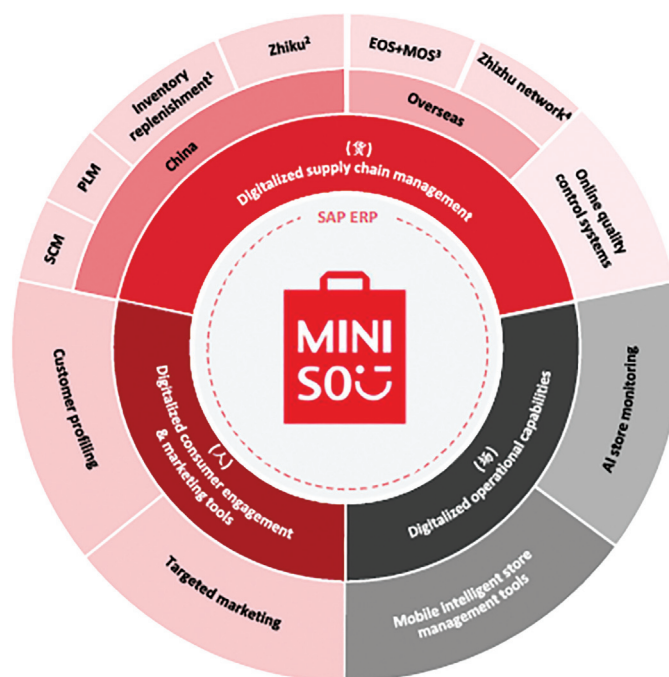
have had a relationship since 2016, purchased lifestyle products from us in the amount of RMB751.7 million, RMB749.8 million, RMB308.6 million and RMB350.7 million, accounting for 8.0%, 8.4%, 3.4% and 6.5% of our total revenue, respectively.

During the Track Record Period and up to the Latest Practicable Date, none of our Directors, their associates or any of our shareholders (who owned or to the knowledge of our Directors had owned more than five percent of our issued share capital) had any interest in any of our five largest customers. No major customer is also a supplier of us during the Track Record Period or vice versa.

### OUR TECHNOLOGY

We have developed an advanced and comprehensive technology system, which lays the foundation for our efficient business development and connects every chain of our business operations including, mainly, supply chain management, store operations, customer engagement, and targeted marketing. Empowered by our highly scalable and effective technology platform, we are able to achieve consistent and centralized store management and rapidly expand our global footprint with consistent quality and localized features.

The chart below illustrates our technology system:



Notes:

1. Intelligent inventory replenishment module;
2. Zhiku management system (智庫);
3. Together known as our digitalized supply chain tools for international operation;
4. Zhizhu Network (知珠網)

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*Technology workforce.* As of December 31, 2021, 301 of our employees were engaged in research and development activities, representing 7.2% of our total employee number. Among these employees, approximately 13.3% have master's degrees or above.

*SAP ERP system.* At the core of our technology capabilities is our SAP ERP system, which has different modules or sub-systems that connect and manage different aspects of our business operation, including warehouse management, merchandising, sales, consumer and transaction data, human resource and finance. Our other technology systems are integrated with the SAP ERP system, thereby allowing data sharing and better coordination across systems.

*Digitalized supply chain management.* Our digitalized supply chain management is supported by our supply chain management system, product lifecycle management system, proprietary intelligent inventory replenishment module, digitalized supply chain tools for international operation, proprietary Zhizhu Network (知珠網) and Zhiku Management System (智庫), and online quality control systems.

- Supply chain management system. Our supply chain management system connects us with our suppliers, and it can give suppliers access to certain sales data on our end for better production coordination. By integrating suppliers into our supply chain management process, our supply chain management system also allows us to plan, manage and monitor every step of the supply chain process, leading to improved inventory management and shorten order and reorder lead time.
- Product lifecycle management system. To facilitate input of design ideas and concepts from store managers and assistants across our store network, we have developed a proprietary module on the product lifecycle system on which frontline workers provide a rich and constant supply of the latest ideas and consumer information that serve as the basis for the next successful product design. In addition, the core processes of product development are digitalized and modularized in the product lifecycle management system through close and efficient collaboration of our designers, product managers, and other participants. The product lifecycle system thus evolves the traditional manufacturing process into a consumer-driven process by connecting the strong manufacturing ability of our large supplier network with our unique customer insights and massive data.
- Inventory replenishment module. Trained by massive data collected from our SAP ERP system and normalized through a comprehensive process, the algorithms underlying the inventory replenishment module output a demand forecast for a particular inventory unit to ensure healthy levels of stock. Further, by analyzing store location (which affects the number and demographics of store visitors), historical sales, weather, shelf arrangement and store layout, this module also customizes the stock mix of each store to offer a unique mix of choices to consumers. As a result, the inventory replenishment module has helped us significantly enhance the inventory management efficiency of MINISO and TOP TOY stores.

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- Digitalized supply chain tools for international operation. To connect our vast network of international MINISO stores with our supplier base in China, we have developed smart supply chain tools specifically for our international operation, including the MINISO Electronic Ordering System (“EOS”) and the MINISO Ordering System (“MOS”). The EOS serves the “warehouse to warehouse” part of the international supply chain, connecting the warehouses of our international stores with Chinese suppliers through our central management. The MOS digitalizes the “warehouse to store” path, helping stores in various parts of the world manage their inventories. Traditionally, international store operators usually rely on subjective estimates of future sales when placing advance orders and managing inventories and spend substantial amounts of time on offline ordering meetings, often resulting in inefficiencies and wastes. The EOS and MOS systems were designed specifically to solve these pain points with their intelligent sales forecast and ordering recommendations. The systems generate tailor-made sale forecasts based on a comprehensive analysis of past sales, product popularity gauged through online communication channels, marketing plans and other data, and based on such sale forecasts, the systems make ordering recommendations to the stores.
- Zhizhu Network (知珠網) and Zhiku Management System. Our proprietary Zhizhu Network (which focuses on the international markets) and Zhiku Management System (which focuses on China) enable us to monitor and discover popular hits on major social media platforms and automate rapid identification of new and emerging trends, which maximize our ability to react quickly to rapidly changing consumer tastes and preferences. With natural language processing capabilities embedded, Zhizhu Network and Zhiku Management System can conduct detailed analyses of positive and negative online comments on the large number of products it researches, guiding our product managers and designers in developing and optimizing products to address evolving consumer needs.
- Online quality control systems. Leveraging the SAP ERP system, we have developed digitalized quality control systems: a supplier quality control system and a “big-data quality risk control system.” The supplier quality control system is built into a module within our supply chain management system, and it supports each step of our quality control throughout the product lifecycle, from supplier qualification assessment and research and development quality management to product testing and consumer feedback. The “big-data quality risk control system” collects and analyzes information on potential quality issues from external channels, such as government inspections, consumer complaints and social media, and presents useful data that help us identify and take appropriate actions to address quality problems.

*Digitalized operational capabilities.* Leveraging our big data analytics and artificial intelligence (AI) technologies, we have developed strong digitalized operational capabilities to enhance and streamline store operation, which are exemplified by our self-developed mobile intelligent store management tools and AI store monitoring system.

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- Mobile intelligent store management tools. Our self-developed mobile intelligent store management tools consist of a merchandise display management system and an AI assistant to store managers. The merchandise display management system is designed to visualize, synchronize and optimize shelf display management at MINISO and TOP TOY stores. By digitalizing the management of merchandise placement in each store, it allows us to centrally and digitally manage and adjust merchandise display in each store, monitor the in-store stock of specific products, and optimize product replenishment. The AI assistant to store managers provide store managers with real-time inventory level, product sales trends, pricing information, and other important store operating metrics and their analytics, empowering the store managers to enhance merchandise management and streamline store operation. It also assists store managers in monitoring stores to ensure precise product curation and standardized staff operations, helping them guide staff performance and deal with store emergencies in a timely manner.
- AI store monitoring. We have adopted AI image recognition technologies for store management, which facilitate real-time automatic store-level management including store layout check, and order or payment fraud detection, among other things.

*Digitalized consumer engagement and marketing tools.* We have invested significantly in digitalizing and enhancing direct consumer engagement by employing intelligent consumer profiling technologies and targeted marketing efforts informed by data analytics.

- Intelligent consumer profiling. We have developed intelligent consumer-profiling technologies to take advantage of the insights derived from our engagement with consumers to create customized consumer profiles to inform our marketing efforts.
- Targeted marketing. We engage in highly accurate and specialized marketing efforts through various digital channels. Leveraging our big data and AI capabilities, we are able to deliver unique and continuously optimized content, including personalized coupons and product recommendations, to each targeted individual through personalized channels.

In the fiscal year ended June 30, 2021 and the six months ended December 31, 2021, our research and development expenses accounted for 0.2% and 0.3% of our total revenues and 0.9% and 1.2% of our total operating expenses, respectively.

### DATA PRIVACY AND SECURITY

We are committed to protecting consumers' personal information privacy and security, and we have an internal team dedicated to handling data privacy and security. We have obtained and implemented a series of policies on data collection, processing and usage, such as a data protection policy, a set of third-party information security guidelines and an incident response policy. We have obtained the ISO/IEC 27001:2013 information security certification and the

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ISO/IEC 27701:2019 privacy protection certification issued by the British Standards Institution, an internationally renowned standards body. These certifications attest to the sufficiency of our information security and privacy protection measures.

We follow strictly the relevant laws and regulations, including the recently promulgated Regulations on the Administration of Cyber Data Security (《網絡數據安全管理條例》), in collecting the personal information of consumers, and we conduct regular self-inspections and correct any irregularities found to ensure our maximum protection of each consumer's personal information. For details on our compliance with PRC laws on protection of personal information, see "Risk Factors – Risks Related to Our Business and Industry – Failure to protect personal or confidential information against security breaches could subject us to significant reputational, financial and legal consequences and substantially harm our business and results of operations."

*Data protection policies.* We have a company-wide data protection policy that sets data protection and security standards internally and regulates the collection, handling, storage and transferring of data pertaining to suppliers, consumers, business partners and employees. After (a) reviewing the internal control report issued by the Company's internal control consultant, in which no material deficiency related to data protection procedures has been identified by the internal control consultant during the process of preparing for the Listing; (b) reviewing the PRC legal opinion and the data and cybersecurity due diligence report and discussing with the PRC Legal Adviser on issues set out in the PRC legal opinion and the data and cybersecurity due diligence report and noted that, no material issue related to personal data collection has been identified by the PRC Legal Adviser; and (c) discussing with the management of the Company on, among others, the internal control measures on personal data collection, nothing has come to the attention of the Joint Sponsors that would cause the Joint Sponsors to cast doubt on the effectiveness of the Group's internal control measures regarding personal data collection.

*Third-party information security guidelines.* These guidelines govern how we manage interactions with suppliers and service providers to ensure information security and data protection, and they stipulate the responsibilities, procedures and requirements to be followed by our employees in managing information security and data privacy with suppliers and service providers. These procedures include, but are not limited to, requiring any employee, agent or outsourcing partner of the supplier or service partner to sign a confidentiality agreement that forbids unauthorized disclosure and provides for handling method of any personal data from our side.

*Incident response policy.* Our incident response policy implements the incident response mandate provided in the data protection policy, describes the incident response plan that has to be followed by relevant personnel through the incident lifecycle, and ensures quick detection and reporting of and response to data leakage incidents.

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We currently use third-party clouds to host our network infrastructure. The third-party cloud service providers have extensive encryption protocols and other security measures in place to safeguard our data. To help ensure the confidentiality and integrity of our data, we take comprehensive and rigorous data security measures. We back up our consumer and other forms of personal data on a regular basis to minimize the risk of data loss. We also conduct frequent reviews of our back-up systems to help ensure that they function properly and are well maintained.

Despite the data privacy and security policies and measures adopted, there is no guarantee that advances in technology, the expertise of hackers, new discoveries in the field of cryptography or other events or developments will not result in a compromise or breach of the technology that we use to protect confidential information. See “Risk Factors – Risks Related to Our Business and Industry – Failure to protect personal or confidential information against security breaches could subject us to significant reputational, financial and legal consequences and substantially harm our business and results of operations.”

### INTELLECTUAL PROPERTY

We regard our trademarks, domain names, know-how, trade secrets and similar intellectual property as critical to our success, and we rely on trademark and copyright law and confidentiality and non-compete agreements with our employees and others to protect our proprietary rights. As of December 31, 2021, we had entered into collaboration with 75 IP licensors around the world. We had 584 trademarks, 243 patents, 267 copyrights relating to various aspects of our operations, and 6 registered domain names (including *www.miniso.com*) in China as of December 31, 2021. In addition, we owned trademarks in over 109 countries and regions as of December 31, 2021.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material intellectual property infringement claims or product liability claims.

### COMPETITION

The global branded variety retail market and pop toy market in China are intensely competitive and fragmented. While we do not believe there are many variety retailers competing with us at the global level, we face fierce competition from variety retailers in local markets. In addition, we also face competition from traditional retailers, including specialty retail stores, supermarkets and department stores, and online retailers, that sell lifestyle and pop toy products.

We believe that we are positioned favorably against our competitors on the basis of (i) our fast-growing store network, (ii) our frequently-refreshed product assortment with universal appeal, (iii) our efficient and digitalized supply chain, (iv) our in-depth know-how and digitalization, which drive our operational excellence, (v) our multi-channel operation and consumer engagement, (vi) our global scalability and capability penetrating into various tiers of cities, and (vii) our experienced founder and entrepreneurial management team. These



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competitive advantages all contribute to the core value propositions of our products, which remain the key attraction to consumers around the globe. See “Risk Factors – Risks Related to Our Business and Industry – We face intense competition. We may not be able to maintain or may lose market share and consumers if we fail to compete effectively.”

### EMPLOYEES

We had a total of 4,205 full-time employees as of December 31, 2021. As of December 31, 2021, 2,413 of our full-time employees are located in China and 1,792 full-time employees are located in certain overseas countries. The following table sets forth the numbers of our full-time employees in China and overseas categorized by function as of December 31, 2021.

<b>Function</b>	<b>Number of Employees in China</b>	<b>Number of Employees in Overseas Countries</b>
Product Development and Supply Chain		
Management	705	35
General and Administrative	570	76
Operations	515	1,561
Sales and Marketing	247	16
Technology	301	6
Business Development	54	11
Logistics	21	87
<b>Total</b>	<b>2,413</b>	<b>1,792</b>

Our success depends on our ability to attract, motivate, train and retain qualified personnel. We adopt high standards in recruitment with strict procedures to ensure the quality of new hires. We use various methods for our recruitment, including campus recruitment, online recruitment, internal recommendation and recruitment through headhunter firms or agents, to satisfy our demand for different types of talents. We believe we offer our employees competitive compensation packages and an environment that encourages self-development and creativity. We provide training programs for our employees in order to enhance their professional and technical skills and understanding of our industry. We design and offer different training programs for employees at different positions and departments based on their differing needs. As a result, we have generally been able to attract and retain qualified personnel. We believe that we maintain a good working relationship with our employees, and we have not experienced any work stoppages due to labor disputes in the past. None of our employees are represented by labor unions.

Under applicable laws, we participate in various government statutory employee benefit plans, including social insurance funds, namely, medical insurance, maternity insurance, workplace injury insurance, unemployment insurance, and pension benefits, as well as a

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housing provident fund. We are required under applicable laws to contribute to employee benefit plans at specified percentages of the salaries, bonuses, and certain allowances of our employees up to a maximum amount specified by the local government from time to time. Bonuses are generally discretionary and based in part on employee performance and in part on the overall performance of our business. We have granted, and plan to continue to grant, share-based incentive awards to our employees in the future to incentivize their contributions to our growth and development. During the Track Record Period, certain of our PRC subsidiaries made insufficient contributions to social security insurance and housing provident fund. The unpaid social security insurance contribution amounted to RMB4.7 million, RMB2.5 million, RMB6.8 million and RMB8.9 million in the fiscal years ended June 30, 2019, 2020 and 2021 and the six months ended December 31, 2021, respectively. The unpaid housing provident fund amounted to RMB0.8 million, RMB1.6 million, RMB3.1 million and RMB2.8 million in the fiscal years ended June 30, 2019, 2020 and 2021 and the six months ended December 31, 2021, respectively. If we were ordered to make such payment, we would do so within the prescribed period. As of the Latest Practicable Date, no material administrative action, fine or penalty had been taken or imposed by the relevant regulatory authorities against us with respect to our social security insurance contributions or housing provident fund, nor had we received any order or been informed to settle the under-contributions. Moreover, as of the Latest Practicable Date, we were not aware of any complaint filed by any of our employees regarding our social security insurance and housing provident fund policy. For social security insurance, pursuant to the Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilizing the Levy of Social Security 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》) promulgated on September 21, 2018, administrative enforcement authorities are prohibited from organizing and conducting centralized collection of enterprises' historical social security insurance arrears.

As advised by our PRC Legal Adviser, based on the relevant regulatory policies, our confirmation of the factual background and other basis as stated above, and the compliance confirmations from relevant authorities, the likelihood that we would be subject to material administrative penalties due to our failure to provide full social security insurance and housing provident fund contributions for our employees is remote. For details, see “Risk Factors – Risks Related to Doing Business in China – Risks Increases in labor costs and enforcement of stricter labor laws and regulations in China may adversely affect our business and our profitability.” During the Track Record Period and up to the Latest Practicable Date, we did not receive any notice or penalty from the relevant authorities or any claims or complaints from employees.

We enter into standard labor contracts with our employees. We also enter into standard confidentiality agreements with all of our employees and non-compete agreements with our key employees. The non-compete restricted period typically expires two years after the termination of employment period. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material strikes, protests or other labor conflict or dispute.

**HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS**

We do not operate any significant production facilities. To ensure compliance with applicable laws and regulations, from time to time, our human resources department would, if necessary, adjust our human resources policies to accommodate material changes to relevant labor and work safety laws and regulations.

During the Track Record Period and up to the Latest Practicable Date, we have complied with relevant health, work safety, social or environmental laws and regulations in all material respects, and did not have any accident, or claim for personal or property damage made by our employees which had materially and adversely affected our financial condition or business operations. During the Track Record Period and up to the Latest Practicable Date, we did not experience any major safety incident that occurred in the course of our business operations.

Since we were founded, we have been highly committed to supporting and participating in social responsibility projects that align with our values, and have initiated multiple charity projects and taken concrete actions to help support children, women, and those who suffer from serious illness and disasters. In recent years, we have ramped up efforts in channeling our resources to address the challenges of people in need, seeking new ways to positively impact the communities around us and working with our partners in various sectors to create a new philanthropy system all over the world. In early 2021, together with the China Charities Aid Foundation for Children, a leading Chinese non-governmental organization established to support marginalized and vulnerable children in China with respect to their education, health, and growth, we launched a charity initiative that offers health and well-being education to “left-behind” girls to raise their awareness about personal hygiene and sanitation. Under this joint initiative, we also aim to direct public and corporate attention to the health conditions of young girls living in rural areas, thereby improving their access to better sanitary condition. We have also devoted significant resources in fighting against the COVID-19 pandemic.

In addition, we developed and sold a MINISO-branded, penguin-shaped Penpen plush toy to draw public attention to global warming and climate change, as studies showed that global warming was heavily impacting penguins’ feeding grounds and their living environment. To contribute to a reforestation program in South America’s Andes Mountains, between November 2021 and February 2022, we donated US\$1.33 for every Penpen plush toy we sold at selected MINISO stores, with the donation totaling US\$153,300, to Acción Andina, a multi-country initiative to restore forests in Andes Mountains. Our donation will be used to plant 115,000 trees in the Andes Mountains. After a severe flood caused by heavy rainfall devastated Henan province in China in July 2021, we also donated emergency supplies with a total worth of RMB5 million to aid the disaster relief operations.

We are committed to social responsibilities, and consider environmental, social and governance (“ESG”) essential to our continuous business development and success. We believe that we have adequate policies and procedures in place to ensure compliance with ESG-related laws and regulations, including management systems and procedures relating to worker health and safety requirements, quality control, and emergency planning and response.

Our Board will adopt an ESG policy to take effect upon the Listing, which sets out our key ESG-related objectives and responsibilities. Pursuant to this ESG policy, our Board is required to review and supervise our day-to-day management of ESG matters and take full responsibilities for the decision-making and reporting with regard to ESG-related work. In addition, under this ESG policy, our Board is required to evaluate our ESG risks to ensure that we have an appropriate and adequate ESG risk management and monitoring system in place, and our management team is tasked with confirming to our Board about the effectiveness of such system. Our Board is also required under the ESG policy to regularly examine and evaluate the implementation of our ESG policies and any possible deficiencies and make comprehensive public disclosures on ESG matters on an annual basis. Our Board will also review the ESG policy to ensure its effectiveness and discuss and approve any revision that may be required from time to time.

### **Impact of ESG risks**

We have identified the following ESG risks which we consider material and may have an impact on our business, strategy or financial performance:

- (i) *Product safety and quality.* Our product safety guidelines and policies, standards and procedures, inspections and checks, and training on proper product safety practices, among others, may not be adequate. As a result, we may be subject to risks of receiving consumer complaints or governmental penalties and our reputation may be adversely impacted.
- (ii) *Supply chain management.* Responsible sourcing and sound supply chain management are essential for us to ensure reliable product quality and sustainability along our supply chain. If we are unable to select quality third-party suppliers or monitor, audit and manage different parties in the supply chain, we may be subject to risks of suppliers' non-compliance with applicable laws and regulations and unethical practices, which could diminish our competitiveness and harm our reputation.
- (iii) *Climate change adaption.* Floods, typhoons, storms, and other extreme weather conditions and natural disasters may cause price volatility of raw materials, fluctuation in supply and physical damage to stores under our brands, our office facilities and our suppliers' facilities, pose safety risks to our staff and lead to delayed product delivery by our suppliers, among other consequences. Besides, against the backdrop of the PRC's carbon peak and neutrality goals, we may incur additional costs to purchase new energy, replace undegradable packaging, promote sustainable sourcing and engage in low-carbon product innovations.
- (iv) *Environmental compliance.* We are subject to relevant environmental laws, regulations and standards in jurisdictions where we have operations. Regulators may impose more stringent environmental requirements and standards on us. For example, we may have to switch to cleaner energy and more energy efficient

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operating equipment, and further reduce use of environmentally unfriendly raw materials and packaging materials and emissions of wastewater and other pollutants, which may increase our operating costs.

### **Identification, assessment, management and mitigation of ESG risks**

We actively identify and evaluate ESG risks, and formulate and assess strategic plans and mitigating measures. We have adopted the following measures to identify, assess, manage and mitigate ESG risks.

#### ***Product safety and quality***

We comply with relevant laws and regulations regarding products safety in all material respects and are prudent in every aspect from quality of raw materials to production, packaging, delivery, storage and distribution of products. For details of PRC laws and regulations in this respect, please see “Regulations – PRC – Regulations Relating to Our Industry and Products – Regulations Relating to Product Quality and Consumers Protection.” Set forth below are the various measures that we undertake to manage and mitigate risks relating to food safety and quality:

- (i) requiring our manufacturers to strictly follow any applicable laws, regulations and industry standards related to raw material quality, manufacturing process, contamination, and other factors that may affect product safety and quality;
- (ii) requiring our store managers, MINISO Retail Partners and distributors to regularly examine in-store product safety and quality;
- (iii) having third-party evaluators conduct external review of product safety and quality;
- (iv) deploying our quality assurance team to carry out internal checks based on stringent auditing standards;
- (v) sampling and testing raw materials and finished products, monitoring production conditions, and filtering and recalling nonconforming raw materials and finished products;
- (vi) monitoring the compliance by our store employees, MINISO Retail Partners and distributors of product safety standards and process;
- (vii) making product safety and quality one of the key performance metrics in the performance evaluation for store managers and imposing penalties on store managers or regional managers for failure to observe our product safety and quality policies; and

- (viii) requiring our staff to participate in mandatory trainings and tests relating to product safety, with the focus on relevant regulations and standards, our internal policies, prevention of safety issues, sanitation and other topics.

### ***Supply chain management***

We have established a supplier approval process, through which suppliers must provide relevant qualifications or certifications, such as their business licenses or production and operation licenses, and demonstrate legal compliance with environmental and social policies prior to approval. We classify our suppliers by level from “one-star” suppliers to “five-star” suppliers based on quarterly and annual evaluations of a wide range of criteria, such as product quality, timely delivery, cost, research and development level and quality of services. One-star suppliers are considered unqualified and may be terminated.

Through contract terms such as those stipulating that our suppliers’ obligations to compensate us for losses arising from defects in product quality, we ensure that the manufacturers we collaborate with obey our quality control standards. See “–Our Suppliers.”

### ***Climate change adaptation***

We are committed to conserving energy and reducing our carbon footprint. We primarily consume electricity in our operational activities. These are the main sources of our greenhouse gas emissions. To reduce our greenhouse gas emissions and conserve energy, we have adopted measures such as (i) continuously looking for effective ways to reduce energy use and thus our carbon footprint; and (ii) promoting various energy-saving initiatives among our employees, such as paper-free work and limiting the use of single-use products. We use kWh per million revenue as a metric to monitor the effectiveness of our energy conservation efforts. Thanks to such efforts, we have witnessed a decreasing trend in kWh per million revenue during the Track Record Period. In the fiscal years ended June 30, 2019, 2020 and 2021 and the six months ended December 31, 2021, we recorded 324.7 kWh, 293.3 kWh, 281.5 kWh and 256.3 kWh, respectively, per million revenue. We have set a target of further reducing electricity power usage per million revenue to 240.0 kWh and currently expect to achieve such target in the next three years.

Besides, we have established a crisis management team and formulated internal crisis management policies to minimize our risk exposure in the event of rainstorms, floods, earthquakes or other extreme weather conditions or natural disasters.

### ***Environmental compliance***

During our daily operations, we generate waste packaging and other materials such as plastic, cardboard and paper. We also discharge wastewater from stores and offices. We maintain compliance with laws and regulations governing environmental protection.

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Furthermore, we have been proactive in addressing environmental issues. The following sets forth the various measures we take to ensure compliance with environmental laws and regulations and minimize the impact of our operations on the environment and natural resources:

- (i) limiting the use of plastic, cardboard, paper and other materials for product packaging and storage to avoid environmental pollution and conserve forests;
- (ii) popularizing the use of degradable and recyclable packaging and carryout bags for use by consumers;
- (iii) developing and incorporating eco-friendly elements, such as use of recycled materials, in the products we sell;
- (iv) adopting a stringent recycling policy to ensure proper recycling of materials used and discharged from store operations;
- (v) discharging sewage into urban sewage systems with the aim to cause little pollution to the environment; and
- (vi) employee education on environmental protection.

We use quantifiable metrics to monitor the progress made. For example, we monitor the percentage of plastic bag use in stores (number of plastic bags used divided by the total number of plastic and paper bags used) under our brands to measure the effectiveness of our efforts to limit the use of plastic bags, which are generally less environmentally friendly than paper bags. In the fiscal years ended June 30, 2020 and 2021, that percentage was 98% and 87%, respectively, while the percentage of paper bag use increased from 2% to 13%. We intend to continue such efforts and maintain a lower-than-90% percentage of plastic bag use in the near future.

In particular, we are increasingly aware of the environmental impact made by the large number and variety of the products that we design, engage manufacturers to produce, and sell. We have been striving to develop eco-friendly products as part of our contribution to the global efforts in environmental protection. For example, we are planning to launch in the near future a series of product, including small plush toys, lifestyle products, stationary, cosmetics, bags and others, that use 100% recycled materials or natural and plastic-materials and/or are manufactured by suppliers that are certified by the Forest Stewardship Council (FSC). We have also developed a “MINISO ECO” logo specifically for products that are plastic-free, easily recyclable, renewable, repeat-use, BPA (Bisphenol A)-free and/or lead-free. This LOGO has been used on a number of products and is expected to be more broadly adopted as we expand our eco-friendly product offerings.

### **RISK MANAGEMENT AND INTERNAL CONTROL**

We have devoted ourselves to establishing and maintaining risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations, and we are dedicated to continuously improving these systems.

We have adopted and implemented comprehensive risk management policies in various aspects of our business operations, such as financial reporting, internal control, regulatory compliance, and human resources.

#### **Financial Reporting Risk Management**

We have in place a set of accounting policies in connection with our financial reporting risk management, such as financial reporting management policies, budget management policies, treasury management policies, financial statements preparation policies and finance department and staff management policies. We have various procedures and information technology systems in place to implement our accounting policies, and our finance department reviews our management accounts based on such procedures. We also provide regular training to our finance department employees to ensure that they understand our financial management and accounting policies and implement them in our daily operations.

Prior to our initial public offering in the United States in October 2020, we were a private company with limited accounting personnel and other resources with which to address our internal control and procedures over financial reporting. In preparing our consolidated financial statements for the fiscal years ended June 30, 2019 and 2020 included in our registration statement on Form F-1 filed in connection with our initial public offering in the United States, we and our independent registered public accounting firm identified one “material weakness” in our internal control over financial reporting, as defined in the standards established by the Public Company Accounting Oversight Board of the United States, and other control deficiencies. A “material weakness” is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our company’s annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness identified was related to our lack of sufficient financial reporting and accounting personnel with an appropriate level of knowledge, experience and training in the application of IFRS and SEC reporting requirements to formalize, implement and operate key controls over financial reporting process in order to prepare, review and report financial information, and to properly address complex accounting issues and related disclosures in accordance with IFRS and financial reporting requirements set forth by the SEC.

To remedy the identified material weakness and the other control deficiencies, we adopted measures to improve our internal control over financial reporting, including without limitation, (i) hiring additional qualified accounting and financial personnel with appropriate knowledge and experience in IFRS accounting and SEC reporting, (ii) organizing regular trainings for our accounting staffs, especially trainings related to IFRS and SEC reporting requirements, and



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(iii) formulating IFRS accounting policies and procedures manual, which will be maintained, reviewed and updated, on a regular basis, to the latest IFRS accounting standards. As of June 30, 2021, we determined that the above-mentioned material weakness had been remediated. See “Risk Factors – Risks Related to Our Business and Industry – If we fail to remediate our material weakness in our internal control over financial reporting, develop and maintain an effective system of internal control over financial reporting, we may be unable to accurately report our financial results or prevent fraud.”

During the process of preparing for the Listing, we engaged an internal control consultant to perform a review over selected areas of the internal control of our Company and our major operating subsidiaries and a follow-up review from January to March 2022, pursuant to the relevant technical bulletin AATB1 issued by the Hong Kong Institute of Certificate Public Accountants. The scope of the internal control review performed by the internal control consultant was agreed in advance between our Company, the Joint Sponsors and the internal control consultant. The selected areas of review include entity-level controls and business process level controls covering financial reporting, treasury, sales and receivables, purchase and payables, distributors management, store management, human resource, inventory, fixed assets, tax, insurance and IT general control. As of the Latest Practicable Date, no material issues in relation to the Company’s sufficiency of financial reporting and accounting personnel with an appropriate level of knowledge, experience and training had been identified by the internal control consultant after those agreed procedures were performed.

In relation to the material weakness in relation to sufficiency of financial reporting and accounting personnel with an appropriate level of knowledge, experience and training that was identified during our initial public offering in the United States, we have taken rectification actions accordingly. The internal control consultant performed a review afterwards and no material issues had come to their attention after performed certain agreed procedures in relation to the sufficiency of financial reporting and accounting personnel with an appropriate level of knowledge, experience and training. No further recommendation has been provided by the internal control consultant.

Our Directors are of the view that our internal control is adequate because (i) we have sufficient financial reporting staff with corresponding experience and qualifications; (ii) we regularly hold financial reporting trainings such as IFRS and SoX internal control training; (iii) we formulated accounting guidelines and procedures in accordance with IFRS and will timely review and update the guidelines and procedures to reflect the latest changes in IFRS; (iv) we have separation of duties between financial accounting personnel and reporting supervisors; and (v) we have a complete reporting and monitoring mechanisms for major transactions and events or financial accounting matters.

After (a) reviewing the enhanced internal control procedure manuals of the Group, and the internal control report issued by the Company’s internal control consultant; and (b) discussions with the management of the Company and the internal control consultant on, among others, the enhanced internal control procedures with respect to financial reporting process of the Company, it is noted that no material issues related to financial reporting process

regarding the Company's lack of sufficient financial reporting and accounting personnel with an appropriate level of knowledge, experience and training in the application of IFRS and SEC reporting requirements had been identified by the internal control consultant, and nothing has come to the attention of the Joint Sponsors that the Group's internal control measures are not adequate or effective.

### **Internal Control Risk Management**

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. Our legal, finance and other departments work closely together to: (a) perform risk assessments and give advice on risk management strategies; (b) improve business process efficiency and monitor internal control effectiveness; and (c) promote risk awareness throughout our company.

In accordance with our internal procedures, our in-house legal and finance departments review due diligence materials and contracts of suppliers and customers, and works with relevant business units to obtain and maintain requisite governmental approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities within the prescribed regulatory timelines.

To manage the accuracy of publication materials, such as those related to identity of independent designers, we apply strict standards to our publicity, whether on our website, social media, or product packages. For example, all the designers appearing on those media have entered into formal agreements with us, and we have a dedicated review team in regular communication with our business personnel to ensure that accurate and up-to-date information is released for publicity purposes. We have also adopted stringent internal measures in the management of our designers and to prevent IP infringement in our product design. For example, before the launch of a new product, we evaluate the IP-related risks of the product, conduct a potential patent infringement search for a high-risk product, and modify the design or cancel the launch of a high-risk product. We provide regular trainings on patent protection for our product managers and in-house designers, and through indemnification and other contractual arrangements with external designers, we seek to minimize our exposure to potential product design IP disputes. After (a) reviewing the internal control report issued by the Company's internal control consultant, in which no material deficiency related to IP management procedures has been identified by the internal control consultant during the process of preparing for the Listing; (b) discussing with the management of the Company and the internal control consultant on, among others, the internal control measures with respect to IP management of the Company; (c) discussing with the PRC Legal Adviser on Company's compliance with relevant IP laws and regulations during the Track Record Period, and (d) reviewing other related documents including, among others, (i) the Group's internal control policy regarding IP management, (ii) internal procedures and response plan for potential IP infringement regarding products, and (iii) internal training materials regarding IP management, nothing has come to the attention of the Joint Sponsors that would cause the Joint Sponsors to cast doubt on the effectiveness of the Group's internal control measures regarding IP management.

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We continually review the implementation of our risk management policies and measures to ensure our policies and implementation are effective and sufficient.

### **Audit Committee Experience and Qualification and Board Oversight**

We have established an audit committee to monitor the implementation of our risk management policies across our company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations.

The audit committee consists of three members, namely Ms. Lili Xu, Mr. Yonghua Zhu and Mr. Yongping Wang, all of whom are independent non-executive directors. Ms. Lili Xu is the chairperson of the audit committee. For the professional qualifications and experiences of the members of our audit committee, see “Directors and Senior Management.”

We also maintain an internal audit department which is responsible for reviewing the effectiveness of internal controls and reporting to the audit committee and senior management on any issues identified. Our internal audit department members hold regular meetings with management to discuss any internal control issues we face and the corresponding measures to implement toward resolving such issues. The internal audit department reports to the audit committee to ensure that any major issues identified are channeled to the committee on a timely basis. The audit committee then discusses the issues and reports to the board of directors, if necessary.

### **Ongoing Measures to Monitor the Implementation of Risk Management Policies**

Our audit committee, internal audit department and senior management together monitor the implementation of our risk management policies on an ongoing basis to ensure our policies and implementation are effective and sufficient.

### **Complaint Handling**

We provide contact information on the interfaces of our website, mini-programs and our products for our consumers to ask questions and solve potential problems. Our consumers can lodge any complaint they may have via email, telephone and other methods. Any complaint received will be handled by the relevant business department, including verification and response. We did not receive any material complaints from consumers or platform users and had no material product recalls during the Track Record Period and up to the Latest Practicable Date.

### **Regulatory Compliance and Legal Risk Management**

Compliance risk refers to the risk of being subject to legal and regulatory sanctions, and the risk of major financial and reputational losses as a result of our failure to comply with relevant laws, regulations, rules and guidelines. Meanwhile, legal risk refers to the risk of legal liability arising from violations of laws and regulations, breaches of contracts, infringements on the legal rights of others or otherwise in connection with any contract or business activity in which we are involved.

In order to manage our compliance and legal risk exposures effectively, we have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. We maintain internal procedures to ensure that we have obtained all material requisite licenses, permits and approvals for our business operation, and our legal team conduct regular reviews to monitor the status and effectiveness of those licenses and approvals. Our in-house legal department works with relevant business departments to obtain requisite governmental approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities within the prescribed regulatory timelines. As of December 31, 2021, our legal team consisted of 18 employees who had more than 4 years of experience on average practicing PRC law.

### **Human Resources Risk Management**

We have established internal control policies covering various aspects of human resource management such as recruiting, training, work ethic and legal compliance. The demand in our industry for qualified talent is intense and we may be adversely affected by the departure of any key employees. See “Risk Factors – Risks Related to Our Business and Industry – Our success depends on the continuing and collaborative efforts of our management team and other key personnel, and our business may be severely disrupted if we lose their services.” Each of our senior management team and key employees has entered into with us an employment agreement containing confidentiality, intellectual property and non-competition provisions.

We also require our staff to conform to high ethical standards. We have in place an employee handbook and a code of conduct which is distributed to all our employees. The handbook contains internal rules and guidelines regarding work ethics, fraud prevention mechanisms, negligence and corruption. We provide employees with regular training, as well as resources to explain the guidelines contained in the employee handbook. We also provide regular and specialized training tailored to the needs of our employees in different departments, through which we enable our employees to better comply with applicable laws and regulations in the course of conducting business.

We also have in place anti-corruption policy to safeguard against corruption within our company. We have an internal reporting channel that is open and available for our employees to report any suspected corrupt acts anonymously. We have a team that is responsible for investigating the reported incidents and taking appropriate measures.

**U.S.-China Trade Tensions**

Our operations are subject to risks arising from international geopolitical and trade tensions. See “Risk Factors – Risks Related to Our Business and Industry – Our international operations are subject to a variety of costs and legal, regulatory, political and economic risks” and “Risk Factors – Risks Related to Our Business and Industry – Changes in international trade policies, or the escalation of tensions in international relations, particularly with regard to China, may adversely impact our business and operating results.” Our Directors are of the view that the recent developments in China’s relationships with other countries, particularly the U.S., would not, in any material way, affect our ability to carry out business with customers and collaboration with business partners in the U.S. and other countries, as well as our operations and financial performance in the near future, for the following reasons: (i) Although we consider the U.S. to be one of the strategic markets, our current business in the U.S. remains early-stage. As of December 31, 2021, the number of our U.S. stores constituted approximately 1% of our total number of stores, and our revenue from the U.S. was also insignificant throughout the Track Record Period; and (ii) According to the Frost & Sullivan Report, in general, lifestyle products have been and are expected to be relatively less affected by the tariff increases that have been seen in the context of the U.S.-China trade tensions, and therefore, as a lifestyle product retailer, we expect the impact on our business from increased tariffs to be limited.

We are taking contingency measures to further mitigate the risks associated with international geopolitical and trade tensions. For example, we have adopted strict policies related to cross-border data transmission, keeping domestic and international data separately stored and managed, to ensure data security and compliance. In addition, we are improving our local sourcing capabilities in the U.S. and other international markets not only to lower procurement costs but also to mitigate risks from cross-border trade tensions. For example, in the U.S., we have adopted the following measures to improve our local sourcing capabilities: (i) sending product teams to the U.S. to assist with development of localized products, and at the same time, hiring more people with expertise and deep understanding of the local supply chain to expand our local supplier network in the U.S.; and (ii) expanding our store network in the U.S., which allows us to leverage the increasing procurement volume as a result of our scale in our engagement and price negotiation with local suppliers. The number of MINISO stores in the U.S. reached 54 as of March 31, 2022, representing a year-over-year increase of 74%.

Having considered (i) the number of stores in the U.S. during the Track Record Period; (ii) the insignificant revenue contribution from the U.S. during the Track Record Period; (iii) the Company’s products price mechanism in the U.S.; and (iv) the contingency measures taken to mitigate the risks associated with international geopolitical and trade tensions mentioned above, the Joint Sponsors concurred with the view of the Directors that the recent developments in China’s relationships with other countries, particularly the U.S., would not, in any material way, affect our ability to carry out business with customers and collaboration with business partners in the U.S. and other countries, as well as our operations and financial performance in the near future.

### **Transfer Pricing**

During the Track Record Period, our intra-group transactions primarily included purchase and sale of products among our subsidiaries for the purpose of selling to our MINISO Retail Partners and distributors and provision of various services such as IT services, consulting and general management services. Our subsidiaries in China and certain other countries have engaged tax advisors to assist in the preparation of transfer pricing documentation of intra-group transactions during the Track Record Period. Several steps were taken to conduct the transfer pricing review and benchmarking analysis, mainly including (i) preparing functional analyses for relevant entities; (ii) assessing the appropriateness of various generally accepted transfer pricing methods with respect to the intra-group transactions; (iii) performing benchmarking study and searching for comparable data to establish the comparable profit ranges; and (iv) applying the most appropriate transfer pricing method to the intra-group transactions and reviewing our transfer pricing outcomes. During the Track Record Period and up to the Latest Practicable Date, we have not been involved in any investigation or subject to any penalty in relation to our transfer pricing practice. In light of the above, we are of the view that the intra-group transactions were conducted based on arm's length principle, and that we complied with the relevant transfer pricing law and regulations during the Track Record Period. Based on the (a) discussions with the management of the Company and its tax advisors on, among others, the background, nature and the related tax risks in association with the Group's intra-group transactions as well as the pricing policy between the Group's intra-group transactions; (b) review of relevant documents of intra-group transactions as well as relevant steps and measures taken by the Group to ensure compliance regarding transfer pricing practice; (c) review of PRC legal opinion and tax confirmations letters indicating no administrative penalties records or outstanding tax payment during the Track Record Period, and discussions with the PRC Legal Adviser to understand the tax confirmation letters provided by the competent tax authorities confirm that there have been no records of administrative penalties or outstanding tax payments; and (d) discussions with the Reporting Accountants on, among others, the Group's intra-group transactions conducted during the Track Record Period and the related audit procedures performed by the Reporting Accountants for the purpose of expressing an opinion on the Group's Historical Financial Information as a whole, nothing has come to the attention of the Joint Sponsors that would cause them to disagree with the Company's view above.

### **Brand Protection**

We have adopted a series of measures for brand protection purposes in our engagement with MINISO Retail Partners and distributors.

*Contractual arrangements.* Under our arrangements with MINISO Retail Partners and/or distributors, (i) in terms of product offering, MINISO Retail Partners can only offer products supplied by us, and distributors are not allowed to sell MINISO products outside of MINISO stores licensed by us, or to sell any third-party branded products without our written approval; (ii) in terms of IP and store display, distributors are not allowed to use or display in MINISO

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stores any non-MINISO logo, product, shelf, bag, brochure etc. or use the MINISO logo for any other purpose or in other places outside the agreed scope, and distributors are not allowed to imitate or misappropriate our IP and store display style for the benefit of any third party.

*Store design and decoration.* MINISO Retail Partners and distributors generally follow our instructions in terms of store design, display and decoration to maintain consistent brand image, including purchasing renovation materials from us.

*Policies and supervision.* We have group-level IP protection policies in place that regulate the behaviors of MINISO Retail Partners and distributors. With MINISO Retail Partners, we are deeply involved in store operations and are able to monitor their behaviors that may affect our brands. With distributors, we dispatch brand ambassadors to each overseas market to supervise local operations.

## INSURANCE

We consider our insurance coverage to be adequate as we have in place all the mandatory insurance policies required by applicable laws and regulations and in accordance with the commercial practices in our industry. We maintain various insurance policies to safeguard against risks and unexpected events, including property insurance covering inventory and warehouses. We provide social security insurance for our employees as required by PRC law. We do not maintain business interruption insurance, nor do we maintain key-man insurance. During the Track Record Period, we did not make any material insurance claims in relation to our business. For risk factors relating to our insurance policies, please see “Risk Factors – Risks Related to Our Business and Industry – We have limited insurance coverage, which could expose us to significant costs.”

## PROPERTIES AND FACILITIES

Our corporate headquarters is located in Guangzhou, China, where we lease office space with an area of approximately 30,600 square meters. We generally make rental payments on a monthly or quarterly basis. In addition, as of December 31, 2021, we had also leased office space of approximately 7,500 square meters in 13 other cities in China and approximately 3,500 square meters in 8 countries and regions overseas. We believe that our existing facilities are generally adequate to meet our current needs, but we expect to seek additional space as needed to accommodate future growth. As of December 31, 2021, we had leased a number of warehouses inside China with a total size of approximately 18,700 square meters and 8 warehouses outside of China. Ownership certificates or other similar proof of certain leased properties have not been provided to us by the relevant lessors, and the lease agreements for some of our leased properties in China have not been registered with the relevant PRC government authorities. See “Risk Factors – Risks Related to Our Business and Industry – Our leased property interest may be defective and such defects may negatively affect our right to such leases.” As of December 31, 2021, we owned apartment units in Guangzhou with a total area of approximately 9,491 square meters for employee dormitory.

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We purchased a parcel of land in Guangzhou of approximately 6,557 square meters for our headquarters building project. We obtained the land use rights certificate for this parcel of land on May 9, 2022. As of the Latest Practicable Date, we were still at the foundation construction phase and the construction of the headquarters building was not started yet. We expect that the construction project will be completed by the end of 2025.

As of the Latest Practicable Date, we have obtained title certificates for 194 apartment units in Guangzhou. As of the date of this document, we have also obtained the land use rights certificate for the land in Guangzhou purchased for our headquarters building project. As of the Latest Practicable Date, we have failed to register 46 lease agreements. As advised by our PRC Legal Adviser, since the failure to complete lease registrations within the prescribed period of time after receiving notice from the relevant PRC government authorities may lead to a fine ranging from RMB1,000 to RMB10,000 for each unregistered lease, the maximum aggregate amount of potential administrative penalties is RMB460,000. As of the Latest Practicable Date, we had not been subject to any administrative penalties by the relevant competent authorities in respect of lease registrations, nor had we received any rectification notice from the relevant PRC government authorities regarding lease registrations.

Our servers are primarily hosted at internet data centers owned by major internet data center providers in China. We believe that our current facilities are adequate and that we will be able to obtain additional facilities, principally through leasing, to accommodate any future expansion plans.

## COMPLIANCE AND LEGAL PROCEEDINGS

### Legal Proceedings

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 involved in any actual or pending legal, arbitration or administrative proceedings (including any bankruptcy or receivership proceedings) that we believe would have a material adverse effect on our business, results of operations, financial condition or reputation and compliance. For potential impact of legal or administrative proceedings on us, see “Risk Factors – Risks Related to Our Business and Industry – We may, from time to time, be subject to legal proceedings during the course of our business operations. Our directors, management, shareholders and employees may also from time to time be subject to legal proceedings, which could adversely affect our reputation and results of operations.”

As of the Latest Practicable Date, there were five pending lawsuits relating to IP dispute against the PRC subsidiaries of us in China and none in overseas. The total amount claimed against us was approximately RMB61 million. The table below shows the details of such five pending IP-related lawsuits as of the Latest Practicable Date, among which the fourth and fifth lawsuits are filed by the same plaintiff.



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No.	Date of Suit	Nature of Dispute	Claim Amount	Current Status
1	August 10, 2021	Copyright Infringement	RMB0.5 million	We were held liable for RMB0.11 million damages and cessation of infringement in the first instance trial. The case has been appealed and the hearing is scheduled on June 21, 2022.
2	September 17, 2021	Copyright Infringement	RMB5 million	The case was heard on March 18, 2022 with no judgment delivered yet.
3	September 28, 2021	Patent Infringement	RMB5.5 million	The case is currently on hold since the subject patent <sup>(2)</sup> is in the course of an invalidation proceeding <sup>(1)</sup> .
4	December 6, 2021	Patent Infringement	RMB20 million (including RMB14 million punitive damages)	The case has not been heard and we are preparing for an application to invalidate <sup>(1)</sup> the subject patent <sup>(3)</sup> .
5	December 6, 2021	Patent Infringement	RMB30 million (including RMB22.5 million punitive damages)	The case has not been heard and we are preparing for an application to invalidate <sup>(1)</sup> the subject patent <sup>(3)</sup> .

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(1) Under PRC laws, a patent announced as invalidated is deemed non-existent from the commencement of its grant, in which case it is not entitled to the legal protection available to a valid patent. According to the PRC Patent Law (《中華人民共和國專利法》), any individuals or organizations, including us, may request the patent office to invalidate a patent on the basis that the patent grant does not conform to the PRC Patent Law.

(2) The patent in dispute has been granted to the plaintiff. According to our litigation counsel's assessment, if the subject patent is successfully invalidated, the plaintiff will have no basis for its claim of patent infringement against us.

(3) The patent in dispute has been licensed to the plaintiff. According to our litigation counsel's assessment, if the subject patent is successfully invalidated, the plaintiff will have no basis for its claim of patent infringement against us.

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We are of the view that these lawsuits will not have a material adverse effect on our business or financial conditions based on the facts that (i) the intellectual property rights in dispute were not material to our business because they are used in only a small portion of our products that contribute an insignificant percentage of our total revenue (revenue contribution from such products in China, where the lawsuits are relevant, amounted to RMB33.2 million in the entire Track Record Period), (ii) we offer a wide selection of SKUs to our customers and these lawsuits concern only a small portion of our SKUs, (iii) based on our litigation counsels' assessment that (a) we have a low probability of losing in most of these pending cases, and (b) even if we were to lose all of these pending cases, the total compensation amount ordered by the courts is expected to be immaterial and much lower than the total amount claimed, our PRC Legal Adviser is of the view that these pending IP lawsuits will not have a material adverse effect on our business or financial conditions, and (iv) with respect to the majority of the pending lawsuits, even if we were to lose, we have the right to seek compensation from the relevant suppliers in accordance with our agreements. Our litigation counsels' assessment as described above is based on, among other things, that (i) the patent rights claimed by the plaintiffs in relevant pending cases are likely to be invalidated in which case they will have no basis for their claims, (ii) the plaintiffs in relevant pending cases lack sufficient evidence to claim for punitive compensation, and (iii) the court is unlikely to grant the full amount of damages claimed by the plaintiff in relevant pending cases based on the litigation counsels' assessment of the merits of the claims.

As of the Latest Practicable Date, there were six other pending lawsuits against our PRC subsidiaries, including two related to labor dispute, three related to contract dispute and one related to tort dispute. As of the Latest Practicable Date, there were 32 pending lawsuits against the subsidiaries of us in overseas markets, among which, 9, 5 and 18 were related to labor dispute, contract dispute and consumer dispute with regard to carryout bag fees and other matters, respectively. None of the these lawsuits have had or are expected to have any material adverse effect on our business, financial conditions or results of operations.

### **Compliance**

Our Directors are committed to complying with relevant laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we complied with relevant laws and regulations in all material respects. There have been incidents in our operations that are not fully compliant with applicable laws and regulations. See "Risk Factors – Risks Related to Our Business and Industry – Any lack of requisite approvals, licenses or permits applicable to our business may have a material and adverse impact on our business, financial condition and results of operations."

However, it is our Directors' view as well as our PRC Legal Adviser's opinion that such incidents have no material adverse impact on us, given that (i) we currently satisfy the requirement of having at least two directly operated stores and having operated each of the two directly operated stores for over one year with respect to both the TOP TOY and WonderLife brands, (ii) we made the filings to the government authority in respect of WonderLife in April 2022 and are in the process of preparing the filings for TOP TOY, targeting to make the filings

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in July 2022, (iii) even though we have not obtained the certificate for fire control inspection for one of our directly operated TOP TOY stores in the PRC and do not expect to obtain it in the near future given that it would require modifying the design of and reconstructing the store entrance, the store has not experienced any fire safety incidents during the Track Record Period and up to the Latest Practicable Date, and (iv) we have not been subject to investigations or penalties in connection with these incidents.

With respect to the non-compliance incident related to the franchising activities under the TOP TOY and WonderLife brands, as advised by our PRC Legal Adviser, the risk of income confiscation is remote, based on the consultation conducted by our PRC Legal Adviser with the competent governmental authorities in March 2022, and given the facts that (i) we currently satisfy the relevant legal requirements with respect to both the TOP TOY and WonderLife brands, as described above, (ii) we made the filings to the government authority in respect of WonderLife and are in the process of preparing the filings for TOP TOY, as described above, (iii) our relevant PRC subsidiaries have not been subject to investigations or penalties in connection with our franchise activities during the Track Record Period and up to the Latest Practicable Date, and (iv) our relevant subsidiaries have obtained the enterprise credit reports which indicate their compliance status with no record of administrative penalties imposed by the competent governmental authorities from January 1, 2018 to April 18, 2022. In addition, we currently satisfy the relevant legal requirements for franchising activities with respect to the MINISO brand, and the commercial franchise filing for the MINISO brand was completed in January 2020.

### **Licenses and Permits**

As of the Latest Practicable Date, we had obtained all requisite licenses, permits, approvals, and certificates from the relevant government authorities that are material for our business operations.

We have not experienced any material difficulties in renewing material licenses, permits or certificates during the Track Record Period and up to the Latest Practicable Date and do not expect there to be any material difficulties in renewing them upon their expiry, if applicable, as long as we comply with the relevant legal requirements and all necessary steps to submit the relevant applications in accordance with the requirements and schedule prescribed by the applicable PRC laws and regulations.

During the Track Record Period and up to the Latest Practicable Date, we had not been penalized by any government authorities for non-compliance relating to material licenses, permits or certificates. For more information about the laws and regulations to which we are subject, see “Regulations.”

During the Track Record Period and up to the Latest Practicable Date, except for certain non-compliance incidents related to commercial franchise and certificates for fire control inspection (see “Risk Factors – Risks Related to Our Business and Industry – Any lack of

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requisite approvals, licenses or permits applicable to our business may have a material and adverse impact on our business, financial condition and results of operations”), we had obtained all requisite licenses, permits, approvals, and certificates that are material to conduct our operations.

### Awards and Recognition

During the Track Record Period, we received recognition for brand recognition and innovations in product design. Some of the significant awards and recognition that we have received are set forth below.

No.	Year	Award Name	Awarded by	Award-winning Entity
1.	2021	The Best Leading Brand of Chinese Fashion Trend in 2021 (2021年度最佳國潮領軍品牌)	iiMedia Research (艾媒諮詢)	Miniso (Guangzhou) Co., Ltd. (名創優品(廣州)有限責任公司)
2.	2021	BrandGrow 2021 TOP 50 Emerging Brands with Most Growth Potential in China (BrandGrow 2021中國最具增長潛力新銳品牌TOP50)	Miaozhen Academy of Marketing Science (秒針營銷科學院)	MINISO brand
3.	2021	No. 255 in the List of the 2020 Hurun China Top 500 Private Enterprises (《2020胡潤中國500強民營企業》榜單第255名)	Hurun Research Institute (胡潤研究院)	MINISO Group Holding Limited
4.	2020	The 2020 “China’s Best Employer of The Year” (2020“中國年度最佳僱主”)	zhaopin.com (智聯招聘)	Miniso (Guangzhou) Co., Ltd. (名創優品(廣州)有限責任公司)
5.	2020	The First in The New Retail Industry of Hurun Global Unicorn Index 2020 (2020胡潤全球獨角獸榜之新零售行業第一)	Hurun Research Institute (胡潤研究院)	Miniso (Guangzhou) Co., Ltd. (名創優品(廣州)有限責任公司)
6.	2019	Selected at a valuation of RMB15 billion in Hurun Global Unicorn Index 2019 (以人民幣150億元估值入選《2019胡潤全球獨角獸榜》)	Hurun Research Institute (胡潤研究院)	Miniso (Guangzhou) Co., Ltd. (名創優品(廣州)有限責任公司)