You should read the following discussion and analysis in conjunction with our accountants' report included in "Appendix IA – Accountants' Report" to this document, together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which may differ in material aspects from generally accepted accounting principles in other jurisdictions. You should read the entire Accountants' Report, and not merely rely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties, many of which we cannot control or foresee. In evaluating our business, you should carefully consider all of the information provided in this document, including "Risk Factors" and "Business."

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.

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.

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.

BASIS OF PRESENTATION

The historical financial information presented in this section has been prepared in accordance with IFRSs issued by the International Accounting Standards Board ("IASB"). The measurement basis used in the preparation of the financial statements is the historical cost basis except that other investments and paid-in capital subject to redemption and other preferential rights/redeemable shares with other preferential rights are stated at their fair value. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires our management to exercise their judgement in the process of applying our accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in notes 2 and 3 to the Accountants' Report in Appendix IA to this document.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business and results of operations are affected by a number of general factors that impact the overall consumption and market for lifestyle products and pop toy products, including, among others, overall economic and industry trends and related impact on consumer behavior, production and procurement costs, and the competitive environment. Unfavorable changes in any of these general conditions could materially and adversely affect our results of operations.

While our business is influenced by these general factors, our results of operations are more directly affected by the following company-specific factors.

Store Network Expansion in China

Our ability to expand our store network, especially in China, is a key driver of our revenue growth. Our revenue generated from China was RMB6,364.0 million, RMB6,044.1 million, RMB7,291.2 million (US$1,144.2 million), and RMB4,086.3 million (US$641.2 million) in the fiscal years ended June 30, 2019, 2020, 2021 and the six months ended December 31, 2021, accounting for 67.7%, 67.3%, 80.4%, and 75.3% of our total revenue for the same periods, respectively. 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. Our store network expansion in China is primarily sustained by our continued success in enticing our retail partners to open more MINISO stores at optimal locations. As a result, the number of MINISO stores in China increased from 2,533 as of June 30, 2020 to 2,939 as of June 30, 2021 and further to 3,168 as of December 31, 2021. Additionally, the fast growth of our new brand TOP TOY since December 2020 has also contributed to the expansion of our store network in China. 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 expansion of our store network has been negatively affected by COVID-19. See "Risk Factors – Risks Related to Our Business and Industry – Our operations have been and may continue to be affected by COVID-19 pandemic" for more information on the impact of COVID-19 on the expansion of our store network.

Our mutually beneficial and long-lasting relationships with MINISO Retail Partners are largely attributable to our powerful brand, easy-to-operate model and attractive returns. Our MINISO Retail Partner model allows the MINISO Retail Partners to rely on the strength of our "MINISO" brand and receive substantial store management guidance from us, while reaping sizeable financial reward from product sales.

Globalization Strategy

Our results of operations are affected by our ability to execute our globalization strategy, which primarily involves expanding into new international markets and growing our store network overseas. Our revenue from markets outside of China was RMB3,030.9 million, RMB2,934.9 million and RMB1,780.5 million (US$279.4 million), and RMB1,340.6 million (US$210.4 million) in the fiscal years ended June 30, 2019, 2020, 2021 and the six months ended December 31, 2021, accounting for 32.3%, 32.7%, 19.6%, and 24.7% of our total revenue for the same periods, respectively. In the majority of the international markets, we expand our store network by using the distributor model. Depending on factors such as market environment and local regulations, we also utilize the MINISO Retail Partner model for international store network expansion in an asset-light manner and direct operation model. The significant revenue contribution from international markets demonstrates the appeal of our "MINISO" brand across geographical and cultural boundaries and testifies to the success of our globalization strategy. The number of MINISO stores outside of China increased from 1,689 as of June 30, 2020 to 1,810 as of June 30, 2021 and further to 1,877 as of December 31, 2021. The expansion of our store network has been negatively affected by COVID-19. See "Risk Factors – Risks Related to Our Business and Industry – Our operations have been and may continue to be affected by COVID-19 pandemic" for more information on the impact of COVID-19 on the expansion of our store network.

Revenue Per MINISO Store

While we continue to expand our store network, our results of operations are also affected by revenue per MINISO store. Our revenue per MINISO store, which is 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, has fluctuated significantly historically, and may continue to fluctuate in future periods. As a global retailer offering a variety of design-led lifestyle products, we expect to continue to face intense competition in a variety of the markets we operate. Our ability to successfully leverage our competitive strengths, including our ability to continue to offer high appeal, high quality and high affordability products, take a disciplined approach in store network expansion, develop efficient supply chain, deepen consumer engagement and strengthen technical capability and our penetrating into more lower-tier cities in China and international expansion using a distributor, self-operating or retail partner model will all affect our revenue per MINISO store, our business operation and results of operations.

Product Value Propositions

We primarily generate revenues from sales of high-quality, and affordable lifestyle and pop toy products that are responsive to the evolving tastes and needs of consumers. Our dynamic product development and the resulting exceptional product value propositions to consumers have contributed to our growth and brand affinity. Our product managers identify relevant market trends and collaborate closely with our designers and suppliers to develop and continuously roll out products that reflect an optimal balance of appeal, quality and price.

Furthermore, our co-branding collaborations with IP licensors owning popular brands unlock exciting product design possibilities and elevate our brand awareness. Further, we have 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, which differentiates our TOP TOY product line from similar products and enhances brand awareness and customer loyalty. As a result of our distinct approach to product design and development, our flagship brand "MINISO" maintained a portfolio of about 8,800 core SKUs spanning 11 major categories, with an average of about 550 SKUs launched per month in the fiscal year ended June 30, 2021. Under the fast-growing 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.

Efficient Supply Chain

Our ability to manage an integrated and seamless supply chain significantly impacts the results of our operations, as cost-effective procurement sets the foundation for our competitive product pricing, and efficient planning affects our speed to market. Leveraging China's large supply chain in the lifestyle product sector, we source from qualified suppliers who are able to meet our demands. As part of our efforts to optimize supply chain, we build mutually beneficial relationships with our suppliers by procuring products in large volumes, being punctual with our payments to them in the ordinary course of business and guiding them towards better production efficiency and enhanced cost control. In addition, we digitally integrate suppliers through our supply chain management system to better coordinate with them and streamline the supply chain process for enhanced productivity. These strengths of our supply chain have led to sustained advantages in both procurement cost and efficiency, which allows us to price competitively.

IMPACT OF COVID-19 ON OUR OPERATIONS AND FINANCIAL PERFORMANCE

The outbreak of COVID-19 has severely impacted China and the rest of the world. Our business and operations have also been affected as a result. In an effort to contain the spread of COVID-19 and its variants, many countries, including China, have taken precautionary measures, such as imposing travel restrictions, quarantining individuals infected with or suspected of having COVID-19, encouraging employees of enterprises to work remotely, and cancelling public activities, among others. To protect the health and well-being of our employees and consumers and in support of efforts to control the spread of the outbreak, we closed or reduced working hours at our headquarters and offices and made remote working arrangements in early 2020. Our headquarters and offices had been reopened in an orderly manner, and the majority of MINISO stores in China were open and operating under normal business hours by June 30, 2020. During the period from July 2020 to December 2021, the emergence of new variants of COVID-19 in China adversely impacted our store operations, which caused temporary store closures and reduced operating hours on occasion, as a result of governmental restrictions in public places to reduce the spread of virus. As the COVID-19 situation continues to evolve globally and new variants have emerged, MINISO stores in overseas markets have also been impacted by temporary store closures, reduced opening hours and/or reduced consumer traffic from late March 2020 to December 2021. As of December 31, 2021, about 4% of MINISO stores in overseas markets were temporarily closed. For those stores that resumed operations, a majority of them were half-opened or had operating hours reduced due to regional resurgences of COVID-19. Such negative impact of COVID-19 also adversely affected our store network expansion.

The recent outbreak of the Delta and Omicron variants of COVID-19 in several provinces in China has caused disruptions to the operation of our logistics and transportation service providers, which has also negatively impacted our product shipment and delivery. As a result, delivery of products from warehouses to MINISO stores and delivery of products from China to overseas markets were delayed. We and our overseas distributors incurred increased costs on product delivery.

In terms of financial results, negative impact of COVID-19 on our business operations has resulted in a decrease in our revenue generated from overseas operations and slower sales growth in China. Our revenue generated from international markets decreased by 3.2% from RMB3,030.9 million in the fiscal year ended June 30, 2019 to RMB2,934.9 million in the fiscal year ended June 30, 2020, and further decreased by 39.3% to RMB1,780.5 million (US$279.4 million) in the fiscal year ended June 30, 2021. Our revenue generated from international markets increased by 64.9% from RMB813.2 million in the six months ended December 31, 2020 to RMB1,340.6 million (US$210.4 million) in the six months ended December 31, 2021. In China, although our sales growth in 2021 was also negatively affected by the outbreaks of the Delta variant and Omicron variant of COVID-19 in certain provinces, we managed to realize a growth in revenue from China of 20.6% from RMB6,044.1 million in the fiscal year ended June 30, 2020 to RMB7,291.2 million (US$1,144.2 million) in the fiscal year ended June 30, 2021. Our revenue generated from China also increased by 14.9% from RMB3,556.7 million in the six months ended December 31, 2020 to RMB4,086.3 million (US$641.2 million) in the six months ended December 31, 2021.

While the duration of the pandemic, disruption to our business and related financial impact cannot be reasonably estimated at this time, we currently expect that our consolidated results of operations for the rest of fiscal year ended June 30, 2022 will continue to be negatively affected with potential continuing impact of COVID-19. See "Risk Factors – Risks Related to Our Business and Industry – Our operations have been and may continue to be affected by COVID-19 pandemic."

As of December 31, 2021, we had cash, cash equivalents, restricted cash and other investments of RMB5,367.1 million (US$842.2 million). In the fiscal year ended June 30, 2019, 2020 and 2021, we had net cash generated from operating activities of RMB1,038.5 million, RMB826.5 million and RMB916.3 million (US$143.8 million), respectively. We believe our liquidity is sufficient to successfully navigate an extended period of uncertainty.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and results of operations. Our management continually evaluates such estimates, assumptions and judgments based on past experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

Our critical accounting policies, estimates and judgments, which are important for an understanding of our financial condition and results of operations, are set forth in detail in notes 2 and 3 to the Accountants' Report in Appendix IA to this document.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated statements of profit or loss for the periods indicated in absolute amounts. This information should be read together with our consolidated financial statements and related notes included elsewhere in this document. The results of operations in any period are not necessarily indicative of the results that may be expected for any future period.

	For the fiscal year ended June 30,				For the six months ended December 31,		
	2019	2020	2021		2020	2021	
	RMB	*RMB*	*RMB*	*US$*	*RMB*	*RMB*	*US$*
					(Unaudited)		
	(in thousands)						
Continuing operations:							
Revenue	9,394,911	8,978,986	9,071,659	1,423,542	4,369,860	5,426,908	851,600
Cost of sales	(6,883,931)	(6,246,488)	(6,640,973)	(1,042,114)	(3,204,716)	(3,835,566)	(601,884)
Gross profit	2,510,980	2,732,498	2,430,686	381,428	1,165,144	1,591,342	249,716
Other income	10,468	37,208	52,140	8,182	43,804	18,586	2,917
Selling and distribution expenses[1]	(818,318)	(1,190,477)	(1,206,782)	(189,370)	(627,492)	(725,622)	(113,866)
General and administrative expenses[1]	(593,205)	(796,435)	(810,829)	(127,237)	(441,163)	(432,696)	(67,899)
Other net income/(loss)	24,423	45,997	(40,407)	(6,341)	(70,755)	45,964	7,213

	For the fiscal year ended June 30,				For the six months ended December 31,		
	2019	2020	2021		2020	2021	
	RMB	*RMB*	*RMB*	*US$*	*RMB*	*RMB*	*US$*
					(Unaudited)		
	(in thousands)						
Credit loss on trade and other receivables	(90,124)	(25,366)	(20,832)	(3,269)	(17,387)	(19,091)	(2,996)
Impairment loss on non-current assets	(27,542)	(36,844)	(2,941)	(462)	–	(9,536)	(1,496)
Operating profit	1,016,682	766,581	401,035	62,931	52,151	468,947	73,589
Finance income	7,311	25,608	40,433	6,345	23,044	26,437	4,149
Finance costs	(25,209)	(31,338)	(28,362)	(4,451)	(13,860)	(17,266)	(2,709)
Net finance (costs)/income	(17,898)	(5,730)	12,071	1,894	9,184	9,171	1,440
Fair value changes of paid-in capital subject to redemption and other preferential rights/redeemable shares with other preferential rights	(709,780)	(680,033)	(1,625,287)	(255,043)	(1,625,287)	–	–
Share of loss of equity-accounted investee, net of tax	–	–	(4,011)	(629)	–	(8,162)	(1,281)
Profit/(loss) before taxation	289,004	80,818	(1,216,192)	(190,847)	(1,563,952)	469,956	73,748
Income tax expense	(279,583)	(210,949)	(213,255)	(33,464)	(91,615)	(131,338)	(20,610)
Profit/(loss) for the year/period from continuing operations	9,421	(130,131)	(1,429,447)	(224,311)	(1,655,567)	338,618	53,138
Discontinued operations:							
Loss for the year/period from discontinued operations, net of tax	(303,830)	(130,045)	–	–	–	–	–
(Loss)/profit for the year/period	(294,409)	(260,176)	(1,429,447)	(224,311)	(1,655,567)	338,618	53,138

	For the fiscal year ended June 30,				For the six months ended December 31,		
	2019	2020	2021		2020	2021	
	RMB	*RMB*	*RMB*	*US$*	*RMB*	*RMB*	*US$*
					(Unaudited)		
			(in thousands)				
(Loss)/profit for the year/period attributable to:							
Equity shareholders of the Company	(290,647)	(262,267)	(1,415,010)	(222,046)	(1,651,857)	336,779	52,849
– Continuing operations	13,183	(132,222)	(1,415,010)	(222,046)	(1,651,857)	336,779	52,849
– Discontinued operations	(303,830)	(130,045)	–	–	–	–	–
Non-controlling interests	(3,762)	2,091	(14,437)	(2,265)	(3,710)	1,839	289
– Continuing operations	(3,762)	2,091	(14,437)	(2,265)	(3,710)	1,839	289

Note:

(1) Equity-settled share-based payment expenses were allocated as follows:

	For the fiscal year ended June 30,				For the six months ended December 31,		
	2019	2020	2021		2020	2021	
	RMB	*RMB*	*RMB*	*US$*	*RMB*	*RMB*	*US$*
					(Unaudited)		
			(in thousands)				
Equity-settled share-based payment expenses:							
Selling and distribution expenses	33,097	127,743	131,215	20,590	90,715	32,368	5,079
General and administrative expenses	88,961	236,637	150,104	23,555	125,662	18,032	2,830
Total	122,058	364,380	281,319	44,145	216,377	50,400	7,909

NON-IFRS FINANCIAL MEASURE

In evaluating our business, we consider and use adjusted net profit, a non-IFRS measure, as a supplemental measure to review and assess our operating performance. The presentation of this non-IFRS financial measure is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with IFRS. We define adjusted net profit, a non-IFRS measure, as profit/(loss) from continuing operations excluding (i) fair value changes of paid-in capital subject to redemption and other preferential rights/redeemable shares with other preferential rights, (ii) equity-settled share-based payment expenses, and (iii) employee compensation expenses related to non-forfeitable dividends related to unvested restricted shares.

We present adjusted net profit, a non-IFRS measure, because it is used by our management to evaluate our operating performance and formulate business plans. Adjusted net profit, a non-IFRS measure, enables our management to assess our operating results without considering the impacts of the aforementioned non-cash and other adjustment items. Accordingly, we believe that the use of this non-IFRS financial measure provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors.

This non-IFRS financial measure is not defined under IFRS and is not presented in accordance with IFRS. The non-IFRS financial measure has limitations as an analytical tool. One of the key limitations of using adjusted net profit, a non-IFRS measure, is that it does not reflect all items of income and expense that affect our operations.

Further, this non-IFRS measure may differ from the non-IFRS information used by other companies, including peer companies, and therefore its comparability may be limited.

The non-IFRS financial measure should not be considered in isolation or construed as an alternative to profit/(loss) or any other measure of performance. Investors are encouraged to review our historical non-IFRS financial measure in light of the most directly comparable IFRS measure, as shown below. The non-IFRS financial measure presented here may not be comparable to similarly titled measure presented by other companies. Other companies may calculate similarly titled measures differently, limiting the usefulness of such measures when analyzing our data comparatively. We encourage investors and others to review our financial information in its entirety and not rely on a single financial measure.

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. We also recorded adjusted net profit, a non-IFRS financial measure, of RMB389.0 million in the six months ended December 31, 2021. The following table reconciles our adjusted net profit, a non-IFRS measure, for the fiscal years ended June 30, 2019, 2020, 2021 and for the six months ended December 31, 2020 and 2021 to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit/(loss) for the year/period from continuing operations.

	For the fiscal year ended June 30,				For the six months ended December 31,		
	2019	2020	2021		2020	2021	
	RMB	*RMB*	*RMB*	*US$*	*RMB*	*RMB*	*US$*
					(Unaudited)		
				(in thousands)			
Reconciliation of profit/(loss) for the year/period from continuing operations to adjusted net profit:							
Profit/(loss) for the year/period from continuing operations	9,421	(130,131)	(1,429,447)	(224,311)	(1,655,567)	338,618	53,138
Add back:							
Fair value changes of paid-in capital subject to redemption and other preferential rights/redeemable shares with other preferential rights	709,780	680,033	1,625,287	255,043	1,625,287	–	–
Equity-settled share-based payment expenses	122,058	364,380	281,319	44,145	216,377	50,400	7,909
Employee compensation expenses related to non-forfeitable dividends related to unvested restricted shares	–	19,664	–	–	–	–	–
Adjusted net profit, a non-IFRS measure	841,259	933,946	477,159	74,877	186,097	389,018	61,047

Fair value changes of paid-in capital subject to redemption and other preferential rights/redeemable shares with other preferential rights are related to preferred shares issued to investors prior to our initial public offering in the United States, after the completion of which this item is no longer recorded in our consolidated financial statements. Equity-settled share-based payment expenses are non-cash employee related expenses arising from grant of share incentive awards. Employee compensation expenses related to non-forfeitable dividends related to unvested restricted shares represent non-forfeitable dividend paid to employees in December 2019 in connection with restricted shares granted to them. These expenses were charged to our consolidated statements of profit or loss as such restricted shares were unvested at that time. This is an expense item recorded in our consolidated statements of profit or loss.

Revenue

We primarily derive our revenue from sales of lifestyle and pop toy products through sales to MINISO Retail Partners, sales to offline distributors, retail sales in directly operated stores and through online channels. Other sources of revenue mainly include license fees from MINISO Retail Partners and distributors, and sales-based royalties and sales-based management and consultation service fees income from MINISO Retail Partners. The following table sets forth the components of our revenue by amounts and percentages of our total revenue broken down by revenue source for the periods presented:

	For the fiscal year ended June 30,							For the six months ended December 31,				
	2019		2020		2021			2020		2021		
	RMB	*%*	*RMB*	*%*	*RMB*	*US$*	*%*	*RMB* (*Unaudited*)	*%*	*RMB*	*US$*	*%*
	(in thousands, except for percentages)											
Revenue:												
– Sales of lifestyle and pop toy products:												
– Retail sales in self-operated stores	290,787	3.1	364,638	4.1	323,775	50,807	3.6	168,398	3.9	291,238	45,702	5.4
– Product sales to franchisees[(1)]	4,957,273	52.8	4,584,288	51.0	5,506,365	864,069	60.6	2,712,007	61.9	2,988,169	468,909	55.0
– Sales to offline distributors	3,067,207	32.6	2,683,829	29.9	1,509,840	236,927	16.6	684,296	15.7	1,073,836	168,508	19.8
– Online sales[(2)]	138,284	1.5	308,455	3.4	663,197	104,070	7.3	295,690	6.8	367,075	57,602	6.8
– Other sales channels[(3)]	11,118	0.1	114,204	1.3	33,499	5,257	0.4	12,804	0.3	97,293	15,267	1.8
Sub-total	8,464,669	90.1	8,055,414	89.7	8,036,676	1,261,130	88.5	3,873,195	88.6	4,817,611	755,988	88.8
– License fees, sales-based royalties, and sales-based management and consultation service fees:												
– Revenue from franchisees[(1)]												
– License fees	13,603	0.1	58,473	0.7	53,977	8,470	0.6	20,304	0.5	42,200	6,622	0.8
– Sales-based royalties	94,374	1.0	82,444	0.9	97,848	15,354	1.1	48,093	1.1	53,392	8,378	1.0
– Sales-based management and consultation service fees	491,005	5.2	426,731	4.8	488,138	76,600	5.4	240,465	5.5	263,002	41,272	4.8
– Revenue from offline distributors												
– License fees	13,620	0.1	19,996	0.2	18,415	2,890	0.2	10,390	0.2	9,172	1,439	0.2
Sub-total	612,602	6.5	587,644	6.6	658,378	103,314	7.3	319,252	7.3	367,766	57,711	6.8
– Others[(4)]	317,640	3.4	335,928	3.7	376,605	59,098	4.2	177,413	4.1	241,531	37,901	4.4
Total	9,394,911	100.0	8,978,986	100.0	9,071,659	1,423,542	100.0	4,369,860	100.0	5,426,908	851,600	100.0

Notes:

(1) Represents sales to/revenue from MINISO Retail Partners.

(2) Online sales does not include sales through O2O platforms, which are accounted for in sales through offline channels. Revenue generated from self-operated stores on third-party e-commerce platform accounted for over 90% of the total revenue generated through online sales during the Track Record Period.

(3) "Other sales channels" mainly represents group-buying channels.

(4) "Others" mainly represents sales of fixtures to franchisees and distributors.

The following tables sets forth our gross profit and gross profit margin broken down by revenue source for the periods presented:

	For the fiscal year ended June 30,				For the six months ended December 31,		
	2019	2020	2021		2020	2021	
	RMB	*RMB*	*RMB*	*US$*	*RMB*	*RMB*	*US$*
					(Unaudited)		
				(in thousands)			
Gross profit:							
– Sales of lifestyle and pop toy products:							
– Retail sales in self-operated stores	175,175	168,646	135,137	21,206	37,909	218,098	34,224
– Product sales to franchisees	818,381	843,526	919,152	144,235	450,386	531,867	83,462
– Sales to offline distributors	699,989	863,589	456,768	71,677	223,168	325,913	51,143
– Online Sales	22,594	79,795	125,412	19,680	65,889	81,961	12,861
– Other sales channels	6,644	45,648	11,209	1,759	4,067	14,409	2,261
Sub-total	1,722,783	2,001,204	1,647,678	258,557	781,419	1,172,248	183,951
– License fees, sales-based royalties, and sales-based management and consultation service fees:							
– Revenue from franchisees							
– License fees	13,603	58,473	53,977	8,470	20,304	42,200	6,622
– Sales-based royalties	94,374	82,444	97,848	15,354	48,093	53,392	8,378
– Sales-based management and consultation service fees	491,005	426,731	488,138	76,600	240,465	263,002	41,272
– Revenue from offline distributors							
– License fees	13,620	19,996	18,415	2,890	10,390	9,172	1,439
Sub-total	612,602	587,644	658,378	103,314	319,252	367,766	57,711
– Others	175,595	143,650	124,630	19,557	64,473	51,328	8,054
Total	2,510,980	2,732,498	2,430,686	381,428	1,165,144	1,591,342	249,716

	For the fiscal year ended June 30,			For the six months ended December 31,	
	2019	2020	2021	2020	2021
				(Unaudited)	
Gross profit margin (%):					
– Sales of lifestyle and pop toy products:					
– Retail sales in self-operated stores	60.2	46.3	41.7	22.5	74.9
– Product sales to franchisees	16.5	18.4	16.7	16.6	17.8
– Sales to offline distributors	22.8	32.2	30.3	32.6	30.4
– Online Sales	16.3	25.9	18.9	22.3	22.3
– Other sales channels	59.8	40.0	33.5	31.8	14.8
Sub-total	20.4	24.8	20.5	20.2	24.3
– License fees, sales-based royalties, and sales-based management and consultation service fees:					
– Revenue from franchisees					
– License fees	100.0	100.0	100.0	100.0	100.0
– Sales-based royalties	100.0	100.0	100.0	100.0	100.0
– Sales-based management and consultation service fees	100.0	100.0	100.0	100.0	100.0
– Revenue from offline distributors					
– License fees	100.0	100.0	100.0	100.0	100.0
Sub-total	100.0	100.0	100.0	100.0	100.0
– Others	55.3	42.8	33.1	36.3	21.3
Total	26.7	30.4	26.8	26.7	29.3

Our gross profit margin of the sales of lifestyle and pop toy products decreased from 24.8% in the fiscal year ended June 30, 2020 to 20.5% in the fiscal year ended June 30, 2021, primarily due to (i) a decrease in the gross profit margin of retail sales in self-operated stores from 46.3% to 41.7%, (ii) a decrease in the gross profit margin of product sales to franchisees from 18.4% to 16.7%, and (iii) a decrease in the gross profit margin of online sales from 25.9% to 18.9%, as a result of our efforts to accelerate the growth of our business through promotions to mitigate the impact of the restrictions imposed due to COVID-19.

Our gross profit margin of the others, which mainly represents sales of fixtures to franchisees and distributors, decreased from 42.8% in the fiscal year ended June 30, 2020 to 33.1% in the fiscal year ended June 30, 2021. Our gross profit margin of the others also decreased from 36.3% in the six months ended December 31, 2020 to 21.3% in the six months ended December 31, 2021. Both changes are primarily due to a higher sales of fixtures to franchisees at a relatively concessionary price.

The following table sets forth the components of our revenue by amounts and percentages of our total revenue broken down by brand for the periods presented:

	For the fiscal year ended June 30,							For the six months ended December 31,				
	2019		2020		2021			2020		2021		
	RMB	*%*	*RMB*	*%*	*RMB*	*US$*	*%*	*RMB*	*%*	*RMB*	*US$*	*%*
								(Unaudited)				
	(in thousands, except for percentages)											
Revenue:												
MINISO brand	9,143,883	97.3	8,721,620	97.1	8,735,947	1,370,861	96.3	4,237,663	97.0	5,074,106	796,238	93.5
TOP TOY brand	–	–	–	–	98,241	15,416	1.1	2,617	0.1	240,328	37,713	4.4
Others(1)	251,028	2.7	257,366	2.9	237,471	37,265	2.6	129,580	2.9	112,474	17,649	2.1
Total	9,394,911	100.0	8,978,986	100.0	9,071,659	1,423,542	100.0	4,369,860	100.0	5,426,908	851,600	100.0

Note:

(1) "Others" mainly represents "WonderLife" brand.

The following table sets forth a breakdown of revenue from TOP TOY business for the periods presented:

	For the fiscal year ended June 30,				For the six months ended December 31,		
	2019	2020	2021		2020	2021	
	RMB	*RMB*	*RMB*	*US$*	*RMB*	*RMB*	*US$*
					(Unaudited)		
	(in thousands)						
Sales of pop toys	–	–	60,606	9,510	2,327	172,262	27,032
License fees, sales-based royalties, sales-based management and consultation service fees	–	–	4,617	725	–	7,460	1,171
Others(1)	–	–	33,018	5,181	290	60,606	9,510
Total	–	–	98,241	15,416	2,617	240,328	37,713

Note:

(1) "Others" mainly represents sales of fixtures to franchisees.

We launched TOP TOY business in December 2020. Revenue from TOP TOY brand increased from RMB2.6 million in the six months ended December 31, 2020 to RMB240.3 million in the six months ended December 31, 2021, primarily due to an increase in the number of TOP TOY stores. The number of TOP TOY stores increased rapidly to 89 as of December 31, 2021. Also, we further launched online sales of products under TOP TOY brand in 2021 and generated a revenue of RMB15.9 million in the six month ended December 31, 2021, which also contributed to the revenue growth from the six months ended December 31, 2020 to the six months ended December 31, 2021. Others mainly represents sales of fixtures to franchisees, which increased significantly from RMB0.3 million in the six months ended December 31, 2020 to RMB60.6 million in the six months ended December 31, 2021. The increase was primarily due to the rapid increase in the number of TOP TOY stores and our retail partners purchased store construction and decoration materials from us for stores they operate.

The following table breaks down our revenue by geographic region for the periods presented:

	For the fiscal year ended June 30,							For the six months ended December 31,				
	2019		2020		2021			2020		2021		
	RMB	*%*	*RMB*	*%*	*RMB*	*US$*	*%*	*RMB*	*%*	*RMB*	*US$*	*%*
								(Unaudited)				
	(in thousands, except for percentages)											
Revenue:												
China	6,363,998	67.7	6,044,100	67.3	7,291,219	1,144,152	80.4	3,556,678	81.4	4,086,285	641,227	75.3
Asian countries excluding China	1,738,348	18.5	1,428,035	15.9	961,622	150,899	10.6	424,878	9.7	571,636	89,702	10.5
Americas	1,049,334	11.2	1,221,058	13.6	584,630	91,741	6.4	277,743	6.4	595,630	93,467	11.0
Europe	124,600	1.3	172,169	1.9	117,214	18,393	1.3	64,260	1.5	119,013	18,676	2.2
Others	118,631	1.3	113,624	1.3	116,974	18,357	1.3	46,301	1.0	54,344	8,528	1.0
Total	9,394,911	100.0	8,978,986	100.0	9,071,659	1,423,542	100.0	4,369,860	100.0	5,426,908	851,600	100.0

Cost of Sales

Our cost of sales mainly consists of cost of inventories. Cost of inventories accounted for 100.0%, 100.0%, 99.1%, 99.2% and 98.1% of our total cost of sales for the fiscal year ended June 30, 2019, 2020 and 2021 and the six months ended December 31, 2020 and 2021. Cost of inventories comprises carrying amount of inventories sold and inventory write-down. Other than cost of inventories, cost of sales also include logistics expenses and depreciation and amortization expense. Logistics expenses mainly represent shipping expenses for the products sold to customers through e-commerce channels. Our cost of sales was RMB6,883.9 million, RMB6,246.5 million, RMB6,641.0 (US$1,042.1 million), RMB3,204.7 million, and RMB3,835.6 million (US$601.9 million) in the fiscal years ended June 30, 2019, 2020, 2021 and the six months ended December 31, 2020 and 2021, respectively.

Gross Profit and Margin

The following table sets forth our gross profit and gross margin for the periods presented:

	For the fiscal year ended June 30,				For the six months ended December 31,		
	2019	2020	2021		2020	2021	
	RMB	*RMB*	*RMB*	*US$*	*RMB*	*RMB*	*US$*
					(Unaudited)		
	(in thousands, except for percentages)						
Gross profit	2,510,980	2,732,498	2,430,686	381,428	1,165,144	1,591,342	249,716
Gross margin (%)	26.7	30.4	26.8	26.8	26.7	29.3	29.3

The following tables sets forth our gross profit and gross profit margin broken down by brand for the periods presented:

	For the fiscal year ended June 30,				For the six months ended December 31,		
	2019	2020	2021		2020	2021	
	RMB	*RMB*	*RMB*	*US$*	*RMB*	*RMB*	*US$*
					(Unaudited)		
	(in thousands)						
Gross profit:							
MINISO brand	2,465,501	2,673,959	2,372,677	372,325	1,137,240	1,559,260	244,682
TOP TOY brand	–	–	11,536	1,810	1,086	7,592	1,191
Others[1]	45,479	58,539	46,473	7,293	26,818	24,490	3,843
Total	2,510,980	2,732,498	2,430,686	381,428	1,165,144	1,591,342	249,716

Note:

(1) "Others" mainly represents "WonderLife" brand.

	For the fiscal year ended June 30,			For the six months ended December 31,	
	2019	**2020**	**2021**	**2020**	**2021**
				(Unaudited)	
Gross profit margin (%):					
MINISO brand	27.0	30.7	27.2	26.8	30.7
TOP TOY brand	–	–	11.7	41.5	3.2
Others[1]	18.1	22.7	19.6	20.7	21.8
Total	26.7	30.4	26.8	26.7	29.3

Note:

(1) "Others" mainly represents "WonderLife" brand.

Our gross profit margin of TOP TOY brand decreased from 41.5% in the six months ended December 31, 2020 to 11.7% in the full year ended June 30, 2021 primarily due to the change in the mix of sales channels of TOP TOY brand with a significantly increasing portion of sales to franchisees as we only launched this brand in December 2020, and it further dropped to 3.2% in the six months ended December 31, 2021 resulting from the increase in sales to franchisees and a higher sales of fixtures to franchisees at a relatively concessionary price, in the six months ended December 31, 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 purchase 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.

The following tables sets forth our gross profit and gross profit margin for our operations in China and overseas markets for the periods presented:

	For the fiscal year ended June 30,				For the six months ended December 31,		
	2019	2020	2021		2020	2021	
	RMB	*RMB*	*RMB*	*US$*	*RMB*	*RMB*	*US$*
					(Unaudited)		
				(in thousands)			
Gross profit:							
China	1,636,030	1,662,512	1,813,068	284,510	893,868	1,026,520	161,083
Overseas markets	874,950	1,069,986	617,618	96,918	271,276	564,822	88,633
Total	2,510,980	2,732,498	2,430,686	381,428	1,165,144	1,591,342	249,716

	For the fiscal year ended June 30,			For the six months ended December 31,	
	2019	2020	2021	2020	2021
				(Unaudited)	
Gross profit margin (%):					
China	25.7	27.5	24.9	25.1	25.1
Overseas markets	28.9	36.5	34.7	33.4	42.1
Overall	26.7	30.4	26.8	26.7	29.3

Our gross profit margin of our operations in China increased from 25.7% in the fiscal year ended June 30, 2019 to 27.5% in the fiscal year ended June 30, 2020, and our gross profit margin in overseas markets increased from 28.9% in the fiscal year ended June 30, 2019 to 36.5% in the fiscal year ended June 30, 2020. Both changes are primarily due to (i) a decrease in our applicable value-added tax rate, and (ii) the overall expansion of our co-branded IP product offering, which typically has a higher gross margin.

Our gross profit margin of our operations in China decreased from 27.5% in the fiscal year ended June 30, 2020 to 24.9% in the fiscal year ended June 30, 2021, and our gross profit margin in overseas markets decreased from 36.5% in the fiscal year ended June 30, 2020 to 34.7% in the fiscal year ended June 30, 2021. Both changes are primarily due to our efforts to accelerate the growth of our business through promotions to mitigate the impact of the restrictions imposed due to COVID-19.

Our gross profit margin of our operations in China remained stable in the six months ended December 31, 2020 and 2021, respectively. Our gross profit margin of our operations in overseas markets increased from 33.4% in the six months ended December 31, 2020 to 42.1% in the six months ended December 31, 2021, primarily due to an increased revenue contribution from our directly operated markets, which generally have a higher gross profit margin. In addition, our gross profit margin was also positively affected by our expanded IP product offering, which generally has a higher gross profit margin.

Other Income

Other income consists of tax refund, government grants and income from depositary bank. Government grants mainly represented unconditional cash awards granted by the local authorities in China. There is no assurance that we will continue to receive any government grants in the future. The following table sets forth the breakdown of our other income by type for the periods presented:

	For the fiscal year ended June 30,				For the six months ended December 31,		
	2019	2020	2021		2020	2021	
	RMB	*RMB*	*RMB*	*US$*	*RMB*	*RMB*	*US$*
					(Unaudited)		
				(in thousands)			
Tax refund	1,203	606	1,279	201	203	1,610	253
Government grants	9,265	36,602	46,587	7,311	42,344	13,920	2,184
Income from depositary bank	–	–	4,274	670	1,257	3,056	480
Total	10,468	37,208	52,140	8,182	43,804	18,586	2,917

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of (i) payroll and employee benefits, which cover salaries, wages and bonus, contributions to social security contribution plan, welfare expenses, and equity-settled share-based payment expenses, (ii) rental and related expenses, (iii) depreciation and amortization expenses, (iv) promotion and advertising expenses, (v) licensing expenses, (vi) logistics expenses, and (vii) travelling expenses. Our selling and distribution expenses were RMB818.3 million, RMB1,190.5 million, RMB1,206.8 million (US$189.4 million), RMB627.5 million, and RMB725.6 million (US$113.9 million) in the fiscal years ended June 30, 2019, 2020, 2021 and the six months ended December 31, 2020 and 2021, respectively.

	For the fiscal year ended June 30,				**For the six months ended December 31,**		
	2019	**2020**	**2021**		**2020**	**2021**	
	RMB	*RMB*	*RMB*	*US$*	*RMB*	*RMB*	*US$*
					(Unaudited)		
				(in thousands)			
Payroll and employee benefits	346,871	435,093	436,750	68,536	238,120	235,997	37,033
Equity-settled share-based payment expenses	33,097	127,743	131,215	20,590	90,715	32,368	5,079
Other payroll and employee benefits	313,774	307,350	305,535	47,945	147,405	203,629	31,954
Rental and related expenses	31,469	37,956	7,143	1,121	10,598	3,077	483
Depreciation and amortization	154,453	214,509	209,003	32,797	100,770	117,519	18,441
Licensing expenses	21,851	109,488	88,063	13,819	43,114	73,946	11,604
Promotion and advertising expenses	85,611	128,447	214,788	33,705	95,643	137,067	21,509
Logistics expenses	105,940	154,763	138,804	21,781	78,949	83,204	13,057
Travelling expenses	28,553	42,697	40,049	6,285	21,293	28,578	4,485
Other expenses	43,570	67,524	72,182	11,327	39,005	46,234	7,254
Total	818,318	1,190,477	1,206,782	189,370	627,492	725,622	113,866

General and Administrative Expenses

General and administrative expenses primarily consist of (i) payroll and employee benefits, which cover salaries, wages and bonus, contributions to social security contribution plan, welfare expenses, and equity-settled share-based payment expenses, (ii) depreciation and amortization expenses, (iii) travelling expenses, (iv) IT service fees, and (v) professional service fees. Our general and administrative expenses were RMB593.2 million, RMB796.4 million, RMB810.8 million (US$127.2 million), RMB441.2 million, and RMB432.7 million (US$67.9 million) in the fiscal years ended June 30, 2019, 2020, 2021 and the six months ended December 31, 2020 and 2021, respectively.

	For the fiscal year ended June 30,				For the six months ended December 31,		
	2019	**2020**	**2021**		**2020**	**2021**	
	RMB	*RMB*	*RMB*	*US$*	*RMB*	*RMB*	*US$*
					(Unaudited)		
	(in thousands)						
Payroll and employee benefits	348,622	549,802	479,435	75,234	285,277	215,596	33,832
Equity-settled share-based payment expenses	88,961	236,637	150,104	23,555	125,662	18,032	2,830
Other payroll and employee benefits	259,661	313,165	329,331	51,679	159,615	197,564	31,002
Depreciation and amortization	37,325	54,160	56,016	8,790	24,613	65,107	10,217
Travelling expenses	31,549	26,593	12,917	2,027	6,802	8,822	1,384
IT service fees	22,424	25,123	52,618	8,257	16,995	36,550	5,735
Professional service fees	26,331	39,325	70,598	11,078	44,548	23,150	3,633
Other expenses	126,954	101,432	139,245	21,851	62,928	83,471	13,098
Total	593,205	796,435	810,829	127,237	441,163	432,696	67,899

Other Net Income/(Loss)

Other net income/(loss) mainly consists of net foreign exchange gain and investment income from certain financial assets we invested in. See note 9 to Accountants' Report in Appendix IA to this document for more information.

Taxation

Our income tax expense represented a significant portion of our profit before taxation for the fiscal years ended June 30, 2019, 2020 and 2021 and for the six months ended December 31, 2021, primarily because of the occurrence of two large non-tax deductible expense items in those periods, namely fair value changes of paid-in capital subject to redemption and other preferential rights/redeemable shares with other preferential rights and equity-settled share-based payment expenses. For the fiscal year ended June 30, 2021 and for the six months ended December 31, 2021, equity-settled share-based payment expenses and the effect of unused tax losses not recognized significantly contributed to our income tax expense. Our fair value changes of paid-in capital subject to redemption and other preferential rights/redeemable shares with other preferential rights totaled RMB709.8 million, RMB680.0 million, RMB1,625.3 million (US$255.0 million), RMB1,625.3 million, and nil in the fiscal years ended June 30, 2019, 2020, 2021 and the six months ended December 31, 2020 and 2021, respectively. Our equity-settled share-based payment expenses totaled RMB122.1 million, RMB364.4 million, RMB281.3 million (US$44.1 million), RMB216.4 million, and RMB50.4 million (US$7.9 million) in the fiscal years ended June 30, 2019, 2020, 2021 and the six months ended December 31, 2020 and 2021, respectively. The effect of unused tax losses not recognized was RMB73.0 million (US$11.5 million) and RMB10.1 million (US$1.6 million) in the fiscal year ended June 30, 2021 and the six months ended December 31, 2021.

Cayman Islands

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation.

British Virgin Islands

Our BVI subsidiaries and all dividends, interest, rents, royalties, compensation and other amounts paid by our BVI subsidiaries to persons who are not resident in the BVI and any capital gains realised with respect to any shares, debt obligations, or other securities of our BVI subsidiaries by persons who are not resident in the BVI are exempt from all provisions of the Income Tax Ordinance in the BVI.

Hong Kong

Under the current Hong Kong Inland Revenue Ordinance, our Hong Kong subsidiaries are subject to Hong Kong profits tax at the rate of 16.5% on their taxable income generated from the operations in Hong Kong. A two-tiered profits tax rates regime was introduced in 2018 where the first HKD2 million of assessable profits earned by a company will be taxed at half of the current tax rate (8.25%) whilst the remaining profits will continue to be taxed at 16.5%. There is an anti-fragmentation measure where each group will have to nominate only one company in the group to benefit from the progressive rates.

China

Under the Corporate Income Tax ("CIT") Law, our subsidiaries established in the PRC are subject to a unified statutory CIT rate of 25%. A subsidiary established in Hengqin New Area of Zhuhai, a pilot free trade zone in the PRC, met the criteria for a preferential income tax rate of 15%.

United States

Under the United States Internal Revenue Code, our subsidiaries established in United States are subject to a Federal CIT rate of 21% and variable state income and franchise tax, depending on which state the subsidiaries has nexus with. Most of subsidiaries in the United States are operating in the state of California, and thus they will be subject to state income tax rate of 8.84%.

Indonesia

Our subsidiary incorporated in Indonesia elected to pay profit tax at 0.5% of gross revenue for the fiscal years ended December 31, 2018 and 2019. In the following years, our subsidiary is subject to the prevailing statutory tax rate on taxable income. In response to the COVID-19 outbreak, the statutory tax rate will be progressively lowered to 22% for the fiscal years ended or ending December 31, 2020 and 2021, and 20% starting from fiscal year ending December 31, 2022 onwards.

India

Under the Income Tax Act 1961 enacted in India, our subsidiary incorporated in India is subject to a profit tax rate of 26%.

Canada

Under the Canadian federal and provincial tax rules, our subsidiaries incorporated in Canada are subject to the combined Canadian federal and provincial statutory income tax rates ranging from 23% to 31% depending on the location of the operation.

Singapore

Under the Income Tax Act enacted in Singapore, the subsidiaries incorporated in Singapore are subject to a tax rate of 17% on its chargeable income.

DISCONTINUED OPERATIONS

In May 2019, our board of directors approved a plan to dispose of the NOME business, Minihome business, MINISO African business and MINISO German business within one year, and the results of these operations are included as discontinued operations for the years ended June 30, 2019 and 2020. We disposed of such interests as their operational and financial performance failed to meet management expectations and these entities continue to be loss-making. The circumstances leading to the historical loss are, for example, the high inventory pressure and occupation of working capital caused by the clothing products under the NOME business; the fierce competition faced by the NOME business and Minihome business in the fashion and furniture industry, respectively; and the political instability and immaturity of our consumer market in Africa which adversely affected the MINISO African business. As such, we dispose these interests to reduce the unreasonably high costs of maintaining the competitive advantage of some of these businesses. To the best knowledge and belief of our Directors, the subsidiaries that were disposed of did not have any material non-compliance during the Track Record Period prior to their disposals. We continued to actively manage these operations until the disposal transactions completed.

MINISO African business included MINISO Nigeria, MINISO Uganda, MINISO South Africa, MINISO Tanzania and MINISO Kenya. MINISO African business and MINISO German business operated stores under our MINISO brand in the respective regions before the disposals. MINISO Uganda, MINISO Tanzania and MINISO Germany operated stores under the direct operation model. Each of MINISO Nigeria, MINISO South Africa and MINISO Kenya operated stores under both direct operation model and MINISO Retail Partner model. We operated stores in these regions under the direct operation model as we aimed to dive into such local markets to gain insights with more control of local operations. However, in these regions, the stage of economic development, market potentials and popularity of our products among consumers failed to meet our expectations. In particular, in Germany, there were strict inspection requirements for imported goods, which increased the costs of our operation in order to meet such requirements. Therefore, we decided to dispose of these businesses after taking into account such factors as well as their loss-making nature. During the period from December 2019 to April 2020, we entered into a series of share purchase agreements, pursuant to which we agreed to sell all of our equity interests in MINISO Nigeria, MINISO Uganda, MINISO South Africa, MINISO Tanzania and MINISO Germany to a company jointly controlled by Mr. Ye and Ms. Yang and a company controlled by Mr. Ye at a nominal value. In February 2020, we entered into another share purchase agreement, pursuant to which we agreed to sell our 100% equity interests in MINISO Kenya to an independent third-party entity at a nominal value. The consideration of such disposals was determined as a nominal value due to the net liabilities position or loss-making nature of the subsidiaries. As of the Latest Practicable Date, MINISO Germany, MINISO Uganda, MINISO South Africa and MINISO Tanzania had ceased operations and all the stores they operated had been closed. As of the Latest Practicable Date, MINISO Nigeria had 28 stores in operation under the distributor model, and MINISO Kenya had ten stores in operation under the distributor model.

During the period from January 2020 to March 2020, we entered into a series of share purchase agreements, pursuant to which we agreed to sell our 100% equity interests in the Minihome business and NOME business to several companies jointly controlled by Mr. Ye and Ms. Yang at a nominal value. The consideration of such disposals was determined as a nominal value due to the net liabilities position or loss-making nature of the subsidiaries. The Minihome business was mainly engaged in the sales of furniture and operated under the direct operation model before the disposal. The NOME business, which had over 200 stores, was operated under the NOME brand under the direct operation model and MINISO Retail Partner model, and engaged in the sales of clothing products and other lifestyle items, and was in competition with another company, an independent third party that operated similar business under the same brand. The purpose of the disposal of NOME business was also to reduce the costs of maintaining a competitive advantage under this brand. We operated the Minihome stores and NOME stores under the direct operation model as we aimed to capture more market potential by meeting various consumer needs. We later decided to discontinue the Minihome business and NOME business to have a stronger focus on our MINISO brand and our key product categories under our MINISO brand. In particular, the NOME brand was originally planned to target consumers in lower-tier cities than our MINISO brand. However, our MINISO brand has been penetrating into lower-tier cities these years, and as such, we disposed of the NOME business to reduce the cost of operating stores under two brands in the same markets. As of the Latest Practicable Date, all of the Minihome stores and NOME stores have been closed.

Our revenue from discontinued operations was RMB498.1 million, RMB282.9 million, nil, nil, and nil in the fiscal years ended June 30, 2019, 2020, 2021 and the six months ended December 31, 2020 and 2021. Our loss from discontinued operations, net of tax was RMB303.8 million, RMB130.0 million, nil, nil, and nil in the fiscal years ended June 30, 2019, 2020, 2021 and the six months ended December 31, 2020 and 2021. See note 5 to Accountants' Report in Appendix IA to this document for more information.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six months ended December 31, 2021 compared to six months ended December 31, 2020

Revenue

Our revenue increased by 24.2% from RMB4,369.9 million in the six months ended December 31, 2020 to RMB5,426.9 million (US$851.6 million) in the six months ended December 31, 2021, mainly attributable to an increase in revenue generated from sales of lifestyle products and pop toys, which increased by 24.4% from RMB3,873.2 million in the six months ended December 31, 2020 to RMB4,817.6 million (US$756.0 million) in the six months ended December 31, 2021. The increase in revenue generated from sales of lifestyle products and pop toys was mainly due to (i) an increase in the number of MINISO stores and TOP TOY stores, (ii) gradual recovery of business operations of MINISO stores from the COVID-19 pandemic in overseas markets in the second half of 2021 compared to the second half of 2020, and (iii) increases in revenue from online sales and other sales channels as a result of our continued efforts in e-commerce initiative.

In terms of geographical locations, the increase in our revenue from the six months ended December 31, 2020 to the six months ended December 31, 2021 was mainly attributable to the growth of our operations in China and overseas markets. Revenue generated from our operations in China was RMB4,086.3 million (US$641.2 million) in the six months ended December 31, 2021, increasing by 14.9% from RMB3,556.7 million in the six months ended December 31, 2020. Revenue generated from international markets also increased by 64.9% from RMB813.2 million in the six months ended December 31, 2020 to RMB1,340.6 million (US$210.4 million) in the six months ended December 31, 2021, primarily because the operations of MINISO stores in overseas markets gradually recovered from the COVID-19 pandemic.

During the period, the total number of MINISO stores, including those in China and international markets, increased from 4,514 as of December 31, 2020 to 5,045 as of December 31, 2021. Our revenue per MINISO store, which is calculated by dividing the revenue of MINISO brand by the average number of MINISO stores of the relevant period, increased by 6.8% from RMB970.2 thousand in the six months ended December 31, 2020 to RMB1,036.2 thousand (US$162.6 thousand) in the six months ended December 31, 2021. The increase in revenue per MINISO store was mainly due to an improved recovery of sales in international markets. See "Risk Factors – Risks Related to Our Business and Industry – Our revenue per MINISO store has experienced, and may continue to experience, significant fluctuation from period to period."

Cost of sales

Our cost of sales increased by 19.7% from RMB3,204.7 million in the six months ended December 31, 2020 to RMB3,835.6 million (US$601.9 million) in the six months ended December 31, 2021, primarily due to an increase in cost of inventories, which increased by

18.3% from RMB3,179.5 million in the six months ended December 31, 2020 to RMB3,762.6 million (US$590.4 million) in the six months ended December 31, 2021. The increase in cost of inventories is consistent with the growth of our revenue. To a lesser extent, logistics expenses also increased from RMB23.9 million in the six months ended December 31, 2020 to RMB67.5 million (US$10.6 million) in the six months ended December 31, 2021 primarily due to the growth of our sales from e-commerce channels as the products sold through such channels need to be shipped to customers.

Gross profit and gross margin

Gross profit increased by 36.6% from RMB1,165.1 million in the six months ended December 31, 2020 to RMB1,591.3 million (US$249.7 million) in the six months ended December 31, 2021, and gross margin increased from 26.7% to 29.3% during the same period. The increase in gross profit and gross margin was mainly driven by (i) an increase in revenue contribution from our international operations, which generally have a higher gross margin than our operations in China. International operations contributed 24.7% of our total revenue in the six months ended December 31, 2021, compared to 18.6% in the six months ended December 31, 2020, and (ii) expanded co-branded IP product offering and its associated higher gross margin in the six months ended December 31, 2021.

Co-branded IP products typically have a higher gross margin mainly because co-branded IP products generally have stronger pricing power, which allows us to set prices for co-branded IP products at a certain percentage higher than the prices set for the same type of products that are not co-branded. Co-branded IP products and the products of the same type without co-branded IP generally share a similar procurement cost structure, given that the IP licensing fee related to co-branded IP products is booked in the selling and distribution expenses and would not have impact on the gross margin. As a result of such pricing strategy, co-branded IP products generally have a higher gross margin.

Other income

Our other income decreased by 57.6% from RMB43.8 million in the six months ended December 31, 2020 to RMB18.6 million (US$2.9 million) in the six months ended December 31, 2021, primarily due to a decrease in government grants. There are different types of government grants and the amount of which generally fluctuates from period to period.

Selling and distribution expenses

Our selling and distribution expenses increased by 15.6% from RMB627.5 million in the six months ended December 31, 2020 to RMB725.6 million (US$113.9 million) in the six months ended December 31, 2021. Excluding equity-settled share-based payment expenses, our selling and distribution expenses increased by 29.2% from RMB536.8 million to RMB693.3 million (US$108.8 million) during the same period. Such increase was mainly due to increased other payroll and employee benefits, licensing expenses and promotion and advertising expenses that were in line with our revenue growth and our efforts in improving brand awareness for both MINISO and TOP TOY. Rental and related expenses decreased from RMB38.0 million for the fiscal year ended June 30, 2020 to RMB7.1 million for the fiscal year ended June 30, 2021 primarily due to more rent concessions we received in overseas markets, which were recognized as negative variable lease expenses in the fiscal year ended June 30, 2021.

General and administrative expenses

Our general and administrative expenses decreased by 1.9% from RMB441.2 million in the six months ended December 31, 2020 to RMB432.7 million (US$67.9 million) in the six months ended December 31, 2021. Excluding equity-settled share-based payment expenses, our general and administrative expenses increased by 31.4% from RMB315.5 million to RMB414.7 million (US$65.1 million) during the same period, which was primarily due to increased other payroll and employee benefits and increased depreciation and amortization expenses of land use right related to our headquarters building project, partially offset by decreased professional service fees.

Other net income/(loss)

Our other net income was RMB46.0 million (US$7.2 million) in the six months ended December 31, 2021, compared to other net loss of RMB70.8 million in the six months ended December 31, 2020. This change was mainly attributable to (i) decreased net foreign exchange loss in the six months ended December 31, 2021 due to less volatility of the exchange rate between RMB and US dollar, and (ii) increased investment income from wealth management products we invested in. See note 9 to Accountants' Report in Appendix IA to this document for more information.

Credit loss on trade and other receivables

Our credit loss on trade and other receivables was RMB17.4 million and RMB19.1 million (US$3.0 million) in the six months ended December 31, 2020 and 2021, respectively. See note 34 to Accountants' Report in Appendix IA to this document for details of our credit risk and assessment of credit loss.

Impairment loss on non-current assets

Our impairment loss on non-current assets was nil and RMB9.5 million (US$1.5 million) in the six months ended December 31, 2020 and 2021, respectively. We recorded impairment loss on non-current assets of directly operated stores in the six months ended December 31, 2021.

Operating profit

As a result of the foregoing, we recorded operating profit of RMB468.9 million (US$73.6 million) in the six months ended December 31, 2021, compared to RMB52.2 million in the six months ended December 31, 2020.

Net finance income

We had a net finance income of RMB9.2 million (US$1.4 million) in both the six months ended December 31, 2020 and the six months ended December 31, 2021.

Fair value changes of paid-in capital subject to redemption and other preferential rights/redeemable shares with other preferential rights

Our fair value changes of paid-in capital subject to redemption and other preferential rights/redeemable shares with other preferential rights were a loss of RMB1,625.3 million in the six months ended December 31, 2020 and nil in the six months ended December 31, 2021. The change was primarily due to the conversion of preferred shares into Class A ordinary shares upon the completion of our initial public offering in the United States and the termination of preferential rights attached to those preferred shares.

Share of loss of equity-accounted investee, net of tax

Our share of loss of equity-accounted investee, net of tax was a loss of RMB8.2 million (US$1.3 million) in the six months ended December 31, 2021, compared to nil in the six months ended December 31, 2020. We had share of loss of equity-accounted investee, net of tax in the six months ended December 31, 2021 due to our investment into and share of loss of a company then controlled by our Controlling Shareholders. This company was established to acquire the land use right of a parcel of land in Guangzhou for the purpose of establishing a new headquarters building for our Group.

Income tax expense

We recorded income tax expense of RMB131.3 million (US$20.6 million) in the six months ended December 31, 2021, compared to RMB91.6 million in the six months ended December 31, 2020.

Profit/(Loss) for the period

As a result of the foregoing, we recorded a profit of RMB338.6 million (US$53.1 million) in the six months ended December 31, 2021, compared to a loss of RMB1,655.6 million in the six months ended December 31, 2020. In particular, we recorded a large amount of loss related to fair value changes of paid-in capital subject to redemption and other preferential rights/redeemable shares with other preferential rights in the six months ended December 31, 2020.

Fiscal year ended June 30, 2021 compared to fiscal year ended June 30, 2020

Revenue

Our revenue increased by 1.0% from RMB8,979.0 million in the fiscal year ended June 30, 2020 to RMB9,071.7 million (US$1,423.5 million) in the fiscal year ended June 30, 2021, mainly attributable to an increase in revenue generated from our operations in China, partially offset by a decrease in our revenue generated from international markets.

Revenue generated from our operations in China was RMB7,291.2 million (US$1,144.2 million) in the fiscal year ended June 30, 2021, increasing by 20.6% from RMB6,044.1 million in the fiscal year ended June 30, 2020. The increase in revenue from the China market was primarily due to (i) an increase in the average number of MINISO stores and revenue per MINISO store in China, (ii) an increase in revenue from e-commerce business as we put in more resources in e-commerce business to counter the negative impact of the pandemic, and (iii) a revenue contribution from TOP TOY business, which we launched in December 2020.

The COVID-19 pandemic continued to impact our operations and results, especially in our international operations during the fiscal year ended June 30, 2021. As a result of the temporary store closures, reduction of operating hours and shipment suspensions caused by COVID-19, our revenue generated from international markets decreased by 39.3% from RMB2,934.9 million in the fiscal year ended June 30, 2020 to RMB1,780.5 million (US$279.4 million) in the fiscal year ended June 30, 2021. See "– Impact of COVID-19 on Our Operations and Financial Performance."

During the period, the total number of MINISO stores, including those in China and international markets, increased from 4,222 as of June 30, 2020 to 4,749 as of June 30, 2021. Our revenue per MINISO store, however, decreased by 11.3% from RMB2.2 million in the fiscal year ended June 30, 2020 to RMB1.9 million (US$0.3 million) in the fiscal year ended June 30, 2021, mainly due to (i) the outbreak of COVID-19, and to a lesser extent, (ii) our new store expansion in lower-tier cities and under-penetrated locations as we continued to expand our store network, and (iii) increased competition. See "Risk Factors – Risks Related to Our Business and Industry – Our revenue per MINISO store has experienced, and may continue to experience, significant fluctuation from period to period."

Cost of sales

Our cost of sales increased by 6.3% from RMB6,246.5 million in the fiscal year ended June 30, 2020 to RMB6,641.0 million (US$1,042.1 million) in the fiscal year ended June 30, 2021, primarily due to an increase in cost of inventories as a result of the increase in revenue during the same period and, to a lesser extent, logistics expenses also increased from nil in the fiscal year ended June 30, 2020 to RMB56.8 million (US$8.9 million) in the fiscal year ended June 30, 2021, primarily due to the rapid development of our e-commerce initiative. Logistics expenses mainly represented shipping expenses for the products sold to customers through e-commerce channels.

Gross profit

Gross profit decreased by 11.0% from RMB2,732.5 million in the fiscal year ended June 30, 2020 to RMB2,430.7 million (US$381.4 million) in the fiscal year ended June 30, 2021, and gross margin decreased from 30.4% to 26.8% during the same period. The decrease in gross profit and gross margin was mainly driven by a decrease in revenue contribution from our international operations, which generally have a higher gross margin than our operations in China. International operations contributed 19.6% of our total revenue in the fiscal year ended June 30, 2021, compared to 32.7% in the fiscal year ended June 30, 2020.

Other income

Our other income increased by 40.1% from RMB37.2 million in the fiscal year ended June 30, 2020 to RMB52.1 million (US$8.2 million) in the fiscal year ended June 30, 2021, primarily due to an increase in government grants, which increased from RMB36.6 million in the fiscal year ended June 30, 2020 to RMB46.6 million (US$7.3 million) in the fiscal year ended June 30, 2021.

Selling and distribution expenses

Our selling and distribution expenses increased by 1.4% from RMB1,190.5 million in the fiscal year ended June 30, 2020 to RMB1,206.8 million (US$189.4 million) in the fiscal year ended June 30, 2021. Excluding equity-settled share-based payment expenses, our selling and distribution expenses increased from RMB1,062.7 million to RMB1,075.6 million (US$168.8 million) during the same period.

General and administrative expenses

Our general and administrative expenses increased by 1.8% from RMB796.4 million in the fiscal year ended June 30, 2020 to RMB810.8 million (US$127.2 million) in the fiscal year ended June 30, 2021. Excluding equity-settled share-based payment expenses, our general and administrative expenses increased by 18.0% from RMB559.8 million to RMB660.7 million (US$103.7 million) during the same period, which was primarily due to increases in other payroll and employee benefits, IT service fees and professional service fees.

Other net income/(loss)

Our other net loss was RMB40.4 million (US$6.3 million) in the fiscal year ended June 30, 2021, compared to other net income of RMB46.0 million in the fiscal year ended June 30, 2020. This change was mainly attributable to foreign exchange losses, which were in line with the appreciation of the RMB against the U.S. dollar during the period.

Credit loss on trade and other receivables

Our credit loss on trade and other receivables was RMB25.4 million and RMB20.8 million (US$3.3 million) in the fiscal years ended June 30, 2020 and 2021, respectively.

Impairment loss on non-current assets

Our impairment loss on non-current assets was RMB36.8 million and RMB2.9 million (US$0.5 million) in the fiscal years ended June 30, 2020 and 2021, respectively. The impairment loss on non-current assets was related to our directly operated stores. We had more impairment loss on non-current assets for the fiscal year ended June 30, 2020 primarily attributable to the negative impact of the COVID-19 pandemic, which resulted in certain of our directly operated stores in overseas market loss-making and we recorded a higher amount of impairment loss on non-current assets of certain of our directly operated stores. For the fiscal year ended June 30, 2021, our directly operated stores in overseas markets were gradually recovering from the pandemic and we recorded less impairment loss accordingly.

Operating profit

As a result of the foregoing, we recorded operating profit of RMB401.0 million (US$62.9 million) in the fiscal year ended June 30, 2021, compared to RMB766.6 million in the fiscal year ended June 30, 2020.

Net finance (costs)/income

We had net finance income of RMB12.1 million (US$1.9 million) in the fiscal year ended June 30, 2021, compared to net finance costs of RMB5.7 million in the fiscal year ended June 30, 2020. We had net finance income in the fiscal year ended June 30, 2021 mainly due to a substantial increase in interest income from bank deposits.

Fair value changes of paid-in capital subject to redemption and other preferential rights/redeemable shares with other preferential rights

Our fair value changes of paid-in capital subject to redemption and other preferential rights/redeemable shares with other preferential rights were a loss of RMB680.0 million and RMB1,625.3 million (US$255.0 million) in the fiscal years ended June 30, 2020 and 2021, respectively. The change was primarily due to the increase in fair value of our preferred shares closing to in our initial public offering in the United States in October 2020.

Share of loss of equity-accounted investee, net of tax

Our share of loss of equity-accounted investee, net of tax was a loss of RMB4.0 million (US$0.6 million) in the fiscal year ended June 30, 2021, compared to nil in the fiscal year ended June 30, 2020. We had share of loss of equity-accounted investee, net of tax in the fiscal year ended June 30, 2021 due to our investment into and share of loss of a company then controlled by our Controlling Shareholders established to acquire land use right of a parcel of land in Guangzhou for the purpose of establishing a new headquarters building for our Group.

Income tax expense

We recorded income tax expense of RMB213.3 million (US$33.5 million) in the fiscal year ended June 30, 2021, compared to RMB210.9 million in the fiscal year ended June 30, 2020.

Loss from continuing operations

As a result of the foregoing, we recorded a loss of RMB1,429.4 million (US$224.3 million) from continuing operations in the fiscal year ended June 30, 2021, compared to RMB130.1 million in the fiscal year ended June 30, 2020. In particular, we recorded a large amount of loss related to fair value changes of paid-in capital subject to redemption and other preferential rights/redeemable shares with other preferential rights.

Loss for the year from discontinued operations, net of tax

We recorded a loss for the year from discontinued operations, net of tax of nil in the fiscal year ended June 30, 2021, compared to RMB130.0 million in the fiscal year ended June 30, 2020.

Loss for the year

As a result of the foregoing, we recorded a loss of RMB1,429.4 million (US$224.3 million) in the fiscal year ended June 30, 2021, compared to RMB260.2 million in the fiscal year ended June 30, 2020.

Fiscal year ended June 30, 2020 compared to fiscal year ended June 30, 2019

Revenue

Our revenue decreased by 4.4% from RMB9,394.9 million in the fiscal year ended June 30, 2019 to RMB8,979.0 million in the fiscal year ended June 30, 2020, which was attributable to a decrease in sales of our products by 4.8% from RMB8,464.7 million to RMB8,055.4 million, as well as a decrease in revenue from license fees, sales-based royalties, and management and consultation service fees by 4.1% from RMB612.6 million to RMB587.6 million.

The decrease in our revenue was mainly attributable to the negative impact of COVID-19 on our China and international operations during the period. As a result of the temporary store closures, reduction of operating hours and shipment suspensions caused by COVID-19, our revenue generated from China market decreased by 5.0% from RMB6,364.0 million in the fiscal year ended June 30, 2019 to RMB6,044.1 million in the fiscal year ended June 30, 2020, and our revenue generated from international markets decreased by 3.2% from RMB3,030.9 million to RMB2,934.9 million during the same period. See "– Impact of COVID-19 on Our Operations and Financial Performance."

During the period, the total number of MINISO stores, including those in China and international markets, increased from 3,725 as of June 30, 2019 to 4,222 as of June 30, 2020. Most of the new stores were opened in the second half of 2019 calendar year before the outbreak of COVID-19. Our revenue per MINISO store, however, decreased by 19.8% from RMB2.7 million in the fiscal year ended June 30, 2019 to RMB2.2 million in the fiscal year ended June 30, 2020, mainly due to the outbreak of COVID-19, and to a lesser extent, due to our new store expansion in lower-tier cities and under-penetrated locations as we continued to expand our store network. See "Risk Factors – Risks Related to Our Business and Industry – Our revenue per MINISO store has experienced, and may continue to experience, significant fluctuation from period to period."

Cost of sales

Our cost of sales decreased by 9.3% from RMB6,883.9 million in the fiscal year ended June 30, 2019 to RMB6,246.5 million in the fiscal year ended June 30, 2020, primarily due to the negative impact of the COVID-19 pandemic, which led to a slowdown of the sales of our products and a decrease in revenue in the same period.

Gross profit

Gross profit increased by 8.8% from RMB2,511.0 million in the fiscal year ended June 30, 2019 to RMB2,732.5 million in the fiscal year ended June 30, 2020, and gross margin increased from 26.7% to 30.4% during the same period. The increase in gross margin was mainly driven by (i) a decrease in our applicable value-added tax rate, and (ii) our expanding co-branded product offering and its associated higher gross margin during the fiscal year ended June 30, 2020.

Other income

Our other income increased by 255.4% from RMB10.5 million in the fiscal year ended June 30, 2019 to RMB37.2 million in the fiscal year ended June 30, 2020, which was primarily due to the receipt of a substantial amount of government grants in April 2020.

Selling and distribution expenses

Our selling and distribution expenses increased from RMB818.3 million in the fiscal year ended June 30, 2019 to RMB1,190.5 million in the fiscal year ended June 30, 2020. Excluding equity-settled share-based payment expenses, our selling and distribution expenses increased by 35.3% from RMB785.2 million to RMB1,062.7 million during the same period. The increase was primarily attributable to (i) an increase in licensing expenses from RMB21.9 million to RMB109.5 million, as a result of our expanding co-branding collaborations, (ii) an increase in depreciation and amortization expense from RMB154.5 million to RMB214.5 million due to us having more directly operated stores overseas, and (iii) an increase in promotion and advertising expenses from RMB85.6 million to RMB128.4 million in connection with our large-scale media promotional events during the fiscal year ended June 30, 2020.

General and administrative expenses

Our general and administrative expenses increased by 34.3% from RMB593.2 million in the fiscal year ended June 30, 2019 to RMB796.4 million in the fiscal year ended June 30, 2020. The increase was primarily attributable to an increase in payroll and employee benefits from RMB348.6 million to RMB549.8 million, driven by a substantial increase in equity-settled share-based payment expenses. Excluding equity-settled share-based payment expenses, our general and administrative expenses increased by 11.0% from RMB504.2 million to RMB559.8 million during the same period, with other payroll and employee benefits increasing from RMB259.7 million to RMB313.2 million.

Other net income

Our other net income increased from RMB24.4 million in the fiscal year ended June 30, 2019 to RMB46.0 million in the fiscal year ended June 30, 2020, mainly due to an increase in investment income from other investments.

Credit loss on trade and other receivables

Our credit loss on trade and other receivables was RMB90.1 million and RMB25.4 million in the fiscal years ended June 30, 2019 and 2020, respectively. The credit loss during the fiscal year ended June 30, 2019 was primarily attributable to the loss allowance made for trade receivables from an overseas distributor due to the deterioration of its financial performance during the period.

Impairment loss on non-current assets

Our impairment loss on non-current assets was RMB27.5 million and RMB36.8 million in the fiscal years ended June 30, 2019 and 2020, respectively. We record impairment loss on non-current assets of directly operated stores.

Operating profit

As a result of the foregoing, we recorded operating profit of RMB766.6 million in the fiscal year ended June 30, 2020, compared to RMB1,016.7 million in the fiscal year ended June 30, 2019.

Net finance costs

Our net finance costs decreased from RMB17.9 million in the fiscal year ended June 30, 2019 to RMB5.7 million in the fiscal year ended June 30, 2020, primarily due to a substantial increase in interest income from bank deposits, partially offset by increases in interest on our lease liabilities and loans and borrowings.

Fair value changes of paid-in capital subject to redemption and other preferential rights/redeemable shares with other preferential rights

Our fair value changes of paid-in capital subject to redemption and other preferential rights/redeemable shares with other preferential rights were a loss of RMB709.8 million and a loss of RMB680.0 million in the fiscal years ended June 30, 2019 and 2020, respectively. The change was primarily due to the fact that the valuation of the paid-in capital subject to redemption and other preferential rights/redeemable shares with other preferential rights increased less in the fiscal year ended June 30, 2020 relative to the valuation increase in the previous fiscal year, which resulted from a lesser increase in the equity valuation of our business.

Income tax expense

We recorded income tax expense of RMB210.9 million in the fiscal year ended June 30, 2020, compared to RMB279.6 million in the fiscal year ended June 30, 2019.

Profit/(loss) from continuing operations

As a result of the foregoing, we recorded a loss of RMB130.1 million from continuing operations in the fiscal year ended June 30, 2020, compared to a profit of RMB9.4 million from continuing operations in the fiscal year ended June 30, 2019. In particular, we had loss from continuing operations in the fiscal year ended June 30, 2020 mainly due to a substantial increase in equity-settled share-based payment expenses, and a loss related to fair value changes of paid-in capital subject to redemption and other preferential rights/redeemable shares with other preferential rights.

Loss for the year from discontinued operations, net of tax

We recorded a loss for the year from discontinued operations, net of tax of RMB130.0 million in the fiscal year ended June 30, 2020, compared to RMB303.8 million in the fiscal year ended June 30, 2019.

Loss for the year

As a result of the foregoing, we recorded a loss of RMB260.2 million in the fiscal year ended June 30, 2020, compared to a loss of RMB294.4 million in the fiscal year ended June 30, 2019.

DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of June 30,				As of December 31,		As of April 30,	
	2019	2020	2021		2021		2022	
	RMB	*RMB*	*RMB*	*US$*	*RMB*	*US$*	*RMB*	*US$*
	(in thousands)							
							(Unaudited)	
Current assets								
Other investments	356,265	–	102,968	16,158	208,289	32,685	206,526	32,408
Inventories	1,308,957	1,395,674	1,496,061	234,765	1,360,994	213,570	1,119,278	175,639
Trade and other receivables	830,751	729,889	824,725	129,417	1,113,506	174,733	1,082,061	169,799
Cash and cash equivalents	1,546,280	2,853,980	6,771,653	1,062,620	5,151,456	808,376	5,067,969	795,275
Restricted cash	8,917	7,056	3,680	577	7,347	1,153	9,650	1,514
Assets held for sale	460,549	–	–	–	–	–	–	–
Total current assets	4,511,719	4,986,599	9,199,087	1,443,537	7,841,592	1,230,517	7,485,484	1,174,635
Current liabilities								
Loans and borrowings	2,750	401,182	13,669	2,145	5,182	813	5,297	831
Trade and other payables	2,363,739	2,419,795	2,809,182	440,822	3,189,086	500,437	2,830,677	444,195
Contract liabilities	243,873	218,287	266,919	41,885	276,537	43,395	323,948	50,835
Lease liabilities	186,737	224,080	321,268	50,414	268,425	42,122	267,400	41,961
Deferred income	–	–	6,060	951	5,980	938	6,207	974
Current taxation	84,216	46,299	65,757	10,319	81,822	12,840	30,087	4,721
Liabilities directly associated with the assets held for sale	364,664	–	–	–	–	–	–	–
Total current liabilities	3,245,979	3,309,643	3,482,855	546,536	3,827,032	600,545	3,463,616	543,517
Net Current Assets	1,265,740	1,676,956	5,716,232	897,001	4,014,560	629,972	4,021,868	631,118

We have net current assets as of each balance sheet dates above. The significant increase in net current assets from RMB1,677.0 million as of June 30, 2020 to RMB5,716.2 million (US$897.0 million) as of June 30, 2021 was primarily due to an increase in cash and cash equivalents mainly as a result of the proceeds we received from our initial public offering in the United States. The decrease in net current assets from RMB5,716.2 million (US$897.0 million) as of June 30, 2021 to RMB4,014.6 million (US$630.0 million) as of December 31, 2021 was primarily due to a decrease in our cash and cash equivalents, which was mainly because we invested our cash in our headquarters building project.

Other Investments

Other investments represent our investments in financial assets measured at fair value through profit or loss. During the Track Record Period, we invested in three types of financial assets, i.e. (i) wealth management products offered by commercial banks, (ii) asset management scheme tailored to us and offered by an asset management company, and (iii) trust schemes managed by a trust company. The fair value of these financial assets was RMB356.3 million as of June 30, 2019, nil as of June 30, 2020, RMB103.0 million (US$16.2 million) as of June 30, 2021 and RMB208.3 million (US$32.7 million) as of December 31, 2021. See note 20 to Accountants' Report in Appendix IA to this document for details of these financial assets and movements as of different balance sheet dates. The investments in these assets after the Listing will be subject to the compliance with the requirements under Chapter 14 of the Listing Rules.

Fair value measurement

To provide an indication of the reliability of the inputs used in determining fair value, we have classified our financial instruments into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and

- Level 3 valuations: Fair value measured using significant unobservable inputs.

Other investments in Level 2 as of June 30, 2019 represented investments in wealth management products and an asset management scheme. The fair value of these investments was determined by discounting the expected future return using expected return rates currently available for instruments with similar terms, credit risk, remaining terms and other market data. Other investments in Level 2 as of June 30, 2021 represented investments in trust investment schemes. The fair value of these investments was determined by referencing to the fair value quoted by the trust company that established and managed the investments and using expected return rates currently available for instruments with similar terms, credit risk, remaining terms and other market data.

The paid-in capital subject to redemption and other preferential rights/redeemable shares with other preferential rights are classified as Level 3 instruments. The paid-in capital subject to redemption and other preferential rights/redeemable shares with other preferential rights are not traded in an active market and the respective fair value is determined by using valuation techniques, certified by an independent business valuer. We have used the discounted cash flow method to determine the underlying equity value and adopted equity allocation model to determine the fair value of the paid-in capital subject to redemption and other preferential rights/redeemable shares with other preferential rights. Considerable judgement is required to interpret market data used in the valuation techniques.

The details on the fair value measurement of our Level 3 financial instruments, the valuation techniques and key inputs, including significant unobservable inputs and the relationship of the unobservable inputs to the fair values, are disclosed in Notes 30 and 34(e)(i) to the Accountants' Report in Appendix IA to this document. The Reporting Accountants have carried out their work in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants for the purpose of expressing an opinion on our historical financial information for the Track Record Period as a whole. The Reporting Accountants' opinion on the Historical Financial Information of our Group for the Track Record Period as a whole is set out in Appendix IA to this document.

Our Directors and management have reviewed the fair value measurement of Level 3 financial instruments, taking into account the considerable judgement and the applicable valuation techniques, and determined that the fair value measurement of Level 3 financial instruments is in accordance with the applicable IFRSs. Our Directors are satisfied with the valuation exercise for financial assets categorised as Level 3 financial instruments in our Historical Financial Information for the purpose of preparing the consolidated financial statements for the Track Record Period as contained in the Accountants' Report set out in Appendix IA to this document, having (i) considered the unqualified opinion included in the Accountants' Report as set out in Appendix IA to this document; (ii) reviewed the relevant underlying contracts or agreements for the Level 3 financial instruments; (iii) engaged a third-party valuer and provided the valuer with all relevant information that is likely to affect the valuation; and (iv) reviewed the valuation report prepared by the third-party valuer regarding the fair value of the Level 3 financial instruments.

The Joint Sponsors have performed the following due diligence work in relation to the valuation of the Company's Level 3 financial instruments: (i) discussed with the management and the Reporting Accountants to understand the nature and details of the Level 3 financial instruments; (ii) obtained and reviewed the relevant underlying contracts or agreements for the Level 3 financial instruments; (iii) reviewed the valuation report prepared by the third-party valuer regarding the fair value of the Level 3 financial instruments, and assessed the qualification of such third-party valuer; (iv) obtained and reviewed the relevant internal policies and procedure manuals with respect to financial instruments measurement of the Company; (v) conducted due diligence interview with the Company to understand, amongst other things, the valuation methodology, assumptions and key parameters adopted for the valuation of the Level 3 financial instruments; (vi) assessed the reasonableness of the valuation methodology, data inputs and the valuation process involved in the valuation of the Level 3 financial instruments adopted by the Company; (vii) reviewed the relevant notes in the Accountants' Report set out in Appendix IA to this document; and (viii) discussed with the Reporting Accountants in respect of the audit procedures they have conducted for the purpose of expressing an opinion on the historical financial information of the Group as a whole. Based on the due diligence work conducted by the Joint Sponsors as stated above, and having considered the work performed by the management and the audit procedures carried out by the Reporting Accountants, nothing has come to the Joint Sponsors' attention that would cause the Joint Sponsors to question the valuation analysis in relation to the Level 3 financial instruments performed by the Company and the audit procedures carried out by the Reporting Accountants for the purpose of expressing an opinion on the historical financial information of the Group as a whole.

Cash management policy

We believe we can make better use of our cash by making appropriate investments in short-term investment products, which generate income without interfering with our business operation or capital expenditures. Our investment decisions with respect to financial products are made on a case-by-case basis and after due and careful consideration of a number of factors, including, but not limited to, the market conditions, the economic developments, the anticipated investment conditions, the investment cost, the duration of the investment and the expected benefit and potential loss of the investment. We have established a set of internal control measures which allow us to achieve reasonable returns on our investment while mitigating our exposure to high investment risks. These policies and measures were formulated by our senior management.

In order to make full use of idle funds, improve the utilization rate of surplus funds, and increase our income, under the premise of not affecting our normal business activities, subject to approval from our chief financial officer, the financial center of our Group may purchase a certain amount of wealth management products from financial institutions. According to our internal policies, the manager of our treasury department should make proposals to invest in wealth management products to our chief financial officer and such proposals must be reviewed and approved by our chief financial officer. In assessing a proposal to invest in wealth management products, a number of criteria must be met, including but not limited to the following:

- the purchase of wealth management products is limited to low-risk products such as term deposits, principal-guaranteed and interest-paying products, treasury notes issued by banks, and wealth management products with risk level below R2. The purchase of high-risk financial instruments such as securities and futures is strictly prohibited.

- the expected return of the purchased wealth management products should be not lower than bank's deposit interest rate for term deposits of the same period, the product structure should be relatively simple, and the purchases should be made from financial institutions with large operation scale, overall strength and good credit standing.

- the treasury department is responsible for setting up a detailed ledger for wealth management products, the manager of the treasury department manages the financial products, and tracks the progress and safety of wealth management products. In the event of an abnormal situation, the manager of the treasury department should report the situation to the chief financial officer in a timely manner so that we can take effective measures immediately to reduce potential losses.

We believe that our internal policies regarding financial products and the related risk management mechanism are adequate. We may continue to purchase financial products that meet the above criteria as part of our treasury management where we believe it is prudent to do so after the Listing.

Inventories

Our inventories primarily consist of finished goods. Our inventories increased by 6.6% from RMB1,309.0 million as of June 30, 2019 to RMB1,395.7 million as of June 30, 2020, primarily due to a lower level of inventory turnover rate as a result of the negative impact of the COVID-19 pandemic. Our inventories increased by 7.2% from RMB1,395.7 million as of June 30, 2020 to RMB1,496.1 million (US$234.8 million) as of June 30, 2021, primarily because we purchased more products from suppliers, which is in line with our revenue growth. Our inventories decreased from RMB1,496.1 million (US$234.8 million) as of June 30, 2021 to RMB1,361.0 million (US$213.6 million) as of December 31, 2021, primarily because we conducted sales promotions at the end of the year.

Write-down of inventories is recorded when estimated net realizable value is less than cost. In determining write-down of inventories, we consider factors such as inventory aging, forecast product demands, historical pricing trends and anticipated future pricing strategies. For the fiscal years ended June 30, 2019 and 2020, we recorded an inventory write-down of RMB89.9 million and RMB68.3 million, respectively. For the fiscal year ended June 30, 2021 and for the six months ended December 31, 2021, we recorded a reversal of inventory write-down of RMB51.1 million and RMB34.7 million, respectively. Reversal of inventory write-down was mainly because we recorded inventory write-down for products to be sold in the United States and Canada during the fiscal year ended June 30, 2020 and such inventory write-down was reversed when those products were subsequently sold or used for promotion during the fiscal year ended June 30, 2021 and the six months ended December 31, 2021.

The following table sets forth the turnover days of our inventories for the periods indicated:

	For the Fiscal Year Ended June 30,			For the Six Months Ended December 31,
	2019	2020	2021	2021
Inventory turnover days[1]	63	78	79	68

(1) Inventory turnover days for a period equals the average of the opening and closing inventories balance divided by cost of inventories for that period and multiplied by 360 days for a fiscal year and 180 days for a six months period.

Our inventory turnover days increased from 63 days for the fiscal year ended June 30, 2019 to 78 days for the fiscal year ended June 30, 2020, primarily due to the adverse impact of the COVID-19 pandemic on the sales of our products mainly in overseas markets and on our supply chain. Our inventory turnover days remained relatively stable at 78 days for the fiscal year ended June 30, 2020 and 79 days for the fiscal year ended June 30, 2021. Our inventory turnover days decreased from 79 days for the fiscal year ended June 30, 2021 to 68 days for the six months ended December 31, 2021, primarily because we conducted sales promotions at the end of the year, which reduced our inventories.

As of April 30, 2022, RMB1,261.7 million (US$198.0 million), or 92.7%, of our inventories as of December 31, 2021, had been sold.

Trade and Other Receivables

Our trade and other receivables mainly consists of trade receivables and miscellaneous expenses paid on behalf of franchisees. Miscellaneous expenses paid on behalf of franchisees mainly include labor costs and store decoration expenses. The following table sets forth a breakdown of our trade and other receivables as of the dates indicated:

	As of June 30,				As of December 31,	
	2019	2020	2021		2021	
	RMB	*RMB*	*RMB*	*US$*	*RMB*	*US$*
			(in thousands)			
Trade receivables	409,059	329,875	374,828	58,819	435,744	68,378
Less: loss allowance	(91,726)	(43,183)	(59,827)	(9,388)	(77,064)	(12,093)
Trade receivables, net of loss allowance	317,333	286,692	315,001	49,431	358,680	56,285

	As of June 30,				As of December 31,	
	2019	2020	2021		2021	
	RMB	*RMB*	*RMB*	*US$*	*RMB*	*US$*
			(in thousands)			
Amounts due from related parties	140,659	14,065	1,791	281	5,024	788
Miscellaneous expenses paid on behalf of franchisees	112,588	197,473	192,072	30,140	211,617	33,207
Value-added tax recoverable	98,805	49,687	79,590	12,489	157,373	24,695
Rental deposits	57,925	63,882	94,423	14,817	111,473	17,493
Receivables due from online payment platforms and banks[1]	31,432	16,498	33,309	5,227	117,285	18,405
Prepayments for inventories	30,927	65,502	38,758	6,082	46,813	7,346
Prepayments for licensing expenses	2,971	–	11,503	1,805	23,105	3,626
Others	38,111	36,090	58,278	9,145	82,136	12,888
Total	830,751	729,889	824,725	129,417	1,113,506	174,733

(1) Receivables from online payment platforms mainly represented the proceeds of online sales through e-commerce platforms collected by and retained in third-party online payment platforms. Withdrawal of the balances retained in online payment platforms can be made anytime upon our instructions. The amounts also included those due from banks for offline sales made through customer credit/debit cards and other online payment platforms that require overnight processing by the collection banks.

Our trade and other receivables decreased by 12.1% from RMB830.8 million as of June 30, 2019 to RMB729.9 million as of June 30, 2020, primarily because the COVID-19 pandemic negatively affected our revenue for the fiscal year ended June 30, 2020 and our trade and other receivables decreased accordingly.

Our trade and other receivables increased by 13.0% from RMB729.9 million as of June 30, 2020 to RMB824.7 million (US$129.4 million) as of June 30, 2021, primarily due to an increase in revenue generated from overseas market.

Our trade and other receivables increased from RMB824.7 million (US$129.4 million) as of June 30, 2021 to RMB1,113.5 million (US$174.7 million) as of December 31, 2021, primarily due to an increase in receivables from online payment platforms and banks as we conducted sales promotions at the end of the year and the payments made by customers through third-party online payment platforms and through credit/debit cards were not immediately received by us until after the year end.

Our trade receivables are derived mainly from credit sales to certain distributors. For these distributors, we allow a credit term of 30 to 180 days. For other distributors, we generally require them to make part or all payments in advance for their product procurement. The following table sets forth the turnover days of our trade receivables for the periods indicated:

	For the Fiscal Year Ended June 30,			For the Six Months Ended December 31,
	2019	**2020**	**2021**	**2021**
Trade receivables turnover days[1]	18	15	14	13

(1) Trade receivables turnover days for a period equals the average of the opening and closing trade receivables divided by revenue for that period and multiplied by 360 days for a fiscal year and 180 days for a six months period.

Our trade receivable turnover days decreased from 18 days for the fiscal year ended June 30, 2019 to 15 days for the fiscal year ended June 30, 2020, primarily due to the portion of revenue generated from credit sales to certain distributors decreased, which resulted in a decrease in the amount of trade receivables.

The following table sets forth an aging analysis of our trade receivables (net of loss allowance) based on the invoice date as of the dates indicated:

	As of June 30,				As of December 31,	
	2019	**2020**	**2021**		**2021**	
	RMB	*RMB*	*RMB*	*US$*	*RMB*	*US$*
	(in thousands)					
Within 90 days	244,851	162,719	231,643	36,350	254,186	39,887
91 to 180 days	37,034	44,804	35,853	5,626	59,884	9,397
181 to 360 days	24,538	61,521	24,603	3,861	32,995	5,178
361 to 540 days	10,910	13,503	18,553	2,911	9,164	1,438
Over 540 days	–	4,145	4,349	683	2,451	385
Total	317,333	286,692	315,001	49,431	358,680	56,285

As of April 30, 2022, RMB315.3 million (US$49.5 million), or 87.9%, of our trade receivables as of December 31, 2021, had been settled. The subsequent settlement of the remaining 12.1% of the trade receivables as of December 31, 2021 has been ongoing and we are in normal business cooperation with the corresponding distributors. We generally contact distributors each month regarding outstanding trade receivables, remind and urge them to make outstanding payments. We believe it is more probable than not that the remaining 12.1% of the trade receivables will be settled.

As of April 30, 2022, RMB182.6 million (US$28.6 million), or 86.3%, of our miscellaneous expenses paid on behalf of franchisees as of December 31, 2021, had been settled.

We estimate credit loss allowances for trade receivables by assessing the expected credit losses, which are based on our historical credit loss experience, adjusted for factors that are specific to the debtors, and an assessment of both the current and forecast general economic conditions at the end of each reporting period during the Track Record Period. Where the estimation is different from the original estimate, such difference will affect the carrying amounts of trade receivables and thus the credit loss allowance will be made for the period in which such estimate is changed. We keep assessing the expected credit losses of our trade receivables during their expected lives. We have made sufficient credit loss allowance for trade receivables during the Track Record Period.

The following tables sets forth an ageing analysis of unsettled trade receivables based on the invoice date as of April 30, 2022:

	As of April 30, 2022
	(RMB in thousands)
1-3 months	12,762
3-6 months	12,005
6-12 months	14,508
12-18 months	1,537
18-30 months	308
Total	**41,120**

Approximately 60.2% of all unsettled trade receivables as of April 30, 2022 aged within 180 days, the upper limit of our credit terms granted to certain distributors. For the unsettled amount aged over 180 days, a majority of those trade receivables are from a few distributors, with respect to which we extended the credit terms we granted to them due to negative impact of the COVID-19 pandemic. These distributors are our long-term business partners and we are currently continuing to cooperate with them. We are also actively working with them to collect the unsettled amount.

Trade and Other Payables

Our trade and other payables mainly consist of trade payables and deposits. Deposits represent deposits received from suppliers, distributors and franchisees. All of the other trade payables, other payables, accruals and amounts due to related parties or franchisees are expected to be settled within one year or are repayable on demand. The following table sets forth a breakdown of our trade and other payables as of the dates indicated:

	As of June 30,				As of December 31,	
	2019	2020	2021		2021	
	RMB	*RMB*	*RMB*	*US$*	*RMB*	*US$*
	(in thousands)					
Trade payables	591,342	483,278	624,688	98,027	735,029	115,342
Payroll payable	45,931	38,363	63,621	9,984	95,054	14,916
Accrued expenses	43,615	108,351	155,698	24,432	195,949	30,749
Other taxes payable	16,622	39,936	20,633	3,238	110,943	17,409
Deposits	1,527,852	1,655,763	1,833,516	287,719	1,875,173	294,256
Amount due to related parties	27,823	17,664	7,490	1,175	11,977	1,879
Others	110,554	76,440	103,536	16,247	164,961	25,886
Total	2,363,739	2,419,795	2,809,182	440,822	3,189,086	500,437

Our trade and other payables was RMB2.4 billion as of June 30, 2019, which remained stable at RMB2.4 billion as of June 30, 2020. The increase in deposits was primarily due to an increased number of MINISO stores in our store network. The increase in deposits was partially offset by a decrease in trade payables, which was primarily because we reduced purchases amount from suppliers as a result of the negative impact of the COVID-19 pandemic.

Our trade and other payables increased by 16.1% from RMB2.4 billion as of June 30, 2020 to RMB2.8 billion (US$440.8 million) as of June 30, 2021, primarily due to (i) an increase in trade payables as a result of increased purchases from suppliers, which was in line with increased revenue for the fiscal year ended June 30, 2021 compared to revenue for the fiscal year ended June 30, 2020, (ii) an increase in deposits as a result of an increased number of MINISO stores in our store network.

Our trade and other payables increased from RMB2.8 billion (US$440.8 million) as of June 30, 2021 to RMB3.2 billion (US$500.4 million) as of December 31, 2021, primarily due to (i) an increase in trade payables as a result of increased purchases from suppliers, which was in line with our revenue growth for the six months ended December 31, 2021, and (ii) an increase in other tax payables mainly as a result of a deed tax of RMB51.9 million payable for the land use right we acquired for our headquarters building project.

We generally are granted by our suppliers with a credit period of 30 to 60 days. The following table sets forth an aging analysis of our trade payables as of the dates indicated:

	As of June 30,				As of December 31,	
	2019	2020	2021		2021	
	RMB	*RMB*	*RMB*	*US$*	*RMB*	*US$*
	(in thousands)					
Within 1 month	561,654	403,969	558,743	87,679	694,020	108,907
1 to 3 months	12,077	65,646	41,176	6,461	19,778	3,104
3 months to 1 year	17,611	6,963	10,322	1,620	7,354	1,154
Over 1 year	–	6,700	14,447	2,267	13,050	2,047
Total	591,342	483,278	624,688	98,027	734,202	115,212

As of April 30, 2022, RMB716.1 million (US$112.4 million), or 97.5%, of our trade payables as of December 31, 2021, had been settled.

Contract Liabilities

Our current contract liabilities primarily consists of advance payments received from customers for purchase of goods from us and license fees and membership fees we received. We normally request 20% to 100% advance payment for purchase of goods from certain overseas distributors prior to our delivery of goods, which gives rise to contract liabilities at the start of a sales order, until the revenue of sales of products recognized on the corresponding sale order exceeds the amount of payments received in advance. With respect to license fees and membership fees, unamortized portion of upfront license fees and membership fees received was recognized as contract liability. Our current contract liabilities as of June 30, 2019, 2020 and 2021 and December 31, 2021 were relatively stable and amounted to RMB243.9 million, RMB218.3 million, RMB266.9 million (US$41.9 million) and RMB276.5 million (US$43.4 million).

As of April 30, 2022, RMB238.4 million (US$37.4 million), or 72.2%, of our contract liabilities as of December 31, 2021, had been recognized as revenue.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the year/period indicated:

	For the Fiscal Years Ended June 30,			For the Six Months Ended December 31,	
	2019	**2020**	**2021**	**2020**	**2021**
Gross margin (%)[1]	26.7	30.4	26.8	26.7	29.3
Adjusted net margin, a non-IFRS measure (%)[2]	9.0	10.4	5.3	4.3	7.2

	As of June 30,			As of December 31,
	2019	**2020**	**2021**	**2021**
Gearing ratio (%)[3]	N/A[4]	N/A[4]	0.3	0.2
Current ratio[5]	1.4	1.5	2.6	2.1

Notes:

(1) Gross margin equals gross profit divided by revenues for the year/period and multiplied by 100%.

(2) Adjusted net margin, a non-IFRS measure, equals adjusted profit divided by revenues for the year/period and multiplied by 100%. See "– Non-IFRS Financial Measure."

(3) Gearing ratio equals loans and borrowings (the sum of loans and borrowings under current liabilities and loans and borrowings under non-current liabilities) divided by total equity as of the end of the year/period and multiplied by 100%.

(4) The gearing ratio is not applicable as we recognized total deficit as of June 30, 2019 and 2020, respectively.

(5) Current ratio equals current assets divided by current liabilities as of the end of the year/period.

Gross Margin

See "– Period to Period Comparison of Results of Operations" above for the discussion of changes of our gross margin during the Track Record Period.

Adjusted Net Margin, a Non-IFRS Measure

Adjusted net margin, a non-IFRS measure, increased from 9.0% for the fiscal year ended June 30, 2019 to 10.4% for the fiscal year ended June 30, 2020, primarily due to the growth of our gross margin.

Adjusted net margin, a non-IFRS measure, decreased from 10.4% for the fiscal year ended June 30, 2020 to 5.3% for the fiscal year ended June 30, 2021, primarily due to (i) the decrease in our gross margin; and (ii) negative impact of the COVID-19 pandemic mainly in overseas markets. During the pandemic, we experienced a decrease in sales in overseas markets but had to incur general operating expenses in the meanwhile.

Adjusted net margin, a non-IFRS measure, increased from 4.3% for the six months ended December 31, 2020 to 7.2% for the six months ended December 31, 2021, primarily due to a gradual recovery from the COVID-19 pandemic in overseas market, a more stable supply chain and our efforts in cost control.

Gearing Ratio

Our gearing ratio decreased from 0.3% as of June 30, 2021 to 0.2% as of December 31, 2021, primarily due to a decrease in loans and borrowings under current liabilities from RMB13.7 million as of June 30, 2021 to RMB5.2 million as of December 31, 2021.

Current Ratio

Our current ratio increased from 1.4 as of June 30, 2019 and to 1.5 as of June 30, 2020, primarily due to an increase in cash and cash equivalents of RMB1,307.7 million, partially offset by a decrease in assets held for sale of RMB460.5 million and a decrease in other investments of RMB356.3 million.

Our current ratio increased significantly from 1.5 as of June 30, 2020 to 2.6 as of June 30, 2021, primarily due to a significant increase in total current assets of RMB4,212.5 million, as a result of an increase in cash and cash equivalents of RMB4,020.6 million, and an increase in other investments of RMB103.0 million, which was mainly due to our receipts of proceeds from our U.S. IPO and cash flow generated from our operations.

Our current ratio decreased from 2.6 as of June 30, 2021 to 2.1 as of December 31, 2021, primarily due to a decrease in total current assets of RMB1,357.5 million, which in turn was a result of a decrease in cash and cash equivalents of RMB1,620.2 million, partially offset by an increase in other investments of RMB105.3 million, mainly due to our acquisition of 80% remaining interest in YGF Investment V Limited.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, our primary sources of liquidity had been cash flows from operating activities and financing activities. We completed our initial public offering in the United States in October 2020, where we raised approximately US$625.3 million in net proceeds after deducting underwriting commissions and the offering expenses payable by us. Our cash and cash equivalents from continuing operations were RMB1,546.3 million, RMB2,854.0 million, RMB6,771.7 million (US$1,062.6 million) and RMB5,151.5 million (US$808.4 million) as of June 30, 2019, 2020 and 2021 and December 31, 2021, respectively. Cash and cash equivalents from continuing operations comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash.

As of December 31, 2021, we had a loan from non-controlling shareholders with a principal amount of RMB4.8 million (US$0.7 million) that is maturing in April 2022.

Based on our current cash and cash equivalents, anticipated cash flows from operations and the net proceeds from the Global Offering, our Directors are of the view that we will have sufficient funds to meet our working capital and capital expenditure requirements for at least the next 12 months from the date of this document.

Based on the review of financial documents and other due diligence documents, discussion with the Directors and the Directors' confirmation, the Joint Sponsors concur with the Directors' view.

In utilizing the proceeds from public offerings, we may make additional capital contributions to our PRC subsidiaries, establish new PRC subsidiaries and make capital contributions to these new PRC subsidiaries, make loans to our PRC subsidiaries, or acquire offshore entities with operations in China in offshore transactions. However, most of these uses are subject to PRC regulations. See "Risk Factors – Risks Related to Doing Business in China – PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the proceeds of the Global Offering to make loans to or make additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business."

We may decide to enhance our liquidity position or increase our cash reserve for future investments through additional capital and finance funding. The issuance and sale of additional equity would result in further dilution to our Shareholders. The incurrence of indebtedness would result in increased fixed obligations and could result in operating covenants that would restrict our operations. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all.

Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated:

	For the fiscal year ended June 30,				For the six months ended December 31,		
	2019	2020	2021		2020	2021	
	RMB	*RMB*	*RMB*	*US$*	*RMB*	*RMB*	*US$*
	(in thousands)						
					(Unaudited)		
Net cash generated from operating activities	1,038,471	826,484	916,320	143,791	806,423	731,741	114,826
Net cash (used in)/generated from investing activities	(210,915)	462,815	(518,797)	(81,411)	(428,989)	(1,836,613)	(288,205)
Net cash generated from/(used in) financing activities	619,858	(117,706)	3,536,184	554,904	3,639,642	(496,714)	(77,945)
Net increase/(decrease) in cash and cash equivalents	1,447,414	1,171,593	3,933,707	617,284	4,017,076	(1,601,586)	(251,324)
Cash and cash equivalents at beginning of year/period as presented in the consolidated statement of cash flows	228,106	1,686,218	2,853,980	447,852	2,853,980	6,771,653	1,062,620
Effect of movements in exchange rates on cash held	10,698	(3,831)	(16,034)	(2,516)	(30,582)	(18,611)	(2,920)
Cash and cash equivalents at end of year/period as presented in the consolidated statement of cash flows	1,686,218	2,853,980	6,771,653	1,062,620	6,840,474	5,151,456	808,376
Cash and cash equivalents of discontinued operations	(139,938)	–	–	–	–	–	–
Cash and cash equivalents at end of year/period as presented in the consolidated statement of financial position	1,546,280	2,853,980	6,771,653	1,062,620	6,840,474	5,151,456	808,376

Net cash generated from operating activities

Net cash generated from operating activities for the six months ended December 31, 2021 was RMB731.7 million (US$114.8 million). This amount was primarily attributable to profit of RMB338.6 million (US$53.1 million) for the six months from continuing operations, as adjusted by certain non-cash items, primarily consisting of (i) equity-settled share-based payment expenses of RMB50.4 million (US$7.9 million), (ii) depreciation and amortization of RMB182.6 million (US$28.7 million), and (iii) interest on lease liabilities of RMB16.9 million (US$2.7 million), and changes in certain working capital accounts that affected operating cash flows, primarily consisting of (i) a RMB300.7 million (US$47.2 million) increase in trade and other payables, (ii) a RMB135.1 million (US$21.2 million) decrease in inventories, and (iii) a RMB272.2 million (US$42.7 million) increase in trade and other receivables. The increase in trade and other payables was mainly due to the increase in deposits as a result of an increased number of stores. The increase in trade and other receivables was primarily due to increases in trade receivables, value-added tax recoverable and receivables due from online payment platforms and banks. The decrease in inventories was primarily because we conducted sales promotions at the end of the year.

Net cash generated from operating activities for the fiscal year ended June 30, 2021 was RMB916.3 million (US$143.8 million). This amount was primarily attributable to loss of RMB1,429.4 million (US$224.3 million) for the year from continuing operations, as adjusted by certain non-cash items, primarily consisting of (i) fair value changes of redeemable shares with other preferential rights of RMB1,625.3 million (US$255.0 million), (ii) equity-settled share-based payment expenses of RMB281.3 million (US$44.1 million), (iii) depreciation and amortization of RMB265.0 million (US$41.6 million), and (iv) interest on lease liabilities of RMB26.8 million (US$4.2 million), and changes in certain working capital accounts that affected operating cash flows, primarily consisting of (i) a RMB386.7 million (US$60.7 million) increase in trade and other payables, (ii) a RMB93.2 million (US$14.6 million) increase in inventories, (iii) a RMB80.1 million (US$12.6 million) increase in trade and other receivables, and (iv) a RMB34.4 million (US$5.4 million) increase in contract liabilities. The increase in trade and other payables was mainly due to the increase in deposits as a result of an increased number of stores. The increase in trade and other receivables was primarily due to increases in trade receivables, value-added tax recoverable and rental deposits. The increase in inventories was primarily caused by the rapid development of our new initiatives such as the TOP TOY brand and e-commerce.

Net cash generated from operating activities for the fiscal year ended June 30, 2020 was RMB826.5 million. This amount was primarily attributable to loss of RMB130.1 million for the year from continuing operations, as adjusted by certain non-cash items, primarily consisting of (i) fair value changes of paid-in capital subject to redemption and other preferential rights/redeemable shares with other preferential rights of RMB680.0 million, (ii) equity-settled share-based payment expenses of RMB364.4 million, (iii) depreciation and amortization of RMB268.7 million, and (iv) impairment loss on non-current assets of RMB36.8 million, and changes in certain working capital accounts that affected operating cash flows, primarily consisting of (i) a RMB50.3 million increase in trade and other payables, (ii) a RMB120.2

million increase in trade and other receivables, (iii) a RMB86.7 million increase in inventories, (iv) cash flows from discontinued operations of RMB68.1 million, and (v) a RMB29.0 million decrease in contract liabilities. The increase in trade and other payables was mainly due to the increase in deposits as a result of an increased number of stores. The increases in trade and other receivables and inventories were primarily caused by the disruption of our overseas operation and the associated slowdown in product sales in the first half of 2020 resulting from the adverse impact of COVID-19.

Net cash generated from operating activities for the fiscal year ended June 30, 2019 was RMB1,038.5 million. This amount was primarily attributable to a profit of RMB9.4 million for the year from continuing operations, as adjusted by certain non-cash items, primarily consisting of (i) fair value changes of paid-in capital subject to redemption and other preferential rights of RMB709.8 million, (ii) depreciation and amortization of RMB191.8 million, (iii) equity-settled share-based payment expenses of RMB122.1 million, and (iv) impairment loss on non-current assets of RMB27.5 million, and changes in certain working capital accounts that increased operating cash flows, primarily consisting of (i) a RMB509.9 million increase in trade and other payables, and (ii) a RMB119.0 million increase in contract liabilities, partially offset by a RMB392.8 million increase in inventories. The increase in trade and other payables was mainly due to the increase in deposits as a result of an increased number of stores. The increase in inventories was mainly due to the growth of our product sales.

Net cash (used in)/generated from investing activities

Net cash used in investing activities for the six months ended December 31, 2021 was RMB1,836.6 million (US$288.2 million), consisting primarily of payments for purchases of property, plant, equipment and intangible assets of RMB228.6 million (US$35.9 million), payment for acquisition of land use right of RMB891.4 million (US$139.9 million), purchase of other investments of RMB9,213.0 million (US$1,445.7 million) and cash acquired from acquisition of a subsidiary of RMB683.5 million (US$107.3 million), partially offset by proceeds for disposal of other investments of RMB9,113.0 million (US$1,430.0 million).

Net cash used in investing activities for the fiscal year ended June 30, 2021 was RMB518.8 million (US$81.4 million), consisting primarily of payments for investment in equity-accounted investee of RMB356.0 million (US$55.9 million), purchases of property, plant, equipment and intangible assets and other noncurrent assets of RMB180.3 million (US$28.3 million) and purchase of other investments of RMB28,887.8 million (US$4,533.1 million), partially offset by proceeds for disposal of other investments of RMB28,787.8 million (US$4,517.4 million).

Net cash generated from investing activities for the fiscal year ended June 30, 2020 was RMB462.8 million, consisting primarily of proceeds from disposal of other investments of RMB4,176.4 million and repayment from the controlling shareholder of RMB297.1 million, partially offset by payments for purchases of other investments and property, plant and equipment and intangible assets of RMB3,821.6 million, and cash advances to the controlling shareholders of RMB101.5 million.

Net cash used in investing activities in the fiscal year ended June 30, 2019 was RMB210.9 million, consisting primarily of payment for purchases of other investments and property, plant and equipment and intangible assets of RMB116.1 million, and purchase of other investments of RMB956.8 million, partially offset by proceeds from disposal of other investments of RMB602.0 million and proceeds from repayment from the controlling shareholder of RMB269.9 million.

Net cash generated from/(used in) financing activities

Net cash used in financing activities for the six months ended December 31, 2021 was RMB496.7 million (US$77.9 million), primarily due to payment of capital element and interest element of lease liabilities of RMB163.7 million (US$25.7 million), and dividend payment of RMB306.3 million (US$48.1 million).

Net cash generated from financing activities for the fiscal year ended June 30, 2021 was RMB3,536.2 million (US$554.9 million), primarily due to net proceeds from our initial public offering in October 2020 of RMB4,178.9 million (US$655.8 million), partially offset by repayment of loans and borrowings of RMB416.6 million (US$65.4 million) and payment of lease liabilities of RMB215.8 million (US$33.9 million).

Net cash used in financing activities for the fiscal year ended June 30, 2020 was RMB117.7 million, primarily due to payment of the capital element and interest element of lease liabilities of RMB193.8 million and dividend payments of RMB330.3 million, partially offset by proceeds from loans and borrowings from third parties of RMB410.7 million.

Net cash generated from financing activities in the fiscal year ended June 30, 2019 was RMB619.9 million, primarily due to proceeds from paid-in capital subject to redemption and other preferential rights of RMB991.5 million and proceeds from capital injection from shareholders of RMB86.6 million, partially offset by cash outflows from discontinued operations of RMB153.7 million, payment of capital element and interest element of lease liabilities of RMB166.8 million and proceeds for acquisition of subsidiaries of RMB122.9 million.

ACQUISITIONS

Acquisition of YGF Investment

In August 2020, YGF Investment V Limited ("**YGF Investment**") was incorporated in the BVI to acquire the land use right of a parcel of land in the PRC through the YGF Investment's PRC subsidiary. YGF Investment was owned as to 20% and 80% by the Company and YGF MC Limited, a company jointly controlled by our Controlling Shareholders, Mr. Ye and Ms. Yang.

On October 27, 2021, we acquired the remaining 80% equity interest in YGF Investment. The purpose of this acquisition was for the project of establishing our new headquarters building. The total consideration of this transaction is RMB694.5 million, representing the lower of the actual investment amount by YGF MC Limited as of August 31, 2021 and the appraisal value of the equity interests confirmed by a third-party valuation firm, deducted by the estimated accumulative loss of YGF Investment that YGF MC Limited should bear up to the closing of this transaction. The consideration for the acquisition was determined based on arm's length negotiation among the parties and has been fully settled in cash on October 29, 2021.

We currently own 100% equity interests of YGF Investment. We have also consolidated the financial results of YGF Investment into our financial statements since the completion of this acquisition.

Acquisition of MINISO SG

MINISO SG Pte. Ltd. ("**MINISO SG**") was established in September 2015 by two independent third-party individuals. MINISO SG was our exclusive local distributor in Singapore before our acquisition. In March, 2021, we acquired 70% of the equity interests of MINISO SG at a cash consideration of SGD2.1 million (equivalent to RMB10.3 million), representing 70% of the paid-up capital in MINISO SG. The consideration for the acquisition was determined with reference to our assessment of the revenue and number of stores operated by MINISO SG and arm's length negotiation among the parties. The consideration has been fully settled in cash on March 11, 2021. We acquired the majority stake of MINISO SG because of the strategic importance of Singapore market to our overseas operations, not only as it has a demonstration effect to other markets, but also it will act as one of our test plots of launching new products and introducing our new brand TOP TOY to overseas markets.

We recorded goodwill of RMB19.6 million in connection with this acquisition. For more details, see "Risk Factors – Risks Related to Our Business and Industry – If we determine our goodwill to be impaired, our results of operations and financial condition would be adversely affected." We currently own 70% equity interests of MINISO SG. We have also consolidated the financial results of MINISO SG into our financial statements since the completion of this acquisition.

For the purpose of impairment testing, goodwill has been allocated to cash-generating unit (CGU) of our Group as follows.

	As of June 30, 2021	As of December 31, 2021
	RMB'000	*RMB'000*
MINISO SG Pte. Ltd.	19,640	19,640
Total	19,640	19,640

The recoverable amount of this CGU was based on its value in use, determined by discounting the future cash flows to be generated from the continuing operation of the CGU, based on value-in-use calculation. The cash flow projection used in calculation was based on the financial forecasts approved by management covering a five-year period.

The key assumptions used in the estimation of value in use were as follows.

	As of June 30, 2021
Pre-tax discount rate	13.2%
Terminal value growth rate	1.4%
Revenue growth rate (average of next five years)	21.8%

The discount rate used was pre-tax and reflect specific risks relating to the CGU. Five years of cash flow were included in the discounted cash flow model. Cash flows beyond the five-year period were extrapolated using the terminal growth rate, which did not exceed the long-term average growth rates for the business in which the CGU operates. Revenue growth was based on expectations of future outcomes taking into account of the impact of COVID-19.

The headroom calculated based on the recoverable amounts deducting the carrying amount of and goodwill allocated for the CGU was approximated RMB10,741,000 as of June 30, 2021.

We performed the sensitivity analysis based on the assumption that pre-tax discount rate and revenue growth rate has been changed. Had the estimated key assumption during the forecast period been changed as below, the headroom would have decreased to the following:

	As of June 30,
	2021
	RMB'000
Pre-tax discount rate increase by 5%	7,363
Revenue growth rate (average of next five years) decrease by 2%	151

With regards to the assessment of the value in use of the CGU, we believe that reasonable possible changes in above key assumptions would not lead to the carrying value, including goodwill, of the CGU to exceed the recoverable amount as of June 30, 2021.

INDEBTEDNESS

The following table sets forth the breakdown of our indebtedness as of the dates indicated:

	As of June 30,				As of December 31,		As of April 30,	
	2019	2020	2021		2021		2022	
	RMB	*RMB*	*RMB*	*US$*	*RMB*	*US$*	*RMB*	*US$*
	(in thousands)							
							(Unaudited)	
Loans and borrowings	8,060	416,389	20,594	3,232	11,551	1,812	11,746	1,843
Lease liabilities	496,570	602,974	804,412	126,230	679,729	106,665	650,372	102,058
Total	504,630	1,019,363	825,006	129,462	691,280	108,477	662,118	103,901

Loans and Borrowings

The following table sets forth the breakdown of our loans and borrowings as of the dates indicated:

	As of June 30,				As of December 31,		As of April 30,	
	2019	2020	2021		2021		2022	
	RMB	*RMB*	*RMB*	*US$*	*RMB*	*US$*	*RMB*	*US$*
				(in thousands)				
							(Unaudited)	
Non-current liabilities								
Unsecured bank loans from US banks	–	9,777	–	–	–	–	–	–
Borrowings from former and existing non-controlling interest shareholders	5,310	5,430	6,612	1,038	6,369	999	6,449	1,012
Other borrowings	–	–	313	49	–	–	–	–
Total	5,310	15,207	6,925	1,087	6,369	999	6,449	1,012
Current liabilities								
Current portion of unsecured bank loans from US banks	–	–	8,921	1,400	–	–	–	–
Current portion of borrowings from former and existing non-controlling interest shareholders	–	–	4,748	745	4,882	766	4,987	783
Unsecured bank loans from PRC banks	–	400,000	–	–	–	–	–	–
Other borrowings	2,750	1,182	–	–	300	47	310	48
Total	2,750	401,182	13,669	2,145	5,182	813	5,297	831

Our subsidiaries in the United States obtained unsecured bank loans in April 2020 with an aggregated amount of US$1,381,000 (equivalent to RMB9,777,000 on June 30, 2020 and RMB8,921,000 on June 30, 2021). These loans bear an interest rate of 0.98% per annum with a term of two years. The loans were obtained under a Coronavirus relief program in the United States. Under the relief program, loan forgiveness will be provided for documented payroll costs and covered rent payments and utilities that qualify the relevant requirements. As of June 30, 2020 and 2021, we were not qualified for the loan forgiveness. During the six months ended December 31, 2021, we became qualified for a loan forgiveness for an amount of US$1,320,000 (equivalent to RMB8,550,000) and recognized such amount in the consolidated statement of profit or loss. The remaining loan balance of US$80,000 was repaid in September 2021.

The long-term borrowings from former and existing non-controlling interest shareholders outstanding as of June 30, 2019 and 2020 mainly represented a loan we borrowed from PT. UBH Indonesia, a then minority shareholder of our subsidiary in Indonesia with a principal amount of IDR10,600,000,000 (equivalent to RMB5,172,000 on June 30, 2019 and RMB5,289,000 on June 30, 2020) and bearing an interest rate of 6% per annum. The loan has a term of five years. The loan was classified as current liability as of June 30, 2021 and December 31, 2021, equivalent to RMB4,748,000 and RMB4,755,000 on June 30, 2021 and December 31, 2021 respectively.

The long-term borrowings from non-controlling interest shareholders outstanding as of June 30, 2021 and December 31, 2021 represented two loans:

(i) a loan we borrowed from Mr. Li Zhang, a minority shareholder of our subsidiary in Singapore with principal amount of SGD1,350,000 (equivalent to RMB6,484,000 on June 30, 2021). The loan bears an interest rate of 3% per annum and as agreed with the lender. As agreed with the lender, the loan is not required to be repaid until certain performance conditions are met by the subsidiary. As of June 30, 2021 and December 31, 2021, such performance conditions were not expected to be met within one year.

(ii) a loan we borrowed from Mr. Min Liu, a minority shareholder of our subsidiary in Ukraine with principal amount of US$20,000 (equivalent to RMB141,000 and RMB128,000 on June 30, 2020 and 2021, respectively) and bearing interest rate of 9% per annum. The loan was with a term of 5 years and will expire in December 2022. The loan was reclassified as current liabilities as of December 31, 2021.

The unsecured bank loans from PRC banks outstanding as of June 30, 2020 under current liabilities included the following three loans:

(i) an unsecured loan of RMB50,000,000 obtained from a commercial bank in China on December 17, 2019, with a term of 1 year and bearing an interest rate of 4.15% per annum;

(ii) an unsecured loan of RMB150,000,000 obtained from a commercial bank in China on March 16, 2020, with maturity date at September 12, 2020 and bearing an interest rate of 3.70% per annum; and

(iii) an unsecured loan of RMB200,000,000 obtained from a commercial bank in China on February 28, 2020, with a term of one year and bearing an interest rate of 3.85% per annum. The loan was subject to the fulfilment of covenants relating to certain financial ratios of MINISO Guangzhou. As of June 30, 2020, MINISO Guangzhou did not meet certain financial ratios and the loan has become repayable on demand. The bank was aware of the failure to maintain certain financial ratios by MINISO Guangzhou. The loan was fully repaid in July 2020. Going forward, the manager of the treasury department will actively keep track of our compliance with relevant financial covenants in the loan agreements on a monthly basis and monitor whether an advance repayment or default would be triggered and report to our chief financial officer in advance.

These three loans were fully repaid in July 2020. See note 26 to Accountants' Report in Appendix IA to this document for more information.

As of April 30, 2022, we did not have any unutilized banking facilities.

Lease Liabilities

Our lease liabilities are in relation to properties that we lease primarily for our office premises, directly operated stores and warehouses. The following table sets forth our lease liabilities as of the dates indicated:

	As of June 30,				As of December 31,		As of April 30,	
	2019	2020	2021		2021		2022	
	RMB	*RMB*	*RMB*	*US$*	*RMB*	*US$*	*RMB*	*US$*
					(in thousands)			
							(Unaudited)	
Current	186,737	224,080	321,268	50,414	268,425	42,122	267,400	41,961
Non-current	309,833	378,894	483,144	75,816	411,304	64,543	382,972	60,097
Total	496,570	602,974	804,412	126,230	679,729	106,665	650,372	102,058

See note 28 to Accountants' Report in Appendix IA to this document for more information.

Except as discussed above, as of April 30, 2022, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities.

CONTINGENT LIABILITIES

Commitment of Tax Payments

In connection with the acquisition of land use right and the construction of the headquarters building in Guangzhou, we entered into a letter of intent on November 26, 2020 with the local government of the district where our new headquarters building is located and committed to pay an aggregate amount of tax levies of no less than RMB965.0 million to a local government in Guangzhou for a five-year period starting from January 1, 2021, with RMB160.0 million in 2021, RMB175.0 million in 2022, RMB190.0 million in 2023, RMB210.0 million in 2024 and RMB230.0 million in 2025. If we fail to meet the committed amount for any of the five calendar years, we will have to compensate the shortfall. On January 25, 2021, MINISO Guangzhou provided a performance guarantee of RMB160,000,000 issued by a commercial bank to this local government in respect of the commitment of tax payments for the calendar year of 2021, which was valid from April 1, 2021 to March 31, 2022. Our Directors have assessed that, based on the projection of and actual relevant taxes and surcharges paid and payable during the calendar year of 2021 we are expected to meet and have met the commitment for the calendar year of 2021 and thus it is not probable that we need to make such compensation to the local government under the above performance guarantee. No provision has therefore been made in respect of this matter as of June 30, 2021 or December 31, 2021.

Lawsuit regarding Employees' Compensation Dispute

During the fiscal year ended June 30, 2020, certain former employees ("Plaintiffs") of our overseas subsidiaries in the U.S. filed a complaint regarding employees' compensation dispute. In response to this matter, we retained attorneys to engage in settlement discussions with the Plaintiffs. As of June 30, 2020 and 2021, the negotiation results and the expected settlement amount could not be reasonably estimated as the discussions were still in progress. No provision has therefore been made in respect of this matter as of June 30, 2020 or 2021. During the six months ended December 31, 2021, the parties entered into a settlement agreement which is subject to court approval. A provision amounting to US$1,250,000 (equivalent to RMB8,090,000) was made based on the expected settlement amount accordingly.

Save as disclosed above, as of June 30, 2019, 2020 and 2021 and December 31, 2021, we did not have any material contingent liabilities.

CAPITAL EXPENDITURES

Our capital expenditures are primarily incurred for the purposes of building our new headquarters project, purchasing IT systems and renovating MINISO stores that we directly operated. Our capital expenditures were RMB116.1 million, RMB57.0 million, RMB180.3 million (US$28.3 million) and RMB1,120.0 million (US$175.7 million) in the fiscal years ended June 30, 2019, 2020, 2021 and in the six months ended December 31, 2021, respectively. We intend to fund our future capital expenditures with our existing cash balance, short-term investments and anticipated cash flows from operations. We will continue to make well-planned capital expenditures to meet the expected growth of our business.

CONTRACTUAL OBLIGATIONS

Capital Commitments

The following table sets forth our capital commitments as of the dates indicated:

	As of June 30,				As of December 31,	
	2019	2020	2021		2021	
	RMB	*RMB*	*RMB*	*US$*	*RMB*	*US$*
	(in thousands)					
Contracted purchase of software	14,627	13,531	5,182	813	1,821	286
Contracted purchase of property	–	–	101,779	15,971	–	–
Contracted purchase of construction projects	–	–	–	–	852,834	133,828
Contracted purchase of property improvements	–	–	21,679	3,402	–	–
Contracted for	14,627	13,531	128,640	20,186	854,655	134,114
Authorized but not contracted for construction projects	–	–	–	–	15,713	2,466
Total	14,627	13,531	128,640	20,186	870,368	136,580

Contracted purchase of property as of June 30, 2021 represents purchases of apartments to be used as staff accommodation. Contracted purchase of construction projects as of December 31, 2021 represents future expenditures in connection with our headquarters building project.

Other than the capital commitment shown above, we did not have any significant capital and other commitments, long-term obligations, or guarantees as of December 31 2021.

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. In addition, we have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

MATERIAL RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. For details of our related party transactions, see note 37 to the Accountants' Report in Appendix IA to this document. As of December 31, 2021, we had outstanding balances with related parties of RMB3.0 million (US$0.5 million) that are included in trade and other receivables and RMB12.0 million (US$1.9 million) that are included in trade and other payables. All of these balances as of December 31, 2021 are related to our business operations.

Our Directors believe that our transactions with the related parties during the Track Record were conducted in the normal course of business and on an arm's length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks, including credit risk, liquidity risk, currency risk and interest rate risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. Risk management is carried out by our senior management. See note 34 to the Accountants' Report in Appendix IA to this document for a detailed description of our financial risk management.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in our financial losses. Our credit risk is primarily attributable to trade and other receivables. Our exposure to credit risk arising from cash and cash equivalents and restricted cash is limited because the counterparties are banks and financial institutions with high-credit-quality, which we consider to be low credit risk.

Our trade receivables mainly arise from sales of goods to distributors. Our exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when we have significant exposure to individual customers. As of June 30, 2019, 2020 and 2021 and December 31, 2021, 26%, 37%, 39% and 43% of the total trade receivables were due from our five largest customers, respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 180 days from the date of billing. Debtors with balances that are more than 6 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, we do not obtain collateral from customers.

We measure loss allowances for trade receivables at an amount equal to lifetime expected credit loss (ECL), which is calculated using a provision matrix. As our historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between our different customer bases.

See note 34 to the Accountants' Report in Appendix IA to this document for our exposure to credit risk and ECLs for trade receivables.

Liquidity Risk

As of June 30, 2019, 2020 and 2021 and December 31, 2021, our net current assets amounted to RMB1,265.7 million, RMB1,677.0 million, RMB5,716.2 million and RMB4,014.6 million (US$630.0 million), respectively. Individual operating entities within our Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Board when the borrowings exceed certain predetermined levels of authority. Our policy is to regularly monitor our liquidity requirements and our compliance with lending covenants, to ensure that we maintain sufficient reserves of cash, readily realizable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

We rely on the cash generated from operating activities as the main source of liquidity. For the fiscal years ended June 30, 2019, 2020 and 2021 and the six months ended December 31, 2021, we had net cash generated from operating activities of approximately RMB1,038.5 million, RMB826.5 million, RMB916.3 million (US$143.8 million) and RMB731.7 million (US$114.8 million), respectively. In addition, our management monitors the utilization of borrowings and ensures compliance with borrowing covenants, if any. As of June 30, 2020, we did not meet certain financial ratios relating to an unsecured bank loan of RMB200.0 million and the loan had become repayable on demand (see note 26(a)(iii) to the Accountants' Report in Appendix IA to this document). We have early repaid the loan in full in July 2020. Our Directors believe that we will have sufficient funds available from the operating activities to meet our financial obligations in the foreseeable future.

See note 34(b) to Accountants' Report in Appendix IA to this document for details of remaining contractual maturity of our financial liabilities.

Interest Rate Risk

Interest-bearing financial instruments at variable rates and at fixed rates expose us to cash flow interest rate risk and fair value interest risk, respectively. We determine the appropriate weightings of the fixed and floating rate interest-bearing instruments based on the current market conditions and performs regular reviews and monitoring to achieve an appropriate mix of fixed and floating rate exposure. We do not enter into financial derivatives to hedge interest rate risk. See note 34(c) to Accountants' Report in Appendix IA to this document for details of our interest rate profile and a sensitivity analysis.

Currency Risk

We are exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars, Euros and Hong Kong Dollars. See note 34(d) to Accountants' Report in Appendix IA to this document for a detailed discussion of our exposure to currency risk and a sensitivity analysis.

DIVIDENDS

We are a holding company incorporated under the laws of the Cayman Islands. In order for us to distribute any dividends to our shareholders, we may rely on dividends distributed by our PRC subsidiaries for our cash requirements. PRC laws require that dividends be paid by PRC companies only out of the profit for the year calculated according to PRC accounting principles. Due to the continuous convergence of PRC accounting principles and IFRS, there is no significant difference between these two accounting standards. PRC laws also require a PRC company to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves, which are not available for distribution as cash dividends. As advised by our PRC Legal Adviser, according to the PRC Company Law, each of the PRC subsidiaries of the Company can pay dividend from the after-tax profit once (i) it sets aside as general reserves at least 10% of its after-tax profit until the cumulative amount of its reserves reaches 50% of its registered capital, and (ii) any losses of the PRC subsidiaries from prior fiscal years have been offset. Dividend distribution to our Shareholders is recognized as a liability in the period in which the dividends are approved by our Shareholders or Directors, where appropriate. On August 19, 2021, our Directors declared a cash dividend in the amount of US$0.156 per ADS, or US$0.039 per ordinary share, payable as of the close of business on September 9, 2021 to shareholders of record as of the close of business on August 31, 2021. The aggregate amount of cash dividends paid was approximately US$47.2 million, which was funded by surplus cash on our balance sheet. During the Track Record Period, no other dividends have been paid or declared by us.

DISTRIBUTABLE RESERVES

As of December 31, 2021, we had distributable reserves of RMB6,647.1 million (US$1,043.0 million).

LISTING EXPENSE

Based on the maximum Public Offer Price of HK$22.10 per Offer Share and assuming the Over-allotment Option is not exercised and no additional Shares are issued pursuant to the 2020 Share Incentive Plan. The total estimated listing expenses in relation to the Global Offering is approximately RMB91.0 million, RMB8.1 million of which we estimate will be charged to our consolidated statements of profit or loss. The balance of approximately RMB82.9 million, which mainly includes underwriting commission, is expected to be accounted for as a deduction from equity upon the completion of the Global Offering. The total estimated listing expenses constitute approximately 11.8% of the gross proceeds and are mainly comprised of (a) underwriting-related expense of approximately HK$40.9 million (RMB34.8 million), and (b) non-underwriting related expense of approximately HK$66.0 million (RMB56.2 million), which are comprised of (1) accountants and legal advisers fees and expenses of approximately HK$51.6 million (RMB43.9 million) and (2) printing and other fees and expenses of approximately HK$14.4 million (RMB12.3 million). No such expenses were recognized and charged during the Track Record Period.

PROPERTY INTERESTS AND PROPERTY VALUATION

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, has valued our property interests as at May 31, 2022. The full text of the letter, summary of valuation and valuation certificates with respect to such property interests are set out in Appendix III to this prospectus.

The table below sets forth the reconciliation between the net book value of the relevant property interests as at March 31, 2022 and the valuation as at May 31, 2022 as set out in Appendix III to this prospectus:

	RMB'000
Net book value of our property interests as at March 31, 2022	
– Apartments, constructions in progress and land use right	2,051,763
Adjustments for the two months ended May 31, 2022	
– Addition	5,233
– Depreciation and amortisation	(8,986)
Net book value of our property interests as at May 31, 2022	2,048,010
Net valuation surplus	121,390
Valuation of our property interests as at May 31, 2022 as set out in the property valuation report in Appendix III to this prospectus	2,169,400

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS ATTRIBUTABLE TO OWNERS OF OUR COMPANY

The following unaudited pro forma statement of adjusted consolidated net tangible assets attributable to equity shareholders of our Company prepared in accordance with Rule 4.29 of the Listing Rules and is set out below to illustrate the effect of the Global Offering on the unaudited consolidated net tangible assets attributable to equity shareholders of our Company as of December 31, 2021, as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets attributable to equity shareholders of our Company has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the consolidated net tangible assets attributable to equity shareholders of our Company, had the Global Offering been completed as of December 31, 2021 or at any future dates.

	Consolidated net tangible assets of our Group attributable to equity shareholders of our Company as of December 31, 2021	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of our Company	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of our Company per Share		Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of our Company per ADS	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 5)*	*(Note 4)*	*(Note 5)*
Based on the maximum Public Offer Price of HK$22.10 per Share	6,663,380	682,843	7,346,223	5.80	6.81	23.20	27.24

Notes:

(1) The consolidated net tangible assets of our Group attributable to equity shareholders of our Company as of December 31, 2021 is calculated based on the consolidated net assets attributable to equity shareholders of our Company of RMB6,736,339,000 as of December 31, 2021, less intangible assets of RMB53,319,000 and goodwill of RMB19,640,000 as of the same date, as extracted from the historical financial information included in the Accountants' Report set out in Appendix IA to this document.

(2) The estimated net proceeds from the Global Offering are based on the maximum Public Offer Price of HK$22.10 per share, after deduction of the estimated underwriting fees and other related expenses related to the Global Offering and the issuance of 41,100,000 Shares, and does not take into account of any Shares that may be issued upon exercise of the Over-allotment Option or any options which may

be granted under the 2020 Share Incentive Plan, and excluding any shares which may be issued or repurchased by our Company pursuant to the general mandates. The estimated net proceeds from the Global Offering is converted into RMB at an exchange rate of HK$1.173714 to RMB1.

(3) The unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of our Company per Share is arrived at after the adjustments for the estimated net proceeds from the Global Offering payable by our Group as described in footnote (2) and on the basis that a total of 1,266,666,355 Shares were in issue assuming that the Global Offering was completed on December 31, 2021, but does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option or any options which may be granted under the 2020 Share Incentive Plan, and excluding any shares which may be issued or repurchased by our Company pursuant to the general mandates.

(4) The unaudited pro forma adjusted consolidated net tangible assets per ADS is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that one ADS represents four Shares.

(5) For the purpose of this unaudited pro forma statement of adjusted consolidated net tangible assets, the balances stated in RMB are converted into Hong Kong dollars at the rate of RMB1.00 to HK$1.173714. No representation is made that RMB amounts have been, could have been or may be converted into Hong Kong dollars, or vice versa, at that rate.

(6) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of our Group entered into subsequent to December 31, 2021, including but not limited to the 4,722,236 shares repurchased during the period from January 1, 2022 to the Latest Practicable Date under the share repurchase program. Had such share repurchases occurred before or on December 31, 2021, the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to equity shareholders of our Company would have decreased by RMB60,795,000, and the unaudited pro forma consolidated net tangible assets attributable to equity shareholders of our Company per Share and per ADS would have decreased by RMB0.05 and RMB0.20, respectively.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2021, which is the end date of the periods reported on in the Accountants' Report included in Appendix IA to this document, and there is no event since December 31, 2021 that would materially affect the information as set out in the and the Accountants' Report included in Appendix IA to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.