



THIS RESEARCH REPORT EXPRESSES SOLELY OUR OPINIONS. We are short sellers. We are biased. So are long investors. So is MINISO. So are the banks that raised money for the Company. If you are invested (either long or short) in MINISO, so are you. Just because we are biased does not mean that we are wrong. Use BOC Texas, LLC's research opinions at your own risk. This report and its contents are not intended to be and do not constitute or contain any financial product advice. Investors should seek their own financial, legal and tax advice in respect of any decision regarding any securities discussed herein. You should do your own research and due diligence before making any investment decisions, including with respect to the securities discussed herein. We have a short interest in MINISO's stock and therefore stand to realize significant gains in the event that the price of such instrument declines. Please refer to our full disclaimer located on the last page of this report.

COMPANY: MINISO Group Holding Limited | NYSE: MNSO
INDUSTRY: Retail

PRICE (AS OF CLOSE
7/25/2022)
USD 7.21
MARKET CAP
USD 2.3 BN

We are short MINISO Group Holding Limited (the “Company” or “MINISO”), a global retailer based in China which claims to operate an asset-light, high-margin network of over 5,000 allegedly independent franchise stores selling stuffed animals, plush toys and knickknacks.

Rather than operate an independent network of franchisees, our seven-month investigation of Chinese corporate records and store level data indicates, in our opinion, that hundreds of stores are secretly owned and operated by MINISO executives or individuals closely connected to the chairman.

Chinese corporate filings also indicate, in our view, that the chairman siphoned hundreds of millions from the public company through opaque Caribbean jurisdictions as the middleman in a crooked headquarters deal. Against this backdrop, archived MINISO website disclosures, former employee interviews and media reports in China indicate that MINISO is a brand in decline, with revenues down 40% from pre-IPO peak, large-scale pre-Covid store closures and franchise fees which have fallen 63% over the past two years.

Not only does this undermine the authenticity of MINISO’s reported financials, but also suggests that MINISO should trade at a fraction of its current share price.

1. **MINISO Lies about its Core Business Model.** MINISO’s value proposition to investors is that it allegedly operates an asset-light, high-margin independent franchise model. Supposedly, this enables the Company to expand quickly while minimizing upfront capital costs. In theory, this also allows MINISO to generate high margins without the operating expenses and complexity which drag down profitability at traditional retailers. We think that this foundational narrative is a lie.
 - a. **Hundreds of Stores Registered to MINISO Executives or Persons Connected to Chairman.** MINISO claims that 99% of its stores in China, its key market, are operated by franchisees independent from the Company. To vet this claim, over the course of seven months, we **manually crosschecked MINISO and Top Toy stores in China with the Chinese corporate registry and online map and consumer data.** Through our investigation, first begun in November 2021, we found over 620 supposedly independent franchises, which, according to Chinese corporate records, are registered under the names of MINISO executives or individuals closely connected to the Company’s chairman. Rather than independent franchises, we believe that such evidence indicates that these stores are secretly owned and operated by the Company.
 - b. **MINISO Admitted in Chinese Media that 40% of Stores Directly Owned.** Our due diligence is consistent with MINISO’s disclosures before the Company began preparing for a U.S. listing. At a 2017 conference in China, MINISO’s brand director said in an interview that most MINISO stores in tier one cities in China are owned and operated by the Company, and that franchising is only limited to lower tier cities. In November 2019, another article published by Chinese state-owned media reported that 40% of MINISO stores were owned and operated by the Company. This tracks with our investigation, and directly contradicts MINISO’s disclosures to investors.
2. **Money for Nothing: IPO Proceeds Siphoned by Chairman through Crooked Headquarters Deal.** Shortly after going public, MINISO set up a BVI joint venture with its chairman to build a massive Chinese headquarters. Despite only holding a 20% interest in the JV, MINISO contributed all of the initial RMB 346 million deposit to purchase the land. Less than a year later, MINISO bought out the chairman’s 80% interest in the JV. In our opinion, this transaction is a naked transfer of shareholder money to the chairman, as Chinese government records indicate that the chairman likely never contributed *any capital to the JV*. This means that when MINISO bought him out of his JV interest, it was effectively money for nothing. It is also highly unusual for a Chinese company to purchase land in China through a BVI intermediary. Why not purchase the land

directly in China without routing the deal either through the chairman or through the BVI? Unless the point was to siphon investor cash to the chairman using an opaque Caribbean jurisdiction.

- a. **More Off-Balance Sheet Transactions Coming to Enrich Chairman.** The crooked headquarters deal appears to be a template for future transactions. We have identified four other MINISO property developments in China, including a RMB 10 billion logistics and R&D center, which we believe are owned not by the Company but by the chairman through a layered BVI offshore holding structure. Although these projects carry the MINISO name and are being developed explicitly for the Company, these developments are not, to our knowledge, disclosed to investors in either MINISO's Hong Kong or SEC filings. These deals together have an announced value of RMB 23 billion, and in our opinion, are structured to enable the chairman to siphon further shareholder money as an intermediary in Chinese development deals.
3. **Retail In Decline: Shrinking Revenues, Falling Franchise Fees and Store Closures.** Independent evidence, including archived disclosures on MINISO's Chinese website, reports in Chinese media and interviews with former employees, indicate that MINISO is a brand in serious peril.
- a. **Shrinking Revenues.** In since deleted [statements](#) on MINISO's official website, archived by the Wayback Machine, MINISO admitted that its revenues peaked at RMB 17 billion in 2018. This means that MINISO's revenues have shrunk over 40% since then. We corroborated this trend through interviews with former MINISO managers, who confirmed that store revenues and profits have been declining for years and that longtime franchisees are leaving. Taken together, web archive disclosures and employee interviews indicate that revenues have declined precipitously since MINISO's pre-IPO peak.
 - b. **Large-Scale Pre-Covid Store Closures.** Chinese media [reported](#) that even pre-Covid, MINISO closed 850 stores in China, more than a third of its stores in the country! Our months-long investigation corroborates this trend.
 - c. **Franchise Fees Dropped by 63%, Indicating Lagging Interest.** Archived disclosures on MINISO's Chinese website [indicate](#) that MINISO [lowered](#) its franchising fee by 63% over the past two years in a desperate effort to attract franchisees. This is a telltale sign that the business is substantially less attractive to retail partners than it used to be.

Together, such evidence indicates a retail brand in stark decline. This evidence is also consistent with our investigation into MINISO store ownership which indicates that contrary to the Company's claims, many MINISO stores are secretly owned by Company executives or insiders closely connected to the chairman. This makes sense: if the brand is in decline, and the stores are struggling, then MINISO will struggle to attract franchisees. In order to show store growth to investors, the Company likely has no choice but to secretly open and operate stores, given that franchisees no longer view them as an attractive opportunity.

Ultimately, we believe that there is overwhelming evidence that MINISO misleads the market about its core business. Rather than operate an asset-light, high-margin franchise model, evidence indicates that hundreds of MINISO stores are owned and operated by Company executives or individuals closely connected to MINISO and its chairman. Accordingly, we believe that MINISO is concealing the costs of such stores from investors.

This likely explains why MINISO, despite reporting a large cash balance and a business which supposedly generates healthy cash flows from operations, recently tapped capital markets to [raise](#) \$72 million through a secondary listing in Hong Kong.

In our view, not only does our evidence undermine the authenticity of MINISO's reported financials, but also suggests that MINISO should trade at a fraction of its current share price.

MINISO Lies about its Business Model

MINISO's value proposition to investors is that it allegedly operates an asset-light, high-margin franchise model. Supposedly, this enables the Company to expand quickly while minimizing upfront capital costs. In theory, this structure enables MINISO to generate high margins without the operating expenses and complexity which drag down profitability at traditional retailers. We think that this foundational narrative is a lie.

MINISO claims that as of March 31, 2022, 97% of its stores are operated by independent franchisees. Under the franchise model, MINISO claims it can generate higher margins with lower cost and lower risk, as the franchisee bears not only the capital expenditures to build the store but also rental costs, labor costs and other operating expenses.

In China, the percentage is even higher, with the Company claiming that 99% of MINISO stores are owned and operated by franchisees. MINISO claims that as of March 31, 2022, it directly owns and operates only 11 MINISO stores and 4 Top Toy stores. The remaining 3,274 stores in China are purportedly owned and operated by franchisees, which MINISO calls "retail partners." **MINISO explicitly tells investors that its retail partners are independent from the Company.**

The following table provides a breakdown of the number of MINISO and TOP TOY stores as of March 31, 2022:

Number of MINISO stores	5,113
China	3,197
Directly operated stores	11
Stores operated under MINISO Retail Partner model	3,169
Stores operated under distributor model	17
Overseas	1,916
Directly operated stores	136
Stores operated under MINISO Retail Partner model	207
Stores operated under distributor model	1,573
Number of TOP TOY stores	92
Directly operated stores	4
Stores operated under MINISO Retail Partner model	88

directly affect our results of operations. However, our MINISO Retail Partners and local distributors are independent from us and we cannot control many factors that impact the profitability of their MINISO stores. Despite the fact that we have direct access to key

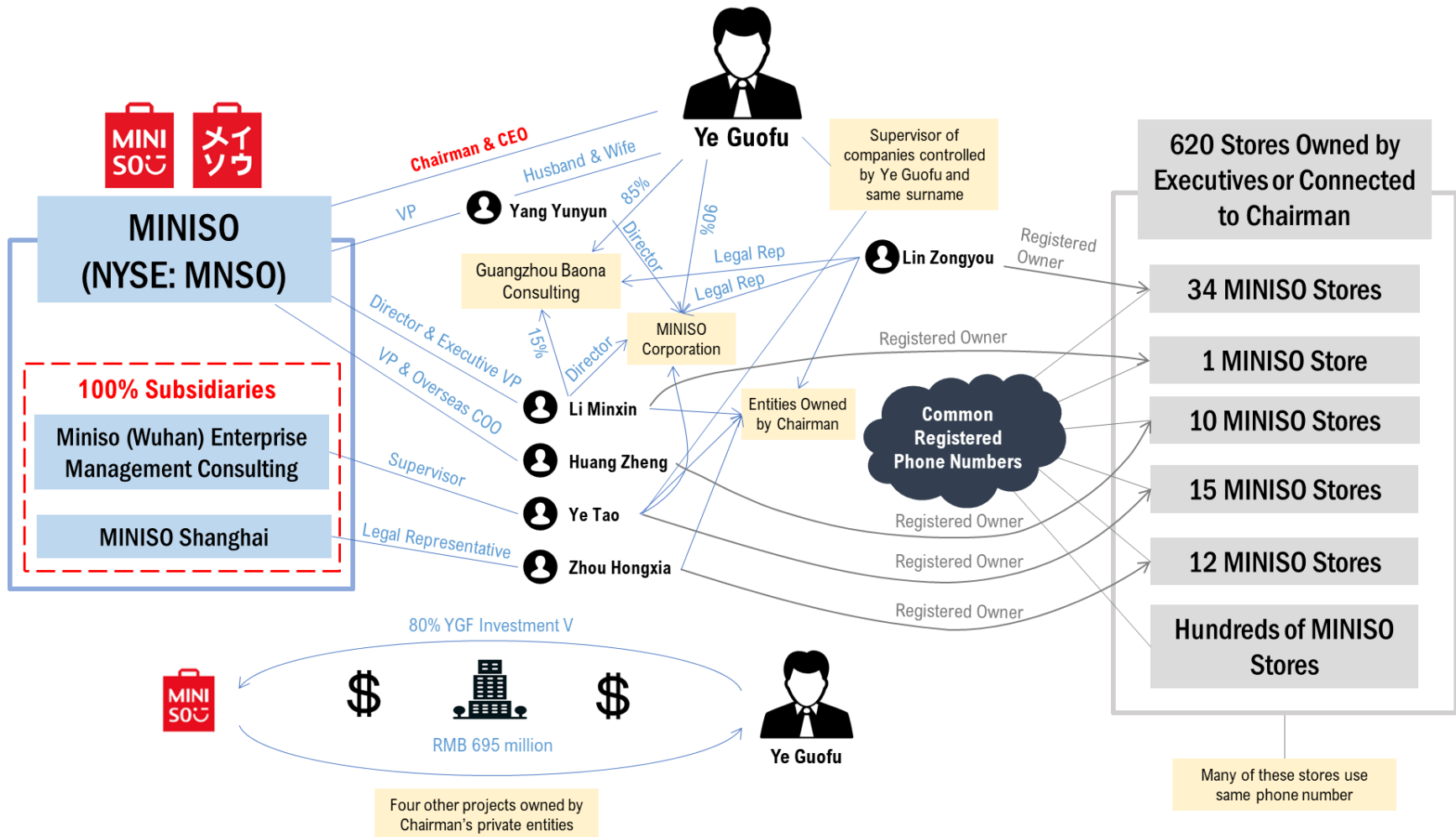
Source: [MINISO HK Prospectus](#)

As of the Latest Practicable Date, to our knowledge, all of our MINISO Retail Partners in China were Independent Third Parties. We are the seller of products in our relationship with MINISO Retail Partners. We believe that our sales to MINISO Retail Partners during the Track Record Period reflected genuine market demand and there was effective management and control over the inventory levels. We recognize revenue from product sales to MINISO Retail Partners when they sell the products to end customers in their own MINISO or TOP TOY stores. For more details regarding our revenue recognition policies, please refer to note 2(u)(i) to the Accountants' Report in Appendix I to this document.

Source: [MINISO SEC 6K 3/31/2022](#)

To vet this claim, over the course of seven months, we **manually crosschecked MINISO and Top Toy stores in China with the Chinese corporate registry and online map and consumer data.** Through our investigation, first begun in November 2021, we found at least 620 supposedly independent franchises, which, according to Chinese corporate records, are registered under the names of MINISO executives or individuals closely connected to the Company's chairman. Rather than independent franchises, we believe that such evidence indicates that these stores are owned and operated by the Company.

In the following graphic, we summarize the results of our findings, including the number of MINISO and Top Toy stores we believe are owned or operated by MINISO executives or insiders closely connected to the chairman or the Company.



Name	MINISO	Top Toy	Closed	Total	Connections to MINISO
Huang Zheng	7		3	10	MINISO VP and Overseas COO
Zhou Hongxia	10	1	1	12	Legal Rep of a MINISO Subsidiary and multiple MINISO branches
Ye Tao	9	2	4	15	Supervisor of a MINISO Subsidiary; Same surname with Chairman Ye
Lin Zongyou	24		10	34	Legal Rep & Director of MINISO Corporation (90% owned by Chairman Ye)
Ye Xiao	91		3	94	Shared Phone Number; Same surname with Chairman Ye
Li Zhibin	25	6	3	34	Supervisor of multiple Chairman Ye - controlled entities
Mo Cuifeng	8	6	11	25	Legal Rep of a Chairman Ye - controlled entity (Haydon (Shanghai) Technology)
Zhong Yinjia	19	2	14	35	Shared Phone Number; Business Partner with Li Zhibin
Wen Hai'an	14	6	3	23	Shared Phone Number; Business Partner with Li Zhibin & Zhong Yinjia
Zhang Shanshan	11	3	3	17	Shared Phone Number; Business Partner with Li Zhibin
Jiao Dongdong	45		13	58	Shared Phone Number
Huang Zhengyi	23		6	29	Shared Phone Number
Fu Zhongwen	21		1	22	Shared Phone Number

Source: MINISO IPO Presentation, [MINISO HK Prospectus](#), qcc.com, Online Search

We have also included a column showing the deregistered connected entities and closed stores in the last 7 months. It is unclear whether such store closures are temporary due to Covid lockdowns or permanent, but they are nevertheless illustrative of the broader trend as they are clearly registered to either MINISO executives or individuals closely connected to the chairman and the Company.

- **10 MINISO Stores Owned by MINISO Senior VP and COO**

According to MINISO's IPO investor deck, Huang Zheng is MINISO's Vice President and Overseas Chief Operating Officer.



Source: MINISO IPO Slide Deck

Chinese corporate registries show that Huang Zheng is the registered owner of 10 MINISO stores, which we were able to confirm by matching entities owned by Huang from the Chinese corporate registry with the location of a MINISO store.

Chinese Corporate Registry Records

深圳市福田区卓铮铮百货店 存续

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2022-06-06更新

#批发和零售业 #零售业 #广东省 #深圳市 #福田区

Operator: Huang Zheng

经营者: 黄铮 关联18家企业

统一社会信用代码: 92440300L84616568M

编辑企业信息

电话: 18022381286 同电话企业 99+

官网: 暂无

邮箱: 暂无

地址: 深圳市福田区福田街道福华三路与金田路交汇处卓越世纪中心3... 附近企业 复制

Map Data

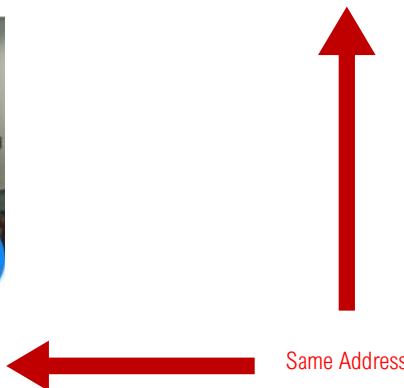


名创优品(卓越·INTOWN店)

★★★★★ 家居

深圳市福田区卓越世纪3号楼卓越购物中心一楼

15323403970



Same Address

Source: <https://amap.com/place/B0FFHDU654>,
<https://www.qcc.com/firm/d50ee6805ee6c561e643296b951cf956.html>

In the following table, we include the Chinese entities owned by Huang, the registered addresses of his entities and the corresponding MINISO stores at those addresses.

Entity Name	Entity Registered Address	MINISO Store
深圳市盐田区铮海日用品百货店	深圳市盐田区海山街道深盐路南面海山路北面壹海城二区负一层 B104A、B105 号	https://www.dianping.com/shop/G6Aun6PqayXF6up
深圳市福田区卓铮铮百货店	深圳市福田区福田街道福华三路与金田路交汇处卓越世纪中心 3、4 号楼裙楼 01 层 L111、L113-1 号铺	https://amap.com/place/B0FFHDU654
深圳市罗湖区优品日用品店	深圳市罗湖区东门街道解放路 2003 号金世界商业中心一层 B02、B03、B05-07、B15	https://amap.com/place/B0G297QFCS
深圳市罗湖区铮铮优品百货店	深圳市罗湖区东门街道人民北路 2055-2063 文化娱乐中心大厦一楼	https://www.job5156.com/comp/1639832
深圳市龙岗区铮爆了日用品店*	深圳市龙岗区坂田街道环城南路与坂雪岗大道交汇处的嘉悦山花园 7 号楼 L1 层 12 号铺	https://amap.com/place/B0FFIBJU76
深圳市龙岗区龙铮日用品百货店*	深圳市龙岗区横岗街道龙岗大道 5008 号横岗大厦商业 1 层 19、20 号	https://amap.com/place/B0FFGE9TTO
深圳市宝安区新安宝铮日用百货店*	深圳市宝安区新安街道宝安大道与裕安一路交汇处卡罗社区商业裙楼 1 层 L1-07 号	https://amap.com/place/B0FFJXFU0F
深圳市光明新区铮铮日上百货店	深圳市光明新区公明街道公明天虹商场二楼 5002、5003、5004、5006 铺	https://amap.com/place/B0FFL8KCHO
深圳市福田区铮福气百货店	深圳市福田区梅林街道上梅林中康路梅林路交汇处卓悦汇购物中心 B2 层 07-08 号	See screenshot 1 in Appendix 2
深圳市龙华新区十铮十百货店	深圳市龙华新区民治街道民治大道与民丰路交汇处横岭工业区 B 栋天虹商场一楼 1011A 号	https://you.ctrip.com/shopping/shenzhen26/1598026.html

Source: qcc.com, Online Search
 *Entities are deregistered in 2022.

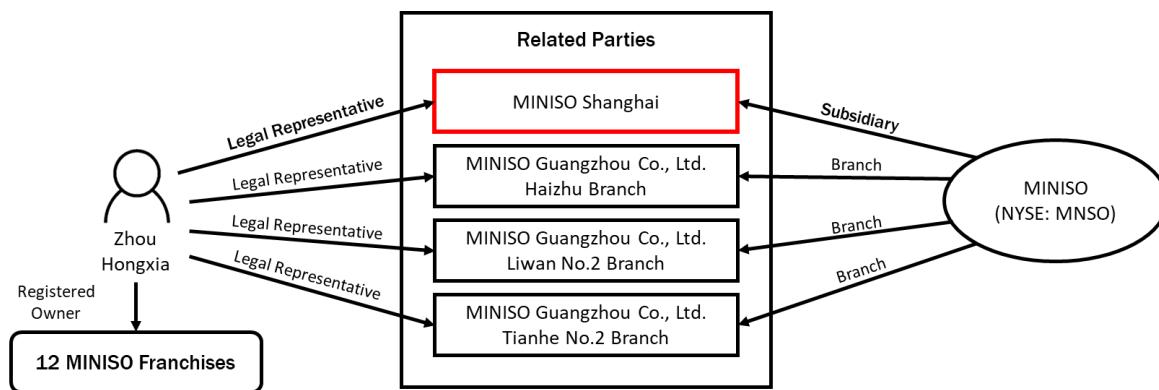
MINISO claims that its franchisees are independent, yet Chinese corporate records, cross-checked with store level data, show that MINISO’s vice president and chief operating officer of its overseas business is the registered owner of at least 10 MINISO stores. Other examples abound.

• **12 Stores Owned by MINISO Subsidiary Legal Representative**

Chinese corporate records state that Zhou Hongxia is the legal representative of MINISO’s Shanghai subsidiary as well as multiple other MINISO branches.



Source: qcc.com



According to the Chinese corporate registry, as of November 2021, Zhou Hongxia owned 11 MINISO stores and 1 Top Toy store, which we were able to confirm by matching the address of the entities he owns on the Chinese corporate registry with the location of a MINISO or Top Toy shop.

北京亿来源商贸有限公司海淀第一分公司 存续

小微企业

#批发和零售业 #零售业 #北京市 #海淀区

Legal Representative: Zhou Hongxia

负责人: 周红霞  关联50家企业 >

统一社会信用代码: 91110108MA01U49503

电话:  18022381286 [同电话企业 99+](#)

官网: 暂无

邮箱: 2086624754@qq.com

地址: 北京市海淀区中关村大街19号新中关大厦M07



名创优品(新中关购物中心店)

★★★★★ 家居

北京市海淀区中关村大街19号新中关购物中心M层27号

15844750257 16619785318

Same Address

Source: <https://www.qcc.com/firm/e03792f3d7510012b096d2055bbf4fad.html>,
<https://ditu.amap.com/place/BOFFFW5N30>

Zhou Hongxia is the Registered Owner of 11 MINISO Stores and 1 Top Toy Store

Entity Name	Entity Registered Address	MINISO Store
北京亿来源商贸有限公司海淀第一分公司	北京市海淀区中关村大街19号新中关大厦M07	Link
北京亿来源商贸有限公司	北京市朝阳区朝外大街怡景园北里3、4、5号楼1层B1内03	Link
北京时代佳丽商贸有限公司	北京市朝阳区建国路88号院7-10号楼1至2层2801	Link
北京长阳优创百货店	北京市房山区广阳新路9号院1号楼2层201-L2024、L2026	Link
名创优品(广州)有限责任公司荔湾分公司	广州市荔湾区宝华路133号首层250、251、253、254(相连相通)	Link
武汉市硚口区晋宜日用品店	武汉市硚口区长宜路1号购物中心4-12-11、12-SU单元	Link
深圳市罗湖区金红霞百货店	深圳市罗湖区南湖街道人民南路2028号金光华广场B1层003	Link
深圳市宝安区西乡霞红光百货店	深圳市宝安区西乡街道宝源路与海城路交汇处泰丰广场A栋时代城一楼F113号	Link
深圳市福田区霞光普照百货店	深圳市福田区福保街道石厦北二街89号石厦新港商城一层117号	Link
深圳市罗湖区万红霞百货店	深圳市罗湖区桂园街道地铁1号线大剧院C3通道2Y-90号商铺	Link
西安市雁塔区旺载莱百货店 (Top Toy)	陕西省西安市雁塔区小寨西路和含光路南段交汇处momopark购物中心一楼F1-10二楼F2-12	Link
广州市黄埔区天石红霞百货店 (Deregistered)	广州市黄埔区联和街科学大道46号101-45房、101-46房、101-47房	Link

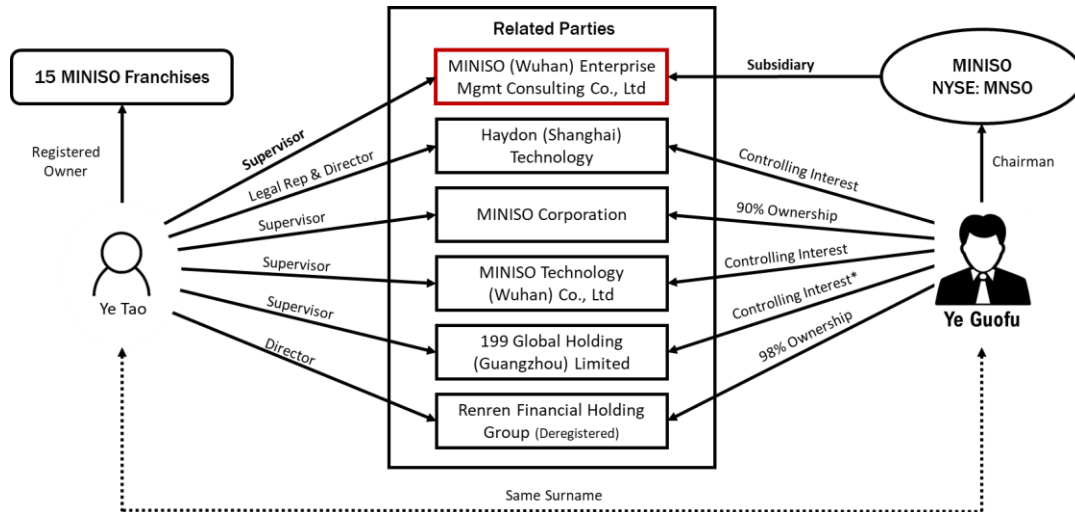
Source: qcc.com, Online Search

- Registered owner of 15 stores is an executive of a MINISO subsidiary

MINISO (Wuhan) Enterprise Management Consulting (“MINISO Wuhan”) is a MINISO subsidiary. According to the Chinese corporate registry, MINISO Wuhan’s supervisor is Ye Tao. Ye Tao not only shares the same surname with MINISO Chairman (Ye Guofu), but he is also the supervisor of multiple other companies owned and controlled by MINISO’s chairman.

According to the Chinese corporate registry, Ye Tao is the owner of 15 MINISO stores.¹

¹ 13 MINISO stores and 2 Top Toy stores. See Appendix 1 for a list of stores and entities. Four entities are deregistered.



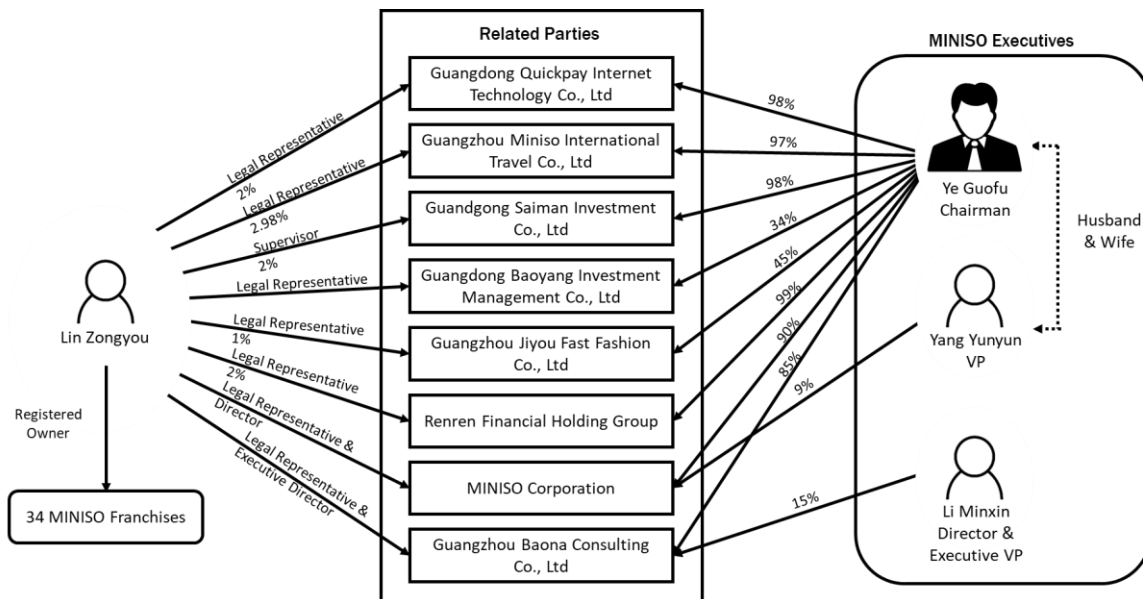
Source: qcc.com, [MINISO HK Prospectus](#)

*Ye Guofu owned 99% of 199 Global Holding (Guangzhou) until March 28, 2022

As an executive of a MINISO’s subsidiary and multiple Chairman-owned entities, Ye Tao appears far from an independent third party. Yet undisclosed to investors, this insider is the registered owner of 15 supposedly independent franchises.

• **34 Stores Owned by Chairman's Legal Representative**

We have identified what we believe to be another undisclosed related party, Lin Zongyou. We summarized some of Lin Zongyou’s many connections to MINISO below, including Chinese corporate records which indicate that he is the legal representative of almost a dozen entities owned (or recently owned) by MINISO’s chairman, his wife or a MINISO executive director.²



Source: qcc.com

² Guangdong Quickpay Internet Technology, Guangzhou Miniso International Travel, Guangdong Baoyang Investment Management and Renren Financial Holding Group are deregistered. Chairman Ye transferred his ownership of Guangdong Saiman Investment and Guangzhou Jiyou Fast Fashion to an individual in March 2022.

Similar to Ye Tao, Lin Zongyou is the registered owner of 34 MINISO stores.³

- **Hundreds of Entities Share Overlapping Registration Information**

In another example, Li Minxin, **MINISO’s director and executive vice president**, has a MINISO store registered under his name in the database as Shenzhen Longgang Miniso Store (the “**LG Store**”). We cross-checked the registered address of the store (深圳市龙岗区平湖街道凤凰社区守珍街 165 号) and confirmed that there was a MINISO store at this location.⁴

Source: MINISO F-1, <https://www.qcc.com/firm/514655bfc36a580a302158c110892f75.html>, <http://www.dianping.com/shop/H1ZmbzZgerSrPvjo>

In addition to the LG Store, MINISO executive Li Minxin is the registered owner of 8 other entities that we suspect were former MINISO stores that were shut down over the years. Some of the entities have the word “MINISO” in their names; all of them were in the retail business and were established after 2013, the year that MINISO was founded. Rather than being independent franchises, as the Company claims, these stores are registered under the name of MINISO’s director and executive vice president.

We also noticed that many of the MINISO stores owned by MINISO executives Li Minxin and Huang Zheng use the same registered phone number.

企业名称	登记状态	法定代表人	注册资本	成立日期	核准日期	所属省份	所属城市	所属区县	Same Phone Number		
									电话	企业类型	所属行业
深圳市龙岗区名创优品便利店	存续	李敏信	1.5万元人民	2014-02-26	2014-02-26	广东	深圳市	龙岗区	18022381286	个体工商户	零售业
锦江区敏信其他日用品店	注销	李敏信	-	2015-11-04	2018-01-10	四川	成都市	锦江区	18022381286	个体工商户	零售业
广州市萝岗区创宗日用品店	注销	李敏信	-	2014-05-19	2019-06-04	广东	广州市	黄埔区	18022381286	个体工商户	零售业
广州市海珠区江南新地商业街名敏日用品店	注销	李敏信	-	2014-04-02	2020-08-24	广东	广州市	海珠区	18022381286	个体工商户	零售业
惠州市惠城区铮创百货店	在业	黄铮	-	2016-03-25	2016-03-25	广东省	惠州市	惠城区	18022381286	个体工商户	零售业
深圳市盐田区铮海日用品百货店	存续	黄铮	3万元人民	2015-10-12	2015-10-12	广东省	深圳市	盐田区	18022381286	个体工商户	零售业
深圳市福田区卓铮铮百货店	存续	黄铮	2万元人民	2015-08-11	2015-08-11	广东省	深圳市	福田区	18022381286	个体工商户	零售业
深圳市罗湖区优品日用品店	存续	黄铮	5万元人民	2014-06-13	2014-06-13	广东省	深圳市	罗湖区	18022381286	个体工商户	零售业
深圳市罗湖区铮铮优品百货店	存续	黄铮	5万元人民	2015-02-11	2015-02-11	广东省	深圳市	罗湖区	18022381286	个体工商户	零售业
深圳市龙岗区铮铮日用品店	存续	黄铮	5万元人民	2015-10-21	2015-10-21	广东省	深圳市	龙岗区	18022381286	个体工商户	零售业
深圳市龙岗区龙铮日用品百货店	存续	黄铮	3万元人民	2015-10-13	2015-10-13	广东省	深圳市	龙岗区	18022381286	个体工商户	零售业
深圳市龙岗区龙河名创百货店	注销	黄铮	0.1万元人民	2014-04-11	2020-05-09	广东省	深圳市	龙岗区	18022381286	个体工商户	零售业
阳春市春城名创日用品店	注销	黄铮	-	2014-05-21	2021-10-26	广东省	阳江市	阳春市	18022381286	个体工商户	零售业

Source: qcc.com

³ See Appendix 1 for a list of stores and entities. 9 entities are deregistered, and 1 store are closed.

⁴ This store is currently closed, although it is unclear whether this a temporary closure due to Covid or a permanent closure.

Entities which share the same registered phone number typically are connected to each other, sharing overlapping control or common ownership. The Chinese corporate registry database shows that there are in total 556 entities sharing this phone number; among them, 291 entities are still in operation.

已选条件	关键词: 18022381286	已选条件	关键词: 18022381286	登记状态: 存续,在业,迁入,迁出,设立
Search by: 18022381286		Search by: 18022381286, Status: In Operation		
小查为您找到 556 条相关结果		小查为您找到 291 条相关结果		
We found 556 results		We found 291 results		
Source: qcc.com				

This led us to more undisclosed related parties of the Company that own a significant number of MINISO stores.

Things appear no different with respect to MINISO's new Top Toy brand, introduced by the Company in December 2020 catering to the top toy market. MINISO reported that as of March 2022, there are 92 Top Toy stores in China and only 4 are stores directly operated by the Company.

Number of TOP TOY stores	92
Directly operated stores	4
Stores operated under MINISO Retail Partner model	88

Source: [MINISO HK Prospectus](#)

Yet similar to MINISO stores, our due diligence indicates that 34 Top Toy stores, or 37% of all Top Toy stores, are secretly owned by related parties of the Company.⁵

- **MINISO Admitted in Chinese Media that 40% of Stores Directly Owned.**

Notably, our findings are consistent with MINISO's disclosures before the Company began preparing for a U.S. listing. At a 2017 conference in China, MINISO's brand director said in an interview that most MINISO stores in Tier 1 cities in China are operated by the Company and that franchising is only limited to lower tier cities.

《联商网》：国内投资一家店需要多少成本，产出怎么样，多长时间盈利？

成金兰：目前一线城市的繁华地段基本上都是直营店，二线城市可以做加盟店。目前品牌使用费为8万元/年，一次性需要交3年，货品保证金75万元。由公司统一安排装修，装修费按2800元/平方预收，基本店铺的面积要在200平米左右，一家店铺启动的整体投资预算在200万左右。

Cheng Jinlan (Brand Director of MINISO): **Currently, most stores in the more prosperous areas in Tier 1 cities are directly operated by the company, while franchised stores can be established in tier 2 cities.**

Source: <http://www.linkshop.com/news/2017382880.shtml>

In another article published in November 2019, Chinese media reported that 40% of MINISO stores are owned by the Company.

⁵ See table in Appendix 1.

第一财经从名创优品内部了解到，其门店基本都设在大型购物中心，或人流密集的商业步行街，不同位置的门店年租金不同，几十万到上百万不等。一间250平方米左右的门店的员工基本配置为6~7个人。装修和日常成本也是因门店而异，包括门店所属地区和位置、面积、人工成本等因素差异。名创优品已进入盈利状态，年营业收入高速增长，综合利润率8%左右。以深圳福田星河COCO Park购物中心漫威IP黑金店为例，其月营业额超300万，月坪效12000元，店铺实现日均客单量超过1000笔，日均客单价近100元。名创优品目前直营和加盟的比例约是4: 6。其加盟模式是“投资型加盟”，投资者不用参与门店日常经营，所有加盟店由名创优品总部统一运营管理。最关键的是，加盟商每日可获得所加盟门店前日营业额的38%（食品为33%）现金分账。The current ratio between corporate-owned stores and franchise-owned stores is 4:6

Source: <https://www.yicai.com/news/100388597.html>

The article is highly credible as it appeared in the [financial news arm](#) of the Shanghai Media Group, a state-owned enterprise. This November 2019 account in Chinese state-owned media stating that 40% of MINISO stores are owned and operated by the Company **directly contradicts MINISO's disclosures to investors**, in which the Company stated that less 1% of stores in China were directly operated by the Company in 2019.

	As of June 30,		
	2019	2020	2021
Number of MINISO stores¹			
China	2,311	2,533	2,939
Directly operated stores	9	7	5
Stores operated under			
MINISO Retail			
Partner model	2,288	2,513	2,919
Stores operated under			
distributor model	14	13	15
Overseas²	1,414	1,689	1,810
Directly operated stores	74	122	127
Stores operated under			
MINISO Retail			
Partner model	165	193	195
Stores operated under			
distributor model	1,175	1,374	1,488
Total	3,725	4,222	4,749

Source: [MINISO HK Prospectus](#)

We also spoke to a MINISO franchisee who had owned several MINISO stores since 2016. He confirmed to us that **MINISO had more than 1,000 company-owned stores in China in 2019**, although many stores have closed down because of Covid-19.

Before MINISO went public in the U.S., it told Chinese media that most MINISO stores in tier one cities were owned and operated by the Company. Our suspicion is that MINISO realized early in the pre-IPO process that a brick-and-mortar retailer would be far less attractive to investors than an asset-light franchise business, so we think that the Company simply lied about these stores.

Yet these candid statements in Chinese media are consistent with our due diligence, which found hundreds of stores owned by Company insiders or those closely connected to the chairman.

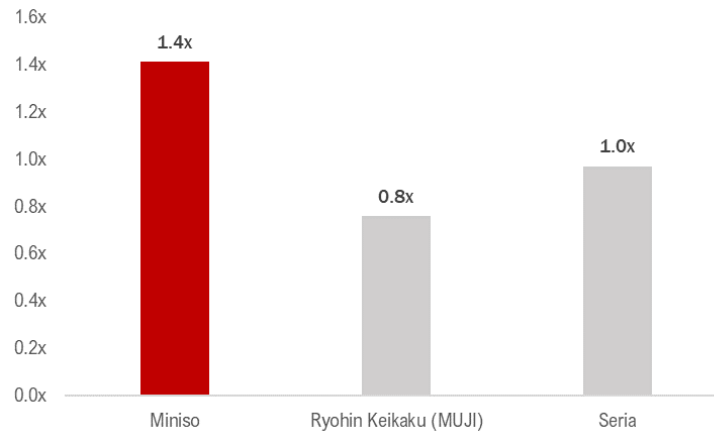
The implications for MINISO investors are plainly massive.

MINISO's central claim to investors is that it operates an asset-light franchise model, which supposedly allows the Company to maintain high margins while insulating the business from capital expenditures, operating losses and the risks and complexity of presiding over a sprawling network of retail outlets.

But based on the independent evidence, we think that this foundational narrative is a lie. We found at least 620 supposedly independent MINISO stores in China which are owned and operated by either MINISO executives or individuals closely connected to the chairman. We suspect that these stores are likely controlled and funded by the Company. This suggests that MINISO's real margins are likely significantly less than reported to investors.

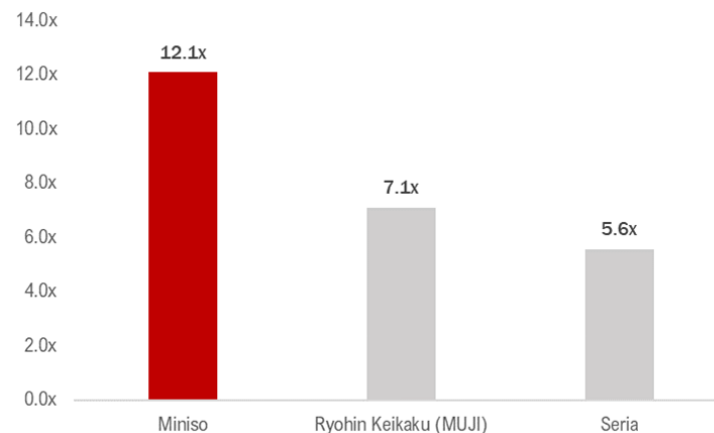
Fundamentally, this misrepresentation obscures MINISO's true business model, tricking the markets into applying an unjustified and unsustainable multiple on a mundane retail business model. MINISO is currently trading at 1.4x sales as an asset light and high margin business, a desirable proposition especially during Covid-19. Yet our due diligence shows that in reality, MINISO is more like a declining brick-and-mortar operator, and we think it should be valued as such.

P/S: MINISO vs. Japanese Retail Peers



Source: Capital IQ (as of July 25, 2022)

EV/EBITDA: MINISO vs. Japanese Retail Peers



Source: Capital IQ (as of July 25, 2022)

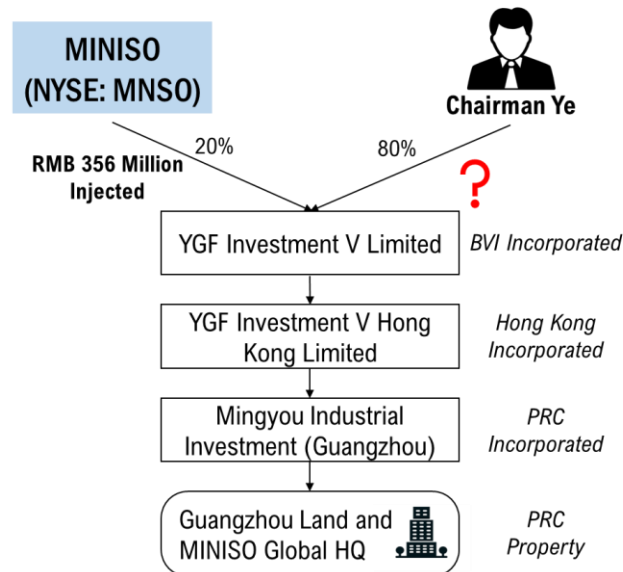
Ultimately, we believe that there is overwhelming evidence that MINISO misleads the market about its business. Rather than operate an asset-light, high-margin franchise model, evidence indicates that hundreds of MINISO stores are owned and operated by Company executives or individuals closely connected to MINISO and its chairman. Accordingly, we believe that MINISO is concealing the costs of such stores from investors.

Not only does this undermine the authenticity of MINISO's reported financials, but suggests that MINISO should trade at a fraction of its current share price.

Money for Nothing: IPO Proceeds Siphoned by Chairman through Crooked Headquarters Deal

MINISO listed on the New York Stock Exchange in October 2020. Shortly thereafter, we believe that MINISO's chairman, Ye Guofu, bilked hundreds of millions of freshly raised capital from public investors through a series of crooked transactions revolving around the purchase and construction of a massive headquarters in China.

In [December 2020](#), MINISO announced the formation of a BVI-based joint venture between the Company and Chairman Ye to build a new headquarters in China. According to the announcement, Chairman Ye held 80% of the JV through an entity solely owned by him⁶, and MINISO held the remaining 20%. Less than one year later, in October 2021, MINISO bought out the chairman's remaining 80% share for RMB 695 million.



Source: MINISO Public Filings, <https://www.gcc.com/firm/237c0d23657dc0d32b5dc874d233a8e6.html>

Right off the bat, this transaction appeared deeply suspicious. If MINISO wanted to buy a new headquarters in China, why not buy the land directly? Why purchase the land through the chairman? In our experience, the only reason for a Chinese company to route a land purchase through insiders is to siphon public company funds through the transaction.

Second, if the land for the headquarters is in China, why would MINISO form an offshore JV in the BVI to purchase the land and develop the property? To us, the explanation is obvious. The BVI is an extremely opaque jurisdiction which does not provide meaningful disclosures to auditors and investors. The principal advantage of the BVI is that it easily facilitates opaque offshore transfer of cash to insiders. Otherwise, why wouldn't a Chinese company just buy land in China through a Chinese entity?

More importantly, it appears from Chinese corporate records that the chairman never put any money toward the purchase. He received the benefits, but MINISO put forward the cash.

Initially, MINISO reported that while the Company had **already** contributed its portion of the required capital to the JV (RMB 356 million), the **chairman had yet to invest his portion of the cash to JV** even though he owned 80% of the newly formed entity. Although the chairman held 80% of the equity of the JV, it was only the Company that contributed the cash to buy the land despite its minority stake in the BVI entity.

⁶ Ye Guofu is the [sole](#) shareholder of YGF MC limited, which held 80% of the BVI JV.

GUANGZHOU, China, Dec. 11, 2020 /PRNewswire/ -- MINISO Group Holding Limited ("MINISO," or the "Company") (NYSE: MNSO), a fast-growing global value retailer offering a variety of design-led lifestyle products, today announced that it has formed a joint venture in the British Virgin Islands with YGF MC Limited, a company jointly controlled by the Company's controlling shareholders, Mr. Guofu Ye and Ms. Yunyun Yang, to acquire land use right of a parcel of land in Guangzhou and to establish a new headquarters building for MINISO through such joint venture's subsidiary in Guangzhou. The Company holds 20% of the shares of the joint venture company while YGF MC Limited holds the remaining 80% of the shares of the joint venture company. After the formation of the joint venture company, the Company invested RMB356 million in the joint venture company. YGF MC Limited will invest RMB1,424 million in the joint venture company.

Source: [MINISO Press Release, December 11, 2020](#)

Chinese filings confirm that it was the Company, not the chairman, which put forth the cash for the land. In January 2021, the Chinese subsidiary of the JV, Mingyou Industrial Investment (Guangzhou) Co., Ltd ("Mingyou Industrial"), acquired land rights in Guangzhou at a value of RMB 1.73 billion through a public bidding process. According to local media, the bidding deposit was RMB 346 million, or 20% of the purchase price.

宗地坐落	土地用途	宗地面积 (平方米)	地上计算容积率 建筑面积 (平方米)	挂牌起始价 (万元)	增价幅度 (万元)	竞买保证金 (万元)		
						人民币 RMB	港币	美元
海珠区琶洲西区 AHD40226地块	商务设施用地 (B2) 兼容商业 设施用地 (B1)	6557	地上≤103879	172855	1000	34571 RMB 345.7 Million	41000	5300

Source: <https://finance.sina.com.cn/stock/renews/us/2021-01-04/doc-iiznezxt0458160.shtml>

The deposit for the land (RMB 346 million) **matches** almost exactly the amount initially MINISO contributed to the JV according to Chinese corporate records, indicating that it was the Company's cash, not the chairman's, that paid the deposit for the land.

There is evidence to suggest that the chairman, despite owning 80% of the JV, likely never contributed any cash to the entity. According to MINISO's Hong Kong prospectus, the Company bought out the chairman's 80% interest in the JV on October 27, 2021, for RMB 695 million.

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

Source: [MINISO HK Prospectus](#)

According to corporate data publicly available in the [National Enterprise Credit Information Publicity System](#), the paid-in capital of the JV's Chinese subsidiary remained at RMB 345.7 million (the initial deposit amount) until the day after MINISO acquired the chairman's 80% share.

企业名称: **名优产业投资 (广州) 有限公司** Mingyou Industrial Investment (Guangzhou) Co., Ltd

■ 股东及出资信息

序号	股东	认缴出资额(万元)	认缴出资时间	认缴出资方式	实缴出资额(万元)	实缴出资时间	实缴出资方式
1	YGF Investment V Hong Kong Limited	100000万人民币元	2030年12月31日	货币	34571万人民币元	2020年12月11日	货币
		RMB 1 billion			RMB 345.7 million	Dec. 11, 2020	

Source: [National Enterprise Credit Information Publicity System](#)

Chinese public records show that on October 28, 2021, **one day after MINISO acquired the chairman’s stake in the JV**, the paid in capital increased to RMB 1.8 billion. To be clear, paid-in capital represents the actual amount of money that a company has received from shareholders. Any change to the paid-in capital is registered with the local government and is generally indicative of whether and what extent shareholders have funded the entity.

企业名称: **名优产业投资 (广州) 有限公司** Mingyou Industrial Investment (Guangzhou) Co., Ltd

■ 修改信息

序号	修改事项	修改前	修改后	修改日期
1	从业人数是否公示	不公示	不公示	2022年06月09日
2	从业人数是否公示	不公示	不公示	2022年04月14日
3	实缴出资额 (万元)	179901.33	208401.33	2022年04月14日
4	从业人数是否公示	不公示	不公示	2022年04月14日
5	实缴出资时间	2021-10-28	2021-12-10	2022年04月14日
6			外商控股	2022年04月14日

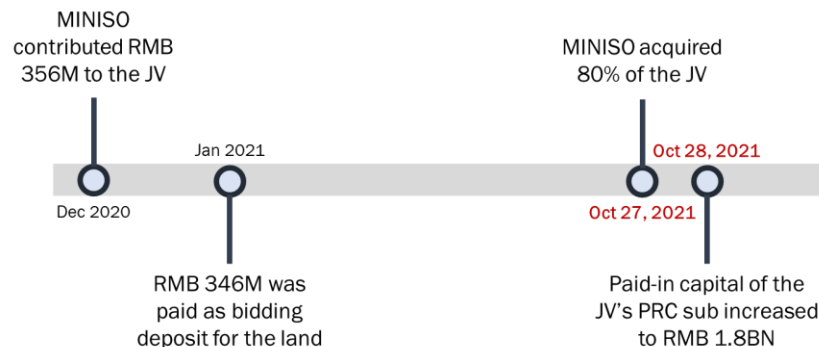
Source: [National Enterprise Credit Information Publicity System](#)

名优产业投资 (广州) 有限公司 在业 Mingyou Industrial Investment (Guangzhou) Co., Ltd

序号	发起人	认缴出资额(万元)	认缴出资日期	认缴出资方式	实缴出资额(万元)	实缴出资日期	实缴出资方式
1	YGF Investment V Hong Kong Limited	230000	2030-12-31	货币	179901.33	2021-10-28	货币
					RMB 1.799 billion	Oct. 28, 2021	

Source: <https://www.qcc.com/creport/237c0d23657dc0d32b5dc874d233a8e6.html>

MINISO admits in its public filings that it contributed the initial deposit to purchase the land in December 2020. Government records highlighted above show that no additional capital was contributed to the JV until **after** MINISO bought out the chairman in October 2021. To us, the corporate records clearly indicate that the chairman did not contribute money to the JV. That means that when MINISO paid him out for his JV interest, we think this was simply a naked transfer of shareholder wealth to the chairman. **Money for nothing.**



Source: MINISO public filings, [National Enterprise Credit Information Publicity System](#), [Sina News Article](#)

Chinese corporate records show that until MINISO purchased the chairman's portion of the JV, the only cash contributed to the JV was the initial land deposit contributed by MINISO in December 2020. We don't believe the chairman ever contributed any cash to the JV, as the paid-in capital increase took place only after MINISO purchased his 80% interest in the JV. To us, the transaction appears to be designed to simply siphon public money to the chairman.

This financial maneuvering also put MINISO at potential risk of breaching its contract with the Chinese government. The contract for the land purchase was [published](#) by the local government online and is accessible for anyone who wishes to check. The contract specifically **prohibits the purchaser's change of ownership structure for 10 years.**

Contract for Assignment of the Right to the Use of State-owned Construction Land

国有建设用地使用权出让合同

(海珠区琶洲西区 AH040228 地块)

三十一、受让人或其关联企业在广州市海珠区注册设立的公司纳税强度须符合《琶洲人工智能与数字经济试验区产业用地项目引进工作指导意见》的要求。**自受让人签订本合同之日起，受让人 10 年内股权不得变更。**

The shareholding structure of the purchaser shall not change within 10 years of signing this contract.

Source: <http://www.gzggzy.cn/cms/wz/view/index/layout3/index.jsp?siteId=1&infoId=2177552&channelId=404>

MINISO risked breaching its contract with the Chinese government by routing the land purchase through opaque BVI entities to accommodate a series of related party transactions with its chairman. We believe that the only reason the Company undertook this risk was to permit the chairman to siphon hundreds of millions from the public company.

- **More Off-Balance Sheet Assets for Chairman's Personal Enrichment**

The crooked headquarters deal appears to be a template for future transactions. Based on Chinese corporate records, we have identified four other property developments that are currently owned by the chairman.⁷ Although these developments have not, to our knowledge, been disclosed to investors, they are clearly MINISO projects. Much like the headquarters deal discussed above, we suspect that they are structured through BVI intermediaries to allow the chairman to siphon off more money from the public company through future sales of these developments to MINISO.

For example, MINISO's official Chinese website issued a press release in January 2020 announcing a groundbreaking ceremony for a new MINISO Industrial Park, a RMB 10 billion research and logistics center. Both MINISO executives and local government officials attended the ceremony.

⁷ One of the property holding companies deregistered in July 2022. Yet as MINISO did not announce any land purchase in the past few months, we believe that the land is transferred to another chairman's private companies.

2020年1月4日，恰逢辞旧迎新、万象更新之时，名创优品肇庆市高新区一带一路产业园项目宣布正式动土，总投资过百亿。肇庆市高新区党工委委员、纪工委书记罗文军，肇庆市高新区招商局钟怡伟，名创优品创始人兼首席执行官叶国富等数十位政府领导及集团高管、项目相关负责人出席了此次动土仪式。

On January 4, 2020, MINISO announced the official groundbreaking of the MINISO One Belt One Road Industrial Park project in the Zhaoqing High-tech Zone, with a total investment of more than RMB 10 billion. Luo Wenjun, member of the Party Working Committee and secretary of the Disciplinary Work Committee of Zhaoqing High-tech Zone, Zhong Yiwei, Investment Promotion Bureau of Zhaoqing High-tech Zone, Ye Guofu, the founder and CEO of MINISO, and dozens of government leaders, company executives, and the project-related persons attended the groundbreaking ceremony.



Source: <https://www.miniso.cn/News/Details?id=100000228647363>

This is clearly a MINISO project, as it is disclosed on MINISO's Chinese website, and the groundbreaking ceremony was attended by MINISO executives. At a cost of RMB 10 billion, this development is designed to be a research and design facility, a manufacturing center, and a logistics center for MINISO.

However, this billion-dollar investment project is not disclosed, to our knowledge, in any of MINISO's SEC or Hong Kong regulatory filings. In fact, Chinese corporate records show that this Company project is not even owned by MINISO. According to Chinese corporate registries, MINISO (Zhaoqing) Industrial Investment Co., Ltd ("MINISO Zhaoqing") purchased the land in June 2018 for RMB 89 million.

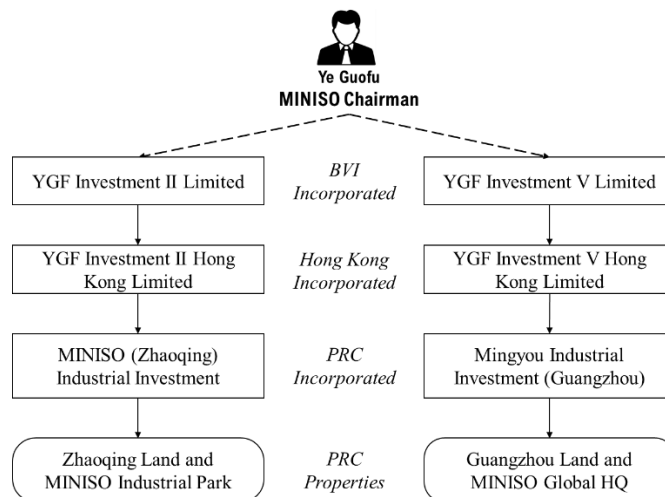
名创优品 (肇庆) 产业投资有限公司		在业	下载报告	笔记
小微企业 MINISO (Zhaoqing) Industrial Investment				
#金融业 #资本市场服务 #广东省 #肇庆市 #四会市 #2018年广东省产业用地面积百强企业排行榜				
法定代表人: 叶国富		Legal Rep: Ye Guofu	统一社会信用代码: 91441200MA51KFAE5G	
工商登记 1		历史股东信息 2	股权结构 >	认缴金额
		持股比例	认缴出资(万元)	认缴出资日期
序号	股东及出资信息	Shareholder Information	持股比例	认缴出资(万元)
1	YGF Investment II Hong Kong Limited	香港 大股东 实际控制人	100%	30000
国有土地转让 2		Transaction Price (RMB 10K)	阶段不限	土地用途
序号	土地位置	面积(公顷)	成交价格(万元)	土地用途
1	肇庆高新区科技大街南面、规划18米道路东面地段	10.203810	5370.0000	工业用地
2	肇庆高新区科技大街南面、中恒制药公司西面地段	19.866964	8900.0000	工业用地
			RMB 89 million	
				发布/批准单位
				阶段
				发布/签订日期
				操作

Source: <https://www.qcc.com/crum/6dd087215d215bd543c46b3580a62ce1.html>

MINISO Zhaoqing is still listed as the owner of the Industrial Park Project according to the local government's website.

Despite having the word MINISO in its name, MINISO Zhaoqing is not a Company subsidiary. The legal representative of MINISO Zhaoqing is the chairman, and we believe MINISO Zhaoqing is ultimately controlled by

Ye Guofu through several layers of offshore entities. The corporate ownership structure is almost identical to the headquarters deal: with the Chinese asset held through a layer of Hong Kong and BVI entities with a similar name (YGF Investment).



Source: [MINISO HK Prospectus](#), [qcc.com](#)

Again, we question why wouldn't MINISO simply create its own subsidiary to build its own logistics and research center? And why wouldn't MINISO purchase and hold the assets directly in China, rather than setting up a BVI holding company in jurisdiction where little information is publicly available regarding ownership and cash payments?

To us, the transaction structure appears similar to the headquarters deal, and we think it is obviously set up to route property developments through a complicated BVI structure to enable the chairman to siphon shareholder money from shareholders.

In total, **we have identified five entities** which held significant land assets in China explicitly for MINISO. Although these projects appear explicitly designed for the Company, we believe that all of these entities are owned by MINISO chairman through an opaque web of BVI holding companies. So far, MINISO has bought one entity from its chairman for hundreds of millions of RMB. We predict MINISO is likely going to do the same for the other entities.

PRC Entity	Land Purchase Date	Land Price (RMB M)	Project Name	Investment Amount (RMB M)
名创优品科技 (广州) 有限公司	12/10/2017	159	MINISO Baishahe Tech Building Project	620
名创优品 (肇庆) 产业投资有限公司	6/24/2018	89	MINISO Zhaoqing One Belt One Road Industrial Park	10,000
名实 (中山) 产业发展有限公司*	2/8/2021	246	MINISO Zhongshan APAC HQ Project	2,800
名创优品科技 (武汉) 有限公司	12/16/2018	83	MINISO One Belt One Road Industrial Ecopark Project	6,500
名优产业投资 (广州) 有限公司	1/11/2021	1,729	MINISO Global HQ	3,500
Total		2,307		23,420

Source: [qcc.com](#)

*名实 (中山) 产业发展有限公司 Mingshi (Zhongshan) Industrial Development was deregistered in July 2022, but we believe the development project was transferred to another Ye's private entity.

Chinese corporate records show at least four other major development projects, with MINISO in the name and clearly affiliated with the public company, which corporate records suggest are owned by the chairman.

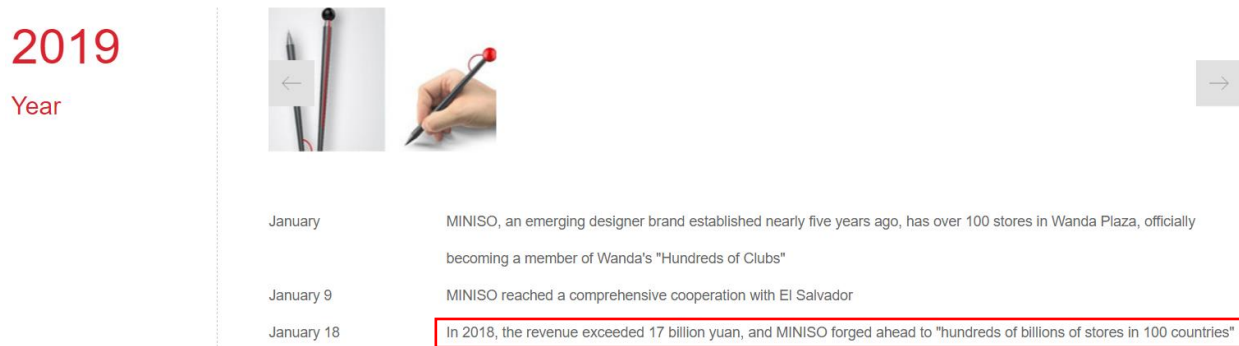
Although these developments appear purposely built for the Company, the assets are held through a complicated offshore BVI structure designed to route any subsequent capital flows offshore where the recipients and amounts are far more difficult to track. Other than already completed headquarters transaction, these other projects are not disclosed to investors. Not only do we believe that MINISO siphoned public company funds to the chairman through a crooked headquarters deal, but through these other undisclosed developments, it is poised to do so again.

Retailer in Decline: Shrinking Revenues, Store Closures and Falling Franchise Fees

MINISO is a retailer in decline. Interviews with former MINISO managers show that store revenues and profits are falling and that longtime franchisees are leaving. MINISO’s archived financial disclosures show that revenues are down 40% from peak and that same store sales have been shrinking since 2019. Further, both Chinese corporate registry data and local media reports suggest that MINISO has gone through and is most likely still facing large-scale store closures. In what is surely a sign of a retail business in trouble, MINISO lowered its franchising fee by 63% in the past two years in a desperate effort to attract franchisees.

a. Shrinking Revenues

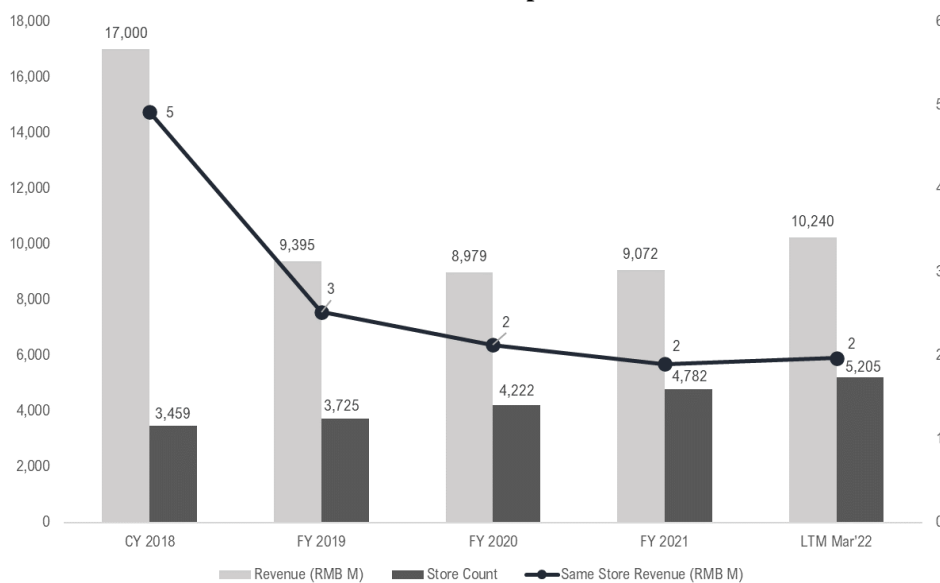
Using the web archive ([Wayback Machine](https://web.archive.org/)), we found disclosures by the Company on its official Chinese website, since removed, stating that MINISO achieved revenues of over RMB 17 billion in 2018.



Source: <https://web.archive.org/web/20191022091748/http://www.miniso.cn/Brand/History>

These disclosures were provided by the Company on its official website, and thus should be credible. MINISO’s most recent quarterly report shows that revenue in the last twelve months was just RMB 10 billion, a 40% decline from peak revenues in 2018. Put simply, MINISO’s own disclosures indicate that revenues have fallen precipitously from the peak, likely why such disclosures were scrubbed from MINISO’s official website.

MINISO Revenue Fell 40% From Peak Despite a 50% Increase in Store Count



Source: MINISO Public Filings, [MINISO Official Website](#)

This fall in revenue occurred despite MINISO's store count increasing by 50% from 3,459 to 5,205 during the same period, implying a same store revenue decline of 60%.

	CY 2018	FY 2019	FY 2020	FY 2021	LTM Mar'22
Revenue (RMB M)	17,000	9,395	8,979	9,072	10,240
<i>Cumulative Change</i>		-45%	-47%	-47%	-40%
Store Count	3,459	3,725	4,222	4,782	5,205
<i>Cumulative Change</i>		8%	22%	38%	50%
Same Store Revenue (RMB M)	5	3	2	2	2
<i>Cumulative Change</i>		-49%	-57%	-61%	-60%

Source: MINISO Public Filings, [MINISO Official Website](#)

Based on MINISO's own disclosures, we can see that MINISO's revenues and same store sales have been declining. This corroborates not only our interviews with former employees but also aligns with other evidence of large-scale store closures and falling franchise fees.

We spoke with a former MINISO regional manager who told us point blank that MINISO has passed its peak and is a brand in serious decline. When asked about store level performance, the former manager told us that the best years for MINISO were between 2017 and the first half of 2019; she also said that, beginning in second half of 2019, MINISO stores have experienced shrinking revenue and profitability. This tracks perfectly with the web archived disclosures on MINISO's website.

"In terms of gross profit and profitability, by 2019, the peak was basically over. In fact, from the second half of 2019, to 2020 and 2021, the profitability is in a downward trend. Because most of our peak period is the two years between 2017 to and the first half of 2019."

- **Former MINISO Manager**

The manager also gave us specific examples of drastic same store sales declines. Notably, her examples include stores that are supposedly MINISO's best performing stores. If some of MINISO's best performing stores are showing sales decline of over 75%, then the general level of same store sales decline must be severe across the board.

"The best performance is by the first half of 2019, because at that time, there were still quite a few million-dollar-revenue stores.... There used to be a store in Beijing that could reach [monthly revenues] of RMB 4 million, and now it may only have [monthly revenues of] RMB 0.8 million. Guangzhou used to have a store with more than RMB 2.8 million [in monthly revenue], but now it may be able to make RMB 0.7 million [in monthly revenue]."

- **Former MINISO Manager**

The same store sales decline highlighted by the former MINISO manager supports archived admissions by the Company, since scrubbed from its website, showing significant revenue and same-store sales declines.

b. Large-Scale Store Closures

When franchisees do not make money from operating MINISO stores, they close. Even before Covid-19, Chinese media reported that MINISO was facing large-scale store closure. Based on internal data provided by a MINISO employee, local media reported that MINISO closed more than 850 stores in China as of March 2019, more than a third of its existing store count at the time!

Although not disclosed to investors, this report of store closures was published in Chinese language media and was based on data provided to Chinese media by a MINISO employee.

名创优品一直对外号称全球开店三千多家，经调查发现，号称高速扩张的名创优品，仅2016年就关闭门店264家店!!!更让人咋舌的是，来自名创优品内部员工提供的真实数据，成立六年的名创优品已关店超过850家(截至2019年3月)(不含海外)。

MINISO has always claimed to have opened more than 3,000 stores worldwide. After investigation, it was found that MINISO, which claims to be expanding rapidly, closed 264 stores in 2016 alone!!! What is even more staggering is that according to the real data provided by an internal staff of MINISO, the six-year-old MINISO has closed more than 850 stores (as of March 2019) (excluding overseas).

以下是名创公司员工老臧(化名)提供的真实数据 笔者摘取了一部分。

The following is the real data provided by Lao Zang (pseudonym), an employee of MINISO.

Table with 50 columns and 50 rows of store data including store ID, name, address, and status.

Screenshot of Closed MINISO Stores (Partial) (名创优品部分关店信息截图)

Source: https://page.om.qq.com/page/Oa8b5ymqSvZ5EXVHd-XvsqeQ0

The situation does not appear to be improving. We interviewed a former MINISO manager who said that due to market saturation and competition as well as high rental costs, many franchisees were barely making any money.

"By 2020, the overall profitability was weaker. Most franchisees were not able to make much money because of the saturation of the market, the strength of competing brands, and the epidemic..."

"Looking at the national level, currently, [markets in] large cities such as Beijing, Shanghai, Guangzhou and Shenzhen are very saturated. In addition, our rents are relatively high, so there is less room for making money, which has also led to many store closures."

"This year, we opened roughly more than 100 stores across the country, but in fact, in terms of profitability... thirty or forty stores are profitable. The highest profit is only RMB 50,000 [a month], and the lower ranges are between RMB 5,000 to RMB 10,000 or RMB 20,000 [a month]."

- Former MINISO Manager

Our own due diligence validates the former MINISO manager's account. In November 2021, we collected a sample of 620+ operating MINISO and Top Toy stores in China. By July 2022, we observed that 120 stores, or approximately 20% of the sample, appear to have closed down. Among them, more than 110 stores have deregistered their business licenses, suggesting permanent closure.

A Partial List of MINISO Stores That Have Been Deregistered in 2022

企业名称	登记状态	法定代表人	注销月份	所属省份	所属城市	电话	企业类型	所属行业
佛山市南海区思州百货店	注销	姚思达	Jun-22	广东省	佛山市	-	个体工商户	零售业
中山市小榄镇唯爱百货店	注销	林宗友	Jun-22	广东省	中山市	13678952591	个体工商户	零售业
深圳市卡罗色界贸易有限公司沙河益田分公司	注销	谭慧敏	Jun-22	广东省	深圳市	-	有限责任公	零售业
上海琉峥商贸有限公司共和新路分公司	注销	焦冬冬	Jun-22	上海市	上海市	18101934078	有限责任公	零售业
昆区优康百货乌兰道店	注销	蒋海彦	Jun-22	内蒙古自治区	包头市	18022381286	个体工商户	零售业
贵阳观山湖飞优潜百货店	注销	叶涛	Jun-22	贵州省	贵阳市	18022381286	个体工商户	零售业
上海琉峥商贸有限公司静安区第一分公司	注销	焦冬冬	Jun-22	上海市	上海市	18101934078	有限责任公	零售业
上海夷凯百货商行第五分店	注销	李智斌	Jun-22	上海市	上海市	18221917323	个人独资企	零售业
银川市金凤区月明小百货店	注销	苏鼎	Jun-22	宁夏回族自治区	银川市	18022381286	个体工商户	零售业
吴中区郭巷钟颖嘉百货店	注销	钟颖嘉	Jun-22	江苏省	苏州市	-	个体工商户	零售业
蓬江区沐清饰品店	注销	崔鸿榜	Jun-22	广东省	江门市	-	个体工商户	零售业
沈阳市和平区有宜小船日用品零售店	注销	李智斌	Jun-22	辽宁省	沈阳市	18022371286	个体工商户	零售业
深圳市三宅商事贸易有限公司南山天利店	注销	黄正怡	Jun-22	广东省	深圳市	17304460051	有限责任公	零售业
深圳市三宅商事贸易有限公司粤海保利店	注销	黄正怡	Jun-22	广东省	深圳市	17304460051	有限责任公	零售业
广州市番禺区大石兮漾食品店	注销	林宗友	Jun-22	广东省	广州市	18022381286	个体工商户	零售业
深圳市南山区菲欧娜百货行	注销	龙传芬	Jun-22	广东省	深圳市	15989421907	个体工商户	零售业
上海琉峥商贸有限公司陆家嘴西路分公司	注销	焦冬冬	Jun-22	上海市	上海市	18101934078	有限责任公	零售业
广州市荔湾区怡优百货店	注销	黄正怡	Jun-22	广东省	广州市	18022381286	个体工商户	零售业
北京朝晖鸿利科技有限公司昆山万象汇分公司	注销	焦冬冬	Jun-22	江苏省	苏州市	18800300086	有限责任公	零售业

Source: qcc.com

We have also observed an uptick in store deregistration in recent months.

Our own due diligence corroborates the former MINISO manager's account and reports in Chinese media that even before COVID, MINISO was plagued by large-scale store closures.

c. Franchise Fees Dropped by 63%, Suggesting Lagging Interest

Franchise fees are a cornerstone of MINISO's value proposition and are 100% margin revenue. Yet archived disclosures on MINISO's Chinese website, discovered through the Wayback Machine, indicates that the Company dropped franchise fees by 63% over the last two year.

According to archived disclosures on MINISO official Chinese website, each potential MINISO franchisee needs to pay a fixed deposit and an annual franchising fee. As of December 2, 2020, the franchising fee advertised to potential franchisees in China was RMB 80,000 per year and required a product deposit of RMB 750,000.

Investment Cost

投资费用

单一店铺投资: 特许商标使用金为8万元/年 (投资商按年支付, 开一年支付一年) 货品保证金75万 (一次性收取)

Source: <https://web.archive.org/web/20201202064303/https://www.miniso.cn/Shop/Stroe>

Yet beginning in 2021, MINISO slashed franchising fee from RMB 80,000 per year to RMB 50,000 per year. The product deposit was also reduced from RMB 750,000 to RMB 600,000.



Investment Cost

投资费用

单一店铺投资：特许商标使用金为5万元/年（投资商按年支付，开一年支付一年）货品保证金60万（一次性收取）

Single store investment: RMB 50,000 per year the use of the franchised trademark (investor pays annually), and RMB 600,000 goods deposit (one-time collection)

Source: <https://web.archive.org/web/20210125011406/https://miniso.cn/Shop/Stroe>

In 2022, MINISO’s website shows that the franchising fee is further reduced to RMB 29,800 per year for city-level stores, 63% down from two years ago⁸. The product deposit is also reduced to RMB 350,000.

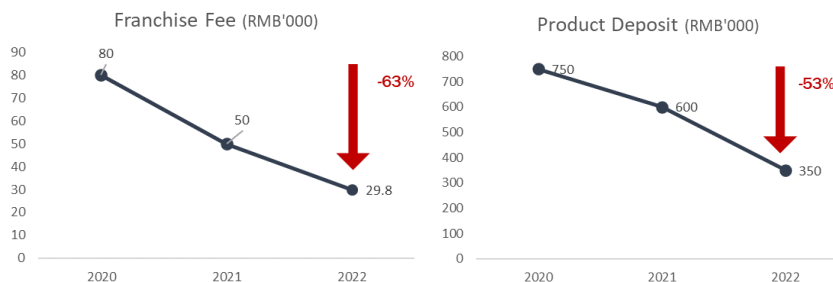


投资费用 Investment Cost

市级店铺投资：特许商标使用金为2.98万元/年（投资商按年支付，开一年支付一年）货品保证金35万（一次性收取）县级店铺投资：特许商标使用金为1.98万元/年（投资商按年支付，开一年支付一年）货品保证金25万（一次性收取）

City-level store investment: RMB 29,800 per year for the use of the franchised trademark (investors pay annually) and RMB 350,000 goods deposit (one-time collection). County-level store investment: RMB 19,800 per year for the use of the franchised trademark (investors pay annually) and RMB 250,000 goods deposit (one-time collection)

Source: [MINISO Website, January 2022](#)



Source: MINISO Website

We believe this drastic franchise fee reduction signals the declining brand value of MINISO to both its customers and franchisees. Further, it erodes the financial health of MINISO moving forward. From the franchise fee drop alone, the Company faces an annual loss of RMB 159 million in revenue and profit at the current franchise-owned store count of 3,169.

RMB	Pre-2021	2021	2022	\$ Change	% Change
Franchising Fee	80,000	50,000	29,800	(50,200)	-63%
# of MINISO franchise-owned stores				3,169	
Est. Loss on Revenue and Profit (RMB M)				(159)	

Source: MINISO Public Filings, MINISO Website

This undercuts MINISO’s claims of a thriving brand and a growing business. Rather, such independent evidence indicates that MINISO is a brand and business in decline, with falling revenues, large scale store closures and falling franchise fees.

⁸ For county-level stores, the franchising fee is only RMB 19,800 and the product deposit is RMB 250,000.

This evidence is also consistent with our investigation into MINISO store ownership which indicates that contrary to the Company's claims, many MINISO stores are secretly owned by or connected to Company executives and insiders. This makes sense: if the brand is in decline, and the stores are struggling, then MINISO will struggle to attract franchisees. In order to show store growth to investors, the Company likely has no choice but to secretly own and operate stores, given that franchisees no longer view it as an attractive opportunity.

Ultimately, we believe that there is overwhelming evidence that MINISO misleads the market about its business. Rather than operate an asset-light, high-margin franchise model, evidence indicates that hundreds of MINISO stores are owned and operated by Company executives or individuals closely connected to MINISO and its chairman. Accordingly, we believe that MINISO is concealing the costs of such stores from investors.

This likely explains why MINISO, despite reporting a large cash balance and a business which supposedly generates healthy cash flows from operations, recently tapped capital markets to raise \$72 million through a secondary listing in Hong Kong.

In our view, not only does our evidence undermine the authenticity of MINISO's reported financials, but also suggests that MINISO should trade at a fraction of its current share price.

Appendix 1

Ye Tao Owns 13 MINISO Stores and 2 Top Toy Sores (4 are Deregistered)

企业名称	登记状态	法定代表人	成立日期	所属省份	电话	企业类型	所属行业	Brand
东莞市南城名创优品日用品店	在业	叶涛	2013-12-26	广东省	18022381286	个体工商户	零售业	MINISO
双塔区世耀生活用品店	存续	叶涛	2018-09-13	辽宁省	18742124573	个体工商户	零售业	MINISO
天山区中山路优依轩百货店	存续	叶涛	2018-02-26	新疆维吾尔自治区	18022381286	个体工商户	零售业	MINISO
朝阳区涛宗百货店	存续	叶涛	2016-12-21	吉林省	18022371286	个体工商户	零售业	MINISO
杭州市上城区叶叶花百货店	存续	叶涛	2018-07-02	浙江省	-	个体工商户	零售业	MINISO
沙坪坝区涛哥百货经营部	存续	叶涛	2016-01-14	重庆市	18022381286	个体工商户	零售业	MINISO
深圳市罗湖区桂园叶涛百货店	存续	叶涛	2011-07-08	广东省	13660843393	个体工商户	零售业	MINISO
深圳罗湖区东门叶涛百货行	存续	叶涛	2012-08-01	广东省	15989421907	个体工商户	零售业	MINISO
渝中区诺若米便利店	存续	叶涛	2018-11-22	重庆市	18022381286	个体工商户	零售业	MINISO
朝阳区尚潮儿童玩具店	存续	叶涛	2021-04-15	吉林省	-	个体工商户	零售业	Top Toy
沙依巴克区友好北路叶涛百货店	存续	叶涛	2021-06-24	新疆维吾尔自治区	-	个体工商户	零售业	Top Toy
三河市宗涛百货店*	注销	叶涛	2016-11-07	河北省	18022381286	个体工商户	零售业	MINISO
广州市增城富挂百货店*	注销	叶涛	2016-06-28	广东省	18022381286	个体工商户	零售业	MINISO
贵阳观山湖飞优潜百货店*	注销	叶涛	2018-04-09	贵州省	18022381286	个体工商户	零售业	MINISO
呼和浩特回民区叶涛日用百货经销店*	注销	叶涛	2015-07-29	内蒙古自治区	18022381286	个体工商户	零售业	MINISO

Source: qcc.com

*Deregistered

Lin Zongyou Owns 34 MINISO Stores (9 entities are Deregistered and 1 store is closed)

Entity Name	Entity Registered Address	MINISO/Top Toy Store
东莞市虎门宗企日用品店	广东省东莞市虎门镇连升路 82 号 2057 室	https://www.zhipin.com/job_detail/2004da01cd9a3c921nZ7_2N--FitR.html
佛山市禅城区东广东友饰品店	佛山市禅城区文龙街 10 号蓝宝石组团首层 A08、A14 号 (经营场所须经审批机关审批)	https://amap.com/place/B0FFIPT2MB
天津市广创商贸有限公司	天津市西青经济开发区友谊南路 111 号 A 区 206 号	https://amap.com/place/B0FFFGT24Q
天津广文购商贸有限公司	天津市西青区中北镇阜盛道 1 号 2 层 231 号	https://amap.com/place/B0FFH1BBLF
广州市天河区珠江新城泰承百货店	广州市天河区兴民路 222 号自编裙楼商场地下负一层(部位:127)	https://amap.com/place/B0FFI2SMEI
广州市天河区石牌娱悦创名百货店	广州市天河区天河路 621-625 号裙楼负一至五层广州天娱广场二层 2-63 房	http://gz.bendibao.com/wangdian/dian/4121393.shtm
广州市番禺区南村南宗杂货店	广州市番禺区南村镇万博中心 10 幢(A5)1 楼 003	https://amap.com/place/B0FFIPRCFX
广州市番禺区小谷围高友好饰物店	广州市番禺区小谷围街贝岗村贝岗村大街 1 号高高新天地商业广场一层第 1101 号商铺	https://mp.weixin.qq.com/s/VAOIX7fDGDmXr7iRb90IQ
广州市荔湾区友宗百货店	广州市荔湾区黄沙大道 8 号 235、236 房	https://linkplazagz.linkreitchina.com/sc/shop/%E5%90%8D%E5%88%9B%E4%BC%98%E5%93%81-30448
广州市荔湾区柏德来商业城创宗日用品店	广州市荔湾区康王北路 903 号负一层柏德来商业城 1316、1317、1222、1223、1206、1207、1208 号铺	http://ctc.www.dianping.com/shop/k4WwOm9cWSty61L
广州市越秀区晟宗百货店	广州市越秀区北京路 238 号 108 自编 1B32-1 房	https://ditu.so.com/?pid=ad0c05c047614e13&src=seo
惠州市惠城区宗创日用百货商行	惠州市惠城区惠州大道 11 号佳兆业广场内二层 L228 号	https://amap.com/place/B0FFGMQDFJ
惠州市惠阳区淡水宗创百货店	惠阳区淡水人民五路 3 号万联广场一楼 5 号铺	https://amap.com/place/B0FFHDEXCV
武江区益友日用品店	韶关市武江区惠民南路 50 号中环广场益华百货第一层 A10-A12 号铺	https://amap.com/place/B0FFHPZR9F
沙坪坝区林宗友百货店	重庆市高新区虎溪街道大学城北路 97 号龙湖 U 城 B 馆南 8 馆-B1-34a,南 8 馆-B1-35	Appendix 2 Screenshot43
河源市源城区创优百货商行	河源市源城区中山大道 218 号万隆城购物中心一层 1017A	https://amap.com/place/B0FFGMQ1FY
深圳市龙华新区龙华艾西欧商行	深圳市龙华新区龙华街道东环二路 8 号 iCO 时尚购物领地 L3S-022 铺	https://amap.com/place/B0FFGE8Q5D
深圳市龙岗区龙城百利家百货店	深圳市龙岗区龙城街道中心城龙翔大道龙城万科里 B1 层 13 号	http://ctc.www.dianping.com/shop/kay6VzV4WUxc2fgh

深圳福田区卓山百货行	深圳市福田区福田街道福山社区福华三路与金田路交界处东南侧卓越世纪中心、皇岗商务中心卓越世纪中心 1 层 L111	https://amap.com/place/B0FFHDU654
顺德区大良优创名品百货店	佛山市顺德区大良华盖路 102 号首层	https://amap.com/place/B0FFG6VGOP
顺德区大良新一宗友日用品店	佛山市顺德区大良府又居委会东乐路 268 号新一城购物广场 02 层 13/14 号	Appendix 2 Screenshot 55
东莞市厚街宗创日用品店	东莞市厚街镇宝屯村康乐北路 6 号万达广场内购物中心室内步行街一层 1066B-1067 号商铺	https://amap.com/place/B0FFL52TRM
广州市海珠区友佳潮玩百货店 (Top Toy)	广州市海珠区裕景路 107 号 B101-10 铺	Appendix 2 Screenshot 22
深圳龙岗区扣扣盛世百货行 ⁹	深圳市龙岗区龙城街道尚景社区龙岗大道万科里 B1-13	https://www.dianping.com/shop/l71yeehPSSWZvan
赛罕区创名百货店 (closed)	内蒙古呼和浩特市赛罕区鄂尔多斯大街凯德 MALL 二楼	http://map.baidu.com/detail?third_party=seo&qt=ninf&uid=4f508013a05a3d9d00ec017f&detail=shopping
中山市小榄镇唯爱百货店 (Deregistered)	中山市小榄镇升平中路 18 号大信新都汇第 1FA03 号商铺	https://amap.com/place/B0FFFA8WW
佛山市三水名优百货店 (Deregistered)	佛山市三水区西南街新华路 8 号 101	https://m.dianzhangzhipin.com/store/2021-1XR53d-1E1JX.html
广州宗友商贸有限责任公司 (Deregistered)	广州市天河区天河路 228 号负一层至七层、七层夹层广州正佳商业广场 3F-3C070-71 号铺	https://amap.com/place/B0HG0SWCUG
广州宗友商贸有限责任公司天河分公司 (Deregistered)	广州市天河区天河路 208 号天河城购物中心第四层 426 房	https://ditu.amap.com/place/B0FFHS16HP
广州市番禺区大石台源食品店 (Deregistered)	广州市番禺区大石街 105 国道大石段 426 号首层之 103	https://amap.com/place/B0FF8PEE6
广州市白云区新市创宗百货店 (Deregistered)	广州市白云区机场路 1309 号百信广场第一层第 H51-53、H55-57 号商铺	https://www.dianzhangzhipin.com/company/1nV53Q~~.html
广州市花都区新华乐悠百货店 (Deregistered)	广州市花都区新华街商业大道 15 号首、二层(部位:首层东面商铺由南至北第 4 间)	Appendix 2 Screenshot 26
顺德陈村宗创百货店 (Deregistered)	佛山市顺德区陈村镇合成居委会佛陈路一号 1-7 座顺联广场首层第 1A-01 铺位	https://amap.com/place/B0HJDJGS04W
广州市海珠区友友百货店 (Deregistered)	广州市海珠区裕景路 107 号 B2124	https://amap.com/place/B0FFLOFDDB

Source: Qcc.com

Top Toy Stores Owned by Undisclosed Related Parties

Name	Top Toy	Connections to MINISO
Zhou Hongxia	1	Legal Rep of a MINISO Subsidiary and multiple MINISO branches
Ye Tao	2	Supervisor of a MINISO Subsidiary; Same surname with Chairman Ye
Li Zhibin	6	Supervisor of multiple Chairman Ye - controlled entities
Mo Cuifeng	6	Legal Rep of a Chairman Ye - controlled entity (Haydon (Shanghai) Technology)
Zhong Yinjia	2	Shared Phone Number; Business Partner with Li Zhibin
Wen Hai'an	6	Shared Phone Number; Business Partner with Li Zhibin & Zhong Yinjia
Zhang Shanshan	3	Shared Phone Number; Business Partner with Li Zhibin
Cui Hongbang	2	Shared Phone Number
Long Chuanfen	2	Shared Phone Number
Yao Linlin	1	Shared Phone Number
Li Hong	1	Shared Phone Number
Fan Xueyan	1	Shared Phone Number
Tan Huimin	1	Shared Phone Number

Source: Qcc.com, Online Search

⁹ Changed registered address to 深圳市龙岗区龙城街道尚景社区龙岗大道万科里 B1-13 in June 2022. In Nov 2021, its registered address was 深圳市龙华新区民治街道星河盛世商场 B1-001 星河 COCOCity 二楼 L2S-026C L2S-026D 号. The MINISO store at the address and is still [operating](#).

Appendix 2

1. 深圳市福田区铮福气百货店 Screenshot 1



B2 07,08

Source: Zhuoyuehui Shopping Center 卓悦汇购物中心 app

2. 广州市海珠区友佳潮玩百货店 Screenshot 22



Source: Dianping App

3. 广州市花都区新华乐悠百货店 Screenshot 26



Source: Dianping App

4. 沙坪坝区林宗友百货店 Screenshot 43



Source: WeChat

5. 顺德区大良新一宗友日用品店 Screenshot 55



Source: WeChat

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