



MINISO Group Holding Limited

名创优品集团控股有限公司

Full Script of 1H 2024 Earnings Call

Operator Script

Ladies and gentlemen, thank you for standing by and welcome to MINISO's Earnings Conference Call for the first half of 2024. At this time, all participants are in a listen-only mode. After the management's prepared remarks, we will conduct a question-and-answer session. Before joining the question-and-answer session, please mark your name and institution, and be kindly noted that this event is being recorded.

We have announced our June Quarter and Interim financial results earlier today. An earnings release is now available on our investor relations website at ir.miniso.com. Joining us today are our founder and CEO Mr. Jack Ye and our CFO Mr. Eason Zhang.

Before we continue, I would like to refer you to the Safe Harbor Statement in our earnings press release which also applies to this call as we will be making forward-looking statements. Please also note that we will discuss non-IFRS financial measures today, which we have explained and reconciled to the most comparable measures reported under the International Financial Reporting Standard in the Company's earnings release and filings with the U.S. SEC and Hong Kong Stock Exchange. The



currency unit is Chinese Yuan, unless otherwise stated.

In addition, we have prepared a PowerPoint presentation for today's call, which contains financial and operational information. If you are using Zoom meeting, you should be seeing it right now. You can also revisit it on our IR website later.

Now, I'd now like to hand the conference over to Mr. Ye, and Miss Allis Chen from MINISO IR team will translate for Mr. Ye. Please go ahead, Sir.



CEO Scripts

大家好，欢迎参加名创优品集团 2024 年上半年财报电话会议。报告期内，我们的全球市场版图持续扩张。门店数量突破了 7,000 家这一里程碑，这距离我们突破 6,000 家门店过去还不到一年时间。

Hello everyone, welcome to MINISO Group's earnings conference call for the first half of 2024. During the reporting period, our global market footprint continued to expand. We achieved the milestone of 7,000 stores globally, which is less than a year since we surpassed 6,000 stores.

2024 上半年，集团门店净增加 502 家，其中 MINISO 海外和 TOP TOY 都迎来了史上开店最快的上半年，分别净增 266 和 47 个门店，这两个业务也都保持了同店销售双位数的增长，继续担当公司的增长引擎。国内 MINISO 净增长 189 个门店，同店销售恢复率为去年水平的 98.3%，继续领先于行业，实现了稳健增长。因此，上半年公司收入同比增长 25% 达到 77.6 亿人民币，其中，可比同店销售增长 7%，平均门店数量增加了 19%。

In the first half of 2024, the Group's store network has seen **502** net new units, with both MINISO Overseas and TOP TOY experiencing their fastest store openings period in history, adding **266** and **47** new units on a net basis of the first half of a year, respectively. These two businesses segments also maintained double-digit growth in same-store sales, continuing to lead robust growth and act as growth engines in the Group. MINISO Mainland China achieved steady growth by adding 189 net new stores and keeping a best-in-class same-store sales performance of 98.3% compared to the same period of last year. As a result, the Group's revenue for the first half increased by 25% to RMB7.76 billion, including a 7% same-store sales

growth, and a 19% growth in average store count.

产品能力是我们的核心竞争力。我们在产品端继续紧扣“IP”和“战略品类”两个抓手，有效地将毛利率从去年同期的 39.6% 提高到了 43.7%，增加了 4.1 个百分点。渠道能力对于我们在未来的竞争中脱颖而出至关重要，特别是在海外，特别是在直营市场，特别是在美国，美国的渠道拓展速度持续超出预期，门店数量翻了一番，同店销售双位数增长。虽然海外市场还处于投入阶段，但通过有效的费用投入管理，2024 年上半年调整后净利润仍然同比增长了 18%，扣除外汇影响之后，净利润同比增长 26%，略快于收入增速。

Product capability is our core competitive strength. We continued to focus on "IP" and "Strategic Categories", increasing gross margin from 39.6% in the first half last year to 43.7% effectively, adding 4.1 percentage points. Channel capability is crucial for us to stand out in future competition, especially in overseas markets, especially in direct-operated markets, and especially in the United States. The pace of store expansion in the United States has exceed expectations continuously, with doubled store counts and a double-digit same-store sales growth. Even though we are still at investment stage in overseas markets, under our effective cost control measures, adjusted net profit in the first half of 2024 still increased 18% year over year. Excluding net foreign exchange affect, adjusted net profit increased 26% year over year, slightly faster than the growth of revenue.

在今年年初的投资者日上，我向大家分享了公司的使命、愿景、未来 5 年的发展战略和实现路径。我们的使命是为开心而生，愿景是成为世界第一的 IP 设计零售集团，为实现这一愿景，公司将始终坚持性价比、坚持全球化、坚持产品创新和 IP 设计。我们设定了三大

目标：2024-2028年每年净增长900-1100家门店，保持不低于20%的收入复合增速和略快的每股收益增速，以及到2028年IP产品的销售占比超过50%。

On our Investor Day earlier this year, I shared our mission, vision, long-term strategy and implementing paths in the next five years. Our mission is “Life is for fun”, and our vision is “To become the World’s No.1 IP design retail Group”. To realize this vision, we adhere to: “Affordability, Globalization and Product Innovation (IP Design)”. We have established three targets: (1) 900-1,100 net new stores in each year from 2024 to 2028; (2) no less than 20% CAGR for revenue and a higher CAGR for EPS from 2024 to 2028; and (3) having no less than 50% of IP product sales contribution by the end of 2028.

2024年上半年，尽管全球市场风云变幻，我们的商业模式继续展现出了强大的韧性，业绩表现达到了年初预期。未来各业务板块将依旧按照5年战略规划坚定推进。

In the first half of 2024, despite the evolving global market, our business model demonstrated strong resilience, and our financial performance met our earlier expectations. Going forward, all of our businesses will make firm progress in accordance with the five-year strategic plan.

下面我将分为MINISO国内，MINISO海外和TOP TOY三大业务板块为大家详细介绍上半年业务发展情况。

Now, I will walk you through 1H 2024 business updates for our three major segments: MINISO mainland China, MINISO overseas, and TOP TOY.

首先，MINISO 国内线下业务在渠道高质量拓展的基础之上，同店销售表现继续保持极强的韧性，收入同比增长了 16%，而根据国家统计局数据，同期国内商品零售额增速为 4.1%。同店销售恢复到去年同期 98.3%，其中客单价增长 0.9%，客单量下降 2.5%，但门店转化率保持稳定。如考虑 Q2 季度热销的 Chiikawa 快闪店销售，上半年国内同店销售将实现同比正增长，在整个国内线下零售行业内是非常亮眼的表现。即时零售业务也快速发展，同比增长近 8 成。进入 Q3，国内年至今销售依然保持双位数的增长。我们预计国内名创收入将在去年 42% 的高增速之上继续 10%-15% 的增长，与年初预期一致。

Firstly, MINISO mainland China continued to achieve a robust and resilient same-store sales based on high-quality channel expansion, with a **16%** year-over-year increase in offline GMV. According to the National Bureau of Statistics, the growth rate of domestic retail sales of goods was **4.1%** during the same period. In particular, same-store sales were at **98.3%** of prior year's level, with a 0.9% increase in ticket size and a 2.5% decrease in traffic. Meanwhile, purchase conversion rate has remained stable. If including the Q2 hot sales of Chiikawa products in our Pop-up stores, SSSG for H1 in domestic markets would have a positive growth year over year, which would be an impressive performance in the domestic offline retail industry. Offline-to-online model also developed rapidly, with nearly 80% increase in GMV for the first half year. Entering Q3, our year-to-date domestic sales have continued to maintain a double-digit growth. We expect MINISO mainland China will continue to grow by 10%~15%, in line with our earlier expectation.



门店网络拓展也在高质量推进。上半年国内净增门店 189 家，保持稳健的开店速度向全年 350-450 净增门店的目标努力。一二线城市门店新增占比接近 60%。与此同时，我们看到上半年高线城市特别是一线城市同店恢复情况优于低线城市，接近 100%。一方面说明 MINISO 在高线城市仍有广阔开店空间，另一方面证明我们的 IP 战略在高线城市成效显著，对同店业绩有非常明显的拉动。而中国三线及以下的城镇一共有近 2,000 个，MINISO 累计进入超过 1,000 个，依然还有很大的空白下沉空间。我们的加盟商结构也非常稳定，近四年以来，前 50 大加盟商拥有的门店数量一直保持在 50%，有超过 600 位加盟商合作年份超过 3 年。名创优品的发展离不开这些伙伴们一直以来的支持，未来我们将继续携手共赢，布局更多更好的门店。

The expansion of our store network is healthy. In the first half of 2024, we had **189** net new stores, maintaining a steady pace towards our annual target of **350-450** net new store. The proportion of new stores in first and second-tier cities was close to **60%**. Meanwhile, we are thrilled to see that in the first half year, the same-store recovery of higher-tier cities, especial first-tier cities, nearly 100% of the prior year's level, which recovered better than lower-tier cities. On one hand, this indicates that MINISO still has sufficient space for store openings in higher-tier cities. On the other hand, this indicates that our IP strategy has been notably effective in higher-tiers cities, significantly driving the performance of same-store sales. There are a total of nearly 2,000 cities and towns in China's lower tier area, and MINISO has entered over 1,000 of them, indicating that there is still a significant untapped markets for further penetration. Our retail partners structure is also very stable. In recent 4 years, store concentration rate for top 50 retail partners remained at **50%**, and more than 600 of them have been in cooperation with MINISO for more than 3 years. The development



of MINISO is inseparable from the support of our partners, and we will continue on win-win cooperation for more and better MINISO stores.

接下来介绍海外业务进展。

Next, let's discuss the MINISO's overseas business update.

2024 上半年海外业务收入突破 27 亿，同比增长了 43%。其中，直营市场可比口径收入同比增长 70%。上半年直营市场占海外收入 56%，已超过代理市场。

In the first half of 2024, revenue from overseas exceeded **2.7 billion**, a year-over-year increase of **43%**. In particular, revenue from the direct operation market increased by **70%** year-over-year in comparable basis. The direct operation market accounted for **56%** of overseas revenue in the first half of the year, surpassing the distributor market.

令人兴奋的是上半年海外市场净增 266 个门店，这也是名创出海 9 年以来开店最快的上半年，为完成全年 550-650 的目标注入了强心剂。净增门店中，直营门店达到史无前例的 105 家，其中超过一半来自美国。上周我们刚在加州 Santa Monica 海滩庆祝第 200 家 MINISO 门店开业，名创优品也成为在美国线下门店数量最多的亚洲消费品牌，现已进入美国 40 个大州。今年上半年美国门店数量在迅速增长的同时，同店也实现健康的增长。今后我们会更加重视门店运营管理，通过商品本地化，运营本地化和客群本地化实现可持续的同店销售增长。

Excitingly, the overseas markets added a net of **266** stores in the first half year, which marked the fastest store-opening pace for H1 since MINISO's

globalization nine years ago, boosting our confidence in our goal of **550-650** net new stores for the whole year. Among these net new stores, the number of directly operated stores has set a record of 105, with more than 50% of them from the United States. Last week, we celebrated the opening of the 200th MINISO store at the Santa Monica beach in California., turning MINISO as the Asian consuming brand with the largest store network in the United States. And we have entered **40** states in the U.S. Along with the rapid growth in the number of U.S. stores, same-store sales have also achieved healthy growth in the first half of 2024. Going forward, we will pay more attention to our store operations management, aiming to achieve sustainable same-store sales growth through product localization, operations localization, and customer localization.

IP 战略在 2024 年进一步深化落地。上半年 IP 产品销售占比超过 30%。其中，国内 IP 占比进一步提升至近 30%，销售同比增长近 40%；海外 IP 销售占比提升至近 50%，收入增长翻倍。我们坚定不移的落实 IP 战略，并且不断探索 IP 合作的创新形式。总结 24 年上半年 IP 运营的三个“新”：新模式，新店型和新系列。

The IP strategy has been further deepened and implemented in 2024. In the first half year, IP products sales contribution exceeded 30%. In our domestic market, IP products contribution has been further increased nearly to **30%**, with a nearly **40%** year-over-year growth; In our overseas market, IP products contribution has been increased to nearly **50%**, and the revenue has doubled. We uphold IP strategy as core of the brand and continuously explore innovative IP cooperations. To summarize the three "news" of IP operation in the first half of 2024: they are new models, new store types, and new series.

首先，上半年通过 IP 主题模式销售业绩同比增长约 400%，占整体 IP 销售超 30%，去年同期占比不足 10%；

其次，上半年集中推出的 IP 快闪店型为消费者提供了新奇的购物体验，也成为 IP 产品销售的新渠道；

最后，针对同一个 IP 形象进行产品系列的升级开发，更大程度延续宣传热度，延长了 IP 运营周期，创造更多的销售机会。

Firstly, in the first half of 2024, the GMV of the IP-themed model increased by about **400%** year-over-year, contributing for more than **30%** of IP product sales, compared to less than **10%** contribution in the same period last year.

Secondly, our new store format, the IP pop-up stores, were launched in the first half year. They provided consumers with novel shopping experiences and has become a new channel for IP product sales.

Lastly, the upgrade and development of product series of the same IP brand will prolong the promotion heat, extend the IP operation cycle, and create more sales opportunities, to a greater extent.

在海外我们复制打法，为 BT21 这个热门 IP 造势，接连刷新多个海外市场 IP 销售记录。此轮 IP 系列运营的大获成功不仅给我们带来更好的产品销售和更强的品牌曝光，更重要的是让我们的全球商场合作方充分感知到了 IP 消费的潜力和 MINISO 的品牌价值，感谢我们的渠道合作伙伴在活动中给予的支持。我相信随着未来和渠道方深入合作，将有机会创造更多的营销爆点和销售奇迹。

In overseas market, we replicated our IP operations strategy and created

momentum for the popular IP -- BT21, continuously setting new records for IP sales in multiple overseas markets. The great success of such IP series operation not only brought us better product sales and stronger brand exposure, but more importantly, allowed our global commercial rental partners to fully perceive the potential of IP consumption and the brand value of MINISO. We are grateful for the support from our partners during these events. I believe that with in-depth cooperation with them in the future, there will be opportunities to create more marketing highlights and sales miracles.

得益于 IP 策略的有效执行，截止 6 月 30 日，MINISO 全球注册会员超过 1 亿人。逐步完善的全球会员体系将在更大实现 IP 粉丝和品牌会员的互相转化，也为 MINISO 未来业绩增长提供潜力。

Thanks to the effective implementation of our IP strategy, as of June 30, the number of registered members of MINISO worldwide exceeded 100 million. Gradually improving global membership system will help convert more IP fans into our brand members and vice versa, fueling business growth of MINISO in the future.

超级门店策略也在全球范围内稳步推进中。借奥运大势，我们在法国巴黎最负盛名的香榭丽舍大街开出全球旗舰店，并因为中国奥运健儿加油助威的品牌宣传，吸引无数全球消费者以门店为窗口，了解更多来自中国的产品和文化。印尼门店数量在今年 630 已经超过 300 个，而明天占地 3000 平米的名创优品全球最大面积旗舰店也将会在印尼雅加达与大家见面。我们希望这些全球旗舰店不仅仅只是购物场所，更是充满魔力的乐园，能让全球消费者流连忘返的奇妙空间，让大家在门店探索中发现惊喜。我们相信，开心是一种可以

传递的力量，我们致力于为每一位进店的消费者创造这种力量。

The Super Store strategy is also steadily advancing globally. Taking advantage of the Olympic momentum, we opened the global flagship store at the most famous Champs-Élysées Avenue in Paris. The brand promotion of cheering for the Chinese Olympic athletes attracted countless consumers from all over the world to get to know more about products and culture from China via MINISO stores. MINISO has over 300 stores located in Indonesia as of June 30th, and the largest MINISO flagship store in the world, covering an area of 3,000 square meters, will also be unveiled in Jakarta, Indonesia tomorrow. We hope that these global flagship stores are not just shopping destinations, but also magical paradises and wonderful land that captivate global consumers and leave them with a sense of wonder, allowing everyone to be a “treasure-hunter” in our stores. We believe that happiness is a force that can be passed on. We are committed to creating this force for every consumer who enters MINISO stores.

同时，我们也对海外供应链积极布局，经过今年上半年的努力，我们绝大部分销往美国市场的产品，都可以利用东南亚、日韩及美国当地供应链充分替换。应对充满变化和挑战的全球化市场，保持供应链极强的灵活性是出海企业重点修炼的基本功。

Meanwhile, we are also actively deploying the overseas supply chain. Through the efforts in the first half year, most of the core categories we sell in the US market can be fully replaced by the supply chain from Southeast Asia, Japan, South Korea, and the United States. Operating a highly agile supply chain is a must-have approach for a global company to cope with the evolving and challenging global markets.

接下来为大家介绍 TOP TOY 的进展。

Let's move on to TOP TOY.

上半年 TOP TOY 收入同比增长 38%，可比同店销售实现了高质量的 14% 同比增长，上半年净增 TOP TOY 门店数量 47 家。

In the first half of 2024, TOP TOY's revenue increased by **38%** year over year, including a high-quality SSSG of **14%**, coupled with a net increase of 47 TOP TOY stores in the first half of 2024.

TOP TOY 自研产品继续取得突破，2024 年上半年自研产品占比超过 35%。自研产品平均终端零售毛利率约 60%，无疑对提升整体毛利率起到了积极作用。受益于毛利率的提升和经营杠杆，TOP TOY 已经连续 3 个季度实现盈利，业务拐点已经确立。

TOP TOY's self-developed products continue to have breakthroughs, with the proportion of self-developed products exceeding **35%** in the first half year. The average merchandise gross profit margin of self-developed products is about **60%**, which undoubtedly plays a positive role in improving the overall gross profit margin. TOP TOY has been profitable for **3** consecutive quarters, reconfirming its tipping point.

产品方面，Q2 上新的自研产品酷洛米魔女系列登顶今年全品类销量 TOP 1。最近刚刚上市的三丽鸥搪胶毛绒系列更是上市 15 天销量突破 10 万只，实现超 1000 万的 GMV。未来我们将持续提升自有品牌产品占比，进一步优化商品利润率。

As for the products, the self-developed Kuromi Witch series launched in Q2 has topped the sales of all categories in TOP TOY this year. The recently launched Sanrio vinyl series has exceeded 100 thousand units of sales within just 15 days since launched, achieving over RMB 10 million sales. In the future, we will continue to increase the proportion of self-developed brand products and further optimize the product profit margin.

2024年我们在专注业务的同时，也更加注重企业文化的建设。我在内部反复强调的是“战略大致正确，团队充满活力”的观点。回首名创优品11年的发展历程，人才是我们企业发展最坚实的护城河，截止6月30日，我们全球员工数量已经突破5,200位，超过2,800位是我们海外的员工。今年3月我们发布了《婚育奖励方案》，首期投入1000万人民币作为员工婚育基金。而刚刚过去的七夕，我们也举办了首届名创集体婚礼，为17对新人送上诚挚祝福。

In 2024, while focusing on business, we also lay more emphasis on fostering our corporate culture. I repeatedly emphasize “Right Strategy and Dynamic Team” internally. Looking back at the 11-year development history of MINISO, talent is the most solid strengths for our enterprise development. As of June 30, the number of our global employees has exceeded 5,200, over 2,800 among which are from the overseas. In March, we launched the "Marriage and Fertility Reward Plan" with over 10 million initial funding. On Qixi Festival, we held the very first MINISO group wedding ceremony for 17 couples, presenting our sincere blessings.

我一直在内部强调“热爱”与“坚持”这两个价值观。我们在追求人生和事业的成功，需要正确的价值观，足够的专业能力以外，更需要强烈的热爱和不懈的坚持。这份热爱和坚持，这也是名创人能

够不断创造行业纪录，不断推进企业发展的核心源泉。

I have always emphasized the value of "Passion" and "Persistence" within the Group. In our pursuit of success, both in life and in our careers, in addition to the correct values and sufficient professional ability, we also need a strong passion and persistence. The passion and persistence are also the core of MINISO employees to create industrial records and promote enterprise development continuously.

零售行业是长坡厚雪的赛道，我们坚持长期主义，坚持实事求是，坚持零售向善的胸怀和抱负。名创优品希望未来能够一直给全球消费者带来“好看、好玩又好用”的产品、给员工带来有竞争力的职业发展机会，也给股东带来长期可持续的回报。

Given the huge potential for development and profitability in the retail industry, we commit ourselves to long-termism, to seeking truth from facts, to operating with the good faith and strong ambition, MINISO hopes to provide "playful, appealing and useful" products to our global consumers in the future continuously, offering competitive career development opportunities to our employees, and bringing long-term and sustainable returns to our shareholders.

以上是我的讲话内容。下面请 Eason 为大家介绍上半年公司的财务情况。

That concludes my remarks. Next, please allow Eason to introduce the company's financial situation in the first half of the year.

CFO Scripts

Thank you, Jack and welcome everyone for joining us today.

I am pleased to see that our businesses have made firm progress in accordance with the five-year strategic roadmap and our performance has met the expectations at the beginning of the year. Our business model has demonstrated great resilience despite the softness of domestic consumption market. In overseas markets, where we doubled our directly operated store network, we managed to balance growth and margin, and we can surely do better in the second half because the initiatives we adopted recently to improve operational efficiency has begun to pay off. Although the economic data remains mixed, we see structural opportunities in IP retailing and globalization. We have full confidence to deliver our year-beginning targets.

Now let me walk you through our financials for the first half. Please note that all numbers are in RMB unless otherwise stated, and I will also refer to some non-IFRS measures, which have excluded share-based compensation expenses.

Revenue saw a robust increase of 25%, on last year's high base, and at high end of our expectation. We are thrilled to see both drivers of revenue performed very well in the first half.

In terms of store network, we delivered record net addition in overseas and TOP TOY, and we expect acceleration in the 2nd half in mainland China, we are on track to deliver our guidance of 350-450 net new units while making necessary trim to our existing store formats and franchisee structure.

When it comes to same store sales, we delivered a 7% yoy growth at group level. We are particularly encouraged by our achievement in China mainland, where SSSG was 98.3% of prior year's level, outperforming domestic retail sector. Our product team kept introducing best-selling SKUs, as they have been doing during the past 11 years, our operation team has launched several initiatives to make sure MINISO's SSSG is best-in-class. For example, our O2O business, or instant retail, increase by nearly 80% in the first half, because our 4,115 stores are easily accessible to our customers and we have right products and a comprehensive set of fast and convenient digital fulfillment solutions. **In overseas**, SSSG was 16%, we are still at early stage to uncover sales potentials of overseas stores, it will grow fast but inevitably fluctuate, the mission-critical here is localized products and operations. Although MINISO is a pioneer in Chinese consuming brands going overseas, our attempts at retail localization are merely at the beginning stage. In addition, TOP TOY's SSSG was remarkably at 14% in the first half.

Next, let me talk about channel mix. Overseas DTC market is now 20% of total revenue, compared to 14% in the first half of 2023, and revenue contribution from MINISO China offline stores decreased by 4 percentage points. This shift in revenue mix is one of the reasons why we had another record high of GP margin, and it also changed operating profit distribution within a year, with more profit will be made in the 2nd half.

In terms of GP margin, the year-over-year hike of 4.1 percentage points is a result of not only revenue mix shift, but also improvements in GP margin at every single line of our business, notably in TOP TOY and overseas. Going forward, we have enough reason to believe our GP margin can be optimized further because of above reasons, yet we will keep an eye on

value proposition and make dynamic adjustments.

SG&A expenses increased 56% in total, including a 66% increase in selling and distribution expenses and a 27% increase in general and administrative expenses. SG&A represented 24% of our revenue, five percentage points higher than the same period of last year, among which three percentage points were directly related to our new DTC stores opened in the past 12 months, including rents, D&A and payroll.

As we discussed in press release, the investment into DTC stores is to make sure the future success of our business, especially in strategic overseas markets such as the U.S. market. As of June 30, 2024, number of DTC stores in overseas markets was 343, nearly doubling such figure compared to a year ago. In the First Half of 2024, revenue from DTC stores increased 111%, while related S&D expenses such as rents, D&A expenses and payroll excluding SBC expenses increased 83%. These new stores are expected to contribute more substantial sales in the second half of 2024. We are taking effective measures to improve operational efficiencies in these DTC store and control costs, the initial result is very good, so we believe the hike in operating expense ratios won't last too long.

Promotion and advertising expenses increased 46% in the First Half, P&A expenses as a percentage of revenue stabilized at around 3% in both periods. Licensing expenses increased 24%, consistent with revenue growth. Logistics expenses increased 54%, compared to 43% of revenue growth in overseas, reflecting to a certain extent the rising freight costs caused by the tension in international shipping during the First Half of 2024.

Turning to profitability. Operating profit increased 18% year over year; OP margin was 19.3%, compared with 20.4% in the first half of last year.

Notably, there was a 12 million net foreign exchange loss in the first half of 2024, compared with a 55 million net foreign exchange gain in the same period of last year. Excluding share-based expenses and FX impact, our adjusted OP margin was 20.3%, compared with 20.1% last year.

Adjusted net profit was RMB1.2 billion, up 18% year over year. Adjusted net margin was 16.0%, compared with 17.0% last year. Excluding FX impact, adjusted net margin was 16.2%, compared with 16.1% last year, implying our stable profitability under scalable growth.

Adjusted EBITDA increased by 26% year over year, outpacing the growth in revenue; Adjusted EBITDA margin was 25.4%, compared to 25.2% in the same period of last year.

Adjusted basic and diluted earnings per ADS increased by 18% and 19%, respectively.

Turning to cash position, by the end of June 2024, we maintained a strong cash position of RMB6.9 billion, net cash flow generated by operation in the first half was about 1.3 billion, CAPEX was 303 million and free cash flow was about 1 billion.

Turning to working capital, the channel inventory turnover remains efficient. By the end of the first half of 2024, 26% of MINISO brand's inventory were located in overseas, compared to 21% a year ago. Inventory turnover days were 81 days, including 70 days in China and 147 days for MINISO overseas directly operated markets. Structurally, inventory over 180 days accounted for about 12% on group level.

Turning to capital allocation, we are committed to a dividend payout ratio of no less than 50%, our capital allocation strategy will also continue to

balance fast growth and our commitment to bring stable and foreseeable returns to shareholders. The Board of the Company has approved an interim cash dividend for the First Half of 2024, with a total amount of approximately RMB[621] million. Upon the payment of the interim dividend, the Company will have returned RMB[1.4] billion in cash to shareholders through dividends and share repurchases from year to date. Since 2020, we will have returned RMB[3.6] billion to shareholders upon the payment of the interim dividend, accounting for [62]% of adjusted net profit accumulated from 2020 until the First half of 2024.

We are confident in accomplishing our full-year business plan and five-year strategy and believe that our share price has been trading below its intrinsic value. Accordingly, the Board of the Company has approved a share repurchase program to make the best of the general mandate granted at its annual general meeting held in June 2024, under which the Company may repurchase its shares and/or ADSs in the next 12 months not exceeding 10% of the total outstanding shares and execute share repurchases in the open market subject to market conditions. We believe that the share repurchase program is in the best interests of the Company and its shareholders as a whole and creates value for shareholders.

Our performance for the first half of 2024 once again demonstrates the strength and resilience of our business model and reflects our ability to execute on our IP and globalization strategy. I am very confident that we will once again meet our full-year targets. Our financial strategy will continue to remain disciplined in terms of budgeting, cost controls and allocation of capital as we commit to delivering stable profit and healthy cash flows. Our targets for the year of 2024 remain unchanged from our expectations at the beginning of the year, revenue is expected to increase



20% to 30% on year-over-year basis, and adjusted net profit target is RMB2.8 billion or higher.

Thank you and this concludes our prepared remarks. Operator, we are now ready to take questions.