

Luckin Coffee: Fraud + Fundamentally Broken Business

Executive Summary

When Luckin Coffee (NASDAQ: LK) (“Luckin” or the “Company”) went public in May 2019, it was a fundamentally broken business that was attempting to instill the culture of drinking coffee into Chinese consumers through cut-throat discounts and free giveaway coffee. Right after its USD 645 million IPO, the Company had evolved into a fraud by fabricating financial and operating numbers starting in 3rd quarter 2019. It delivered a set of results that showcased a dramatic business inflection point and sent its stock price up over 160% in a little over 2 months. Not surprisingly, it wasted no time to successfully raise another USD 1.1 billion (including secondary placement) in January 2020. Luckin knows exactly what investors are looking for, how to position itself as a growth stock with a fantastic story, and what key metrics to manipulate to maximize investor confidence. This report consists of two parts: **the fraud** and **the fundamentally broken business**, where we separately demonstrate how Luckin faked its numbers and why its business model is inherently flawed.

Part One: The Fraud

Smoking Gun Evidence #1: Number of items per store per day was inflated by at least 69% in 2019 3Q and 88% in 2019 4Q, supported by 11,260 hours of store traffic video. We mobilized 92 full-time and 1,418 part-time staff on the ground to run surveillance and record store traffic for 981 store-days covering 100% of the operating hours. Store selection was based on distribution by city and location type, the same as Luckin’s total directly-operated store portfolio.

Smoking Gun Evidence #2: Luckin’s “Items per order” has declined from 1.38 in 2019 2Q to 1.14 in 2019 4Q.

Smoking Gun Evidence #3: We gathered 25,843 customer receipts and found that Luckin inflated its net selling price per item by at least RMB 1.23 or 12.3% to artificially sustain the business model. In the real case, the store level loss is high at 24.7%-28%. Excluding free products, actual selling price was 46% of listed price, instead of 55% claimed by management.

Smoking Gun Evidence #4: Third party media tracking showed that Luckin overstated its 2019 3Q advertising expenses by over 150%, especially its spending on Focus Media. It’s possible that Luckin recycled its overstated advertising expense back to inflate revenue and store-level profit.

Smoking Gun Evidence #5: Luckin’s revenue contribution from “other products” was only about 6% in 2019 3Q, representing nearly 400% inflation, as shown by 25,843 customer receipts and its reported VAT numbers.

Red Flag #1: Luckin’s management has cashed out on 49% of their stock holdings (or 24% of total shares outstanding) through stock pledges, exposing investors to the risk of margin call induced price plunges.

Red Flag #2: CAR Inc (HKEX: 699 HK) (“CAR”) déjà vu: Luckin’s Chairman Charles Zhengyao Lu and the same group of closely-connected private equity investors walked away with USD 1.6 billion from CAR while minority shareholders took heavy losses.

Red Flag #3: Through acquisition of Borgward, Luckin’s Chairman Charles Zhengyao Lu transferred RMB 137 million from UCAR (838006 CH) to his related party, Baiyin Wang. UCAR, Borgward, and Baiyin Wang are on the hook to pay BAIC-Foton Motors RMB 5.95 billion over the next 12 months. Now Baiyin Wang owns a recently founded coffee machine vendor located next door to Luckin’s Headquarter.

Red Flag #4: Luckin recently raised USD 865 million through a follow-on offering and a convertible bond offering to develop its “unmanned retail” strategy, which is more likely a convenient way for management to siphon large amount of cash from the company.

Red Flag #5: Luckin’s independent board member, Sean Shao, is/was on the board of some very questionable Chinese companies listed in the US that have incurred significant losses on their public investors.

Red Flag #6: Luckin’s co-founder & Chief Marketing Officer, Fei Yang, was once sentenced to 18 months’ imprisonment for crime of illegal business operations when he was the co-founder and general manager of Beijing Koubei Interactive Marketing & Planning Co.,Ltd. (“iWOM”). Afterwards, iWOM became a related party with Beijing QWOM Technology Co., Ltd. (“QWOM”), which is now an affiliate of CAR and is doing related party transactions with Luckin.

Part Two: The Fundamentally Broken Business

Business Model Flaw #1: Luckin's proposition to target core functional coffee demand is wrong: China's caffeine intake level of 86mg/day per capita is comparable to other Asian countries already, with 95% of the intake from tea. The market of core functional coffee product in China is small and moderately growing in China.

Business Model Flaw #2: Luckin's customers are highly price sensitive and retention is driven by generous price promotion; Luckin's attempt to decrease discount level (i.e. raise effective price) and increase same store sales at the same time is mission impossible.

Business Model Flaw #3: Flawed unit economics that has no chance to see profit: Luckin's broken business model is bound to collapse.

Business Model Flaw #4: Luckin's dream "to be part of everyone's everyday life, starting with coffee" is unlikely to come true, as it lacks core competence in non-coffee products as well. Its "platform" is full of opportunist customers without brand loyalty. Its labor-light store model is only suitable for making "Generation 1.0" tea drinks that have been in the market for more than a decade, while leading fresh tea players have pioneered "Generation 3.0" products five years ago.

Business Model Flaw #5: The franchise business of Luckin Tea is subject to high compliance risk as it's not registered with relevant authority as required by law, because Luckin Tea launched its franchise business in September 2019 without having at least two directly-operated stores fully operational for at least 1 year.

Part One: The Fraud

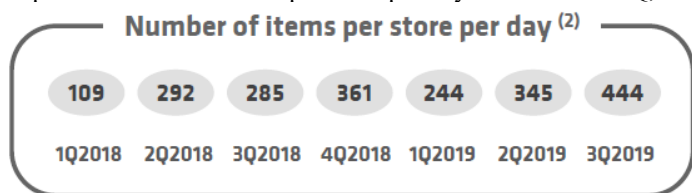
Starting 3rd Quarter, 2019

“The stock’s gains have almost all come in the past two months, after the company said it had become profitable at a store level in the quarter through September.”

- Jacky Wong, Wall Street Journal
January 9th, 2020

Smoking Gun Evidence #1: Number of items per store per day inflated by 69% in 2019 3Q and 88% in 2019 4Q, supported by 11,260 hours of store traffic video

Reported number of items per store per day: 444 in 2019 3Q, and 483-506 in 2019 4Q

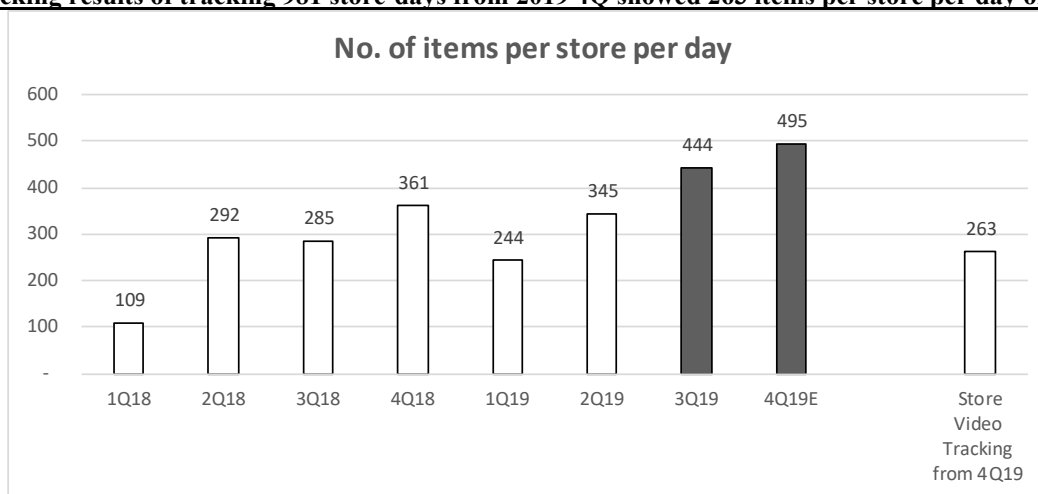


4Q2019: 483 – 506, implied by 4Q Guidance Product Revenue Guidance of RMB 2.1 billion to RMB 2.2 billion, divided by Net selling price per item of RMB 11.8 (Assuming Luckin to report 5% sequential growth from 2019 3Q of RMB 11.2) and average store number of 4,094

(2) Calculated as the total number of items sold during the period / the average number of stores (beginning of period and end of period) / number of days during the period (assuming 30 days per month)

Source: Luckin 2019 3Q Earnings Release Presentation, page 16

Our offline tracking results of tracking 981 store-days from 2019 4Q showed 263 items per store per day only:



Source: Luckin filings, offline footage tracking

We mobilized 92 full-time and 1,418 part-time staff on the ground to run surveillance and **successfully recorded store traffic for 981 store-days covering 100% of the operating hours of 620 stores.** Store selection methodology was based on distribution by city and location type, the same as Luckin’s 4,507 directly-operated stores reported to be open at the end of 2019. Luckin’s 4,507 stores were in 53 cities, and we covered 38 cities – in which 96% of Luckin’s stores are located. The location type was decided by analyzing the detailed address of Luckin’s stores: we separated them into office, mall, school, residential, transportation, hotel and others.

We counted the foot traffic of each store and recorded videos from **store open to store close, averaging 11.5 hours per day.** When we double check the foot traffic count and the videos recorded, we discard an entire day’s data if the video surveillance is missing more than 10 minutes of footage. Our success ratio was only 54%, and thus all the data presented for the successful ones **are of 100% integrity.**

Below is a side-by-side comparison of the city, location type and store age of: 1) The overall Luckin directly-operated stores portfolio (we located 4,409 of them on Luckin’s APP as of Dec 31, 2019); 2) The 981 store-days that we successfully executed and presented in the data analysis; 3) The 851 store-days that we visited but failed to record an entire day’s video, reasons including execution failure - asked out by Luckin staff, equipment crash etc. or quality control failure, mostly due to more than 10 minutes of footage missing for an entire day. The failed store-days are not included in the data analysis.

Luckin Directly-Operated Stores							Visited Store Days (Successful)					Visited Store Days (Failed)				
#	City	Store No.	Store%	Office	Mall	Others	Days No.	Days%	Office	Mall	Others	Days No.	Days%	Office	Mall	Others
1	Shanghai	525	12%	61%	26%	12%	131	13%	64%	18%	18%	145	17%	60%	15%	25%
2	Beijing	432	10%	63%	15%	22%	115	12%	49%	27%	24%	117	14%	52%	23%	25%
3	Guangzhou	271	6%	62%	20%	18%	63	6%	83%	5%	13%	55	6%	80%	7%	13%
4	Shenzhen	234	5%	79%	12%	9%	55	6%	76%	16%	7%	50	6%	80%	12%	8%
5	Hangzhou	230	5%	66%	14%	20%	15	2%	93%	7%	0%	15	2%	87%	0%	13%
6	Nanjing	215	5%	58%	23%	19%	37	4%	68%	27%	5%	36	4%	53%	25%	22%
7	Chengdu	192	4%	58%	23%	19%	43	4%	56%	23%	21%	26	3%	42%	23%	35%
8	Wuhan	180	4%	45%	35%	20%	44	4%	43%	41%	16%	42	5%	45%	40%	14%
9	Chongqing	158	4%	47%	28%	25%	61	6%	56%	31%	13%	29	3%	66%	28%	7%
10	Tianjin	147	3%	64%	26%	10%	47	5%	55%	38%	6%	17	2%	41%	41%	18%
11	Xi'an	133	3%	59%	24%	17%	52	5%	56%	31%	13%	22	3%	45%	41%	14%
12	Changsha	116	3%	47%	30%	22%	12	1%	33%	50%	17%	30	4%	27%	30%	43%
13	Suzhou	115	3%	46%	41%	13%	30	3%	47%	47%	7%	3	0%	0%	67%	33%
14	Wuxi	108	2%	56%	27%	18%	8	1%	63%	0%	38%	14	2%	57%	14%	29%
15	Ningbo	105	2%	60%	27%	13%	22	2%	73%	14%	14%	11	1%	73%	9%	18%
16	Zhengzhou	92	2%	53%	29%	17%	28	3%	68%	14%	18%	42	5%	43%	40%	17%
17	Xiamen	90	2%	67%	14%	19%	8	1%	75%	0%	25%	21	2%	57%	14%	29%
18	Fuzhou	86	2%	62%	17%	21%	3	0%	100%	0%	0%	7	1%	71%	0%	29%
19	Qingdao	79	2%	62%	18%	20%	26	3%	77%	19%	4%	18	2%	83%	11%	6%
20	Dalian	67	2%	66%	22%	12%	13	1%	77%	23%	0%	8	1%	88%	13%	0%
21	Kunming	63	1%	38%	35%	27%	15	2%	47%	47%	7%	12	1%	42%	42%	17%
22	Jinan	58	1%	48%	16%	36%	15	2%	67%	33%	0%	14	2%	57%	36%	7%
23	Hefei	53	1%	51%	30%	19%	9	1%	33%	67%	0%	5	1%	40%	60%	0%
24	Guiyang	49	1%	31%	37%	33%	2	0%	0%	50%	50%	20	2%	20%	50%	30%
25	Shenyang	47	1%	45%	43%	13%	11	1%	64%	36%	0%	6	1%	67%	17%	17%
26	Changzhou	45	1%	47%	42%	11%	14	1%	86%	14%	0%	3	0%	100%	0%	0%
27	Nanchang	44	1%	45%	30%	25%	15	2%	47%	33%	20%	11	1%	27%	55%	18%
28	Wenzhou	40	1%	38%	28%	35%	11	1%	64%	27%	9%	1	0%	0%	100%	0%
29	Quanzhou	40	1%	20%	58%	23%						3	0%	33%	67%	0%
30	Shijiazhuang	36	1%	47%	42%	11%	18	2%	61%	39%	0%	9	1%	44%	56%	0%
31	Foshan	36	1%	61%	25%	14%	2	0%	100%	0%	0%	11	1%	45%	45%	9%
32	Dongguan	32	1%	56%	22%	22%	5	1%	40%	60%	0%	6	1%	50%	50%	0%
33	Taiyuan	29	1%	41%	38%	21%	1	0%	100%	0%	0%	8	1%	63%	38%	0%
34	Shaoxing	29	1%	34%	45%	21%						2	0%	0%	100%	0%
35	Zhuhai	29	1%	34%	21%	45%	5	1%	40%	60%	0%	14	2%	79%	21%	0%
36	Nanning	26	1%	27%	46%	27%										
37	Zhenjiang	25	1%	32%	44%	24%	6	1%	33%	67%	0%	3	0%	67%	33%	0%
38	Yangzhou	25	1%	24%	52%	24%	13	1%	31%	69%	0%	2	0%	0%	100%	0%
39	Nantong	25	1%	48%	48%	4%	14	1%	64%	36%	0%	-	0%			
40	Zhongshan	18	0%	33%	39%	28%	2	0%	0%	100%	0%	10	1%	0%	50%	50%
41	Harbin	16	0%	31%	63%	6%	10	1%	30%	70%	0%	3	0%	33%	67%	0%
42	Jiaying	16	0%	25%	63%	13%										
43	Haikou	14	0%	21%	36%	43%										
44	Lanzhou	13	0%	31%	69%	0%										
45	Xianyang	6	0%	33%	33%	33%										
46	Xiangyang	4	0%	0%	100%	0%										
47	Baoji	4	0%	75%	25%	0%										
48	Zhuzhou	4	0%	25%	75%	0%										
49	Ganzhou	2	0%	0%	50%	50%										
50	Jinzhong	2	0%	50%	50%	0%										
51	Xiangtan	2	0%	0%	100%	0%										
52	Zibo	1	0%	0%	0%	100%										
53	Weifang	1	0%	0%	0%	100%										
Total		4,409	100%	56%	26%	18%	981	100%	60%	27%	13%	851	100%	55%	25%	19%

Source: Luckin APP, Offline footage tracking

	Opened in or before May-19	Opened in Jun-19	Opened in Jul-19	Opened in Aug-19	Opened in Sep-19	Opened in Oct-19	Opened in Nov-19	Opened in Dec-19
Luckin's directly-operated stores	59%	6%	5%	4%	8%	3%	6%	10%
Visited store days (successful)	77%	5%	4%	3%	6%	2%	3%	0%
Weekday	77%	5%	4%	3%	6%	2%	3%	0%
Weekend	78%	6%	4%	2%	5%	2%	2%	0%
Visited store days (failed)	76%	5%	5%	3%	7%	1%	4%	0%

Source: Luckin APP tracking

Below is the calculation of national average number of orders per store per day using the results of our 981 store-days' tracking, arriving at 230. Multiply it by Items per order 1.14, **we get the number of items per store per day of 263**. The Items per order assumption is generous already, and details are presented in Smoking Gun Evidence 2 below.

Luckin number of items per store per day calculation

The store-days tracked	No. of Store-days tracked	Average orders/store/day	Note
Weekday	572	251.2	a
Weekend	409	199.4	b
All the directly-operated stores of Luckin			
Average weekday operating days per week		5.00	c
Average weekend operating days per week		1.79	d
Implied national average			
7-day weekly average orders/store/day		230	e = (a*c+b*d)/7
Items/order		1.14	f (Details in Evidence #2)
7-day weekly average items/store/day		263	g = e*f

Source: Offline footage tracking

Below is the full result of our 981 store-days. We have 11,260 hours of recorded store traffic data to back this up. Since there are 8 internal surveillance cameras in each of Luckin's stores covering it with no blind angle ([Link](#)), investors/auditors can ask the Company to provide surveillance videos and sample them randomly to check against reported order numbers.

#	Store ID	City	Store Name	Location	Week day			Weekend Day			Operating days on Weekends
					order count	Day	Hours	order count	Day	Hours	
1	No.0002	Shanghai	宝华国际广场店	Office	395	Thu	13.0				2
2	No.0021	Beijing	紫金数码园店	Office	594	Mon	13.0	159	Sat	10.0	2
3	No.0022	Beijing	老番街店	Residential	232	Thu	13.0	150	Sun	10.0	2
4	No.0023	Beijing	1+1大厦店	Office	325	Tue	10.0				2
5	No.0031	Shanghai	海亮大厦店	Office	329	Tue	13.0	34	PH	10.0	2
6	No.0034	Beijing	汉威国际店	Office	163	Thu	11.0				1
7	No.0035	Beijing	宝能中心店	Office	360	Mon	13.0				2
8	No.0037	Beijing	中央公园广场店-B1	Office	416	Fri	13.0	220	PH	10.0	2
9	No.0041	Beijing	通州万达店	Office	388	Fri	13.0	340	Sun	11.5	2
10	No.0042	Beijing	银河SOHO-A座店	Office	175	Thu	11.0	78	PH	10.0	2
11	No.0049	Beijing	汇智大厦店	Office	310	Thu	13.0	140	Sun	12.0	2
12	No.0051	Beijing	亿城国际中心店	Office	259	Tue	12.5	226	Sun	10.0	2
13	No.0053	Guangzhou	中泰国际店	Office	526	Thu	13.0	197	PH	11.0	2
14	No.0057	Beijing	北科大体育馆店	School	123	Tue	10.0	170	Sat	10.0	2
15	No.0058	Shanghai	外滩SOHO店	Office	508	Mon	13.0	229	PH	10.0	2
16	No.0060	Shanghai	虹桥天街店	Mall	257	Wed	13.0	129	Sun	10.0	2
17	No.0061	Shanghai	新理想大厦店	Office	142	Mon	10.0				-
18	No.0063	Shanghai	天山SOHO店	Office				208	Sat	11.5	2
19	No.0064	Shanghai	浦江双辉店	Office	235	Mon	12.5	38	Sat	9.5	1
20	No.0065	Shanghai	建工大唐店	Office	377	Mon	10.0	245	Sun	10.0	2
21	No.0067	Shanghai	七宝宝龙店	Mall	289	Tue	13.0	307	Sat	12.0	2
22	No.0068	Shanghai	恒利国际大厦店	Office	280	Tue	13.0	63	Sat	10.0	2
23	No.0070	Shanghai	华能联合大厦店	Office	292	Fri	13.0				1
24	No.0071	Shanghai	大世界城店	Office	293	Fri	13.0	192	Sun	12.0	2
25	No.0072	Shanghai	虹桥总部一号店	Office	540	Tue	13.0	135	Sun	10.0	2
26	No.0073	Shanghai	上海湾店	Mall	269	Fri	13.0				2
27	No.0074	Shanghai	福建天安大厦店	Office	469	Thu	13.0	454	PH	12.0	2
28	No.0075	Shanghai	光启文化广场店	Office	565	Wed	13.0	465	Sun	10.0	2
29	No.0076	Shanghai	中环科技园店	Office	244	Tue	13.0	171	Sat	10.0	2
30	No.0077	Shanghai	绿亮科创园店	Office	226	Thu	13.0	159	Sat	10.0	2
31	No.0078	Shanghai	金创大厦店	Office	704	Mon	13.0	224	Sat	10.0	2
32	No.0079	Shanghai	华祺大厦店	Office	340	Mon	13.0	241	Sat	10.0	2
33	No.0081	Shanghai	汇京国际广场店	Office	158	Tue	10.0	81	Sun	8.0	2
34	No.0082	Shanghai	国际华城店	Residential	356	Wed	13.0				2
35	No.0083	Shanghai	长峰中心店	Office	330	Tue	13.0				2
36	No.0089	Chengdu	星月里店	Mall				335	Sat	13.0	2
37	No.0091	Shanghai	霓虹儿童广场店	Mall	251	Fri	13.0	139	Sun	10.0	2
38	No.0092	Beijing	北科大鸿博园店	School	492	Tue	12.5	324	Sat	12.5	2
39	No.0097	Chengdu	第一城店	Office	1,155	Thu	14.0	938	Sat	13.0	2
40	No.0098	Chengdu	威登酒店店	Hotel	231	Fri	13.0	150	Sun	12.0	2
41	No.0101	Tianjin	空港商务园东区店	Transportation	312	Fri	13.0				2
42	No.0103	Nanjing	天泽星网大厦店	Office	213	Wed	13.0	74	Sat	12.0	2
43	No.0108	Xiamen	台商会馆店	Office				152	Sat	10.0	2
44	No.0110	Chongqing	创汇首座店	Office	159	Fri	11.0	116	PH	11.0	2
45	No.0112	Nanjing	喜马拉雅中心店	Office	216	Thu	13.0				2
46	No.0115	Shanghai	禹州蓝爵店	Office	206	Tue	11.0				1
47	No.0116	Guangzhou	银汇大厦店	Office	140	Tue	11.0	113	Sat	10.0	1
48	No.0120	Shenzhen	朗诗大厦店	Office	308	Tue	13.0	69	Sat	10.0	2
49	No.0121	Xiamen	雀氏财富中心店	Office	271	Mon	13.0				2
50	No.0128	Chongqing	SFC协信中心店	Office	302	Thu	13.0	142	Sun	12.5	2
51	No.0132	Shanghai	东方环球中心店	Office	278	Tue	12.0	177	Sun	10.5	2
52	No.0138	Chengdu	布鲁明顿广场店	Office	243	Fri	11.0				2
53	No.0139	Chengdu	华宇美乐街店	Residential	351	Thu	12.5	268	Sat	12.0	2
54	No.0147	Nanjing	天安数码城店	Office	200	Tue	11.0	94	Sat	10.0	2
55	No.0151	Tianjin	创新大厦店	Office	273	Thu	13.0	146	Sun	10.0	2
56	No.0162	Shenzhen	D.T未来科技体验中心店	Office	514	Wed	13.0				2
57	No.0169	Shenzhen	荣超滨海大厦店	Office	156	Thu	10.5				1
58	No.0170	Chongqing	精信中心店	Office	191	Thu	10.5	52	Sat	10.0	1
59	No.0171	Guangzhou	同乐汇店	Mall	425	Thu	13.5				2
60	No.0172	Chengdu	西部国际金融中心店	Mall	455	Thu	13.0	230	Sun	10.0	2
61	No.0176	Nanjing	苏宁慧谷店	Office	244	Fri	13.0				2
62	No.0177	Nanjing	无为创意园店	Office	47	Fri	11.0	36	Sat	10.0	1
63	No.0178	Beijing	凯富大厦店	Office	179	Fri	13.0	32	PH	10.0	2
64	No.0180	Xiamen	海富中心B座店	Office	96	Fri	11.0	108	Sat	10.0	2
65	No.0181	Beijing	中关村软件园12号楼店	Office	139	Wed	11.0				1
66	No.0184	Shanghai	歌斐中心店	Office	746	Fri	13.0	456	Sat	12.0	2
67	No.0187	Shenzhen	中深国际大厦店	Office	82	Tue	11.0	67	Sat	10.0	1
68	No.0191	Tianjin	天辰大厦店	Office	188	Wed	13.0	143	Sat	10.0	2
69	No.0192	Tianjin	海泰信息广场店	Office	269	Thu	13.0				2
70	No.0198	Shenzhen	鹏基商务时空大厦店	Office	304	Fri	13.0	212	Sat	12.5	2
71	No.0202	Shanghai	浦江国际广场店	Office	348	Tue	13.0	64	PH	10.0	2
72	No.0206	Chongqing	太平洋广场店	Office	148	Fri	11.0	59	Sat	10.0	1
73	No.0208	Hangzhou	杭州万通中心店	Office	235	Fri	14.0	223	Sun	13.0	2
74	No.0210	Chengdu	天合凯旋广场店	Office	176	Wed	10.5				1
75	No.0211	Shenzhen	国际商会大厦店	Office				162	Sat	10.0	2
76	No.0212	Jinan	银荷大厦店	Office	213	Wed	11.0				2
77	No.0219	Guangzhou	富力盈泰店	Office	252	Tue	11.0	72	Sat	10.0	1
78	No.0223	Chengdu	绿地之窗店	Office	278	Wed	10.5	135	Sat	10.0	1

Note: PH: Public Holiday
Source: Offline footage tracking

#	Store ID	City	Store Name	Location	Week day			Weekend Day			Operating days on Weekends
					order count	Day	Hours	order count	Day	Hours	
79	No.0227	Guangzhou	耀中广场店	Office	853	Wed	14.0				2
80	No.0231	Wuhan	光谷创客星店	Office	363	Mon	13.0				2
81	No.0234	Shanghai	全华信息大厦店	Office	466	Mon	10.5	98	Sun	10.0	2
82	No.0235	Shenzhen	创凌通店	Office	488	Fri	13.0				2
83	No.0236	Shenzhen	天汇大厦店	Office	196	Mon	12.5	75	PH	10.0	2
84	No.0237	Shenzhen	国人通信店	Office	266	Thu	10.5	86	Sat	10.0	1
85	No.0238	Shenzhen	龙光世纪大厦店	Office	495	Tue	13.0				2
86	No.0239	Shenzhen	华能大厦店	Office	336	Thu	11.0	124	Sun	10.0	2
87	No.0244	Beijing	京铁和园泛悦坊店	Mall	172	Thu	11.0	271	PH	11.0	2
88	No.0247	Shenzhen	海王银河大厦店	Office	266	Tue	12.5	116	Sat	10.0	1
89	No.0256	Beijing	柳芳金泰大厦店	Office	165	Tue	10.5				2
90	No.0265	Beijing	立方庭大厦店	Office	121	Fri	13.0	192	Sun	10.5	2
91	No.0268	Beijing	东直门枢纽店	Mall	481	Tue	12.0	343	PH	12.0	2
92	No.0274	Beijing	博达高科技大厦店	Office	180	Tue	11.0	66	Sat	10.0	1
93	No.0284	Nanjing	河西万达西地二街区店	Mall	315	Fri	13.0	460	Sat	12.0	2
94	No.0285	Shanghai	维璟广场店	Mall	372	Thu	10.0	443	Sun	10.0	2
95	No.0286	Shanghai	绿地尚悦湾店	Mall	288	Wed	9.5				2
96	No.0287	Nanjing	J6软件园店	Office	57	Fri	11.0	35	Sat	10.0	1
97	No.0308	Chongqing	中国人保寿险大厦店	Office	433	Thu	13.0	128	Sun	10.0	2
98	No.0313	Tianjin	贻航国际店	Office	163	Thu	9.0	60	Sat	9.0	1
99	No.0317	Guangzhou	高盛大厦店	Office	412	Thu	13.0	168	PH	12.0	2
100	No.0321	Guangzhou	财智大厦店	Office	373	Wed	13.0				2
101	No.0325	Guangzhou	番山创业中心店	Office	71	Fri	11.0	90	Sat	10.0	1
102	No.0326	Guangzhou	方圆E时光店	Office	531	Tue	13.0	194	Sat	10.0	2
103	No.0337	Tianjin	青林大厦店	Office	266	Mon	13.0	174	Sat	10.0	2
104	No.0338	Beijing	通盈中心店	Mall	207	Fri	11.0	131	Sun	11.0	2
105	No.0349	Chengdu	金牛万达A座店	Office	64	Mon	10.5				1
106	No.0355	Wuhan	正堂时代店	Office	188	Fri	12.5	128	Sun	10.0	2
107	No.0361	Tianjin	燕赵大厦店	Office	146	Wed	11.0	78	Sat	10.0	2
108	No.0366	Shenzhen	苍松大厦店	Office	332	Wed	13.0	80	Sun	10.0	2
109	No.0369	Wuhan	汉阳人信汇店	Office	421	Wed	13.0	457	PH	12.5	2
110	No.0386	Jinan	八一银座店	Office	129	Mon	11.0				2
111	No.0390	Chengdu	创世纪广场店	Office	103	Wed	10.5				1
112	No.0391	Fuzhou	恒力创富中心店	Office	304	Fri	13.0				2
113	No.0394	Nanjing	品硕广场店	Mall	137	Thu	11.5				2
114	No.0407	Shanghai	世纪金融广场店	Office	633	Thu	12.5	101	Sun	12.0	2
115	No.0411	Chengdu	节能大厦店	Office	204	Thu	13.0				2
116	No.0427	Wuhan	南国西汇城市广场店	Mall	215	Thu	11.5				2
117	No.0452	Beijing	花家地北里店	Residential	442	Thu	10.5				2
118	No.0467	Shanghai	鸿海大厦店	Office	176	Tue	11.0	216	Sat	10.0	2
119	No.0477	Chongqing	信达国际店	Office	138	Mon	11.0				1
120	No.0485	Beijing	世贸天阶店	Mall	252	Tue	11.0	287	PH	11.0	2
121	No.0505	Tianjin	时代奥城店	Mall	298	Mon	12.5				2
122	No.0508	Beijing	新奥工美店	Transportation	413	Thu	13.0	307	PH	12.0	2
123	No.0509	Chongqing	腾讯众创空间大厦店	Office	371	Tue	13.0	120	PH	10.0	2
124	No.0512	Nanjing	南京绿地之窗店	Office	258	Tue	13.0	145	Sat	12.0	2
125	No.0516	Beijing	华滨国际大酒店店	Hotel				107	Sun	10.0	2
126	No.0520	Chongqing	东原ARC店	Office	221	Tue	13.0	202	PH	10.0	2
127	No.0522	Guangzhou	平安大厦店	Office	444	Mon	13.0	164	PH	13.0	2
128	No.0533	Nanjing	中泰国际大厦店	Office				162	Sat	12.0	2
129	No.0546	Tianjin	宝利国际店	Office	68	Mon	11.0	32	Sat	10.0	2
130	No.0553	Shanghai	绿地金桥太茂店	Mall	335	Fri	11.0	555	Sun	11.0	2
131	No.0559	Shenzhen	来福士广场店	Mall	404	Mon	12.0	507	Sat	12.0	2
132	No.0578	Shenzhen	东门中心城店	Mall	350	Fri	13.0	189	Sat	10.0	2
133	No.0582	Shenzhen	航盛科技大厦店	Office	312	Thu	13.0	49	Sun	10.0	2
134	No.0583	Shenzhen	西部硅谷店	Office	242	Thu	13.0	143	Sun	11.0	2
135	No.0592	Beijing	星火科技大厦店	Office	294	Wed	13.0				2
136	No.0596	Chongqing	仁安龙城国际店	Residential	357	Fri	13.0				2
137	No.0601	Chongqing	东原中心店	Office	411	Tue	12.5	399	Sun	11.0	2
138	No.0607	Beijing	富卓大厦店	Mall	208	Mon	13.0	94	Sat	10.0	2
139	No.0612	Chengdu	中航国际交流中心店	Office	371	Fri	11.0				2
140	No.0627	Beijing	自由创业社区店	Office	303	Fri	11.0	256	Sat	10.0	2
141	No.0629	Chongqing	数码大厦店	Office	196	Wed	11.0				2
142	No.0631	Beijing	中关村创业公社店	Office	535	Thu	11.5	244	Sat	10.0	2
143	No.0632	Wuhan	创立方店	Office	272	Fri	13.0	221	Sat	10.0	2
144	No.0648	Shanghai	建工汇豪大厦店	Office	244	Thu	13.0	98	Sat	10.0	2
145	No.0672	Wuhan	武汉国际会展中心店	Mall	357	Mon	13.5	384	Sat	14.0	2
146	No.0675	Shenzhen	耀华创建大厦店	Office	289	Fri	13.0				2
147	No.0676	Shenzhen	新华保险大厦店	Office	350	Wed	13.0	67	PH	10.0	2
148	No.0681	Wuhan	创意天地11号楼店	Office	108	Thu	10.5	66	Sat	10.0	1
149	No.0688	Beijing	华荣公寓店	Residential	769	Mon	13.0	212	Sun	10.0	2
150	No.0703	Jinan	中润财富中心店	Mall	47	Tue	10.5	80	Sat	10.0	2
151	No.0711	Beijing	创立方自空间店	Office				234	Sat	10.0	2
152	No.0743	Guangzhou	广州城建大厦店	Office	386	Tue	13.0	155	Sat	10.0	2
153	No.0745	Hangzhou	海蓝财富中心店	Office	196	Wed	13.0	136	Sat	10.0	2
154	No.0752	Fuzhou	宏利大厦店	Office	178	Fri	13.0	120	Sat	10.0	2
155	No.0772	Wuhan	光谷K11店	Mall	454	Mon	11.5				2
156	No.0773	Beijing	国教宾馆店	Hotel				276	Sun	10.5	2

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#	Store ID	City	Store Name	Location	Week day			Weekend Day			Operating days on Weekends
					order count	Day	Hours	order count	Day	Hours	
157	No.0808	Chongqing	中渝国宾城店	Mall	423	Tue	13.0	286	Sun	10.0	2
158	No.0833	Guangzhou	名汇广场店		295	Tue	13.0	378	Sat	12.0	2
159	No.0837	Shanghai	雅克红房子店	Residential	366	Thu	13.0	238	Sat	12.0	2
160	No.0839	Guangzhou	龙泽商业大厦店	Office	156	Mon	11.0	59	Sat	10.0	1
161	No.0843	Beijing	宏福大道店	Mall	201	Thu	11.0				2
162	No.0847	Shenzhen	科陆大厦店	Office	304	Mon	13.0	74	PH	10.0	2
163	No.0851	Chengdu	赛格广场店	Office	246	Thu	10.0	264	Sat	9.0	2
164	No.0853	Hangzhou	湖滨银泰店	Office	398	Tue	15.0				2
165	No.0861	Chengdu	云龙大厦店	Office	253	Thu	10.5	161	Sat	8.5	2
166	No.0866	Beijing	中国人保办公楼店	Office	428	Fri	10.5				-
167	No.0880	Beijing	望京凯德MALL店	Mall	294	Mon	11.5				2
168	No.0912	Chengdu	丰尚商务港店	Office	241	Fri	11.0	198	Sun	10.0	2
169	No.0916	Guangzhou	汇龙科技园店	Office	269	Mon	13.0	131	Sun	10.0	2
170	No.0923	Jinan	黄金时代广场店	Office	210	Tue	11.0	90	Sat	10.0	1
171	No.0924	Wuhan	绿地世博财富中心店	Office	107	Wed	11.0				2
172	No.0927	Chongqing	华润万象里店	Residential	548	Mon	14.0				2
173	No.0931	Beijing	中骏世界城店	Mall	136	Fri	11.5	48	PH	12.5	2
174	No.0939	Beijing	北工大学生服务中心店	School	252	Tue	11.0	181	Sat	11.0	2
175	No.0940	Tianjin	汇城广场店	Office	184	Fri	10.0				2
176	No.0944	Guangzhou	颐和商业店	Hotel	202	Tue	11.5	75	PH	8.0	2
177	No.0947	Beijing	绿城北京诚园店	Residential	208	Wed	13.0	205	Sun	12.0	2
178	No.0950	Wuhan	凯德广场T1写字楼店	Office	182	Wed	10.5				2
179	No.0957	Chongqing	重庆财富中心店	Mall	271	Mon	12.0	242	PH	11.5	2
180	No.0964	Tianjin	科技金融大厦店	Office	115	Tue	11.0				1
181	No.0966	Shenzhen	财富港大厦店	Office	554	Fri	13.0	435	Sat	11.0	2
182	No.0973	Beijing	龙湖天街店	Mall	380	Fri	12.0	570	Sat	11.5	2
183	No.0976	Chongqing	贝蒙盘古店	Office	58	Tue	10.5	31	Sat	10.0	1
184	No.0983	Shanghai	上外思索店	School				206	PH	11.5	2
185	No.0987	Shenzhen	皇庭广场店	Mall	343	Fri	12.0				2
186	No.0995	Guangzhou	龙威广场店	Office	225	Wed	10.5	135	Sat	8.0	2
187	No.1001	Beijing	电子城科技大厦店	Office	213	Fri	11.0	35	Sat	10.0	1
188	No.1013	Chongqing	协信总部城店	Office	240	Fri	12.0	205	Sun	12.0	2
189	No.1021	Jinan	银座晶都国际店	Office	154	Mon	11.0				2
190	No.1023	Chongqing	世纪财富星座店	Office	101	Mon	11.0	116	Sat	10.0	1
191	No.1044	Shanghai	创智源店	Transportation	552	Fri	13.0	613	Sat	13.0	2
192	No.1046	Shanghai	如意智慧酒店店	Hotel	186	Fri	13.0	141	Sun	10.0	2
193	No.1053	Guangzhou	广州大学城信息枢纽楼店	School	456	Tue	13.0	431	PH	12.0	2
194	No.1058	Beijing	泰兴大厦店	Office	621	Wed	13.0	453	Sat	12.5	2
195	No.1062	Chongqing	南开步行街店	School	581	Mon	14.0	792	Sat	13.5	2
196	No.1066	Chongqing	万友康年大酒店店	Hotel	244	Wed	11.0				2
197	No.1069	Shanghai	港泰广场店	Office				192	Sat	10.0	2
198	No.1070	Nanjing	江苏饭店店	Hotel	293	Thu	13.0	206	Sun	10.0	2
199	No.1075	Nanjing	悦动新门西店	Office	166	Wed	10.5	121	Sat	10.0	1
200	No.1078	Nanjing	凤凰广场店	Mall	294	Mon	11.0	508	Sat	11.0	2
201	No.1090	Chengdu	群光广场店	Mall	533	Fri	11.0	637	Sun	11.0	2
202	No.1100	Xi'an	新加坡腾飞科汇城店	Residential	237	Thu	12.5				1
203	No.1109	Beijing	龙域中心店	Office				343	Sun	11.0	2
204	No.1117	Beijing	银座和谐广场店	Mall				590	PH	11.0	2
205	No.1126	Shanghai	立信学院店	School	308	Mon	10.5	58	PH	7.0	2
206	No.1128	Hangzhou	城发天地店	Office	222	Tue	13.0	187	Sun	11.0	2
207	No.1136	Xi'an	云汇谷C2店	Office	160	Thu	11.0				1
208	No.1142	Beijing	广渠金茂府店	Residential	253	Tue	13.0	162	Sun	11.0	2
209	No.1146	Xi'an	国家电子商务示范基地店	Office	249	Thu	12.5				1
210	No.1147	Chengdu	中信银行锦绣店	Office	210	Thu	9.5	103	Sat	6.5	2
211	No.1163	Shenzhen	大运软件小镇店	Office	126	Thu	10.5	121	Sat	10.0	2
212	No.1169	Nanjing	南岸瑞智创意园店	Office	210	Fri	13.0				2
213	No.1170	Tianjin	仁恒置地广场店	Mall	156	Fri	11.0	65	Sat	11.0	2
214	No.1176	Beijing	朝林广场店	Office				179	Sun	10.0	2
215	No.1179	Shanghai	骏利财富大厦店	Office				456	Sat	11.0	2
216	No.1181	Beijing	君太百货店	Mall	609	Fri	11.0	667	Sun	11.0	2
217	No.1189	Shenzhen	智恒产业园店	Office	192	Fri	13.0				2
218	No.1195	Beijing	京信大厦店	Office	236	Tue	10.5	65	PH	10.0	2
219	No.1199	Chongqing	龙湖源著店	Office	332	Mon	13.0				2
220	No.1201	Shanghai	中骏广场店	Office	394	Thu	13.0	191	Sun	10.5	2
221	No.1212	Guangzhou	流花君庭店	Residential	305	Thu	13.0	242	Sat	10.0	2
222	No.1217	Beijing	新燕莎金街购物广场店	Mall	378	Mon	13.0				2
223	No.1221	Xi'an	汇豪树中心店	Office	233	Fri	13.0	27	Sat	10.0	2
224	No.1222	Tianjin	嘉里汇店	Mall	252	Thu	11.5	329	Sun	11.5	2
225	No.1226	Tianjin	海河大观店	Residential	232	Fri	13.0				2
226	No.1234	Changsha	盛大金禧国际金融中心店	Office	168	Tue	11.0				1
227	No.1240	Tianjin	融侨中心店	Office	233	Mon	13.0	120	Sun	10.0	2
228	No.1242	Chengdu	花园城酒店店	Hotel	331	Fri	13.0	163	Sat	10.0	2
229	No.1249	Guangzhou	富力东山新天地店	Office				213	Sat	10.0	2
230	No.1254	Ningbo	汇银国际店	Office	198	Mon	13.0	48	Sat	10.0	2
231	No.1257	Xi'an	曲江创客大街店	Office	368	Mon	13.5	193	Sun	10.0	2
232	No.1258	Chengdu	保利商业街店	Office	309	Fri	13.0	165	Sun	10.0	2
233	No.1268	Beijing	银河SOHO-D座店	Office	221	Tue	10.5				1
234	No.1271	Zhengzhou	绿地峰会天下店	Office	121	Tue	11.0	82	Sat	10.0	1

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#	Store ID	City	Store Name	Location	Week day order count	Day	Hours	Weekend Day order count	Day	Hours	Operating days on Weekends
235	No.1273	Xi'an	西安财富中心店	Office	331	Tue	13.0				2
236	No.1276	Guangzhou	天伦控股大厦店	Office	230	Thu	11.5	34	Sat	8.0	2
237	No.1298	Ningbo	创意设计大厦店	Office	143	Wed	11.0				1
238	No.1305	Shanghai	延安西路店	Transportation	485	Wed	13.0	357	Sat	12.5	2
239	No.1314	Zhengzhou	雅宝国际广场店	Office	142	Thu	11.0	80	Sat	10.0	1
240	No.1325	Changsha	开福万达广场店	Mall	177	Fri	11.5				2
241	No.1326	Zhengzhou	京莎国际广场店	Office	219	Tue	12.0	151	Sat	10.0	2
242	No.1328	Ningbo	和丰创意广场店	Office	217	Fri	13.0				2
243	No.1340	Qingdao	广发金融大厦店	Office	137	Tue	11.0	143	Sun	10.0	2
244	No.1342	Qingdao	金孚大厦店	Office	102	Mon	11.0	75	Sat	10.0	1
245	No.1343	Zhengzhou	硅谷广场店	Office	309	Tue	12.0	286	Sat	12.0	2
246	No.1345	Qingdao	奥克斯广场店	Mall	378	Wed	10.5	548	Sun	10.5	2
247	No.1349	Suzhou	尼盛尚品汇店	Mall	168	Tue	13.0	123	Sun	13.0	2
248	No.1350	Nanjing	兰德地理信息产业园店	Office	79	Wed	11.0	46	Sat	10.0	1
249	No.1352	Guangzhou	粤科装备园店	Office	99	Mon	10.0	53	Sat	10.0	1
250	No.1353	Beijing	新城市广场店	Mall				262	Sat	11.0	2
251	No.1354	Changsha	古汉国际店	Mall				163	Sun	10.0	2
252	No.1356	Changsha	顺天国际店	Office	288	Wed	12.0				2
253	No.1360	Wuxi	融智大厦店	Office	152	Fri	13.0	42	Sun	10.0	2
254	No.1364	Suzhou	中衡设计大厦店	Office	264	Wed	13.0				2
255	No.1371	Shanghai	张江集电港店	Office	465	Fri	13.0	94	Sun	10.0	2
256	No.1374	Guangzhou	联合广场店	Office	96	Fri	9.5	85	Sat	9.5	1
257	No.1380	Hangzhou	海华广场店	Office				137	Sat	10.0	2
258	No.1386	Ningbo	鄞州商会大厦店	Office	184	Tue	11.0	83	Sat	10.0	1
259	No.1387	Zhengzhou	永和国际店	Office	50	Mon	13.0	30	PH	10.0	2
260	No.1389	Ningbo	中物科技园店	Office	101	Mon	11.0	73	Sat	10.0	1
261	No.1393	Suzhou	金鹰国际购物中心店	Mall	164	Mon	12.0	387	Sat	12.0	2
262	No.1394	Shenzhen	金运世纪大厦店	Office				55	Sun	10.0	2
263	No.1395	Zhengzhou	锦艺城购物中心店	Mall	307	Mon	11.5				2
264	No.1398	Chongqing	高科财富园店	Office	215	Fri	11.0				1
265	No.1403	Shanghai	由度空间店	Office	186	Fri	13.0	23	Sat	10.0	1
266	No.1406	Guangzhou	M+创工场店	Office	417	Fri	13.0				2
267	No.1408	Tianjin	IN城市天海广场店	Mall	86	Mon	11.0	75	Sun	11.5	2
268	No.1412	Chengdu	峰汇中心店	Office	206	Fri	10.5				1
269	No.1425	Suzhou	坤元广场店	Mall	103	Tue	11.0	157	Sun	10.0	2
270	No.1426	Changsha	德思勤城市广场店	Residential				261	Sat	11.0	2
271	No.1436	Qingdao	丽达绿城店	Office	123	Wed	11.0	166	Sat	11.0	2
272	No.1440	Suzhou	世茂生活广场店	Office	234	Mon	13.0	231	Sat	10.0	2
273	No.1456	Beijing	远中悦来店	Office	477	Wed	11.0	222	Sun	12.5	2
274	No.1468	Jinan	汇隆广场店	Mall	140	Mon	10.5	167	Sat	10.0	2
275	No.1469	Zhengzhou	郑东商业中心B座店	Mall	126	Thu	12.5				1
276	No.1470	Qingdao	中天恒商务大厦店	Office	164	Tue	13.0	86	Sun	10.0	2
277	No.1482	Xi'an	东方大酒店店	Hotel	502	Fri	14.0	370	Sun	13.0	2
278	No.1483	Wuhan	华新大厦店	Office	129	Wed	11.0				2
279	No.1484	Wuhan	汉口火车站店	Transportation	123	Thu	13.0	101	Sat	13.0	2
280	No.1488	Jinan	K88名泉广场店	Office	171	Tue	13.0				2
281	No.1489	Chongqing	SM广场店	Mall	191	Thu	12.0	336	Sat	12.0	2
282	No.1491	Tianjin	联东u谷产业园店	Office	101	Mon	10.0	96	Sat	10.0	2
283	No.1499	Guangzhou	马务联合工业园店	Office	228	Tue	13.0	165	Sat	10.0	2
284	No.1502	Chongqing	企业天地2号楼店	Office	239	Tue	10.5				2
285	No.1505	Chongqing	海宇温泉大酒店店	Hotel	135	Fri	10.0				2
286	No.1508	Qingdao	崂山湾大厦店	Office	129	Thu	11.0				1
287	No.1530	Shanghai	国华人寿金融大厦店	Office	375	Wed	10.5	34	PH	8.0	2
288	No.1531	Shanghai	建滔广场店	Office	201	Fri	13.0				1
289	No.1534	Xi'an	西安发展大厦店	Office	68	Tue	10.0	30	Sat	10.0	1
290	No.1538	Dalian	大连软件园9号楼店	Office	420	Fri	13.0				2
291	No.1542	Dalian	科技创新大厦店	Office	72	Mon	11.0				1
292	No.1546	Wuhan	星光国际店	Residential				171	Sat	10.0	2
293	No.1550	Wuxi	深港天地店	Office	127	Mon	11.0				1
294	No.1552	Xi'an	新世纪大厦店	Office	53	Thu	10.5	104	Sat	10.0	1
295	No.1553	Tianjin	中关村e谷店	Office	88	Wed	11.0	86	Sat	10.0	1
296	No.1560	Wuhan	大洋百货中山店	Mall	644	Tue	14.5	476	Sat	13.5	2
297	No.1562	Beijing	绿地自由港店	Residential	50	Mon	11.0	34	Sat	10.0	1
298	No.1585	Guangzhou	羊城同创汇店	Office	395	Tue	13.0	252	Sun	10.5	2
299	No.1591	Wuhan	金融港店	Office	347	Mon	13.0	129	Sun	11.0	2
300	No.1610	Beijing	远洋新干线店	Office	395	Fri	13.0	121	Sat	10.0	2
301	No.1618	Tianjin	天河城店	Mall	327	Mon	11.0	497	Sat	11.0	2
302	No.1626	Zhengzhou	宏光协和广场店	Office	47	Thu	10.5				1
303	No.1637	Zhengzhou	丹尼斯三天地店	Office	125	Thu	12.0	196	Sat	11.5	2
304	No.1649	Guangzhou	嘉星广场店	Office	152	Thu	11.0				1
305	No.1658	Chongqing	永辉生活广场店	Mall	254	Tue	12.0	202	PH	12.0	2
306	No.1671	Shanghai	老西门base店	Hotel	229	Tue	11.0	117	Sat	10.0	1
307	No.1675	Shanghai	燎申虹桥国际中心店	Office	380	Tue	13.0				2
308	No.1692	Nanjing	美利广场店	Mall				305	Sat	12.0	2
309	No.1696	Wuxi	晶石国际中心店	Hotel	202	Wed	13.0	119	Sat	10.0	2
310	No.1697	Suzhou	广融大厦店	Office	163	Tue	11.0	84	Sun	10.0	2
311	No.1701	Shanghai	创邑老码头店	Office	500	Thu	14.0				2
312	No.1704	Qingdao	青岛万科中心店	Office	217	Thu	12.5	221	Sun	10.0	2

Note: PH: Public Holiday
Source: Offline footage tracking

#	Store ID	City	Store Name	Location	Week day			Weekend Day			Operating days on Weekends
					order count	Day	Hours	order count	Day	Hours	
313	No.1706	Suzhou	克拉公馆店	Residential	152	Wed	13.0	147	Sat	10.0	2
314	No.1710	Xi'an	汇诚国际店	Office	251	Tue	13.0	122	Sun	10.0	2
315	No.1715	Qingdao	海尔云街店	Mall	85	Tue	9.0				2
316	No.1723	Shenzhen	华强电子世界店	Mall	443	Wed	10.5	410	Sun	11.5	2
317	No.1738	Shanghai	慧谷创业大厦店	Office	351	Mon	13.0				2
318	No.1748	Wuhan	同济医学院店	School	476	Mon	13.0	379	PH	10.5	2
319	No.1754	Wuxi	利华广场店	Office				182	Sun	10.0	2
320	No.1760	Beijing	艾迪城中心店	Transportation	308	Wed	13.0	257	Sat	10.5	2
321	No.1763	Dalian	长江广场店	Office	58	Mon	11.0				1
322	No.1770	Shenzhen	蛇口邮轮中心店	Transportation	126	Tue	11.0	208	Sat	12.0	2
323	No.1788	Ningbo	金盛中心店	Office	102	Tue	11.0	59	Sat	9.5	1
324	No.1794	Beijing	恒安大厦店	Office	372	Thu	11.0	237	Sun	10.0	2
325	No.1802	Hangzhou	民企发展大厦店	Office	188	Wed	11.0				2
326	No.1803	Shanghai	base城市社区苏河店	Hotel	176	Thu	11.0				2
327	No.1812	Qingdao	华银大厦店	Office	220	Wed	13.0	102	Sun	10.0	2
328	No.1831	Changsha	浦发金融大厦店	Office	223	Tue	12.0	131	Sun	10.0	2
329	No.1842	Beijing	崇文新世界百货店	Mall	385	Tue	10.0	492	Sat	10.0	2
330	No.1845	Xi'an	金鑫国际店	Office	188	Fri	13.0	118	Sun	10.0	2
331	No.1851	Tianjin	桂发祥食品广场店	Mall	177	Fri	11.0	174	Sat	11.0	2
332	No.1861	Zhengzhou	永和国际机场店	Office	253	Wed	13.0				2
333	No.1863	Suzhou	观前1号购物中心店	Mall	201	Wed	14.0	580	Sun	13.5	2
334	No.1869	Xi'an	曼蒂广场店	Mall	215	Fri	12.0	249	PH	12.0	2
335	No.1877	Suzhou	世界贸易中心店	Office	247	Tue	13.0	131	Sun	10.0	2
336	No.1887	Shanghai	中金国际广场店	Office	206	Wed	12.0	169	Sat	12.0	2
337	No.1892	Xi'an	红星美凯龙龙首店	Mall	155	Tue	12.0	170	Sun	12.0	2
338	No.1896	Chengdu	出版大厦店	Office	354	Wed	13.0	291	Sat	10.0	2
339	No.1899	Suzhou	锐晶大厦店	Office	87	Mon	11.0	66	Sat	10.0	1
340	No.1907	Chengdu	卧龙晓城店	Residential	199	Tue	13.0	144	Sat	10.0	2
341	No.1910	Zhengzhou	国家大学科技园店	School	130	Wed	10.5				1
342	No.1911	Qingdao	万科科技创新大厦店	Office	203	Mon	13.0				2
343	No.1912	Xi'an	国家数字出版基地店	Office	206	Thu	12.5				2
344	No.1934	Changsha	凯旋国际店	Transportation				180	Sat	10.0	2
345	No.1943	Suzhou	苏州龙湖时代100店	Office	179	Wed	13.5				2
346	No.1944	Hangzhou	新时代互联广场店	Office	69	Tue	10.5				1
347	No.1959	Shanghai	晨讯科技大楼店	Office	557	Thu	13.0				2
348	No.1961	Beijing	王府井银泰in88店	Mall	274	Tue	11.5	254	Sun	11.5	2
349	No.1974	Suzhou	天虹CC店	Mall	292	Mon	12.0	327	Sat	12.0	2
350	No.2021	Beijing	北京富力广场店-3F	Mall	258	Tue	11.5	115	Sat	11.5	2
351	No.2040	Guangzhou	富力盈信店	Office	504	Fri	12.5	99	Sun	10.0	2
352	No.2060	Wuhan	菱角湖壹号店	Mall				220	PH	11.0	2
353	No.2065	Zhengzhou	裕达国贸店	Office	251	Tue	12.0				2
354	No.2066	Zhengzhou	大商中原新城店	Mall	355	Thu	11.5				2
355	No.2082	Beijing	峻峰华亭店	Office	298	Thu	11.0	196	Sat	12.0	2
356	No.2112	Hangzhou	东方科技城店	Office	136	Fri	11.0	57	Sat	10.0	1
357	No.2119	Shanghai	阿里中心店	Office				78	Sat	10.0	2
358	No.2131	Shanghai	金鹰108创意园店	Office	481	Thu	13.0	332	PH	10.5	2
359	No.2173	Shanghai	壹丰广场店	Mall	364	Tue	15.0	229	Sat	15.0	2
360	No.2175	Wuxi	K-park3号楼店	Office	136	Fri	10.5				1
361	No.2184	Chongqing	石桥广场店	Mall	277	Fri	13.0	316	Sun	12.0	2
362	No.2185	Chongqing	渝能明日城市广场店	Mall	364	Thu	13.0				2
363	No.2186	Chongqing	康德国际店	Office	221	Tue	12.0				1
364	No.2206	Tianjin	格调锦园店	Residential	74	Tue	11.0				1
365	No.2213	Shanghai	香溢花城店	Residential	211	Thu	13.0	285	Sun	10.0	2
366	No.2219	Guangzhou	汇丰大厦店	Office	466	Fri	13.0				2
367	No.2223	Chongqing	美源美源店	Office	86	Mon	11.0				1
368	No.2257	Jinan	华强广场店	Office	225	Wed	11.0	169	Sat	10.0	1
369	No.2258	Tianjin	新世界百货南开店	Mall	210	Fri	11.5	283	Sat	11.5	2
370	No.2284	Dalian	佳兆业广场店	Mall	100	Fri	11.5				2
371	No.2287	Chongqing	星耀天地店	Office	187	Wed	10.0				1
372	No.2290	Shanghai	宝燕商城虹口路店	Mall	293	Thu	13.0	246	Sat	10.0	2
373	No.2293	Beijing	嘉盛中心店	Office	443	Thu	13.0	91	PH	10.0	2
374	No.2302	Xi'an	海景酒店店	Hotel	259	Mon	13.0	146	Sun	10.0	2
375	No.2305	Chongqing	重庆村1号店	Office	378	Mon	13.0	141	PH	10.0	2
376	No.2312	Chongqing	融创金贸时代店	Office	513	Tue	14.0				2
377	No.2321	Beijing	富顿中心店	Office	522	Thu	13.0				2
378	No.2327	Xi'an	新兴广场店	Mall	208	Thu	11.5	233	PH	11.5	2
379	No.2347	Chengdu	成都新城市广场店	Mall	305	Fri	11.0	297	Sun	11.0	2
380	No.2360	Jinan	舜井淳和数码广场店	Office	135	Fri	13.0	176	Sat	13.0	2
381	No.2380	Qingdao	蓝湾创意园店	Office	84	Fri	9.0	42	Sat	9.0	1
382	No.2390	Xi'an	钟楼海林大厦店	Office	231	Fri	14.0	239	Sat	13.5	2
383	No.2398	Shanghai	上海中兴和泰酒店店	Hotel	153	Mon	11.0	109	Sat	10.0	1
384	No.2399	Shanghai	绿地静安染彩里店	Residential	341	Tue	11.0	220	Sat	11.0	2
385	No.2400	Chengdu	保利双子塔店	Office				156	Sat	10.0	2
386	No.2405	Shanghai	联峰汇大厦店	Office	241	Thu	11.0				1
387	No.2408	Yangzhou	华懋购物中心店	Mall	397	Fri	14.5				2
388	No.2433	Chongqing	中迪广场店	Mall	471	Tue	12.0				2
389	No.2438	Shanghai	金虹桥店	Mall	576	Thu	9.5	459	Sun	9.5	2
390	No.2456	Ningbo	天一广场店	Mall	486	Wed	14.0				2

Note: PH: Public Holiday

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#	Store ID	City	Store Name	Location	Week day			Weekend Day			Operating days on Weekends
					order count	Day	Hours	order count	Day	Hours	
391	No.2480	Zhengzhou	千玺广场店	Office	149	Tue	13.0				2
392	No.2482	Suzhou	万融国际大厦店	Office	162	Mon	11.0	89	Sun	10.0	2
393	No.2502	Beijing	国安宾馆店	Hotel	165	Tue	11.0	70	Sat	10.0	1
394	No.2503	Changsha	达美D6店	Mall	117	Wed	11.5	130	Sun	11.5	2
395	No.2504	Chongqing	仁悦天地店	Mall	248	Wed	15.0	319	Sun	15.0	2
396	No.2516	Dongguan	希尔顿广场店	Mall				171	PH	10.0	2
397	No.2526	Tianjin	海珠大厦店	Office	108	Thu	11.0	37	Sat	10.0	1
398	No.2529	Ningbo	银亿时代广场店	Office	178	Fri	11.0	90	Sun	10.0	2
399	No.2557	Wuhan	未来科技城店	Office	262	Wed	12.5				2
400	No.2562	Beijing	中海紫御公馆店	Residential	227	Tue	11.0				2
401	No.2571	Tianjin	熙悦汇购物中心店	Mall	294	Fri	11.0	359	Sat	11.0	2
402	No.2572	Dalian	现代服务业大厦店	Office	295	Wed	13.5	262	Sat	10.5	2
403	No.2584	Shanghai	办伴办公空间耀江店	Office	129	Fri	10.5				-
404	No.2585	Qingdao	青岛世贸中心店	Office	127	Wed	11.0	74	Sat	10.0	1
405	No.2590	Nanjing	江苏商厦店	Mall	336	Wed	13.0	324	Sat	11.5	2
406	No.2592	Tianjin	泰达华润万家店	Mall	253	Thu	13.0				2
407	No.2608	Shenzhen	喜年中心大厦店	Office	126	Thu	11.0	40	Sat	10.0	1
408	No.2612	Shenzhen	健兴科技大厦店	Office	291	Fri	13.0	165	Sun	10.0	2
409	No.2625	Guangzhou	保利威座北塔店	Office	204	Fri	10.5	58	Sat	10.0	1
410	No.2626	Ningbo	中国人寿大厦店	Office	191	Mon	11.0	50	Sat	10.0	1
411	No.2633	Xi'an	奥林匹克大厦店	Office	106	Mon	13.5				2
412	No.2645	Xi'an	保利中达广场店	Office	174	Mon	13.0				2
413	No.2675	Chengdu	成都新世界百货店	Mall	119	Fri	11.5	132	Sat	12.0	2
414	No.2679	Wuhan	雅斯特酒店店	Hotel	231	Mon	13.0				2
415	No.2696	Zhengzhou	郑州大学高新区校园店	School	531	Tue	14.0	531	Sat	14.0	2
416	No.2707	Shanghai	裕景国际店	Office	506	Mon	13.0	190	Sat	10.0	2
417	No.2708	Shenzhen	荣德国际店	Residential	129	Fri	12.5				2
418	No.2712	Nanjing	苏宁环球大厦店	Office	180	Mon	11.0				1
419	No.2723	Shanghai	万宝国际商务中心店	Office	181	Tue	10.0				-
420	No.2731	Shanghai	古北1699店	Office	274	Tue	10.0	215	Sat	10.0	2
421	No.2737	Dongguan	东莞天安数码城店	Office	238	Fri	11.0	190	Sat	10.0	2
422	No.2739	Ningbo	高鑫广场店	Mall	356	Tue	12.0				2
423	No.2750	Wuhan	武汉天地店	Mall	306	Fri	13.0				2
424	No.2764	Kunming	润城第二大道店	Office	255	Fri	13.5				2
425	No.2766	Yangzhou	京华城店	Mall	292	Thu	12.0	459	Sat	12.5	2
426	No.2767	Xi'an	北大街交通枢纽店	Transportation	405	Fri	13.0				2
427	No.2771	Yangzhou	声谷产业园店	Office	183	Thu	12.0	168	Sat	10.0	2
428	No.2773	Dalian	赛伯乐大厦店	Office	72	Fri	10.5	20	Sat	9.5	1
429	No.2777	Qingdao	石油大厦店	Office	61	Fri	10.5				1
430	No.2800	Xi'an	芙蓉新天地店	Mall	245	Fri	12.0	342	Sun	12.0	2
431	No.2801	Xi'an	西安群光广场店	Mall	132	Tue	11.5	134	PH	10.5	2
432	No.2805	Xi'an	电信广场店	Office	147	Thu	10.5	81	PH	10.5	2
433	No.2807	Nanchang	丽华购物广场店	Mall				242	Sat	12.5	2
434	No.2811	Shijiazhuang	北国商城店	Mall	492	Wed	10.5	531	Sun	11.0	2
435	No.2812	Shijiazhuang	益东百货店	Mall	170	Fri	12.0	187	Sun	12.0	2
436	No.2813	Hefei	万科中心美好荟店	Mall	168	Wed	13.0				2
437	No.2823	Nanchang	云中城店	Office				90	Sun	10.0	2
438	No.2830	Nantong	金融汇店	Office	223	Wed	13.0	149	Sat	11.5	2
439	No.2831	Hangzhou	南北商务港店	Office	219	Fri	13.0	233	Sun	10.0	2
440	No.2836	Nanchang	南昌国际金融中心店	Office	213	Wed	13.0	115	Sat	10.0	2
441	No.2839	Kunming	瑞鼎城购物公园店	Mall	219	Fri	14.0	260	Sat	13.0	2
442	No.2847	Nantong	文峰城市广场店	Mall	168	Thu	12.0	214	Sat	12.0	2
443	No.2854	Nantong	国际贸易中心店	Office	115	Wed	11.0	68	Sat	10.0	2
444	No.2861	Wenzhou	坚士大厦店	Office	114	Wed	10.5	89	Sat	10.0	2
445	No.2863	Changzhou	浩源大厦店	Office	146	Wed	13.5	111	Sat	10.0	2
446	No.2864	Zhuhai	珠海奥园广场店	Mall	271	Fri	13.0	446	PH	13.0	2
447	No.2867	Shenyang	北方国际传媒中心店	Office	392	Tue	13.0	258	Sun	10.5	2
448	No.2877	Kunming	金鹰购物广场店	Mall	282	Tue	12.0				2
449	No.2880	Changzhou	天宁时代广场店	Office	222	Fri	13.0	188	Sat	10.0	2
450	No.2881	Wenzhou	广信大厦店	Office	142	Thu	13.0				2
451	No.2891	Yangzhou	智谷科技店	Office	174	Fri	11.0				2
452	No.2901	Nanjing	北京东路兰园店	Mall	186	Fri	13.0				2
453	No.2914	Changzhou	常州金城大厦店	Office	267	Fri	13.0	156	Sat	10.0	2
454	No.2923	Guiyang	神奇大酒店店	Hotel				252	Sat	10.5	2
455	No.2926	Qingdao	悦荟广场店	Mall	135	Tue	11.5	210	Sat	11.5	2
456	No.2932	Shanghai	航运科研大厦店	Office	343	Mon	13.0	183	Sun	11.5	2
457	No.2936	Shenyang	卓越大厦店	Office	224	Mon	13.0				2
458	No.2937	Kunming	西城中心店	Office	166	Fri	12.5				2
459	No.2941	Hefei	国购广场店-2F	Mall	349	Tue	12.0				2
460	No.2946	Shanghai	中展璞荟店	Mall	243	Fri	12.0	354	Sat	12.0	2
461	No.2947	Xi'an	蓝海风中心店	Mall	220	Wed	13.5	236	PH	13.5	2
462	No.2951	Nantong	中南城购物中心店	Mall	274	Thu	12.0				2
463	No.2952	Shanghai	二十一世纪大厦店	Office				125	Sat	11.5	2
464	No.2957	Tianjin	泰达大厦店	Office	229	Thu	11.0	81	Sun	10.0	2
465	No.2959	Wuhan	能源大厦店	Office	91	Fri	10.5	40	Sat	10.0	1
466	No.2967	Ningbo	世纪东方广场店	Mall	434	Fri	11.5				2
467	No.2970	Wenzhou	创荣商业广场店	Mall	74	Wed	12.5				2
468	No.2972	Dongguan	第一国际财富中心店	Mall	338	Mon	13.0	413	PH	12.0	2

Note: PH: Public Holiday
Source: Offline footage tracking

#	Store ID	City	Store Name	Location	Week day			Weekend Day			Operating days on Weekends
					order count	Day	Hours	order count	Day	Hours	
469	No.2985	Kunming	沃力空间店	Office	95	Tue	10.5	48	Sat	10.0	2
470	No.2986	Kunming	绿地汇海大厦店	Office	117	Wed	10.5	124	Sat	10.0	2
471	No.3001	Nanjing	万谷京东云智慧产业园店	Office	88	Mon	12.0				1
472	No.3005	Dalian	三丰大厦店	Office	187	Fri	13.0				2
473	No.3008	Chengdu	西南交通大学店	School	233	Tue	13.0				2
474	No.3013	Nanjing	垠坤创意中央店	Office	187	Thu	12.0				2
475	No.3024	Hangzhou	华润万家德胜店	Mall	98	Wed	13.0				2
476	No.3031	Beijing	中海广场店	Office	252	Fri	13.0	24	Sat	10.0	1
477	No.3033	Shanghai	海螺大厦店	Office	186	Mon	11.0	65	Sat	9.5	1
478	No.3046	Beijing	星科大厦店	Office	465	Thu	13.0	56	Sun	10.0	2
479	No.3050	Zhuhai	港湾1号店	Office				211	Sun	10.5	2
480	No.3060	Shenzhen	深圳信息学院店	School	453	Fri	13.0				2
481	No.3064	Foshan	佛山发展大厦店	Office				266	Sat	10.0	2
482	No.3082	Yangzhou	万家福商城店	Mall	213	Thu	13.0	244	Sat	13.0	2
483	No.3088	Zhenjiang	苏宁广场店	Mall	363	Mon	12.0	396	Sat	12.0	2
484	No.3097	Zhengzhou	信息产业大厦店	Office	117	Mon	13.0				2
485	No.3098	Shanghai	思南公馆 网易云音乐主题店	Residential	407	Mon	14.0	702	PH	15.0	2
486	No.3106	Chongqing	重庆北站店	Transportation	90	Wed	13.0				2
487	No.3108	Nanjing	长江航运中心店	Office	115	Wed	11.0	56	Sat	9.5	1
488	No.3122	Shijiazhuang	北国优客城市奥莱店	Mall	289	Wed	10.5				2
489	No.3141	Zhuhai	正方云创园店	Office				117	PH	10.0	2
490	No.3149	Beijing	金隅嘉品MALL店	Mall	216	Mon	11.5	331	Sun	11.5	2
491	No.3164	Nantong	海外联谊大厦店	Office	127	Thu	11.0				1
492	No.3173	Xi'an	高新水晶城店	Office	61	Wed	13.0				2
493	No.3176	Ningbo	月湖新荟天地店	Residential	241	Tue	11.0	167	Sat	11.5	1
494	No.3185	Xi'an	林凯国际大厦店	Office	148	Mon	10.0	91	Sun	10.0	2
495	No.3188	Nanjing	河西中央商场店	Mall	130	Tue	11.5				2
496	No.3192	Shanghai	虹桥万科中心店	Office	613	Mon	13.0				2
497	No.3218	Wuxi	三阳广场地铁27号口店	Transportation				308	Sat	11.5	2
498	No.3228	Ningbo	慧和大厦店	Office	185	Thu	13.0	121	Sun	10.0	2
499	No.3231	Foshan	环球国际广场店	Office				180	Sun	11.5	2
500	No.3239	Kunming	城投大厦店	Office	134	Fri	10.5				2
501	No.3244	Xiamen	特房波特曼财富中心店	Office	417	Thu	13.0	68	Sun	10.0	2
502	No.3251	Chongqing	四公里交通枢纽店	Transportation	155	Thu	13.0				2
503	No.3253	Nantong	绿地南通万达店	Mall	235	Fri	11.0				2
504	No.3262	Xi'an	高新光华路店	Office	156	Thu	12.0	74	Sun	12.0	2
505	No.3289	Suzhou	中国电信凤凰街店	Mall	186	Tue	8.5	159	Sun	10.0	2
506	No.3291	Nanjing	新城国际研发总部店	Office	291	Tue	12.5	72	Sat	10.0	2
507	No.3295	Changzhou	常州创意产业园店	Office	347	Thu	13.0	216	Sat	10.0	2
508	No.3305	Nanchang	浦发银行大厦店	Office	91	Thu	8.0	55	Sun	8.0	2
509	No.3306	Shanghai	龙之梦购物中心店	Mall	219	Thu	11.5	396	Sat	11.5	2
510	No.3322	Guangzhou	中公教育大厦店	Office	261	Mon	13.0	219	Sat	10.0	2
511	No.3326	Wuhan	纽宾凯鲁广国际酒店店	Hotel	147	Fri	12.5				2
512	No.3334	Tianjin	天佑城店	Mall	211	Fri	11.5	260	Sat	11.5	2
513	No.3350	Zhengzhou	金成时代广场店	Mall	134	Tue	12.5				2
514	No.3354	Shanghai	上海南站店	Transportation	438	Mon	13.0				2
515	No.3355	Yangzhou	虹桥坊店	Mall	82	Fri	13.0	90	Sat	11.5	2
516	No.3386	Nanchang	南昌新城吾悦广场店	Mall	280	Tue	11.0	276	PH	11.0	2
517	No.3416	Wenzhou	温州发展大厦店	Office	143	Thu	13.0				2
518	No.3444	Yangzhou	公元国际大厦店	Office	135	Fri	11.0				2
519	No.3452	Nanchang	江西师范大学瑶湖校区店	School	257	Thu	12.0				2
520	No.3453	Nanchang	699优创空间店	Office	121	Thu	9.0	150	Sun	9.0	2
521	No.3454	Nanchang	新建中心店	Mall	100	Thu	12.0	105	PH	12.0	2
522	No.3457	Nantong	国际青创园店	Office	102	Wed	10.5	78	Sat	10.5	2
523	No.3464	Shenyang	铁西长峰中心店	Office	191	Wed	13.0				2
524	No.3472	Xi'an	中国人保陕西金融大厦店	Office	120	Wed	11.0				2
525	No.3474	Shijiazhuang	物联网大厦店	Office				76	Sat	10.0	2
526	No.3480	Hefei	商之都中心广场店	Mall				266	Sat	12.5	2
527	No.3489	Shijiazhuang	长江道壹号店	Office	38	Thu	11.0	30	Sat	11.0	1
528	No.3490	Shenzhen	中科大厦店	Office	298	Fri	13.0	106	Sat	10.0	2
529	No.3503	Zhongshan	悦盈新城店	Mall	194	Thu	12.0				2
530	No.3506	Xi'an	益田假日世界店	Mall	147	Thu	12.0	222	Sat	12.0	2
531	No.3513	Shenyang	天润广场店	Mall	37	Tue	10.0	74	Sat	10.0	2
532	No.3514	Changzhou	万博广场店	Mall	238	Fri	13.0	218	Sat	11.5	2
533	No.3569	Kunming	昆明万达百货店	Mall	182	Thu	12.0	183	Sat	12.0	2
534	No.3575	Xi'an	西安王府井百货店	Mall	779	Mon	14.5	826	Sat	14.5	2
535	No.3584	Chongqing	绿色星球动物主题公园店	Mall	148	Thu	11.0				2
536	No.3598	Qingdao	中铁青岛广场店	Office	66	Thu	11.0				1
537	No.3602	Guangzhou	东峻广场店	Office	380	Tue	12.0	169	Sun	12.0	2
538	No.3605	Dalian	大连中国人寿大厦店	Office	108	Fri	11.0				1
539	No.3622	Guangzhou	中大科技园店	Office	397	Wed	13.0	249	Sun	10.5	2
540	No.3646	Wenzhou	时尚港购物中心店	Mall	59	Thu	13.0	55	Sat	13.5	2
541	No.3651	Taiyuan	美特好丽华苑店	Office				51	Sun	10.0	2
542	No.3662	Changzhou	迪诺水镇店	Office	142	Fri	12.0	98	Sat	12.0	2
543	No.3678	Shanghai	绿地和创大厦店	Office	317	Wed	13.0				2
544	No.3708	Hefei	港澳广场购物中心店	Mall				341	Sat	12.0	2
545	No.3714	Changzhou	银河湾数码城店	Office	189	Thu	13.0	206	Sat	10.0	2
546	No.3718	Beijing	建外SOHO西区15号楼店	Residential	338	Fri	13.0				2

Note: PH: Public Holiday
Source: Offline footage tracking

#	Store ID	City	Store Name	Location	Week day order count	Day	Hours	Weekend Day order count	Day	Hours	Operating days on Weekends
547	No.3728	Nanchang	永生璞概念酒店店	Hotel	89	Tue	11.0	76	Sat	10.0	1
548	No.3734	Chengdu	百伦广场店	Mall	151	Tue	10.0				2
549	No.3740	Changsha	弘坤花祥汇店	Mall	132	Fri	11.5	247	Sat	11.5	2
550	No.3745	Zhongshan	中山保利国际广场店	Mall	197	Tue	12.0				2
551	No.3747	Wuhan	武胜路凯德广场店	Mall	394	Wed	11.5	511	Sat	11.5	2
552	No.3754	Zhengzhou	正弘中心店	Office	209	Tue	12.5	241	Sun	10.5	2
553	No.3764	Hefei	天玥中心店	Mall				247	Sun	12.0	2
554	No.3771	Suzhou	苏州龙湖天街购物广场店	Mall	191	Thu	11.5				2
555	No.3796	Zhenjiang	国投商务广场店	Office				61	Sat	10.0	2
556	No.4202	Wenzhou	世纪丰盛大厦店	Office	159	Wed	13.5	173	Sat	13.0	2
557	No.4233	Hefei	国购广场店-B1	Mall	257	Tue	11.5				2
558	No.4244	Kunming	云南民族大学店	School	60	Fri	11.5				2
559	No.4251	Zhengzhou	银基王朝店	Residential	192	Mon	13.0	157	Sun	11.5	2
560	No.4263	Nantong	新瑞大厦店	Office	182	Fri	13.0	182	Sat	11.5	2
561	No.4265	Wenzhou	新桥电信店	Residential	152	Fri	13.0				2
562	No.4277	Qingdao	青岛科技大学崂山校区店	School	116	Fri	13.0				2
563	No.4287	Nantong	奥邦城市广场店	Mall	223	Fri	13.5				2
564	No.4289	Wenzhou	麦麦文化创意园店	Office	166	Fri	13.0				2
565	No.4308	Shanghai	MOREMEE购物中心店	Mall				170	Sat	11.5	2
566	No.4311	Shenzhen	勤诚达大厦店	Mall	307	Mon	15.0	349	Sat	13.5	2
567	No.4314	Hefei	置地创新中心店	Office	95	Wed	11.0				2
568	No.4329	Dalian	凯伦国际大厦店	Office	172	Thu	12.0				2
569	No.4336	Chongqing	泽科星泽汇店	Mall	207	Mon	13.0	317	Sun	11.5	2
570	No.4343	Wuhan	武汉摩尔城店	Mall	409	Thu	11.0	637	Sun	11.0	2
571	No.4348	Xiamen	厦门轮渡店	Transportation	173	Wed	14.0				2
572	No.4363	Shijiazhuang	中恒大厦店	Office	86	Fri	11.0	49	Sat	10.0	1
573	No.4370	Zhenjiang	睿泰产业园店	Office	241	Tue	10.0				1
574	No.4382	Shijiazhuang	筑业高新国际店	Office	92	Thu	10.0	93	Sat	10.0	2
575	No.4403	Shijiazhuang	新百家电城店	Mall	166	Fri	10.5	197	Sun	10.5	2
576	No.4412	Shijiazhuang	天山银河广场店	Office	63	Thu	11.0	37	Sat	9.0	2
577	No.4417	Wuhan	武汉国际大厦店	Office	255	Thu	13.0	186	Sat	11.5	2
578	No.4420	Beijing	恒泰广场店	Mall	232	Fri	11.0				2
579	No.4426	Wuhan	武商众圆广场店	Mall	387	Tue	12.0	474	Sun	12.0	2
580	No.4428	Shenyang	太平洋大厦店	Office	180	Mon	13.0	78	Sat	10.0	2
581	No.4430	Beijing	DRC工业设计基地店	Office	244	Mon	10.0				-
582	No.4437	Beijing	泰康商学院店	School	153	Fri	10.0				-
583	No.4449	Tianjin	天津研发大厦店	Office	96	Wed	11.0				2
584	No.4479	Chongqing	大洋百货店	Mall	348	Fri	14.5	379	Sun	13.5	2
585	No.4482	Guangzhou	华南师范大学店	School	380	Fri	15.0	716	Sun	13.0	2
586	No.4486	Guangzhou	东圃天河城百货店	Mall	241	Fri	13.0	320	PH	13.5	2
587	No.4505	Guangzhou	华建大厦店	Office	229	Fri	10.0	164	Sun	10.0	2
588	No.4519	Shijiazhuang	东明国际广场店	Office	174	Fri	10.0	121	Sun	10.0	2
589	No.4546	Shanghai	荣广商务中心店	Office				166	Sun	10.0	2
590	No.4561	Beijing	金宝汇购物中心店	Mall	247	Thu	11.5				2
591	No.4562	Shenyang	星摩尔沈阳购物广场店	Mall	421	Wed	11.0	677	Sat	11.0	2
592	No.4588	Suzhou	来客茂时尚生活中心店	Mall	161	Mon	11.0				2
593	No.4591	Jinan	济南世茂国际广场店	Mall	199	Fri	12.0				2
594	No.4602	Wuhan	中百广场江夏店	Mall	215	Tue	11.5	216	Sun	11.5	2
595	No.4607	Zhuhai	迎宾广场店	Mall				205	Sun	12.0	2
596	No.4615	Shanghai	上海广发大厦店	Office				154	PH	10.0	2
597	No.4618	Xi'an	西安建大雁塔校区店	School	292	Wed	12.0				2
598	No.4621	Chongqing	重庆建委店	Office	167	Thu	13.0				1
599	No.4645	Ningbo	万里学院钱湖校区店	School				306	PH	11.5	2
600	No.4649	Harbin	五六七漫天地店	Mall	242	Fri	11.0	248	Sat	11.0	2
601	No.4662	Suzhou	太平金融大厦店	Office	113	Mon	13.0	82	Sun	11.5	2
602	No.4663	Guiyang	国恒百货店	Mall	256	Fri	11.5				2
603	No.4672	Shenyang	文峰大厦店	Office	234	Mon	13.5				2
604	No.4676	Harbin	常青国际大厦店	Office	186	Fri	13.0				2
605	No.4711	Yangzhou	力宝广场店	Mall	82	Thu	11.5	105	Sat	11.5	2
606	No.4722	Harbin	哈尔滨永泰城店	Mall	41	Fri	10.0				2
607	No.4732	Hefei	绿地赢海国际大厦店	Office	206	Wed	12.5	263	Sun	11.5	2
608	No.4734	Dalian	万和汇购物广场店	Mall	178	Wed	11.0				2
609	No.4756	Xiamen	杏林杏滨店	Residential	150	Fri	10.5				2
610	No.4757	Harbin	中央商城店	Mall	322	Thu	10.5				2
611	No.4760	Harbin	比优特购物广场店	Mall	136	Thu	11.5				2
612	No.4764	Zhenjiang	梦溪广场店	Mall	130	Fri	13.0	231	Sun	10.0	2
613	No.4766	Harbin	凯德埃德蒙顿路店	Mall	95	Thu	12.0	153	Sat	12.0	2
614	No.4774	Xi'an	禾盛京广中心店	Office	165	Wed	12.5				2
615	No.4786	Wuhan	家乐福十升店	Mall	274	Tue	14.0	328	Sun	13.0	2
616	No.4802	Dalian	东财锦辉沃尔玛店	Mall	137	Thu	12.0				2
617	No.4804	Harbin	九三大厦店	Office	181	Thu	12.0	81	Sat	10.0	2
618	No.4828	Kunming	滇池国际会展中心店	Mall	68	Thu	11.5				2
619	No.4879	Kunming	南亚风情第一城店	Mall	167	Fri	12.0				2
620	No.4955	Beijing	开拓大厦店	Office	197	Thu	10.0				1
Average					251		12.0	199		10.8	
Total							6,862.5			4,398.0	

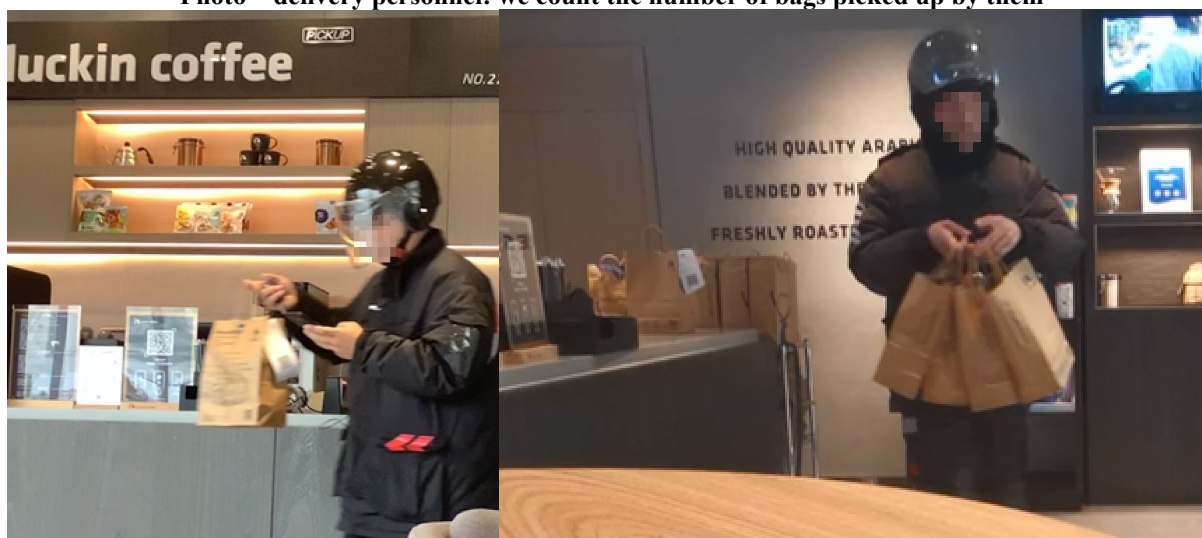
Note: PH: Public Holiday
Source: Offline footage tracking

For each of the 981 store-days we tracked, our staff usually sits in the store with a direct line of sight to the collection counter and **counts the number of customers picking up Luckin products while recording the video**. If a delivery order is picked up by delivery personnel, **we count the number of Luckin paper bags picked up by the delivery personnel**, knowing that each personnel can pick up more than one order at a time (one order could comprise more than one bag as well, so we might overcount the number of orders). Our result **No. of customers picking up Luckin’s products + No. of Luckin paper bags picked up by delivery personnel** is a good proxy for No. of orders per store per day. Multiplying the No. of orders by the items per order 1.14, we get the key metric to be verified – number of items per store per day.

Photo – pick up customer: we count the number of customers picking up Luckin’s products



Photo – delivery personnel: we count the number of bags picked up by them

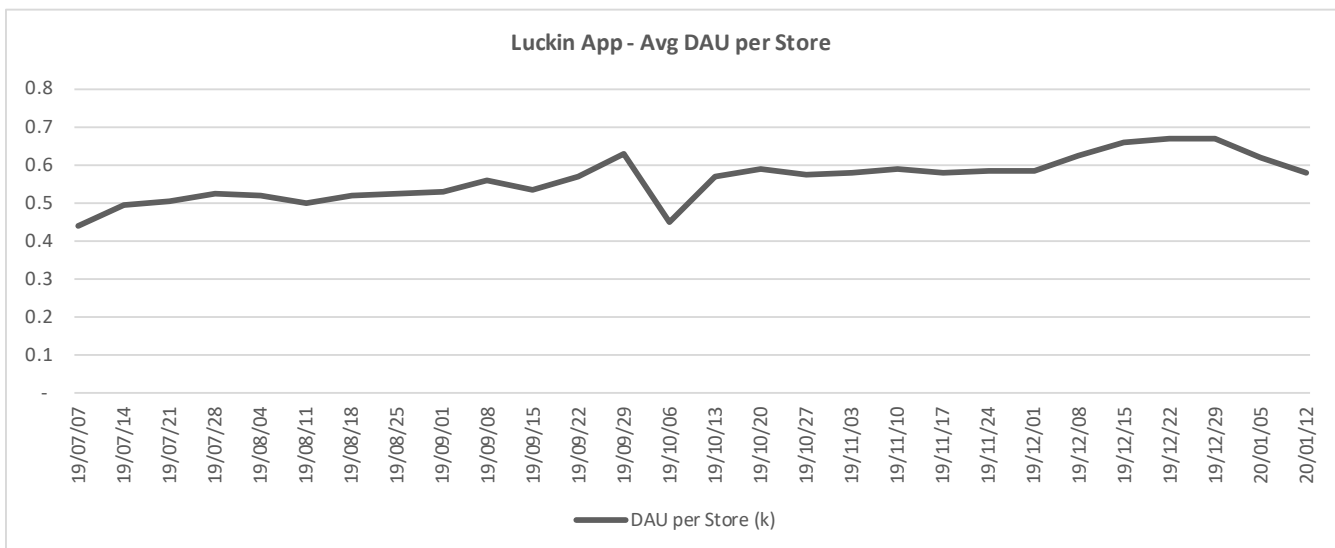


Our tracking started from 2019 4Q. To compare the representativeness of our tracking period to Luckin’s 3Q results, we used Luckin APP’s DAU (Daily Active User) per store as a proxy of orders per store per day in the same period. DAU is from Quest Mobile; and although Luckin only reports quarterly store number, we got the weekly store number from articles published by Luckin’s WeChat Official Account (it publishes the list of new stores opened weekly).

During our tracking period of 2019 4Q to Jan 2020, Luckin APP’s average DAU per store was 0.59K, and **Luckin’s 2019 3Q and 2019 4Q’s average DAU per store was 11% and 0% lower than that of our tracking period**, respectively. Our tracking results have a low chance of understating Luckin’s daily sales volume per store of 2019 3Q and 2019 4Q.

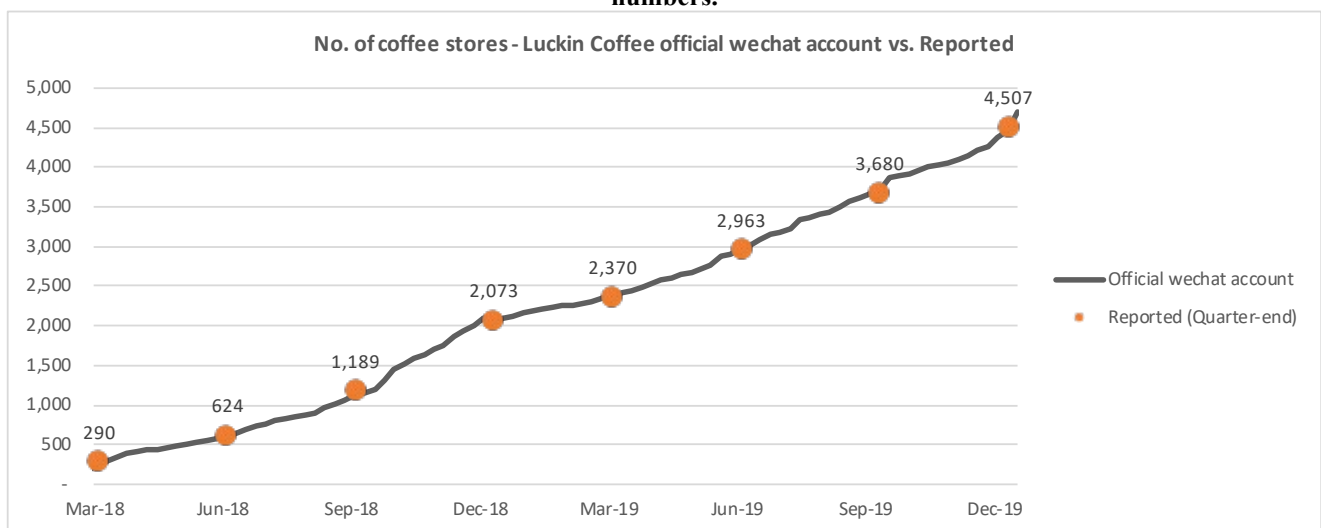
Thousand	3Q19	4Q19	YTD2020	4Q19-YTD2020 (Tracking period)
DAU per store	0.53	0.59	0.60	0.59
% lower than sample period	-11%	0%		

Source: Quest Mobile, Luckin WeChat Official Account weekly new store list



Source: Quest Mobile, Luckin WeChat Official Account weekly new store list

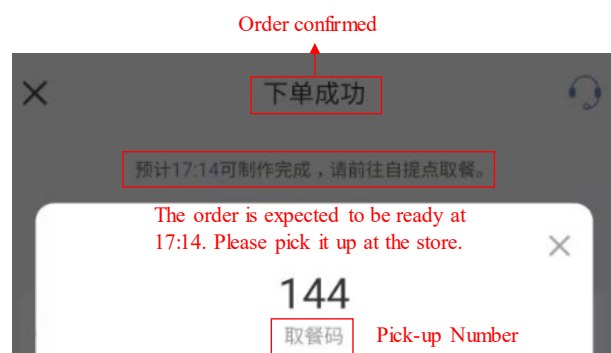
The store opening history extracted from Luckin’s WeChat Official Account matches Luckin’s reported quarter-end store numbers.



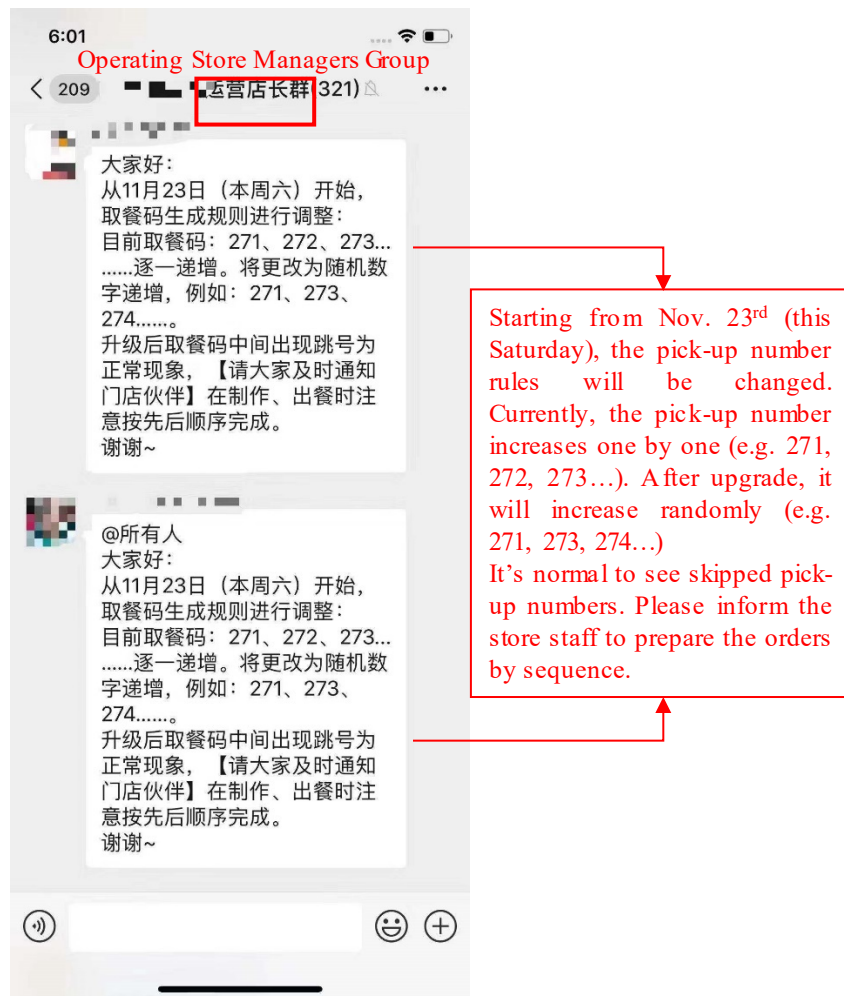
Source: Luckin Filings, Luckin WeChat Official Account weekly new store list

Luckin has inflated its own APP online order volumes by average of 72%.

As all orders are placed and paid online and picked up offline, when an order is placed, a three-digit pick-up number and a QR code will be generated to facilitate the in store pick up. Some may have observed that the three-digit pick-up number appears sequential within each store in a day and shared by both pick-up and delivery orders; and use it as a barometer to track the daily order volume of a store by placing orders at both opening and close time of the store.



This method cannot be used if Luckin intentionally jumps and skips numbers during the day to purposely distort the tracking results. Here is an evidence of its notice to store managers to watch out for jumping pick-up numbers on Nov 23rd 2019.



Source: WeChat Group

We also have more than 10 video evidences recording real-time order jumping processes in store. Though we can't publish the videos due to privacy reasons, we encourage investors to conduct the research themselves: Stay in a store for 0.5-1 hour and count the number of orders picked up by customers or delivery personnel. Place an order at the beginning and the end of the session and check the online pick-up number gap with the counted number of orders. Our hit ratio of catching order jumping is quite high.

Luckin doesn't necessarily have to jump orders to commit fraud – they can simply fabricate more orders in their financial records. However, here is the clever part: company management likely thought about the possibility that more and more investors and data firms were starting to track their order numbers themselves as part of the due diligence process, so “jumping orders” is a simple way to mislead investors. To understand the scale of the online order inflation, we randomly selected 151 offline tracking store-days to track their online orders. We placed one order each at the beginning and the end of a store's operating hour to get the online order count for the day. **We found that for the same store on the same day the number of online orders inflated range from 34 to 232, with an average of 106 orders/day or 72% of offline order average.**

#	Store ID	City	Store Name	Location	Week day	Offline order	Online order	Online/Offline-1	Online-Offline
20	No.0065	Shanghai	建工大唐店	Office	Mon	377	609	62%	232
29	No.0076	Shanghai	中环科技园店	Office	Sat	171	258	51%	87
32	No.0079	Shanghai	华祺大厦店	Office	Mon	340	482	42%	142
33	No.0081	Shanghai	汇京国际广场店	Office	Tue	158	239	51%	81
36	No.0089	Chengdu	星月里店	Mall	Sat	335	408	22%	73
44	No.0110	Chongqing	创汇首座店	Office	Fri	159	261	64%	102
50	No.0128	Chongqing	SFC协信中心店	Office	Sun	142	290	104%	148
53	No.0139	Chengdu	华宇美乐街店	Residential	Sat	268	358	34%	90
55	No.0151	Tianjin	创新大厦店	Office	Sun	146	240	64%	94
60	No.0172	Chengdu	西部国际金融中心店	Mall	Sun	230	316	37%	86
68	No.0191	Tianjin	天辰大厦店	Office	Sat	143	252	76%	109
72	No.0206	Chongqing	太平洋广场店	Office	Fri	148	273	84%	125
78	No.0223	Chengdu	绿地之窗店	Office	Sat	135	221	64%	86
87	No.0244	Beijing	京铁和园泛悦坊店	Mall	Thu	172	291	69%	119
88	No.0247	Shenzhen	海王银河大厦店	Office	Tue	266	343	29%	77
98	No.0313	Tianjin	贻航国际店	Office	Sat	60	169	182%	109
102	No.0326	Guangzhou	方圆E时光店	Office	Sat	194	284	46%	90
106	No.0355	Wuhan	正堂时代店	Office	Fri	188	351	87%	163
106	No.0355	Wuhan	正堂时代店	Office	Sun	128	250	95%	122
107	No.0361	Tianjin	燕赵大厦店	Office	Sat	78	191	145%	113
109	No.0369	Wuhan	汉阳人信汇店	Office	Wed	421	492	17%	71
123	No.0509	Chongqing	腾讯众创空间大厦店	Office	Tue	371	450	21%	79
127	No.0522	Guangzhou	平安大厦店	Office	Mon	444	522	18%	78
135	No.0592	Beijing	星火科技大厦店	Office	Wed	294	380	29%	86
136	No.0596	Chongqing	仁安龙城国际店	Residential	Fri	357	477	34%	120
137	No.0601	Chongqing	东原中心店	Office	Tue	411	516	26%	105
141	No.0629	Chongqing	数码大厦店	Office	Wed	196	283	44%	87
143	No.0632	Wuhan	创立方店	Office	Sat	221	324	47%	103
145	No.0672	Wuhan	武汉国际会展中心店	Mall	Mon	357	510	43%	153
145	No.0672	Wuhan	武汉国际会展中心店	Mall	Sat	384	512	33%	128
150	No.0703	Jinan	中润财富中心店	Mall	Tue	47	124	164%	77
150	No.0703	Jinan	中润财富中心店	Mall	Sat	80	166	108%	86
155	No.0772	Wuhan	光谷K11店	Mall	Mon	454	519	14%	65
160	No.0839	Guangzhou	龙泽商业大厦店	Office	Mon	156	253	62%	97
163	No.0851	Chengdu	赛格广场店	Office	Sat	264	332	26%	68
165	No.0861	Chengdu	云龙大厦店	Office	Thu	253	321	27%	68
165	No.0861	Chengdu	云龙大厦店	Office	Sat	161	246	53%	85
168	No.0912	Chengdu	丰尚商务港店	Office	Sun	198	297	50%	99
170	No.0923	Jinan	黄金时代广场店	Office	Sat	90	231	157%	141
179	No.0957	Chongqing	重庆财富中心店	Mall	Mon	271	381	41%	110
195	No.1062	Chongqing	南开步行街店	School	Mon	581	660	14%	79
201	No.1090	Chengdu	群光广场店	Mall	Fri	533	599	12%	66
210	No.1147	Chengdu	中信银行锦绣店	Office	Sat	103	187	82%	84
219	No.1199	Chongqing	龙湖源著店	Office	Mon	332	428	29%	96
222	No.1217	Beijing	新燕莎金街购物广场店	Mall	Mon	378	583	54%	205
227	No.1240	Tianjin	融侨中心店	Office	Sun	120	235	96%	115
228	No.1242	Chengdu	花园城酒店店	Hotel	Fri	331	442	34%	111
231	No.1257	Xi'an	曲江创客大街店	Office	Mon	368	465	26%	97
232	No.1258	Chengdu	保利商业街店	Office	Sun	165	251	52%	86
234	No.1271	Zhengzhou	绿地峰会天下店	Office	Sat	82	176	115%	94
239	No.1314	Zhengzhou	雅宝国际广场店	Office	Sat	80	184	130%	104
242	No.1328	Ningbo	和丰创意广场店	Office	Fri	217	367	69%	150
244	No.1342	Qingdao	金孚大厦店	Office	Sat	75	167	123%	92
245	No.1343	Zhengzhou	硅谷广场店	Office	Sat	286	373	30%	87
250	No.1353	Beijing	新城市广场店	Mall	Sat	262	396	51%	134
261	No.1393	Suzhou	金鹰国际购物中心店	Mall	Sat	387	495	28%	108
269	No.1425	Suzhou	坤元广场店	Mall	Sun	157	244	55%	87
272	No.1440	Suzhou	世茂生活广场店	Office	Sat	231	326	41%	95
273	No.1456	Beijing	远中悦来店	Office	Wed	477	590	24%	113
279	No.1484	Wuhan	汉口火车站店	Transportation	Sat	101	223	121%	122
282	No.1491	Tianjin	联东u谷产业园店	Office	Sat	96	215	124%	119
285	No.1505	Chongqing	海宇温泉大酒店店	Hotel	Fri	135	248	84%	113
292	No.1546	Wuhan	星光国际店	Residential	Sat	171	249	46%	78
296	No.1560	Wuhan	大洋百货中山店	Mall	Tue	644	768	19%	124
296	No.1560	Wuhan	大洋百货中山店	Mall	Sat	476	563	18%	87
299	No.1591	Wuhan	金融港店	Office	Sun	129	245	90%	116
301	No.1618	Tianjin	天河城店	Mall	Mon	327	411	26%	84
305	No.1658	Chongqing	永辉生活广场店	Mall	Tue	254	369	45%	115
310	No.1697	Suzhou	广融大厦店	Office	Sun	84	206	145%	122
313	No.1706	Suzhou	克拉公馆店	Residential	Sat	147	259	76%	112
318	No.1748	Wuhan	同济医学院店	School	Mon	476	555	17%	79
327	No.1812	Qingdao	华银大厦店	Office	Sun	102	190	86%	88
328	No.1831	Changsha	浦发金融大厦店	Office	Sun	131	261	99%	130
329	No.1842	Beijing	崇文新世界百货店	Mall	Tue	385	531	38%	146
331	No.1851	Tianjin	桂发祥食品广场店	Mall	Fri	177	297	68%	120
331	No.1851	Tianjin	桂发祥食品广场店	Mall	Sat	174	273	57%	99
335	No.1877	Suzhou	世界贸易中心店	Office	Sun	131	252	92%	121

#	Store ID	City	Store Name	Location	Week day	Offline order	Online order	Online/Offline-1	Online-Offline
337	No.1892	Xi'an	红星美凯龙龙首店	Mall	Tue	155	299	93%	144
338	No.1896	Chengdu	出版大厦店	Office	Wed	354	461	30%	107
338	No.1896	Chengdu	出版大厦店	Office	Sat	291	350	20%	59
339	No.1899	Suzhou	锐鼎大厦店	Office	Sat	66	179	171%	113
349	No.1974	Suzhou	天虹CC店	Mall	Sat	327	507	55%	180
351	No.2040	Guangzhou	富力盈信店	Office	Sun	99	190	92%	91
354	No.2066	Zhengzhou	大商中原新城店	Mall	Thu	355	447	26%	92
368	No.2257	Jinan	华强广场店	Office	Sat	169	271	60%	102
374	No.2302	Xi'an	海景酒店店	Hotel	Sun	146	292	100%	146
380	No.2360	Jinan	舜井淳和数码广场店	Office	Sat	176	302	72%	126
381	No.2380	Qingdao	蓝湾创意园店	Office	Fri	84	167	99%	83
381	No.2380	Qingdao	蓝湾创意园店	Office	Sat	42	125	198%	83
385	No.2400	Chengdu	保利双子塔店	Office	Sat	156	249	60%	93
393	No.2502	Beijing	国安宾馆店	Hotel	Tue	165	274	66%	109
401	No.2571	Tianjin	熙悦汇购物中心店	Mall	Fri	294	360	22%	66
401	No.2571	Tianjin	熙悦汇购物中心店	Mall	Sat	359	439	22%	80
402	No.2572	Dalian	现代服务业大厦店	Office	Sat	262	328	25%	66
404	No.2585	Qingdao	青岛世贸中心店	Office	Wed	127	244	92%	117
404	No.2585	Qingdao	青岛世贸中心店	Office	Sat	74	168	127%	94
411	No.2633	Xi'an	奥林匹克大厦店	Office	Mon	106	241	127%	135
416	No.2707	Shanghai	裕景国际店	Office	Mon	506	545	8%	39
425	No.2766	Yangzhou	京华城店	Mall	Sat	459	573	25%	114
427	No.2771	Yangzhou	声谷产业园店	Office	Sat	168	265	58%	97
435	No.2812	Shijiazhuang	益东百货店	Mall	Fri	170	282	66%	112
438	No.2830	Nantong	金融汇店	Office	Sat	149	300	101%	151
441	No.2839	Kunming	瑞鼎城购物公园店	Mall	Fri	219	380	74%	161
442	No.2847	Nantong	文峰城市广场店	Mall	Sat	214	347	62%	133
443	No.2854	Nantong	国际贸易中心店	Office	Sat	68	145	113%	77
444	No.2861	Wenzhou	坚士大厦店	Office	Sat	89	217	144%	128
445	No.2863	Changzhou	浩源大厦店	Office	Sat	111	210	89%	99
446	No.2864	Zhuhai	珠海奥园广场店	Mall	Fri	271	415	53%	144
449	No.2880	Changzhou	天宁时代广场店	Office	Fri	222	365	64%	143
453	No.2914	Changzhou	常州金城大厦店	Office	Sat	156	304	95%	148
455	No.2926	Qingdao	悦荟广场店	Mall	Tue	135	267	98%	132
465	No.2959	Wuhan	能源大厦店	Office	Fri	91	195	114%	104
465	No.2959	Wuhan	能源大厦店	Office	Sat	40	116	190%	76
470	No.2986	Kunming	绿地汇海大厦店	Office	Sat	124	236	90%	112
482	No.3082	Yangzhou	万家福商城店	Mall	Sat	244	414	70%	170
484	No.3097	Zhengzhou	信息产业大厦店	Office	Mon	117	270	131%	153
490	No.3149	Beijing	金隅嘉品MALL店	Mall	Mon	216	279	29%	63
500	No.3239	Kunming	城投大厦店	Office	Fri	134	229	71%	95
505	No.3289	Suzhou	中国电信凤凰街店	Mall	Sun	159	228	43%	69
507	No.3295	Changzhou	常州创意产业园店	Office	Sat	216	285	32%	69
511	No.3326	Wuhan	纽宾凯鲁广国际酒店店	Hotel	Fri	147	292	99%	145
512	No.3334	Tianjin	天佑城店	Mall	Fri	211	362	72%	151
512	No.3334	Tianjin	天佑城店	Mall	Sat	260	385	48%	125
515	No.3355	Yangzhou	虹桥坊店	Mall	Sat	90	203	126%	113
522	No.3457	Nantong	国际青创园店	Office	Sat	78	177	127%	99
525	No.3474	Shijiazhuang	物联网大厦店	Office	Sat	76	152	100%	76
527	No.3489	Shijiazhuang	长江道壹号店	Office	Sat	30	64	113%	34
531	No.3513	Shenyang	天润广场店	Mall	Sat	74	165	123%	91
533	No.3569	Kunming	昆明万达百货店	Mall	Sat	183	285	56%	102
540	No.3646	Wenzhou	时尚港购物中心店	Mall	Sat	55	166	202%	111
545	No.3714	Changzhou	银龙湾数码城店	Office	Sat	206	291	41%	85
551	No.3747	Wuhan	武胜路凯德广场店	Mall	Sat	511	581	14%	70
560	No.4263	Nantong	新瑞大厦店	Office	Sat	182	294	62%	112
562	No.4277	Qingdao	青岛科技大学崂山校区店	School	Fri	116	231	99%	115
572	No.4363	Shijiazhuang	中恒大厦店	Office	Fri	86	211	145%	125
572	No.4363	Shijiazhuang	中恒大厦店	Office	Sat	49	123	151%	74
574	No.4382	Shijiazhuang	筑业高新国际店	Office	Sat	93	184	98%	91
575	No.4403	Shijiazhuang	新百家电城店	Mall	Fri	166	315	90%	149
576	No.4412	Shijiazhuang	天山银河广场店	Office	Sat	37	102	176%	65
577	No.4417	Wuhan	武汉国际大厦店	Office	Sat	186	330	77%	144
579	No.4426	Wuhan	武商众圆广场店	Mall	Tue	387	493	27%	106
580	No.4428	Shenyang	太平洋大厦店	Office	Sat	78	180	131%	102
588	No.4519	Shijiazhuang	东明国际广场店	Office	Fri	174	285	64%	111
591	No.4562	Shenyang	星摩尔沈阳阳购物广场店	Mall	Sat	677	724	7%	47
592	No.4588	Suzhou	来客茂时尚生活中心店	Mall	Mon	161	269	67%	108
594	No.4602	Wuhan	中百广场江夏店	Mall	Tue	215	347	61%	132
600	No.4649	Harbin	五六七漫天地店	Mall	Sat	248	345	39%	97
601	No.4662	Suzhou	太平金融大厦店	Office	Sun	82	184	124%	102
612	No.4764	Zhenjiang	梦溪广场店	Mall	Sun	231	343	48%	112
613	No.4766	Harbin	凯德埃德蒙顿路店	Mall	Sat	153	292	91%	139
619	No.4879	Kunming	南亚风情第一城店	Mall	Fri	167	283	69%	116
		Average						72%	106

Source: Offline footage tracking and online ordering

Smoking Gun Evidence #2: Luckin’s “Items per order” has declined from 1.38 in 2019 2Q to 1.14 in 2019 4Q

From 2019 4Q, we gathered 25,843 customer receipts from 10,119 customers in 2,213 stores in 45 cities. The 25,843 receipts indicate 1.08 and 1.75 items per order for pick-ups and delivery orders respectively or blended 1.14 (99% confidence level). This marked a continuously downward trend of items per order from 1.74 in 2018 1Q to 1.14 in 2019 4Q.

Luckin’s items per order has declined to 1.14

# of items per order (4Q19-Jan 20)	25,843 receipts	Order Type%	Company
Pick-up orders	1.08	90.0%	
Delivery orders	1.75	10.0%	
25,843 receipts	1.14	100.0%	

Source: Company Information, 25,843 Luckin customer receipts

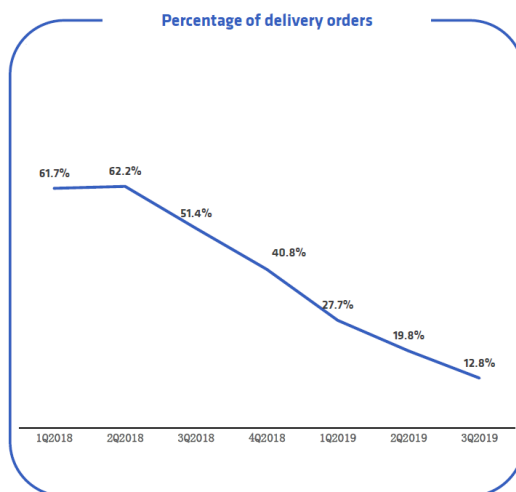
Luckin’s items per order on a downward trend

	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19 (25,843 Receipts)
# of items sold (mn)	1.5	12.0	23.3	52.9	48.8	82.8	132.7	
# of orders (mn)	0.8	7.0	12.6	29.5	32.9	59.8	109.3	
Delivery orders	0.5	4.3	6.5	12.0	9.1	11.8	14.0	
As % of total orders	61.7%	62.2%	51.4%	40.8%	27.7%	19.8%	12.8%	
Delivery Expenses (RMB mn)	5.4	44.9	67.1	124.8	94.6	106.2	118.7	
Delivery Expense per delivery order (RMB)	11.0	11.0	11.0	11.0	11.0	9.5	9.0	
# of items per order	1.74	1.72	1.85	1.80	1.48	1.38	1.21	1.14

Source: Luckin Public Filings, Coffee_Detective Calculation¹

This trend can be attributed to the decline of delivery order contribution, as people naturally tend to buy more items to meet the free shipping requirement. Through our store visits, we find that the majority pick-up customers only buy one freshly brewed drink, because in most cases, a coupon can only be applied to one of the items in the order, according to Luckin. Per company presentation and management communication, the percentage of delivery orders indeed declined from 61.7% in 2018 1Q to 12.8% in 2019 3Q and further to ~10% in early January.

Decreasing importance of delivery orders



Source: Luckin 2019 3Q Earnings Presentation

¹ All numbers were company reported except “delivery expense per delivery order” was assumed based on tech.163 article: <http://tech.163.com/19/0326/08/EB6BUEJK000999C0.html>.

14 January 2020 11:45:43 ET

Quick post: Restaurant Industry: Luckin - CFO Takeaways from ICR...

We caught up with Luckin's CFO, Reinout Schakel:

Delivery - Delivery is roughly 10% of the business today and the company expects to stay around that level going forward. Delivery is a tool to help improve perception of convenience for the customer (does require some subsidies from the retailer).

Source: Citi Research quoted CFO & CSO

Our receipts are collected from more than 10,000 customers in 2,213 stores in 45 cities – distributed in proportion to Luckin's population in terms of city tier and store type (see below for benchmarking). From a statistical perspective, in order to achieve 95% confidence interval with 2% margin of error on both ASP and items per order, we would require at most 5,000 receipts. We increased that five-fold and collected 25,843 receipts to ensure the quality of the data. Our confidence level has achieved 99% with 1% margin of error.

Distribution Comparison: 25,843 Receipts vs. Actual

Distribution	25,843 Receipts	LK population
By city tier:	% of orders	% of stores
T1 cities	38%	33%
T2 cities	44%	56%
T3 cities	18%	11%
By store type:		
Office building	53%	59%
Shopping Mall	35%	25%
Schools	7%	7%
Others	5%	9%

Source: 25,843 customer receipts, Luckin APP, Coffee_Detective Calculation

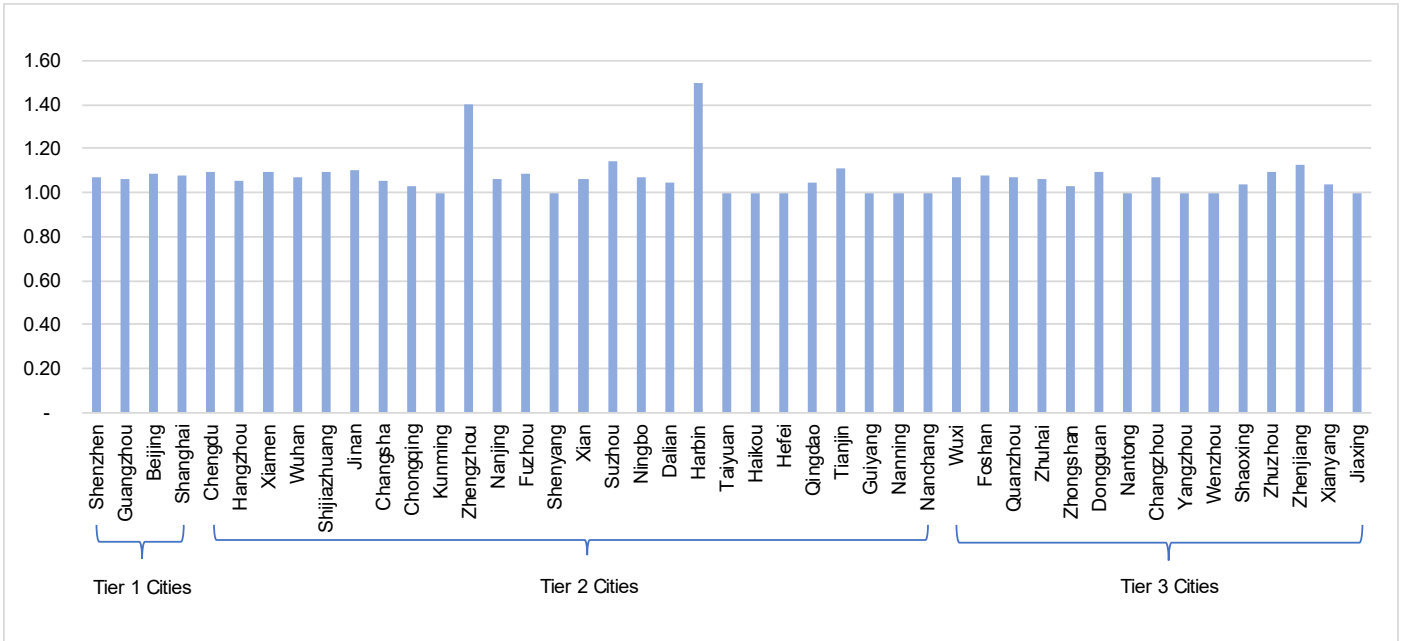
In addition, items per order is independent to store types or city tiers, as indicated below. Therefore, there's zero impact on the result by simulating a perfect match to the population distribution. Note that for delivery orders, the customer cannot choose the delivery store, so the store distribution by type is only applicable to pick-up orders.

Items Per Order by Store Types

By Store Type	Items Per Order - 25,843 Receipts	% o Stores (LK Population)	Order Type % -Company
Office Building	1.08	59%	
Shopping Mall	1.07	25%	
Schools	1.04	7%	
Others	1.08	9%	
Pick-up Blended	1.07	100%	90%
Delivery	1.75		10%
Total			1.14
Difference vs. Receipts			0%

Source: Company Information, 25,843 Luckin customer receipts

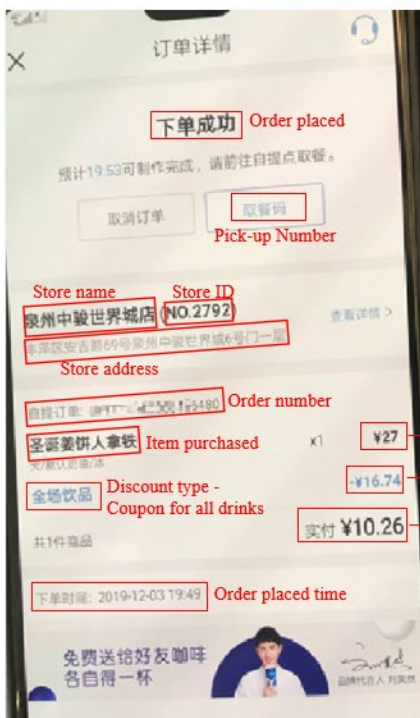
Items Per Order by Cities



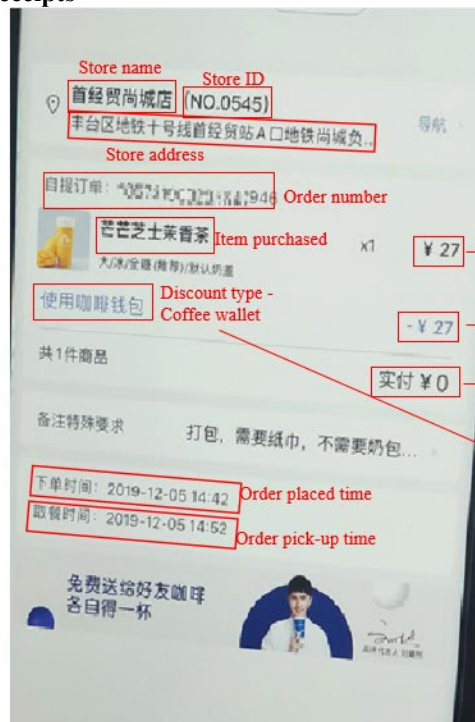
Source: 25,843 Luckin customer receipts

Each receipt contains ample information (sample attached below for reference) including when and where a purchase was made, whether it's a pick-up or delivery order, what kind of coupon was used, what was the listed price and actual price paid etc. Investors and auditor can access the receipts from the following link: [\(Link\)](#)

Sample Receipts



Amount due ¥27
 Price discounted -¥16.74
 Actual price paid (38% of the listed price) 实付 ¥10.26



Amount due ¥27
 Price discounted -¥27
 Actual price paid 实付 ¥0
 Order placed time 2019-12-05 14:42
 Order pick-up time 2019-12-05 14:52
 If the customer uses coffee wallet (prepaid money) to pay the order, the actual price paid will be shown as zero. We will proportionally add back the amount prepaid into the coffee wallet (Customers pay 33% to 67% of the listed price to prepay in coffee wallet; we use flat rate 67%), i.e. in this case, RMB18.09

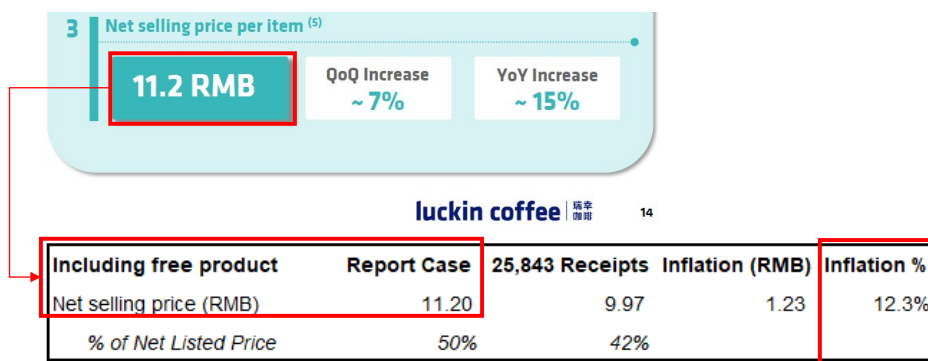
Randomly gathered 25,843 receipts from more than 10,000 customers



Smoking Gun Evidence #3: We gathered 25,843 customer receipts and found that Luckin inflated its net selling price per item by at least RMB 1.23 or 12.3% to artificially sustain the business model. In the real case, the store level loss is high at 24.7%-28%. Excluding free products, actual selling price was 46% of listed price, instead of 55% claimed by management.

Luckin reported a net selling price² of RMB 11.2 per item in 2019 3Q. On the earnings conference call on Nov. 13, 2019, Luckin’s CFO & CSO Reinout Schakel guided even higher price for 2019 4Q. However, our 25,843 receipts indicate net selling price of only RMB9.97, i.e. 12.3% inflation versus the reported case (99% confidence level and 1% margin of error statistically, meaning that we are 99% sure the price is in the range of RMB9.87-RMB10.07, 1% error).

Actual vs. Reported Price Comparison – Including Free Product



Source: Luckin Public Filings, 25,843 Luckin customer receipts, Coffee_Detective calculation

Excluding free product, freshly brewed drinks and other products were sold at RMB 10.94 and RMB 9.16 respectively, indicating 12.3% and 32% inflation versus the reported case. Excluding free product, actual selling price was 46% of listed price, instead of 55% claimed by management.

Actual vs. Reported Price Comparison – Excluding Free Product

Excluding free product	Report Case	25,843 Receipts	Inflation (RMB)	Inflation %
Net selling price (RMB)	12.24	10.83	1.41	13.0%
% of Net Listed Price	55%	46%		
Freshly Brewed Drinks (RMB)	12.29	10.94	1.35	12.3%
% of Net Listed Price	54%	45%		
Other products (RMB)	12.09	9.16	2.93	32.0%
% of Net Listed Price	57%	56%		

Source: Luckin Public Filings, 25,843 Luckin customer receipts, Coffee_Detective calculation

Luckin CFO & CSO guided Q/Q ASP growth on 2019 3Q earnings conference call on Nov.13, 2019

Shiyan Wang *Crédit Suisse AG, Research Division - Research Analyst*

The second question is, could you talk about the trend of the key operating metrics into the fourth quarter, especially the ASP, as we are seeing increasing promotion intensity by you and other competitors and also the growth outlook for the Luckin Tea products in Q4 given the seasonality?

Reinout Hendrik Schakel *Luckin Coffee Inc. - CFO & Chief Strategy Officer*

Now on your second question in relation to the ASP, we've seen another healthy growth of ASP quarter-over-quarter. On the one hand, that is because in terms of the number of new customers that we attract or the number of free cups that we give as a percentage of total transacting customers, obviously, continues to reduce because we've been increasing the number of transacting customers. So that has a less dilutive impact on sort of your ASP.

At the same time, also, we continue to increase the number of people that are already paying the price that we want them to pay. So it's a trend that we have seen in Q2. We obviously see it in Q3.

In terms of your questions, yes, we do expect that trend to continue, in line with what we have been communicating on before. So over time, the sort of the long-term price that we're looking for is, obviously, that sort of CNY 16 to CNY 17, and we gradually will kind of move towards that price point over time.

Source: Luckin 2019 3Q earnings transcript

² Net selling price per item was calculated as total net revenue from products over the period divided by total items sold over the period

To clarify, we kept our ASP definition consistent with the Luckin’s own reporting metrics – net effective selling price, net of VAT, net of coupon. Specifically for its “coffee wallet”, we posited that all coffee wallet purchases are counted at 67% of listed price i.e. 1) we don’t count any cups sold at “zero” price 2) even for the buy 10 get 10 free (i.e. only 50% of listed price) promotional campaigns in each of July, October, November months, we still count at 67% of listed price as the net effective selling price. Therefore, we have a higher probability of overestimating ASP rather underestimating. Applying a perfectly match to Luckin’s store distribution, the difference in net selling price will be no more than 1%.

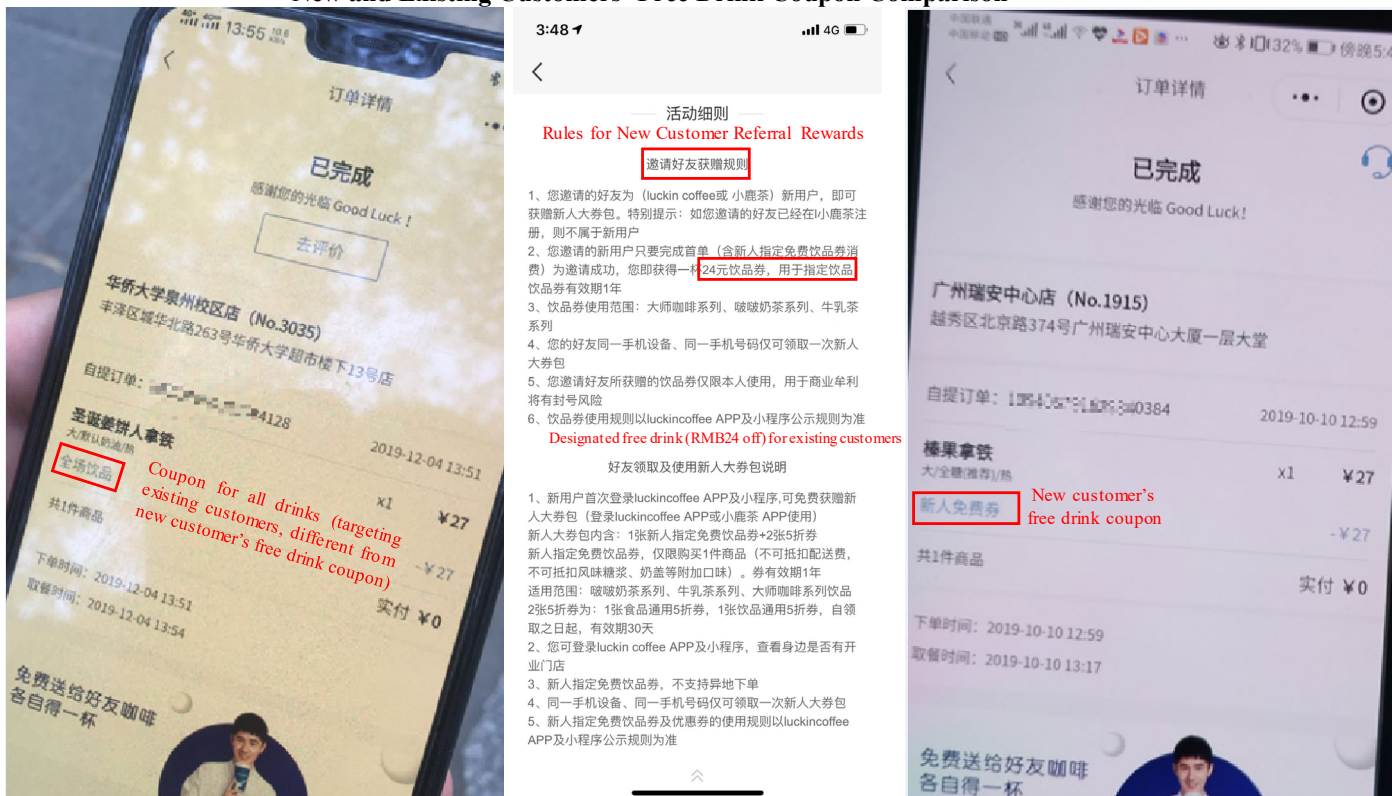
Net Selling Price Per Item by Store Type

By Store Type	Net Selling Price (RMB) - 25,843 Receipts	% o Stores (LK Population)	Order Type % -Company
Office Building	10.1	59%	
Shopping Mall	9.5	25%	
Schools	9.1	7%	
Others	9.9	9%	
Pick-up Blended	9.9	100%	90%
Delivery	11.8		10%
Total			10.1
Difference vs. Receipts			1%

Source: Company Information, 25,843 Luckin customer receipts, Coffee_Detective calculation

On the aforementioned earnings call, Luckin’s CFO Reinout Schakel circumvented the question on increasing promotion intensity. **However, our receipts indicate that they even started to offer free drink coupons to existing users since 2019 4Q,** vs. previously only offering free coupons to new users and users invited them. The percentage of free items is supposedly declining per company filings.

New and Existing Customers’ Free Drink Coupon Comparison



Source: Luckin APP, 25,843 Luckin customer receipts

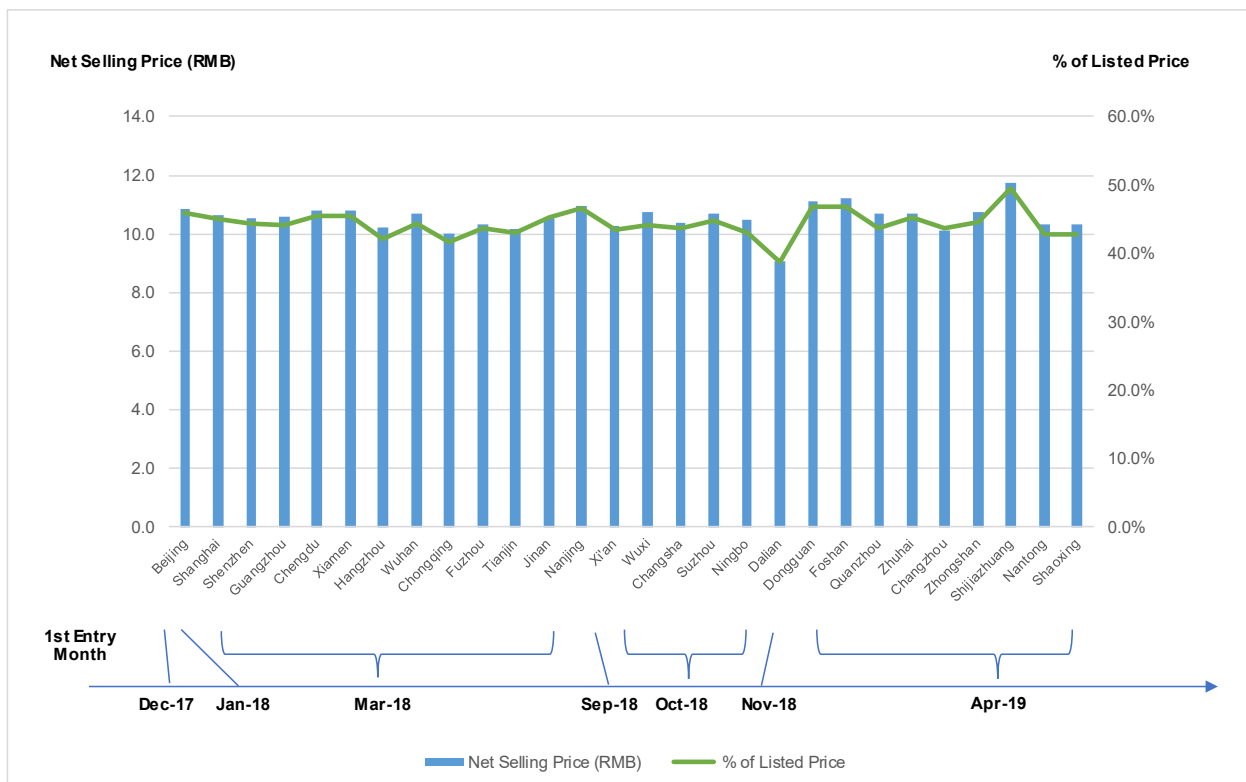
Reported % of free items reduced overtime

	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
# of free items (mn)	0.9	4.3	4.6	12.0	6.0	8.0	10.8
As % of total items	58.8%	36.2%	19.9%	22.7%	12.4%	9.7%	8.1%

Source: Luckin Public Filings


Luckin's CFO Reinout Schakel said they continued to increase the number of people that are already paying the price that they want them to pay. Our receipts indicate the opposite – **even in mature markets with more mature customers, the effective price was stagnant at RMB 10, excluding the free product. There's no positive correlation between the net selling price per item and the operating months.**

Net Selling Price or % of Listed Price by Cities, Sorted by Date of Entry



Source: 25,843 Luckin customer receipts, Coffee_Detective calculation

In the recent Citi conference in January, Luckin CFO Reinout Schakel mentioned that more than 63% of customers are paying RMB 15-16 per cup of coffee. In the 2019 3Q company presentation, **they pointed out that 63% of items were sold at more than 50% of retail price.** However, these are all too good to be true and contradict our receipts findings. **Our receipts indicate only 28.7% of items were sold at more than 50% of listed price. In fact, the majority of items were sold at 28%-38% of listed price. i.e. Luckin's core customers are still very price sensitive. Only 39.2% of customers paid a price higher than RMB 12 and only 18.9% were paying more than RMB 15 per cup of coffee.**

Citi Research 

14 January 2020 11:45:43 ET

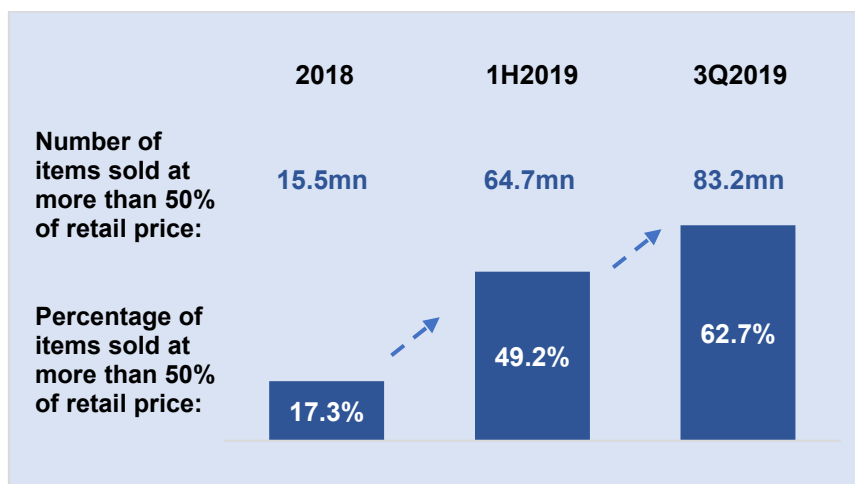
Quick post: Restaurant Industry: Luckin - CFO Takeaways from ICR...

We caught up with Luckin's CFO, Reinout Schakel:

Pricing Differential vs. Starbucks - Starbucks' cost per cup is ~20RMB vs. Luckin at ~10RMB - location | costs are the biggest driver of the cost delta.

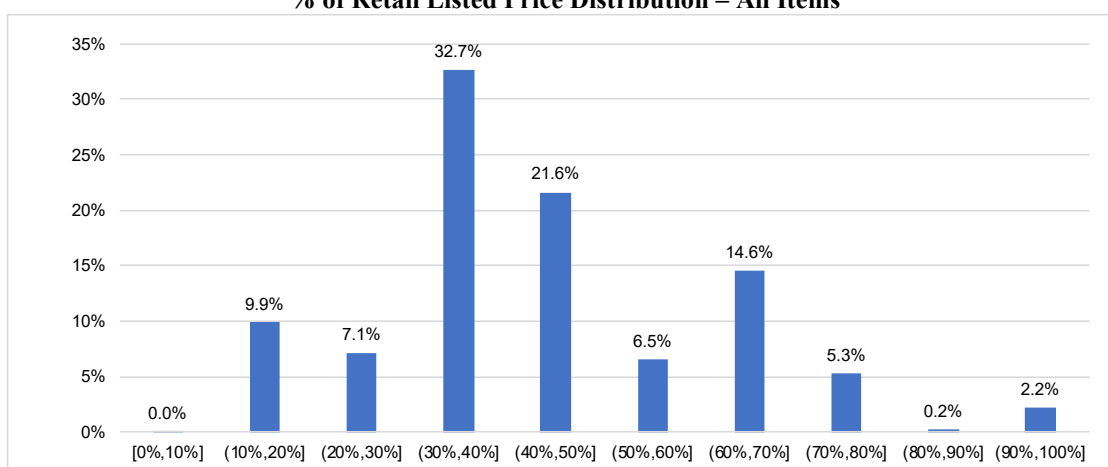
Dynamic Pricing - Frequency, retention, and ARPU are the key variables that drive dynamic pricing. **More than 63% of customers are paying 15-16RMB per cup of coffee** - so the company has increased the number customers who are paying a more normalized price for a cup of coffee (average price includes discounts).

Source: Citi Research quoted CFO & CSO



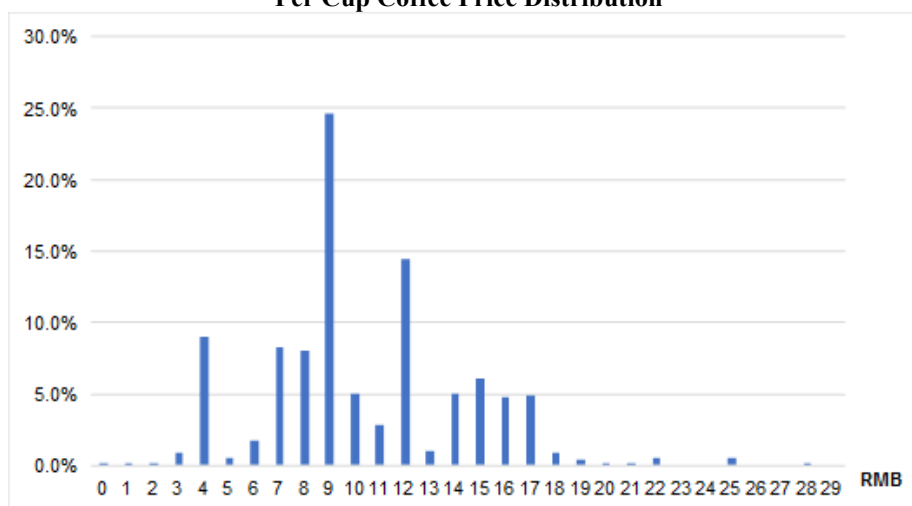
Source: Company Presentation

% of Retail Listed Price Distribution – All Items



Source: 25,843 Luckin customer receipts, Coffee_Detective calculation

Per Cup Coffee Price Distribution



Source: 25,843 Luckin customer receipts, Coffee_Detective calculation

Why does ASP matter? If investors still remember Luckin's own sensitivity analysis on store profitability during their presentations, they will find that ASP is the key factor for store level profitability. They pointed out, selling at RMB16 per item at 400 items per store per day, the store level profitability can be as high as 28.4%. The lower end of ASP below RMB 12, which is closer to the real case, is somehow omitted in management's analysis, representing a much more struggling profitability outlook. **Under the real case, i.e. 263 items per store per day with net selling price of RMB 9.97, the store level LOSS is at 28.0%**, based on management presentation. Note that all numbers are provided by management. Take one step back, we give the company some credits for achieving economy of scale through sending free coffees and take down the costs at 2019 2Q reported numbers, the store level loss is still as high as 24.7%. At current price level, they can only achieve store level profitability by selling 800

items per store per day or they have to increase the effective selling price to RMB13 minimum. That's why they need to fabricate the ASP numbers to sustain their business model.

Store Level OPM Sensitivity Analysis –Management Presentation Case

Case: Management Presentation		Items per store per day										
		50	100	200	263	300	400	500	600	700	800	900
Net Selling Price (RMB)	7	-314%	-171%	-99.4%	-82.3%	-75.6%	-63.6%	-56.5%	-51.7%	-48.3%	-45.7%	-43.8%
	8	-262%	-137%	-74.5%	-59.5%	-53.6%	-43.2%	-36.9%	-32.7%	-29.8%	-27.5%	-25.8%
	9	-222%	-111%	-55.1%	-41.8%	-36.6%	-27.3%	-21.7%	-18.0%	-15.3%	-13.4%	-11.8%
	10	-191%	-90%	-40.0%	-28.0%	-23.3%	-14.9%	-9.9%	-6.5%	-4.1%	-2.3%	-0.9%
	11	-164%	-72%	-26.9%	-16.0%	-11.7%	-4.1%	0.4%	3.5%	5.6%	7.3%	8.5%
	12	-142%	-58%	-16.3%	-6.3%	-2.4%	4.5%	8.7%	11.5%	13.5%	15.0%	16.1%
	13	-123%	-46%	-7.4%	1.9%	5.5%	11.9%	15.7%	18.3%	20.1%	21.5%	22.6%
	14	-107%	-35%	0.3%	8.9%	12.2%	18.2%	21.8%	24.1%	25.8%	27.1%	28.1%
	15	-93%	-26%	6.9%	14.9%	18.1%	23.6%	27.0%	29.2%	30.8%	32.0%	32.9%
	16	-81%	-19%	12.8%	20.3%	23.2%	28.4%	31.5%	33.6%	35.1%	36.2%	37.1%
	17	-71%	-12%	17.9%	24.9%	27.7%	32.6%	35.6%	37.5%	38.9%	40.0%	40.8%
	18	-61%	-5%	22.4%	29.1%	31.7%	36.4%	39.1%	41.0%	42.3%	43.3%	44.1%
	21	-38%	10%	33.5%	39.2%	41.5%	45.5%	47.8%	49.4%	50.6%	51.4%	52.1%
24	-21%	21%	41.8%	46.8%	48.8%	52.3%	54.4%	55.8%	56.7%	57.5%	58.1%	

Source: Company Presentation, Coffee_Detective calculation

Key cost assumptions

- Cost of raw materials: RMB5.00 / item
- Payroll: RMB3.00 / item
- Excluding delivery subsidy ⁽¹⁾
- Low value consumables: RMB0.25 / item
- Rental expenses: RMB15K / month / store
- Income tax rate: 15%
- Logistic and storage : RMB0.70 / item
- Utilities and others: RMB5K / month / store
- Equipment depreciation: 5 years / linear
- Renovation depreciation: 3 years / linear

(1) Delivery subsidy is calculated as delivery expenses subtracted by delivery revenues

Source: Company Presentation, Coffee_Detective calculation

Store Level OPM Sensitivity Analysis –2019 2Q case with reported costs

Case: 2Q19		Items per store per day										
		50	100	200	263	300	400	500	600	700	800	900
Net Selling Price (RMB)	7	-309%	-166%	-94.7%	-77.6%	-70.9%	-58.9%	-51.8%	-47.0%	-43.6%	-41.0%	-39.0%
	8	-258%	-133%	-70.4%	-55.4%	-49.5%	-39.1%	-32.8%	-28.6%	-25.6%	-23.4%	-21.7%
	9	-218%	-107%	-51.4%	-38.1%	-32.9%	-23.6%	-18.0%	-14.3%	-11.7%	-9.7%	-8.1%
	10	-187%	-87%	-36.7%	-24.7%	-20.0%	-11.6%	-6.6%	-3.2%	-0.8%	1.0%	2.4%
	11	-161%	-69%	-23.9%	-13.0%	-8.7%	-1.1%	3.4%	6.5%	8.6%	10.3%	11.5%
	12	-139%	-55%	-13.6%	-3.6%	0.3%	7.3%	11.5%	14.3%	16.2%	17.7%	18.9%
	13	-120%	-43%	-4.8%	4.4%	8.0%	14.4%	18.3%	20.8%	22.7%	24.1%	25.1%
	14	-105%	-33%	2.6%	11.2%	14.6%	20.5%	24.1%	26.5%	28.2%	29.5%	30.5%
	15	-91%	-24%	9.1%	17.1%	20.3%	25.8%	29.2%	31.4%	33.0%	34.2%	35.1%
	16	-79%	-16%	14.8%	22.3%	25.3%	30.5%	33.6%	35.7%	37.2%	38.3%	39.2%
	17	-69%	-10%	19.8%	26.9%	29.6%	34.6%	37.5%	39.5%	40.9%	41.9%	42.7%
	18	-59%	-4%	24.3%	30.9%	33.6%	38.2%	41.0%	42.8%	44.2%	45.2%	45.9%
	21	-36%	11%	35.1%	40.8%	43.0%	47.0%	49.4%	51.0%	52.1%	53.0%	53.7%
24	-19%	22%	43.2%	48.2%	50.2%	53.6%	55.7%	57.1%	58.1%	58.9%	59.4%	

Source: Company Presentation, Company Filings, Coffee_Detective calculation

Smoking Gun Evidence #4: Third party media tracking showed that Luckin overstated its 2019 3Q advertising expenses by over 150%, especially its spending on Focus Media

Luckin disclosed its quarterly advertising expenses before Mar 31 2019 in its IPO prospectus. After IPO, its advertising expenses can be calculated using the breakdown of new customer acquisition costs on its quarterly earnings release presentations.

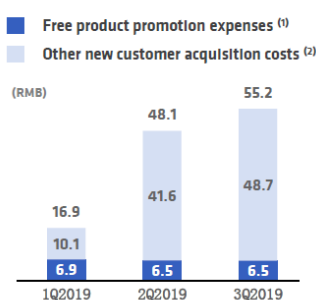
Luckin's reported selling and marketing expenses breakdown

For the three months ended

	March 31, 2018		June 30, 2018		September 30, 2018		December 31, 2018		March 31, 2019	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
(in thousands, except for percentages)										
Advertising expenses	39,848	73.2%	101,842	57.2%	127,372	56.5%	93,080	32.3%	40,143	23.9%
Others	1,694	3.1%	2,555	1.5%	2,380	1.1%	4,487	1.5%	3,532	2.1%

Source: Luckin IPO Prospectus

New customer acquisition costs



New transacting customers (in millions)



Notes:
 (1) Calculated as free product promotion expenses / number of new transacting customers during the period
 (2) Calculated as (advertising expenses - other sales and marketing expenses excluding delivery) / number of new transacting customers during the period

	1Q19	2Q19	3Q19
Other new customer acquisition costs - Per new customer (RMB)	10.1	41.6	48.7
New transacting customers (RMB million)	4.3	5.9	7.9
Advertising expenses and others (RMB million)	44	246	387
Advertising expenses (RMB million)	40	242	382
Others (RMB million)	4	4	4

Source: Luckin 2019 3Q Earnings Release Presentation

The reported quarterly advertising expenses are summarized below:

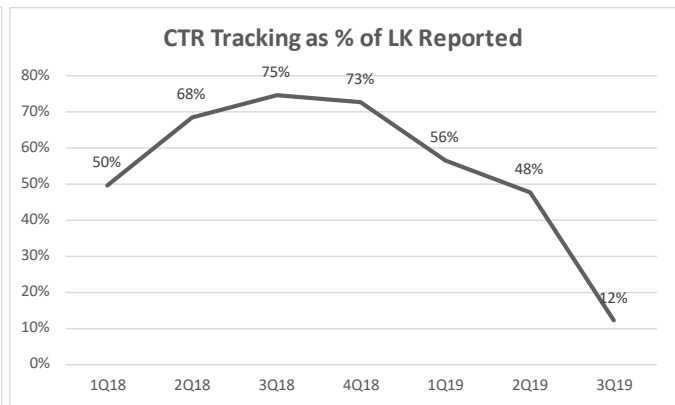
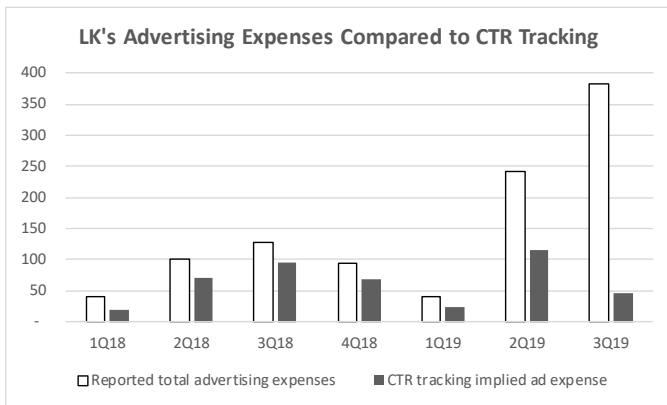
	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Advertising expenses (RMB million)	40	102	127	93	40	242	382

In 2019 2Q's earnings call, the company disclosed for once that Focus Media accounted for RMB 140 million of the total RMB 240 million + advertising expense in 2019 2Q (they only managed to explain RMB 154.5 million, or 64% of the total advertising spending RMB 242 million).

The data tracked by CTR Market Research showed that Luckin overstated 2019 3Q advertising expenses by over 150%: 2019 3Q CTR implied Focus Media spending was RMB 46 million, only 12% of Luckin's reported advertising expense, a much lower level than previous quarters. Assuming Luckin spent a similar amount on non-Focus Media advertising expenses in 2019 3Q, Luckin overstated its advertising expense by 158%.

rmb million	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19
Luckin reported								
Reported total advertising expenses	40	102	127	93	40	242	382	
CTR tracking								
CTR tracking list price	248	872	1,186	845	283	1,438	579	646
List price to actual expense ratio	8%	8%	8%	8%	8%	8%	8%	8%
CTR tracking implied ad expense	20	70	95	68	23	115	46	52
CTR as % of reported	50%	68%	75%	73%	56%	48%	12%	

Source: Luckin Filings, CTR Market Research



Source: Luckin filings, CTR Market Research

CTR Market Research tracks actual advertising broadcasting of different brands on various media channels, including all the three major media channels of Focus Media: LCD display network (office building elevators), poster/digital frame network (residential building elevators), and movie theater network – accounting for 82%, 17% and 1% of Focus Media’s total revenue in first half of 2019, respectively, based on Focus Media’s interim report 2019.

Below are CTR’s monthly tracking results of Luckin’s advertising spending on Focus Media’s channels. **Luckin’s spending was reduced to a minimum level from September to November 2019, but rebounded in December 2019.**

Fraud Started

CTR tracking - Luckin		18/01	18/02	18/03	18/04	18/05	18/06	18/07	18/08	18/09	18/10	18/11	18/12	19/01	19/02	19/03	19/04	19/05	19/06	19/07	19/08	19/09	19/10	19/11	19/12	
Media list price rmb m		-	53	126	266	272	110	257	290	321	239	200	188	47		149	100	716	261	266	-	-	-	-	503	
LCD Display																18%	-62%	164%	137%	4%						
YY Growth																										
M/M Growth				111%	2%		133%	13%		-26%	-16%							614%		2%						
Poster/Digital Frame net		-	5	54	13	89	23	96	107	117	89	82	48	16		71	33	104	86	111	-	-	-	5	137	
YY Growth																31%	152%	16%	281%	16%						
M/M Growth					578%		323%	12%		-24%	-8%							211%		28%						
Movie theater network		8	2	-	31	48	19	-	-	-	-	-	-	-	-	-	-	42	94	140	62	-	-	-	-	
YY Growth																										
M/M Growth																		-12%	389%		48%	-56%				
Total		8	59	180	311	409	152	352	397	438	328	282	235	63	-	220	134	862	442	517	62	-	-	5	640	
YY Growth														698%		22%	-57%	111%	190%	47%		-84%			-98%	172%

Source: CTR Market Research

The dollar amount in CTR’s raw data is media list price, which could be significantly higher than the actual advertising spending. To calculate the conversion rate between list price and advertising spending, we calculated it between CTR’s tracking of total Focus Media broadcasted advertisements with Focus Media (002027 CH)’s reported revenue. Based on the data from 2019 1Q to 3Q, Focus Media’s actual revenue is around 8% of CTR tracked media list price.

Rmb million	18Q4	19Q1	19Q2	19Q3	19H1
CTR Tracking					
Total Focus Media	39,247	37,134	35,421	39,819	72,555
LCD Display and Poster/Digital Frame networks	31,613	28,503	28,133	31,679	56,637
LCD Display	10,099	7,170	7,752	9,261	14,922
Poster/Digital Frame networks	21,514	21,334	20,381	22,418	41,715
Movie theater network	7,633	8,630	7,288	8,140	15,918
Company Reported Revenue					
Total Focus Media	3,675	2,611	3,106	3,189	5,717
LCD Display and Poster/Digital Frame networks					4,698
Movie theater network					982
Others					37
Company Reported as % of CTR					
Total Focus Media	9.4%	7.0%	8.8%	8.0%	7.9%
LCD Display and Poster/Digital Frame networks					8.3%
Movie theater network					6.2%

Source: Focus Media filings, CTR Market Research

According to its accounting policy listed in its financial reports, Focus Media’s advertising revenue is recognized “when the advertisement is broadcasted to the public”, which is the same time as CTR tracked advertising broadcasting, and the time when Luckin should book its advertising expense.

CTR also publishes on their website monthly, quarterly and annual report of largest advertisers based on their tracking. **For May 2019 (Link), for example, CTR noted that Luckin was the largest advertiser combining all the media channels it tracked,** including traditional outdoor, TV, radio, and the three channels Focus Media used most. Note that Luckin spent 83% of its total tracked advertising budget on LCD display network, 12% on poster/digital frame network, and 5% on movie theater network in that month.

Top 10 Brands on Outdoor Media Advertising and Their Spending Breakdown, May 2019

2019年5月户外媒体投放TOP10品牌各媒体花费占比情况

Brand	品牌	Traditional Outdoors	LCD Display	Poster/Digital Frame	Movie theater	TV	Radio
		传统户外	电梯电视	电梯海报	影院视频	电视	广播
Luckin Coffee	瑞幸	0.0%	83.1%	12.0%	4.9%	-	-
	铂爵旅拍	-	97.6%	-	2.4%	0.0%	-
	唱吧	0.0%	96.0%	3.4%	-	0.6%	-
	妙可蓝多	-	68.7%	-	-	31.3%	0.0%
	飞鹤	0.0%	35.4%	6.4%	0.9%	54.3%	3.0%
BORGWARD	宝沃	-	83.0%	17.1%	-	-	-
	伊利	4.9%	12.8%	6.6%	0.8%	74.9%	0.0%
	弹个车	0.0%	69.1%	12.9%	18.0%	-	-
	肯德基	5.6%	43.3%	6.1%	2.9%	42.1%	0.0%
	京东商城	4.1%	50.4%	16.9%	1.1%	27.1%	0.5%

Source: CTR Market Research

However, Luckin’s ranking in LCD Display and Poster/Digital Frame top advertisers **fell quickly in June and July 2019, and even fell out of the top 10 starting from August 2019 (Link).**

For the easier use of investors, we draw out the ranking, year-on-year and month-on-month growth of Luckin’s spending ever reported in CTR reports.

LK's spending ranking	18/01	18/02	18/03	18/04	18/05	18/06	18/07	18/08	18/09	18/10	18/11	18/12	19/01	19/02	19/03	19/04	19/05	19/06	19/07	19/08	19/09	19/10	19/11
LK's spending growth	10+	NA	13	6	7	11	4	4	6	6	8	NA	10+	20+	12	18	1	6	6	10+	NA	10+	10+
YY Growth															18%	-62%	164%	137%	4%				
M/M Growth				111%	2%		133%	13%		-26%	-16%						614%		2%				
Poster/Digital Frame	10+	NA	NA	42	4	20	5	4	5	6	5	NA	10+	20+	4	16	1	3	4	10+	NA	10+	10+
YY Growth															31%	152%	16%	281%	16%				
M/M Growth				578%			323%	12%		-24%	-8%						211%		28%				
Movie theater	10+	NA	NA	10+	10+	NA	10+	10+	10+	10+	10+	NA	10+	20+	20+	20+	14	4	1	3	NA	10+	10+
YY Growth																	-12%	389%					
M/M Growth																			48%				

Source: CTR Market Research

So where did the money go? Clues might be found from the similar amounts of overstated store-level profit and advertising expenses.

Luckin claimed to have achieved “store-level profitable” in 2019 3Q. Combining Smoking Gun Evidence 1 to 3, Luckin actually hid store-level loss into below-store level, instead of really surpassing the breakeven point at store level.

The real case in Luckin’s store level results are sales volume of 263 items per store per day sold at an ASP of RMB 9.97. Comparing the real case and the reported case, **Luckin overstated its store-level operating profit by RMB 397 million in 2019 3Q.** Coincidentally, **the difference between Luckin’s reported advertising expense and its actual spending on Focus Media tracked by CTR is RMB 336 million,** similar to the overstated store-level operating profit. **Moreover, both misstatements became evident from 2019 3Q.** It’s possible that Luckin channeled its overstated advertising expense back to conduct the fraud in revenue and store-level profit.

	Unit	3Q19
Reported		
Store level operating profit - reported	RMB Million	186
Advertising expense - reported	RMB Million	382
Real case		
Items per store per day		263
Average selling price	RMB	9.97
Average revenue per store per day	RMB	2,622
Average revenue per store per month	RMB	78,663
Average number of directly-operated stores		3,322
Total product revenue	RMB Million	784
Store level operating profit	RMB Million	(210.9)
Store level OPM from sensitivity analysis		-26.9%
Advertising expense on Focus Media - real	RMB Million	46
Difference: Reported - real		
Difference in store level profit	RMB Million	(397)
Difference in advertising expense	RMB Million	336

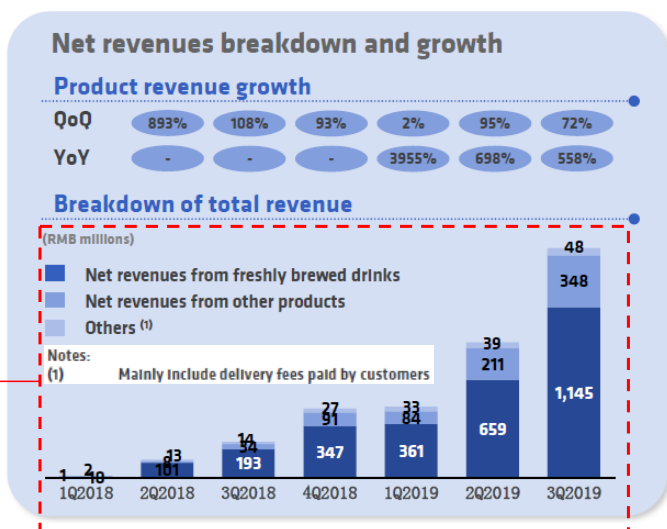
Source: Luckin filings, offline footage tracking, receipt tracking

Smoking Gun Evidence #5: Luckin’s revenue contribution from “other products” was only about 6% in 2019 3Q, representing a nearly 400% inflation, as shown by 25,843 customer receipts and its reported VAT numbers.

Luckin’s ambition is never a coffee company. Its mission is to be “everyone’s everyday life, starting with coffee!” That makes “other products”, i.e. non-freshly brewed drinks, e.g. light meals, juices, nuts, mugs etc. an important offering – its revenue contribution was reported increased from 7% in 2018 2Q to 23% in 2019 3Q, and item contribution increased from 6% to 22% correspondingly.



Source: Company presentation



Other products	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
As % of revenue	10.8%	7.0%	14.3%	19.6%	17.6%	23.2%	22.6%
As % of items	7.3%	6.4%	19.8%	24.0%	19.7%	23.7%	21.7%

Source: Luckin public filings

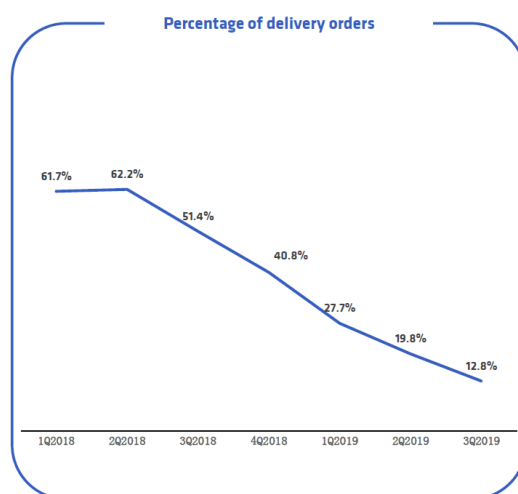
However, for the 981 store-days we tracked, **only 2% of the pick-up orders were found containing non-freshly brewed products**. The 25,843 receipts further indicate that 4.9% and 17.5% of items for pick-up and delivery orders were “other products”, **blended 6.2%, i.e. inflated by nearly 400%**. Again, people naturally tend to buy more “other products” for delivery orders to meet free shipping requirement. But if the delivery order % decreased dramatically from 62% in 2018 2Q to almost 10% now, how come “% of revenue from other products” increased from 7% to 23% in the same period?

Luckin’s % of items from “other products”

Other products - % in items (4Q19-Jan 20)	25,843 receipts	Order Type%	Company
Pick-up orders		4.9%	90.0%
Delivery orders		17.5%	10.0%
25,843 receipts		6.2%	100.0%

Source: Company information, 25,843 Luckin customer receipts

Decreasing importance of delivery orders



Source: Luckin 2019 3Q earnings presentation

Luckin’s VAT rate in the latest Form F-1 Filing also supported our findings: According to State Tax Administration of the PRC, the VAT rates for selling goods and services are different. For providing services, e.g. selling freshly brewed products, or delivery, the VAT rates are both subject to 6%. For selling goods, e.g. selling packaged food and beverages, i.e. “other products” here in Luckin’s case, the VAT rate is 13% since April 2019 (or 16% previously). This was further confirmed by the VAT invoices we

collected after shopping at Luckin (see samples below). With Luckin’s revenue breakdown, we can calculate a blended VAT rate and compare to company reporting.

Weighted average on net revenue contribution % by product category, we find that the calculated VAT perfectly matched reported case in 2018 4Q, full year 2018 and 2019 1Q (refer to the line chart below), prior to IPO.

However, for 2019 2-3Q, the gap widened abruptly and sharply – reported VAT rate was 6.5% while calculated was 7.6%. From another perspective, to reconcile with 6.5% VAT as reported, **the revenue contribution from other products would be actually 7%, which is very close to the 6.2% derived from 25,843 receipts, compared to company reported 22%-23%.**

In that case, either the actual revenue contribution from “other products” was 6%-7% in 2019 3Q or Luckin was committing a tax evasion.

Luckin’s reported VAT cannot match reported operating data

	4Q18	2018	1Q19	2-3Q19A	
Net revenue (RMB mn)	465.4	840.7	478.5	2,450.7	
VAT (RMB mn)	36.6	62.9	36.6	159.4	
VAT rate - reported	7.9%	7.5%	7.6%	6.5%	Mismatch
Difference vs. weighted average	-0.1%	-0.1%	-0.1%	-1.1%	
Net revenue % contribution - reported	100.0%	100.0%	100.0%	100.0%	
Freshly Brewed Drinks	74.5%	77.3%	75.5%	73.6%	
Other Products	19.6%	16.1%	17.6%	22.8%	
Others - delivery fees paid by customers	5.8%	6.6%	7.0%	3.6%	
VAT rate - weighted average calculated	8.0%	7.6%	7.8%	7.6%	
Freshly Brewed Drinks	6.0%	6.0%	6.0%	6.0%	
Other Products	16.0%	16.0%	16.0%	13.0%	
Others - delivery fees paid by customers	6.0%	6.0%	6.0%	6.0%	
How to get 6.5% VAT rate as reported?				6.5%	To reconcile with reported VAT, implied revenue % from other products is as low as 7%
Net revenue % contribution from other products				7.0%	

Source: Luckin public filings, Coffee_Detective calculation

To confirm other products are subject to a 13% VAT rate, we made some purchases at Luckin and requested VAT records. It clearly shows 13% VAT rate for nuts, muffin, juice etc., and 6% for freshly brewed drinks and delivery fee. Anyone who wants this information can require the VAT records through Luckin’s APP after purchase.



VAT Invoice (Guangdong)
广东增值税电子普通发票

发票代码: 440101MA54PY389E
 发票号码: 00000000000000000000
 开票日期: 2024-09-11
 校验码: 00000000000000000000

机器编号: 440101MA54PY389E

名称: 瑞幸咖啡 (广州) 有限公司 纳税人识别号: 91440101MA54PY389E 地址、电话: 广州市白云区沙太路668号之二903 020-37588609 开户行及账号: 上海浦东发展银行股份有限公司广州体育西支行8223007880140000151	密码区
货物或应税劳务、服务名称 (详见销货清单) (Details pls see the service list)	规格型号 单位 数量 单价 金额 税率 税额
合计	69.57 13% 9.03
价税合计(大写)	柒拾捌圆陆角 (小写)¥78.60
名称: 瑞幸咖啡 (广州) 有限公司 纳税人识别号: 91440101MA54PY389E 地址、电话: 广州市白云区沙太路668号之二903 020-37588609 开户行及账号: 上海浦东发展银行股份有限公司广州体育西支行8223007880140000151	备注

Seller: Luckin Coffee (Guangzhou) Co., Ltd.

Net selling price

VAT

Actual price paid



收款人: 瑞幸咖啡

复核: 赵蕾

开票人: 陈樊

销售方: (章)

销售货物或者提供应税劳务、服务清单
Taxable product/service list

购买方名称: 个人

销售方名称: 瑞幸咖啡 (广州) 有限公司 Seller: Luckin Coffee (Guangzhou) Co., Ltd.

所属增值税电子普通发票代码: 440101MA54PY389E

共 1 页 第 1 页

序号	货物(劳务)名称	规格型号	单位	数量	单价	金额	税率	税额
1	*果类加工品*芥末腰果		袋	1	13.27433628	13.2	13%	1.73
2	*果类加工品*芥末腰果					-4.5	13%	-0.59
3	*果类加工品*榴莲妮腰记		袋	1	10.61946903	10.6	13%	1.38
4	*果类加工品*榴莲妮腰记					-3.6	13%	-0.47
5	*软饮料*猕猴桃复合果汁		瓶	1	21.23893805	21.2	13%	2.76
6	*软饮料*猕猴桃复合果汁					-18.5	13%	-2.42
7	*焙烤食品*巧克力司康		个	1	13.27433628	13.2	13%	1.73
8	*焙烤食品*巧克力司康					-4.5	13%	-0.59
9	*焙烤食品*榛子味威化饼干		袋	1	26.54867257	26.5	13%	3.45
10	*焙烤食品*榛子味威化饼干					-9.0	13%	-1.17
11	*果类加工品*乌干达芒果干120g		袋	1	19.46902655	19.4	13%	2.53
12	*果类加工品*乌干达芒果干120g					-6.6	13%	-0.86
13	*焙烤食品*榛子巧克力起酥		个	1	14.15929204	14.1	13%	1.84
14	*焙烤食品*榛子巧克力起酥					-4.8	13%	-0.63
15	*软饮料*NFC鲜榨西柚汁		瓶	1	21.23893805	21.2	13%	2.76
16	*软饮料*NFC鲜榨西柚汁					-18.5	13%	-2.42
小计						¥ 69.57		¥ 9.03
总计						¥ 69.57		¥ 9.03

All other products:
13% VAT rate

销售方(章):





VAT Invoice (Shanghai)
上海增值税电子普通发票

发票代码: 31000117
 发票号码: 00000000000000000000
 开票日期: 2024-08-11
 校验码: 00000000000000000000

机器编号: 00000000000000000000

名称: 纳税人识别号: 地址、电话: 开户行及账号:	密 码 区						
货物或应税劳务、服务名称 (详见销货清单) (Product details pls see the service list)	规格型号	单位	数量	单 价	金 额	税 率	税 额
合 计					¥84.81		7.85
价税合计(大写)	玖拾贰圆陆角陆分						(小写)¥92.66
名称: 瑞幸咖啡(北京)有限公司上海长宁分公司 纳税人识别号: 91310000MA1FWA1D7M 地址、电话: 上海市长宁区延安西路1088号101室 22315200 开户行及账号: 上海浦东发展银行长宁支行98490078801300000249	备 注	Seller: Shanghai Changning Branch, Luckin Coffee (Beijing) Co., Ltd. Net selling price VAT ¥84.81 ¥7.85 Actual price paid					

收款人: 瑞幸咖啡 复核: 赵晋 开票人: 钟顺鑫 销售方: (章)



销售货物或者提供应税劳务、服务清单
Taxable product/service list

购买方名称: 个人

销售方名称: 瑞幸咖啡(北京)有限公司上海长宁分公司
Seller: Shanghai Changning Branch,
Luckin Coffee (Beijing) Co., Ltd.

所属增值税电子普通发票代码: 31000117000000000000000000000000 号码: 00000000000000000000 共 1 页 第 1 页

序号	货物(劳务)名称	规格型号	单位	数量	单 价	金 额	税 率	税 额
1	*餐饮服务*拿铁	Latte	杯	1	22.64150943	22.64	6%	1.36
2	*餐饮服务*拿铁					-22.64	6%	-1.36
3	*果类加工品*每日坚果	Nuts	袋	1	6.10619460	6.11	13%	0.79
4	*果类加工品*每日坚果					-2.08	13%	-0.27
5	*乳制品*咖啡风味安慕希	Yoghurt	盒	1	6.10619460	6.11	13%	0.79
6	*乳制品*咖啡风味安慕希					-0.61	13%	-0.08
7	*餐饮服务*大红袍茶拿铁	Luckin Tea	杯	1	19.81132075	19.81	6%	1.19
8	*饮料* NFC 鲜榨蓝莓草莓百果汁					21.24	13%	2.76
9	*焙烤食品*蔓越莓司康	NFC juice	个	1	13.27433628	13.27	13%	1.73
10	*焙烤食品*蔓越莓司康					-4.51	13%	-0.59
11	*餐饮服务*抹茶瑞纳冰	Exfreezo	杯	1	25.47169811	25.47	6%	1.53
12	*物流辅助服务*外卖费					5.66	6%	0.34
13	*物流辅助服务*外卖费	Delivery fee				-5.66	6%	-0.34
小计						¥ 84.81		¥ 7.85
总计						¥ 84.81		¥ 7.85

All other products:
13% VAT rate

销售方(章):

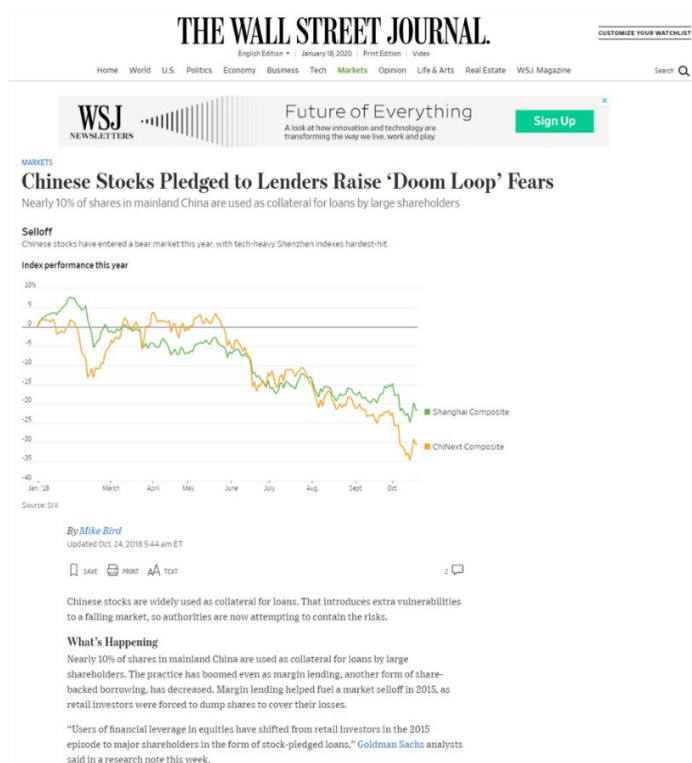


填开日期: 2024-08-11

Red Flag #1: Luckin's management has cashed out on 49% of their stock holdings (or 24% of total shares outstanding) through stock pledges, exposing investors to the risk of margin call induced price plunges

Luckin's management stresses that they have never sold a single share of the Company; however, they have already cashed out through stock pledge financing. The number of shares pledged is almost half of their total stakes and is worth ~\$2.5 billion at current price.

Stock pledge financing is a common approach for management to get funding without selling stakes directly which is often seen as a negative sign by investors. However, at the same time it is also considered as one of the key red flags in company due diligence given that significant amount of stock pledge could create a negative loop resulting in instances of share price collapse. Management can pledge their securities as collateral for loans from banks and brokerages. When pledged shares fall in value, lenders demand that borrowers post more cash or collateral. If they can't cough up the money, lenders can sell shares to recoup what they are owed, further depressing stock prices and prompting additional demands for collateral. There are numerous cases of stock plunge driven by share pledge financing across Hong Kong and mainland China (please refer to articles below).



Source: <https://www.wsj.com/articles/chinese-stocks-pledged-to-lenders-raise-doom-loop-fears-1540356191>
<https://www.bloomberg.com/news/articles/2019-01-23/hong-kong-s-billion-dollar-plunges-highlight-share-pledge-danger>

In the case of Luckin, its management collectively pledged almost half of their shares, as collateral for loans (61 million ADS), representing 24% of Luckin's total shares, **even more than the total amount of public offering** Luckin did in May 2019 IPO and Jan 2020 placement (51 million ADS). According to Luckin's prospectus issued on Jan 8, 2020, Company Chairman Charles Zhengyao Lu, CEO Jenny Zhiya Qian, and Sunying Wong, sister of Chairman Charles Zhengyao Lu, all pledged 30%, 47% and 100% of their shares owned respectively. Sunying Wong was not disclosed as the sister of Charles Zhengyao Lu in Luckin's prospectus but such relationship was disclosed in 2018 Annual Report of UCAR (神州优车, 838006 CH, a NEEQ³ listed company related to Chairman Lu). Luckin's management in total cashed out almost half of their stakes through stock pledge and left rest investors with significant risk of stock collapse. The stock pledge detail is summarized in below table (please also refer to the exact information from the prospectus at the end of the section).

³ NEEQ stands for The National Equities Exchange and Quotations, which is a Chinese over-the-counter system for trading the shares of a company that is not listed on either the Shenzhen or Shanghai stock exchanges. The NEEQ exchange is nicknamed the "New Third Board."

Luckin Management Share Pledge Summary

	# of ADS Held	Ownership in Luckin	# of Pledged ADS	Pledged as % of ADS Held	Pledged ADS as % of Total ADS Outstanding
Charles Zhengyao Lu - Chairman	60,606,438	23.9%	18,181,931	30.0%	7.2%
Jenny Zhiya Qian - CEO	39,062,500	15.4%	18,262,532	46.8%	7.2%
Sunying Wong - Chairman's sister	24,609,375	9.7%	24,609,375	100.0%	9.7%
Total	124,278,313	49.1%	61,053,838	49.1%	24.1%

Source: Prospectus as of January 8, 2020

<https://www.sec.gov/Archives/edgar/data/1767582/000104746920000079/a2240174zf-1.htm>

Note: 1 ADS = 8 ordinary shares

Proof of relationship between Chairman Lu (陆正耀) and his sister Wong Sunying

Wong Sun Ying is Chairman Charles Zhengyao Lu's sister

控制，Guo Li Chun 系陆正耀之配偶；控股股东之一 Mission Excellence Limited 由 Wong Sun Ying 控制，Wong Sun Ying 系陆正耀的姐姐；控股股东之一 Golden Ares Limited 由 Pau Hak Kan 控制，Pau Hak Kan 系陆正耀姐姐 Wong Sun Ying 的配偶；控股股东之一 Star Vantage (China) Limited 由 Paau Siu Wan 控制，Paau Siu Wan 系陆正耀姐姐 Wong Sun Ying 的女儿；控股股东、实际控制人之一周小童系王培强之配偶；

Source: page 46 of UCAR (838006 CH) 2018 Annual Report

http://www.ucarinc.com/ucarinc/ir/attachments/ucarinc_annou270.pdf

Details of Share Pledge by Management

Charles Zhengyao Lu – Chairman: Haode Investment Inc. and Primus Investments Fund L.P.

- (1) Represents (i) 297,351,500 Class B ordinary shares held by Haode Investment Inc., a British Virgin Islands company wholly owned by Haode International Limited and ultimately controlled by Lu Family Trust, a trust established under the laws of Cayman Islands and managed by TMF (Cayman) Ltd. as the trustee, Lichun Guo, Mr. Lu's spouse, as the settlor of the trust and Ms. Guo and her family members as the trust's beneficiaries; and (ii) 187,500,000 Class B ordinary shares held by Primus Investments Fund, L.P., a Cayman Islands company wholly owned by Haode Investment Inc. and ultimately controlled by Lu Family Trust. The registered address of Haode Investment Inc. is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, British Virgin Islands. The registered address of Primus Investments Fund, L.P. is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands. 89,205,450 Class B ordinary shares held by Haode Investment Inc. and 56,250,000 Class B ordinary shares held by Primus Investments Fund, L.P. have been pledged to an affiliate of an underwriter to secure a borrowing.

Jenny Zhiya Qian – CEO: Summer Fame Limited

- (2) Represents 312,500,000 Class B ordinary shares held by Summer Fame Limited, a British Virgin Islands company wholly owned by Summer Fame International Limited and ultimately controlled by Qian Family Trust. The registered address of Summer Fame Limited is Craigmuir Chambers, Road Town, Tortola, VG 1110, British Virgin Islands. Qian Family Trust is a trust established under the laws of Cayman Islands and managed by TMF (Cayman) Ltd. as the trustee. Ms. Qian is the settlor of the trust and Ms. Qian and her family members are the trust's beneficiaries. 146,100,254 Class B ordinary shares held by Summer Fame Limited have been pledged to an affiliate of an underwriter to secure a borrowing.

Sunying Wong – Chairman's sister: Mayer Investments Fund, L.P.

- (7) Represents 196,875,000 Class B ordinary shares held by Mayer Investments Fund, L.P., a Cayman Islands company controlled by Mayer Management GP, Limited and ultimately controlled by Sunying Wong. The registered address of Mayer Investments Fund, L.P. is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands. 196,875,000 Class B ordinary shares held by Mayer Investments Fund, L.P. have been pledged to an affiliate of an underwriter to secure a borrowing.

Source: Prospectus as of January 8th, 2020

<https://www.sec.gov/Archives/edgar/data/1767582/000104746920000079/a2240174zf-1.htm>

Red Flag #2: CAR (699 HK) déjà vu: Charles Zhengyao Lu and the same group of closely-connected private equity investors walked away with USD 1.6 billion from CAR (699 HK) while minority shareholders took heavy losses

Before Luckin, Charles Zhengyao Lu founded a Chinese auto rental company called China Auto Rental (CAR, 神州租车) in 2007. CAR filed for NASDAQ listing but failed in 2012. It was successfully listed in HKEX (stock code 699 HK) in 2014 after introducing strategic investment from Hertz (NYSE: HRI US). Shareholding structure of CAR (699 HK) was Lenovo 29%, Warburg Pincus 18%, Hertz 16% and Charles Zhengyao Lu 15%. Luckin's major private equity investors Centurium Capital and

Joy Capital's founding partners, Erhai Liu and David Hui Li, led Lenovo and Warburg Pincus' investment in CAR (699 HK) respectively.

There was a short period of "honeymoon" between CAR (699 HK) and capital market after IPO. Share price surged from HK\$8.5 at IPO to HK\$20.0 in May, 2015 before Charles Zhengyao Lu started to cash out. Instead of directly selling in the market, he sold all his shares to UCAR Technology (优车科技), which is a subsidiary of UCAR (838006 CH). As you can see from the name, UCAR (838006 CH) is just another company controlled by Charles Zhengyao Lu: Lu and his concerted parties held close to 50% shares of UCAR (838006 CH) in 2016 and still 40% today. Charles Zhengyao Lu cashed out HKD 3.4 billion at HK\$9.2/share. In addition, CAR's (699 HK) other pre-IPO investors, such as Hertz, Lenovo and Warburg Pincus, also sold significant amount of their shares during the same time. From Jun, 2015 to Mar, 2016, **Charles Zhengyao Lu and other pre-IPO investors cashed out USD 1.6 billion after dumping 42% of CAR's (699 HK) total shares to the market in just 9 months.**

CAR (699 HK) insiders' shareholding movement

IPO date: 9.19.14
 IPO price: HKD 8.50
 Lock-up expire: 3.19.15

HKD M	Shareholding after IPO		Shareholding movement						Current shareholding	
	No. of shares	% TSO	Time	No. of shares	% TSO	HKD M	Price	Note	No. of shares	% TSO
Lu Zhengyao (Chairman)	348	15%	Jul-2015	12	0.5%	161	14.0		-	0%
			Sep-2015	7	0.3%	82	12.2			
			Jan-2016	4	0.2%	46	11.3			
			Mar-2016	0	0.0%	2	8.3			
			Mar-2016	(370)	-15.7%	(3,393)	9.2			
UCAR Technology			Oct-2015	125	5.3%	1,693	13.5	From Lenovo	631	30%
			Mar-2016	574	24.3%	5,257	9.2	From Lu & Hertz		
			Jun 16 - Dec 17	(69)	-2.9%	(470)	6.9			
Lenovo	688	29%	Oct-2015	(125)	-5.3%	(1,693)	14	to UCAR	563	27%
Warburg Pincus	430	18%	Jun-2015	(168)	-7.1%	(3,108)	19		214	10%
			Dec-2018	(48)	-2.0%	(318)	7	to Song Yifan		
Hertz	382	16%	Sep-2015	(60)	-2.5%	(775)	13		41	2%
			Dec-2015	(78)	-3.3%	(1,055)	14			
			Mar-2016	(204)	-8.6%	(1,864)	9	to UCAR		
Song Yifan (CEO)			Dec-2018	48	2.0%	318	7		48	2%
TSO	2,358	100%							2,119	100%

Source: Company filings

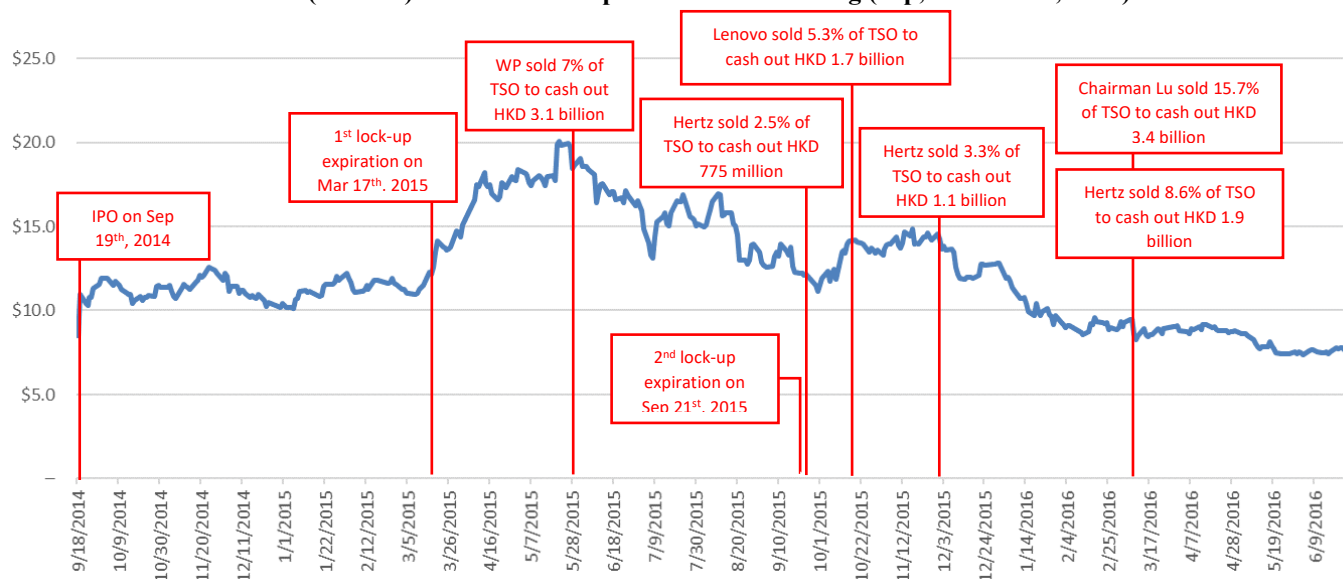
Given such material share dumping by insiders, it is not surprising to see CAR's (699 HK) **share price to plunge from HK\$20/share peak in Jun, 2015 to <HK\$8/share since Jun, 2016.** Remember, CAR's (699 HK) IPO offer price was HK\$8.5/share back in Sep, 2014, which means all the public investors took the loss. As comparison, Lenovo, Warburg Pincus and Hertz made USD 1.84 billion (cash out & remaining shareholding) vs. USD 485 million original investment, thus have seen 380% return. Don't forget Chairman Lu cashed out another USD 434 million (HKD 3.4 billion) at infinite net return due to his close-to-zero holding cost.

CAR (699 HK) insiders' cumulative return

	Time	USD M invested	USD M cashed out	Current holding (USD M)	Total return (USD M)	Total return %
Lenovo	10-11年	49	286	447	683	1394%
Warburg Pincus	12年	200	436	170	406	203%
Hertz	13年	236	471	33	267	113%

Source: Company filings

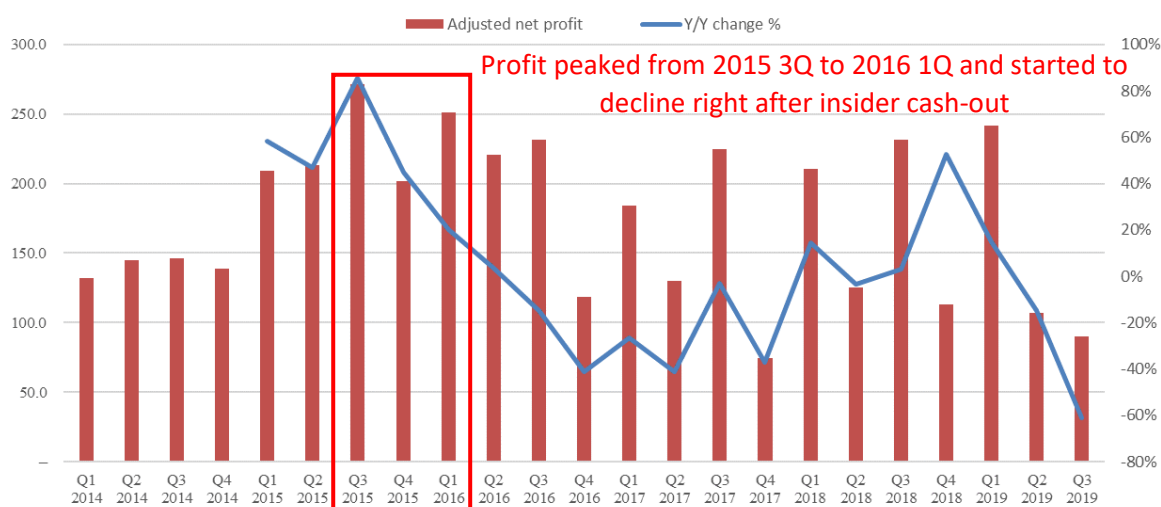
CAR (699 HK) historical share price vs. insider selling (Sep, 2014 – Jun, 2016)



Source: Bloomberg, company filings

After IPO in Sep, 2014, CAR (699 HK) reported nicely growing trend of profitability (adjusted net profit +59% in 2015) in first few quarters. Its financials started to decline since 2016 2Q after insider cashing out: **adjusted net profit declined by 8% in 2016 and another 25% in 2017**. As Charles Zhengyao Lu and other pre-IPO investors walked away with USD 1.6 billion (not to mention USD 0.7 billion worth of remaining shares), public investors were left holding the bag.

CAR (699 HK) historical quarterly financials (RMB million)⁴



Source: Bloomberg, company filings

In Jan, 2017, GeoInvesting published a short-selling report on CAR (699 HK) highlighting its “skyrocketing related party transactions” with UCAR (838006 CH), “questionable depreciation method” and “gloomy business outlook”. Link to the full report: <https://geoinvesting.com/car-inc-0699-hk-heading-toward-cliff/>. **Latest share price of CAR (699 HK) is HK\$5.3/share, 37% lower vs. IPO offer price and >70% below historical peak in 2015.**

The echoing patterns of CAR (699 HK) resonate when looking at Luckin’s recent share price performance. CAR’s (699 HK) share price went up from HK\$8.5 to HK\$20 in the first 9 months after IPO, we see the same share price movement in Luckin. Luckin’s insiders are also the same as CAR (699 HK). Luckin’s major private equity investors Centurium Capital and Joy Capital’s founding partners David Hui Li and Erhai Liu actually led Warburg Pincus’ and Lenovo’s investment in CAR (699 HK) a few years ago, thus are “old friends” of Charles Zhengyao Lu. CAR’s (699 HK) pre-IPO investors started to cash out on May 28th, 2015 via secondary offerings, 8 months after IPO and 2 months after lock-up expiration. As comparison, Centurium Capital cashed out USD 232 million on Jan 8th, 2020 amid Luckin’s convertible bond and equity offerings, which also happens to be 8 months after Luckin’s IPO and 2 months after lock-up expiration.

⁴ Adjusted net profit based on company’s disclosure, major adjustment items include share-based compensation, fair value gain/(loss) of equity investment, foreign exchange gain/(loss), P&L related to used car B2C business, and share of profit from associate

CAR (699 HK) vs. Luckin share price performance since IPO



Source: Bloomberg

Note: share price performance rebase to IPO date

We see the familiar **“golden triangle” of Charles Zhengyao Lu, David Hui Li and Erhai Liu again in Luckin**. Together they hold 46% of total shares of Luckin, which is currently worth USD 5.8 billion. Given that “golden triangle” cashed out USD 1.1 billion from CAR (699 HK), what will happen to Luckin is self-explanatory.

CAR (699 HK) vs. Luckin: “golden triangle” of Charles Zhengyao Lu, David Hui Li and Erhai Liu

		CAR (699 HK)		Luckin		
		Shareholding %	\$ cashed out	Shareholding		
		At IPO	USD M	USD M	% of TSO	
Charles Zhengyao Lu	Chairman of CAR	14.8%	435	Chairman of Luckin	4,267	33.7%
David Hui Li	Warburg Pincus	18.3%	439	Centurium Capital	899	7.1%
Erhai Liu	Lenovo	29.2%	217	Joy Capital	671	5.3%
Total		62.2%	1,091		5,837	46.1%

Source: Company filings

Note: Luckin shareholding post follow-on and CB offering on January 8th, 2020

Red Flag #3: Through acquisition of Borgward, Luckin’s Chairman Charles Zhengyao Lu transferred RMB 137 million from UCAR (838006 CH) to his related party, Baiyin Wang. UCAR, Borgward, and Baiyin Wang are on the hook to pay BAIC-Foton Motors RMB 5.95 billion over the next 12 months. Now Baiyin Wang owns a recently founded coffee machine vendor located next door to Luckin’s Headquarter

There is another transaction about Charles Zhengyao Lu that’s worth noting. The transaction can be summarized as below: an individual called Baiyin Wang acquired a company in Jan, 2019 at RMB 3.97 billion, sold to UCAR (838006 CH) at RMB 4.11 billion in Mar, 2019 and made RMB137 million profit in just two months. More interestingly, Baiyin Wang is Charles Zhengyao Lu’s related party, thus **Charles Zhengyao Lu effectively transferred RMB 137 million from UCAR’s (838006 CH) public shareholders to his related party.**

Founded in 1919, Borgward was once Top 4 German carmaker (the other three being Volkswagen, Benz and Opel) but went bankrupt in 1963. In 2014, BAIC-Foton Motors (北汽福田, 600166 CH) acquired 100% shares of Borgward (“Beijing Borgward Automobile Co., Ltd” 北京宝沃汽车有限公司) with EUR 5 million in 2014 and tried to re-introduce the legacy German auto brand into China market. After several years of unsuccessful operations, BAIC-Foton Motors announced plan to sell 67% shares of Borgward in Oct, 2018 via public listing in China Beijing Equity Exchange (“北京产权交易所”). On Jan 15th, 2019, BAIC-Foton announced that the 67% shares of Borgward was sold to a company called “Changshengxingye” (“长盛兴业”, 长盛兴业 (厦门) 企业管理咨询有限公司) **at RMB 3.97 billion**. As shown in BAIC-Foton’s announcement dated on Jan 16th, 2019 (600166 CH Filing No. 临 2019-003), “Changshengxingye” was a shell company founded in Dec 3rd, 2018 specifically for this transaction and controlling shareholder and legal person is Baiyin Wang.

BAIC-Foton's announcement on Jan 16th, 2019

证券代码: 600166 证券简称: 福田汽车 编号: 临 2019—003

北汽福田汽车股份有限公司

关于公开挂牌转让北京宝沃汽车有限公司 67%股权的进展公告

本公司董事会及全体董事保证本公告内容不存在任何虚假记载、误导性陈述或者重大遗漏，并对其内容的真实性、准确性和完整性承担个别及连带责任。

一、交易概述

北汽福田汽车股份有限公司（以下简称“福田汽车”、“公司”）董事会于2018年10月8日、10月17日审议通过了《关于预挂牌转让北京宝沃汽车有限公司67%股权的议案》、《关于公开挂牌转让北京宝沃汽车有限公司67%股权的议案》，公司2018年第五次临时股东大会于11月5日审议通过了《关于公开挂牌转让北京宝沃汽车有限公司67%股权的议案》。2018年11月23日，公司在北京产权交易所公开挂牌转让北京宝沃汽车有限公司67%股权。2018年12月28日，公司接到北京产权交易所《交易签约通知书》，长盛兴业（厦门）企业管理咨询有限公司成为公司受让方（详见公司在上海证券交易所网站披露临2018—086号、临2018—093号公告、临2018—104号、临2018—119号公告）。

“Changshengxingye” acquired the 67% share of Beijing Borgward at RMB 3,972.5 million

二、本次交易进展情况

2019年1月15日，公司接到北京产权交易所《企业国有资产交易凭证》，确认公司向长盛兴业（厦门）企业管理咨询有限公司转让北京宝沃汽车有限公司67%股权的转让价格为397,253.66万元。本次转让行为符合有关法律法規规定及北京产权交易所交易规则。

三、交易对方基本情况

公司名称: 长盛兴业（厦门）企业管理咨询有限公司（简称“长盛兴业”）

类型: 有限责任公司

住所: 厦门市思明区镇海路

法定代表人: 王百因

成立时间: 2018年12月3日 Establishment date Dec 3rd, 2018

注册资本: 200,000万人民币

经营范围: 企业管理咨询; 社会经济咨询（不含金融业务咨询）; 商务信息咨询。

实际控制人为王百因。 Legal person and controlling shareholder of “Changshengxingye” is Mr. Baiyin Wang (王百因)

Source:

<http://www.cninfo.com.cn/new/disclosure/detail?plate=sse&orgId=gssh0600166&stockCode=600166&announcementId=1205773432&announcementTime=2019-01-16>

On Mar 18th, 2019, UCAR (838006 CH), of which Charles Zhengyao Lu is largest and controlling shareholder, announced plan to acquire 67% shares of Beijing Borgward from “Changshengxingye” at RMB 4.11 billion, only two months after BAIC-Foton sold the same asset to “Changshengxingye”. Transaction details see UCAR (838006 CH) announcement (File No. 2019-34).

UCAR (838006 CH) announcement on Mar 18th, 2019

公告编号: 2019-034

证券代码: 838006

证券简称: 神州优车

主办券商: 中金公司

神州优车股份有限公司收购资产的公告

本公司及董事会全体成员保证公告内容的真实、准确和完整,没有虚假记载、误导性陈述或者重大遗漏,并对其内容的真实性、准确性和完整性承担个别及连带法律责任。

一、交易概况

UCAR (838006 CH) plans to acquire 67% shares of Beijing Borgward from "Changshengxingye"

(一) 基本情况

神州优车股份有限公司(以下简称“公司”)拟通过子公司以现金收购的方式受让长盛兴业(厦门)企业管理咨询有限公司(以下简称“长盛兴业”)所持有的北京宝沃汽车有限公司(以下简称“标的公司”、“北京宝沃”)67%股权,交易对价参考标的公司股东全部权益价值的评估值的67%确定。根据具有从事证券、期货业务资格的银信资产评估有限公司于2019年3月15日出具的银信评报字(2019)沪第0176号《评估报告》,其以2019年1月31日为评估基准日,分别采用收益法、市场法对标的公司股东全部权益价值进行了评估。根据孰低原则,交易双方最终参考收益法对应的评估值(即人民币**61.33亿元**)来确认标的股权的转让价格。基于此,本次标的股权转让价格最终确定为人民币**41.0911亿元**。本次交易完成后,公司将取得标的公司的控股权。

Transaction price is RMB 4,109.1 million

Source:

<http://www.cninfo.com.cn/new/disclosure/detail?plate=neeq&orgId=gfbj0838006&stockCode=838006&announcementId=1205915594&announcementTime=2019-03-18>

In other words, **“Changshengxingye” made RMB 137 million profit in just two months** by acquiring 67% of Borgward and quickly reselling to UCAR (838006 CH).

In Dec 26th, 2018, 3 weeks before Changshengxingye’s acquisition of Borgward, UCAR (838006 CH) provided credit guarantee for BAIC-Foton’s RMB 2.4 billion shareholder loan to Beijing Borgward and explicitly said **the guarantee was to “facilitate Changshengxingye’s acquisition of target assets (i.e. Beijing Borgward)”**. In other words, UCAR (838006 CH) was not only aware of Changshengxingye’s intention to acquire Borgward in the first place, but also helped to facilitate such transaction by providing RMB 2.4 billion credit guarantee.

UCAR (838006 CH) announcement on Dec 28th, 2018

公告编号：2018-086

证券代码：838006

证券简称：神州优车

主办券商：中金公司

神州优车股份有限公司对外担保的公告

本公司及董事会全体成员保证公告内容的真实、准确和完整，没有虚假记载、误导性陈述或者重大遗漏，并对其内容的真实性、准确性和完整性承担个别及连带法律责任。

一、担保情况概述

(一) 担保基本情况

北汽福田汽车股份有限公司（以下简称“北汽福田”或“转让方”）目前在北京产权交易所公开挂牌转让北京宝沃汽车有限公司（以下简称“北京宝沃”）67%的产权（以下简称“标的股权”）。根据北京宝沃产权转让信息披露公告，北汽福田向北京宝沃提供了金额为 427,146.807947 万元的股东借款，收购方应对上述借款提供北汽福田认可的合法有效的担保。

长盛兴业（厦门）企业管理咨询有限公司（以下简称“长盛兴业”或“收购方”）拟作为收购方收购标的股权。出于公司战略发展的角度考虑，为促成

长盛兴业完成上述收购标的股权的交易，本公司拟为北汽福田向北京宝沃提供的股东借款提供担保，担保的金额不超过 24 亿元（含 24 亿元）（以下简称“担

保限额”）。 UCAR (838006 CH) provides no more than RMB 2.4 billion credit guarantee to BAIC-Foton's shareholder loan to Borgward in order to facilitate Changshengxingye's acquisition of the target

Source:

<http://www.cninfo.com.cn/new/disclosure/detail?plate=neeq&orgId=gfbj0838006&stockCode=838006&announcementId=1205754337&announcementTime=2018-12-28>

In short, UCAR (838006 CH) supported Changshengxingye to acquire Borgward and then overpaid RMB 137 million to Changshengxingye (controlled by Baiyin Wang) for the same asset after two months. It has been “public secret” that Baiyin Wang and Charles Zhengyao Lu maintain very close personal relationship (media article: 陆正耀『神州往事』：命中贵人刘二海，与王百因是同窗 <http://www.cheyun.com/content/25580>). Baiyin Wang and Charles Zhengyao Lu were EMBA classmates from 2006 to 2008 in National School of Development at Peking University (北京大学国家发展研究院). Baiyin Wang involved in a healthcare business after graduation and didn't have any prior experience in automobile industry before acquiring Borgward. As a result, **the “BAIC-Foton to Changshengyingye to UCAR” transaction structure seems to favor Charles Zhengyao Lu personally rather than UCAR's (838006 CH) public shareholders, since it effectively transfers RMB 137 million cash from UCAR (838006 CH) to his undisclosed related party, Baiyin Wang.**

Furthermore, we see alarming signal that UCAR (838006 CH) may face material cash flow pressure after acquisition of Borgward. Regarding Changshengxingye's acquisition of Borgward, payment to BAIC-Foton was due in full by Jan 15th, 2020. However, BAIC-Foton announced on Jan 18th, 2020 that RMB 1.48 billion payment was unpaid and overdue. In other words, **Changshengxingye only paid RMB 2.49 billion to BAIC-Foton for acquisition of Borgward and effectively defaults on the rest RMB 1.48 billion payment.**

BAIC-Foton's announcement on Jan 18th, 2020

实际合同生效日为2019年1月15日。因此，交易对方长盛兴业应于2020年1月15日前付清上述股权转让剩余价款。 Changshengxingye should pay in full by Jan 15th, 2020

截止2020年1月10日，公司收到剩余价款人民币13亿元。截止2020年1月15日，尚有148,077.562万元剩余价款未收到。 There is RMB 1,481 million payment outstanding by Jan 15th, 2020

四、公司与宝沃汽车的借款及担保情况

截止2019年12月31日，公司应收北京宝沃汽车有限公司（2019年9月已改名为北京宝沃汽车股份有限公司，以下简称“宝沃汽车”）股东借款46.7亿元，均尚未到期。公司按新金融工具准则要求正常计提信用减值损失约0.47亿元（具体以审计数为准）。

借款明细如下： RMB 4.67 billion shareholder loan outstanding: RMB 1.88 billion to be paid by Jul 17th, 2020; RMB 2.59 billion by Jan 17th, 2021; RMB 200 million by Jan 17th, 2022

序号	内容	金额（亿元）	期限
1	股东借款	23.9	交割日后 36 个月内（2021.01.17）
2	股东借款	18.8	交割日后 18 个月内（2020.07.17）
3	股东借款	4	2 亿元，交割日后 24 个月内（2021.1.17）
			2 亿元，交割日后 36 个月内（2022.1.17）
小计		46.7	-

Source:

<http://www.cninfo.com.cn/new/disclosure/detail?plate=sse&orgId=gssh0600166&stockCode=600166&announcementId=1207258269&announcementTime=2020-01-17#>

In addition, **BAIC-Foton has another RMB 4.67 billion outstanding shareholder loan to Borgward, of which RMB 1.88 billion will mature by Jul, 2020 and RMB 2.59 billion by Jan, 2021.** RMB 2.4 billion of such shareholder loan is guaranteed by UCAR (838006 CH), as mentioned. Adding the RMB 1.48 billion overdue acquisition payment, **Changshengxingye and Borgward are facing RMB 5.95 billion cash outflow in next 12 months**, signaling significant cash flow pressure.

Changshengxingye is an undisclosed related party of Charles Zhengyao Lu to bridge UCAR's (838006 CH) acquisition of Borgward, thus its payment default and cash flow pressure trace back to UCAR (838006 CH). In 1H19 interim filings, UCAR (838006 CH) disclosed that Borgward was already transferred to the company on Jul 29th, 2019.

UCAR (838006 CH) 1H19 interim report

(四) 经股东大会审议过的收购、出售资产、对外投资事项、企业合并事项									
单位：元									
事项类型	协议签署时间	临时公告披露时间	交易对方	交易/投资/合并标的	标的金额	交易/投资/合并对价	对价金额	是否构成关联交易	是否构成重大资产重组
收购资产	2019/3/21	2019/3/18	长盛兴业（厦门）企业管理咨询有限公司	北京宝沃 67% 股权	61.33 亿元	现金	41.0911 亿元	否	否

事项详情及对公司业务连续性、管理层稳定性及其他方面的影响：

公司通过子公司以现金收购的方式受让长盛兴业（厦门）企业管理咨询有限公司（以下简称“长盛兴业”）所持有的北京宝沃 67% 股权。交易对价参考标的公司股东全部权益价值的评估值的 67% 确定。根据具有从事证券、期货业务资格的银信资产评估有限公司于 2019 年 3 月 15 日出具的银信评报字（2019）沪第 0176 号《评估报告》，其以 2019 年 1 月 31 日为评估基准日，分别采用收益法、市场法对标的公司股东全部权益价值进行了评估。根据孰低原则，交易双方最终参考收益法对应的评估值（即人民币 61.33 亿元）来确认标的股权的转让价格。基于此，本次标的股权转让价格最终确定为人民币 41.0911 亿元。上述股权收购事项已经公司分别于 2019 年 3 月 16 日、2019 年 4 月 2 日召开的第二届董事会第三次会议、2019 年第二次临时股东大会审议通过。2019 年 7 月 29 日，公司完成上述股权的交割，北京宝沃自此正式成为公司的控股下属公司。

Borgward's equity transfer completed on Jul 29th, 2019 and officially became UCAR's subsidiary

Source: Company filings

However, there is no further disclosure from UCAR (838006 CH) after this. **UCAR (838006 CH) hasn't published 2019 3Q financial report till now**, despite almost 4 months after quarter end. As comparison, it published 2018 3Q report on Oct 31st, 2018.

In addition, UCAR (838006 CH) only has RMB 758 million cash balance on hand vs. RMB 2.6 billion total debt as of Jun 30th, 2019 (i.e. net debt RMB 1.9 billion). The company also reported RMB 1.9 billion revenue, -49% Y/Y, and RMB 653 million net loss in 1H19, with only RMB 306 million operating cash inflow. While Borgward itself is a loss-making business (RMB 2.545 billion net loss in 2018), UCAR (838006 CH) may need significant amount of external financing for the RMB 5.95 billion repayment to BAIC-Foton in next 12 months, not to mention support Borgward's business development.

UCAR (838006 CH) historical financials

RMB M	1H16	2H16	1H17	2H17	1H18	2H18	1H19	2016	2017	2018
Cash & cash equivalent	6,513.6	3,603.6	6,624.7	4,322.9	3,492.3	3,123.4	758.2	3,603.6	4,322.9	3,123.4
Total debt	576.9	798.5	989.4	2,140.7	4,526.7	5,120.0	2,643.5	798.5	2,140.7	5,120.0
Short-term debt	576.9	798.5	989.4	1,951.9	3,974.0	4,537.4	2,062.7	798.5	1,951.9	4,537.4
Long-term debt	-	-	-	188.8	552.7	582.7	580.8	-	188.8	582.7
Net cash / (debt)	5,936.7	2,805.1	5,635.3	2,182.2	(1,034.4)	(1,996.6)	(1,885.3)	2,805.1	2,182.2	(1,996.6)
Revenue	2,324.0	3,521.5	4,445.0	5,411.4	3,762.5	2,186.1	1,919.6	5,845.5	9,856.4	5,948.6
Y/Y change %			91.3%	53.7%	(15.4%)	(59.6%)	(49.0%)		68.6%	(39.6%)
Operating profit	(2,405.4)	(1,305.8)	(531.3)	303.5	263.1	55.9	(678.6)	(3,711.3)	(227.8)	319.0
Operating margin %	(103.5%)	(37.1%)	(12.0%)	5.6%	7.0%	2.6%	(35.4%)	(63.5%)	(2.3%)	5.4%
Attributable net profit	(2,370.9)	(1,301.1)	(459.6)	158.2	144.9	125.5	(652.7)	(3,672.0)	(301.5)	270.4
Attributable net margin %	(102.0%)	(36.9%)	(10.3%)	2.9%	3.9%	5.7%	(34.0%)	(62.8%)	(3.1%)	4.5%
Operating cash flow	(1,558.2)	(3,134.2)	(2,338.0)	(3,127.8)	(2,337.6)	1,760.4	305.7	(4,692.4)	(5,465.8)	(577.3)

Source: Company filings

UCAR (838006 CH) currently is largest shareholder of CAR (699 HK) after Charles Zhengyao Lu's cash-out in Mar, 2016. However, the company has pledged RMB 3.89 billion worth of CAR's (699 HK) shares for financing, as shown in 1H19 interim report. UCAR (838006 CH) owns 631 million shares, or 29.77% of CAR's (699 HK) total. Market value of such shares was HKD 3.9 billion based on CAR's (699 HK) HKD 6.18 share price on Jun 28th, 2019. In other words, **UCAR (838006 CH) already pledged almost 100% of its shareholding in CAR (699 HK) in 1H19**, echoing Red Flag #1.

UCAR (838006 CH) 1H19 interim report

单位: 元

资产	权利受限类型	账面价值	占总资产的比例	发生原因
银行存款	保证金	71,266,432.19	0.45%	融资租赁保证金
银行存款	保证金	5,200,000.00	0.03%	保险保证金
银行存款	保证金	220,000,000.00	1.38%	长期借款保证金
长期应收款	资产支持专项计划的标的资产	322,752,527.00	2.03%	资产支持专项计划的标的资产
神州租车股票	质押	3,890,243,171.92	24.46%	借款质押担保
合计	-	4,509,462,131.11	28.35%	-

UCAR pledged RMB 3.9 billion worth of CAR's (699 HK) shares for borrowings

Source: Company filings

While Changshengxingye's transaction with BAIC-Foton is still unsettled, Baiyin Wang established another company called Zhengzhe International Trade (Xiamen) Co., Ltd (征者国际贸易有限公司) on Aug 23rd, 2019. From Tianyancha, we found **the company is 95% owned by Baiyin Wang**.

Baiyin Wang owns 95% of Zhengzhe Int'l Trade



王百因
他有 88 家企业，分布如下

- 黑龙江（共67家） 庆安天一大药房连锁有限公司 等
- 北京（共9家） **北京宝沃汽车股份有限公司 等**
- 其他（共12家） 长盛兴业（厦门）信息技术有限公... 等

他的合作伙伴

王怀志 厦门宝沃信息...
徐佳 宝沃汽车（中...
王

王百因
他有 2 家企业，分布如下

- 北京（共2家） 漫时空（北京）信息技术有限公司 等

The same Baiyin Wang also owns Beijing Borgward and Changshengxingye

他的合作伙伴

杨美梅 漫时空（北京...
杨

王百因
他有 1 家企业，分布如下

- 福建（共1家） 征者国际贸易（厦门）有限公司

他的合作伙伴

周兴 征者国际贸易...
周

王百因
他有 1 家企业，分布如下

- 福建（共1家） 中成世纪供应链管理（厦门）有限...

他的合作伙伴

林文芳 中成世纪供应...
林

Source: Tianyancha

Zhengzhe’s main business includes sale of coffee machine and supply of food raw materials, which match Luckin’s supply chain. We obtained a sample sales contract of Zhengzhe, which shows that it sells coffee machine and other related equipment.

Zhengzhe's coffee machine sales contract

销售协议

Zhengzhe International Trade Co., Ltd

编号:

甲方: **征者国际贸易(厦门)有限公司**

联系地址: 厦门市集美区北站万科广场7号楼1503室

联系人: 周兴

联系电话: ■■■■

传真:

电子邮箱: ■■■@zhengzhetrade.com (设备类)

■■■@zhengzhetrade.com (营建物料类)

乙方:

联系地址:

联系人:

联系电话:

传真:

电子邮箱:

甲乙双方按照《中华人民共和国合同法》及有关法律、法规,遵循平等、自愿、公平和诚信的原则,经协商一致,就甲方向乙方销售相关产品的事宜,特订立本合同,以资双方共同遵守:

第一条 销售产品

1.1 产品信息

产品明细详见附件1《销售产品明细表-设备》、《销售产品明细表-营建物料》。

1.2 产品质量要求

有国家标准的,满足国家标准;无国家标准但有行业标准的,满足行业标准;既无国家标准又无行业标准的,按照企业标准执行。无论执行何种标准,以最终甲方提供的实物为准。

1.3 销售方式

1.3.1 乙方向甲方采购《销售产品明细表》中列出产品。

1.3.2 《销售产品明细表-设备》中列出的产品,必选产品乙方默认全部采购,乙方签订本协议即视为同意向甲方采购;可选产品由甲乙双方协商后通过书面或邮件的形式确认需采购的设备种类及型号。双方确认后,乙方需在【2】日内向甲方付清采购款并与甲方协商确认送货时间,甲方在收到乙方的汇款回执后按约定安排发货。

乙方应根据指引正确操作源水水质检测,并向甲方报备真实检测结果。如果因上报信息导致的水质与水系统型号不匹配、乙方故意选择不匹配的设备型号,导致发生纠正更换的设备、人工及交通等费用由乙方承担;如因设备型号选择错误,乙方长期使用错误配置而产生的饮料产品质量不达标及其他衍生后果,也由乙方承担。

1.3.3 乙方需采购《销售产品明细表-营建物料》中列出产品的,甲乙双方根据装修方案共同确认需要采购的营建物料品种、规格,并以书面或邮件等形式确认最终采购

Zhengzhe sells coffee machine and teapresso machine. It also offers repurchase service for sold coffee machine

3.5 甲方交付乙方的设备产品,都有各自的现场水电接驳条件,乙方负责场地的装修改造并完成验收后的点址,须保证能够满足交付设备产品的水电接驳条件。这些条件已经在扣店标准及要求中由甲方先行告知乙方。如果在甲方派出人员在安装当日,发现因为环境及水电条件,造成设备无法安装、调试的,应由乙方单独承担由此造成的所有安装延期、延误运营投产等损失。

第四条 产品质保

4.1 除营建物料外,产品质保期自乙方门店在甲方系统确认开业之日起计算,并以产品本身的质保期为准。营建物料的安装、维修等由乙方自行负责。

4.2 咖啡机、滴滤机(萃茶机)、水系统的保修

4.2.1 在质保期内出现质量问题,乙方通过约定服务窗口发起服务请求/叫修,按甲方要求提供相关证明后并且确认是在1年保修期内的,甲方在收到乙方通知后完成维修,维修反馈时间预计在3天,遇不可抗力或人为因素延迟的甲方将在合理时间内尽快完成维修,但不需承担违约责任;因维修发生的人工及上门费用根据乙方具体情况并参考当地市场价收费。

4.2.2 保修范围以外产生的服务: 收费=人工服务费+市内交通费+长途交通费+零件费用,其中人工服务费收费标准为:

A. 正常工作日内人工服务费为****元/次;

B. 国家法定节假日人工服务费为正常工作日的3倍;节日以外的法定周末假日为2倍。

C. 工作日晚20:00至早8:00间的到店服务人工费用为正常工作日的2倍。

4.2.3 人为损坏不在保修范围;易损件通过付费保养(预防性保养/PM)进行更换,非保修范围。如果经甲方维修后,故障仍然不能排除的,甲方为乙方提供同等水平、工况良好的设备。

4.3 除咖啡机、滴滤机(萃茶机)、水系统以外的其他生产设备,由第三方提供维修服务,服务内容详见附件。

4.4 弱电及网络设备,在保修期内,由乙方送修(妥善快递、携带等方式)甲方,甲方采取换机或维修服务,保修期为乙方门店在甲方系统确认开业之日后的一年内,保修期内产生的维修费用由甲乙双方各自承担一半或各自负责自运发的运费。

4.5 设备的预防性保养

4.5.1 咖啡机须依照****的周期接受甲方提供的预防性保养, 保质期覆盖的****预防性保养: ****、****及****,其中甲方负责提供保养套(零)件,乙方承担人工、交通、差旅等其他人工相关费用,由甲方在合理时间内完成,通常为接到服务请求后的一周内,延时和交通距离等其他因素有关。其他相关项参照《设备维修条款-咖啡机、滴滤机及水系统》。

4.5.2 水系统须接受每****预防性保养,以保证食品安全。核心工作是直饮水管路消毒杀菌。预防性保养的服务由甲方提供,甲方承担耗材和保养套(零)件,乙方承担人工、交通等相关费用。这项工作通常在夜间进行,收费标准依据《设备维修条款-咖啡机、滴滤机及水系统》。

的物料品种、规格及价格。双方确认后,乙方需在【2】日内向甲方付清采购款并与甲方协商确认送货时间,甲方在收到乙方的汇款回执后按约定安排发货。

1.3.4 甲方送货人在将产品送至交货地点时,将随附《销售产品确认函》,乙方应对产品当场验收,并根据验收的实际情况对《销售产品确认函》中“是否验收合格”栏进行填写;如乙方对产品未当场提出异议的,视为乙方确认甲方已按约定交付合格产品。

1.4 包装

甲方采用符合国家要求的合适的包装;如乙方对包装有特殊要求的,应另行支付相应费用。

第二条 费用及结算

2.1 产品价格

2.1.1 相关产品价格详见附件1《销售产品明细表》。

2.1.2 产品明细表中价格包含税费,以及产品成本、运输至甲方指定地点的费用。除此之外,乙方要求甲方额外提供任何服务的,均需向甲方支付额外的费用。若乙方需额外支付的费用未在《销售产品明细表》中列出,则甲方与乙方可以双方认可的形式进行确认。

2.2 费用结算

2.2.1 乙方于本协议签订后【2】日内支付全额采购款。

2.2.2 甲方收款账户

账户名称: 征者国际贸易(厦门)有限公司

银行账号: 360601 ■■■■

开户银行: 上海浦东发展银行厦门海沧支行

2.3 发票开具

2.3.1 甲方在接收到乙方付款回执后,向乙方开具对应金额的增值税发票。

2.3.2 付款方式: 乙方通过银行汇款向甲方指定收款账户付款。

第三条 产品交付

3.1 交货时间: 以双方书面或邮件确认为准

3.2 交货地点: 【 】

3.3 交货方式: 甲方负责将产品运送至交货地点,由乙方自行提取卸货。乙方应保持原包装完整,留待甲方安装人员在约定的安装日期到场拆箱验货,否则乙方丧失对该设备的保固权利。

3.4 安装当日,甲方派出的安装人员如果发现存在开箱验货设备时,存在包装损坏、损毁、缺失情况下,并且伴随有设备产品损伤、功能障碍、附件缺失的,由乙方承担收货失察责任,并且乙方单独承担由此造成的所有安装延期、延误运营投产等损失。

4.5.3 制冰机须接受每****的预防性保养,以保证食品安全。预防性保养的服务由制冰机厂商提供,等同于叫修服务,费用细节参照《设备维修条款-一万利多一制冰机》。

4.6 设备的维修及保养,甲方可通过【官网公示、电子邮件、印制册、APP公示】(“公示通知”)等任一形式告知第四条情形下设备的维修、保养条件及收费标准,上述发布均应视为本协议的组成部分,乙方对此无异议。

第五条 咖啡机回购

5.1 乙方通过本协议采购的咖啡机,甲方提供回购服务。回购残值按下表计算,机龄自乙方门店在甲方系统确认开业之日起算:

机龄(自然月)	回购残值率
0-12	70%
13-24	55%
25-36	40%
37-48	20%
49-54	10%
55及以上	0%

5.2 无法回购的情形

5.2.1 咖啡机丢失: 咖啡机实物、咖啡机铭牌或序列号标签缺失等,均视为咖啡机丢失。

5.2.2 咖啡机受到人为损坏: 咖啡机外部人为操作可及部位,除密封件、润滑件外的硬件损坏和缺失;

5.2.3 咖啡机内部、软件、固件等被未经授权人员维修或改动过。

第六条 知识产权

6.1 除本合同另有约定外,本合同的任何内容不应视为甲方向乙方转让或者许可使用其所拥有或已获得许可的任何知识产权(包括产品知识产权)。乙方不应有任何可能损害或危害甲方知识产权的作为或不作为行为。

6.2 甲方向乙方提供的所有资料,以及乙方履行本合同所形成的所有成果的知识产权归甲方所有,甲方具有专利申请权、著作权登记申请权。乙方应妥善保管相关资料,非经甲方书面同意,乙方不得以任何理由在本合同目的之外使用,或者以任何形式向任何第三方提供或允许任何第三方使用。本合同履行完毕后,乙方应按照甲方要求将相关资料交付甲方或者予以销毁,不得留存任何资料或其复制品。

第七条 不可抗力

7.1 任何一方因地震、台风、水灾、火灾、战争、政府行为、罢工等不可抗力事件导致该一方无法履行或延迟履行本合同之全部或者部分,该一方无须向另一方承担任何违约责任或赔偿责任。

7.2 受不可抗力影响一方应在不可抗力发生后、通讯恢复正常情况下的二十四小时内通知对方，并在 30 个工作日内提供相关的证明。本合同内受影响之条款可在不能履行之期间及受影响之范围内中止履行。如果上述不可抗力的影响未能在不可抗力发生之日起 30 日内消除，且双方未能就本合同协商一致达成变更意见，任何一方有权解除本合同，本合同自一方发出书面通知之日起解除，双方按照合同实际履行情况进行结算。

7.3 一方违约后发生不可抗力的，违约方不予免责。

第八条 通知送达

8.1 一方向另一方发出的全部通知以及双方的文件往来及与本合同有关的通知、要求等，必须用书面形式，如书信、传真、电子邮箱、当面送交等方式传递。

8.2 双方保证本合同所载明的通讯地址、联系方式等真实有效，可以作为一方通知及人民法院送达诉讼、执行等法律文书的确认地址，因载明的地址有误或未及时告知变更后的地址，导致相关材料未能实际被接收的，邮寄材料退回之日视为送达之日。一方变更通知或通讯地址等的，应自变更之日起三日内，以书面形式通知对方；否则，由未通知方承担由此而引起的相关责任。

第九条 合同的生效、终止

9.1 本合同经双方签字盖章后生效，一式二份，各持一份，效力等同。

9.2 本合同有效期至双方义务责任履行完毕后届满。

9.3 乙方根据自身需求，可在提前【5】日通知甲方的前提下单方解除本合同，相关费用据实结算。

第十条 其他

10.1 因本协议引起的纠纷，甲乙双方应友好协商解决；协商不成的，由甲方所在地人民法院管辖。

10.2 本合同签署后如需变更、修改或者其他未尽事宜，双方另行协商并签订补充协议。双方确认的书面资料作为本合同附件，与本合同具有同等法律效力。

附件：

- 1、《销售产品明细表》
- 2、《销售产品确认函》

甲方：

乙方：

签订日期：

签订日期：

Furthermore, Zhengzhe obtained “Food Business License” (食品经营许可证) in Oct, 2019, while its business scope includes “wholesale of alcohol, drink and tea”.

Zhengzhe’s record of “Food Business License”

The screenshot displays the official record of a Food Business License on the National Enterprise Credit Information Publicity System. The license holder is Zhengzhe International Trade (Xiamen) Co., Ltd. The license number is JY13502120180894, issued on October 12, 2019, and valid until October 11, 2024. The license is issued by the Xiamen Market Supervision Administration Bureau. The business scope includes the sales of pre-packaged food, frozen food, and ready-to-eat food.

序号	许可文件编号	许可文件名称	有效期自	有效期至	许可机关	许可内容
1	JY13502120180894	食品经营许可证	2019年10月12日	2024年10月11日	厦门市市场监督管理局	预包装食品（含冷藏冷冻食品）销售,散装食品（含冷藏冷冻食品）销售 收起

Zhengzhe's business scope and registered address



国家企业信用信息公示系统
National Enterprise Credit Information Publicity System

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请输入企业名称、统一社会信用代码或注册号

Zhengzhe International Trade (Xiamen) Co., Ltd

征者国际贸易(厦门)有限公司 存续 (在 营、开 业、在 册)

统一社会信用代码: 91350200MA335LHF0B

法定代表人: 王百因

登记机关: 厦门市市场监督管理局

成立日期: 2019年08月23日

发送报告

信息分享

信息打印

基础信息
行政许可信息
行政处罚信息
列入经营异常名录信息
列入严重违法失信企业名单(黑名单)信息

营业执照信息

<ul style="list-style-type: none"> 统一社会信用代码: 91350200MA335LHF0B 类型: 有限责任公司(自然人投资或控股) 注册资本: 10000.000000万人民币 <li style="border: 1px solid #ccc; padding: 2px;">营业期限自: 2019年08月23日 登记机关: 厦门市市场监督管理局 登记状态: 存续(在营、开业、在册) 住所: 中国(福建)自由贸易试验区厦门片区象屿路93号厦门国际航运中心C栋4层431单元E之三 	<ul style="list-style-type: none"> 企业名称: 征者国际贸易(厦门)有限公司 法定代表人: 王百因 成立日期: 2019年08月23日 营业期限至: 2069年08月22日 核准日期: 2019年09月10日
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Established in Aug 23rd, 2019 **Unit 431, Block C, Xiamen International Aviation & Shipping Center**

Business scope includes wholesale of alcohol, drink and tea

经营范围: 经营各类商品和技术的进出口(不另附进出口商品目录),但国家限定公司经营或禁止进出口的商品及技术除外;贸易代理;其他贸易经纪与代理;酒、饮料及茶叶类预包装食品批发(含冷藏冷冻食品);酒、饮料及茶叶类散装食品批发(含冷藏冷冻食品);汽车零部件批发;五金产品批发;其他机械设备及电子产品批发;汽车零配件零售;其他电子产品零售;五金零售;其他未列明批发业(不含需经许可审批的经营项目);其他未列明零售业(不含需经许可审批的项目);互联网销售;机械设备仓储服务;其他仓储业(不含需经许可审批的项目);装卸搬运;国际货物运输代理;其他未列明运输代理业务(不含需经许可审批的事项);供应链管理;其他未列明企业管理服务(不含须经审批许可的项目);企业管理咨询;商务信息咨询;调味品类预包装食品批发(含冷藏冷冻食品,不含食盐);调味品类散装食品批发(含冷藏冷冻食品,不含食盐);其他未列明预包装食品批发(含冷藏冷冻食品);其他未列明散装食品批发(含冷藏冷冻食品);电气设备批发;计算机、软件及辅助设备批发;食品添加剂批发;厨房用具及日用杂品零售;家用视听设备零售;日用家电设备零售;计算机、软件及辅助设备零售;通信设备零售;建材批发;灯具零售;家具零售;卫生洁具零售;涂料零售;木质装饰材料零售;陶瓷、石材装饰材料零售;其他室内装饰材料零售;其他机械和设备修理业;通讯设备修理;其他办公设备维修;未涉及外商投资准入特别管理措施范围内及审批许可的其他一般经营项目

Source: National Enterprise Credit Information Publicity System

More interestingly, we find **Zhengzhe's registered address is next to Luckin's Xiamen Headquarter**. Luckin has dual headquarters (Beijing + Xiamen), one of which is in Block D of Xiamen International Aviation & Shipping Center (厦门国际航运中心). Zhengzhe's registered address is Block C of Xiamen International Aviation & Shipping Center, which is right next to Luckin's Xiamen headquarter.

Luckin Xiamen Headquarter registered address



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请输入企业名称、统一社会信用代码或注册号



Luckin Coffee (Xiamen) Co., Ltd
瑞幸咖啡(厦门)有限公司

统一社会信用代码: 91350203MA31GDR406
法定代表人: 张庆秋
登记机关: 厦门市市场监督管理局
成立日期: 2018年02月05日

存续(在青、开业、在册)

发送报告

信息分享

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基础信息
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列入严重违法失信企业名单(黑名单)信息

营业执照信息

- 统一社会信用代码: 91350203MA31GDR406
- 类型: 有限责任公司(外商投资企业法人独资)
- 注册资本: 3000.000000万人民币
- 营业期限自: 2018年02月05日
- 登记机关: 厦门市市场监督管理局
- 登记状态: 存续(在青、开业、在册)
- 住所: 中国(福建)自由贸易试验区厦门片区象屿路97号厦门国际航运中心D栋8层03单元A之十一
- 经营范围: 咖啡馆服务(自制饮品);糕点、面包类预包装食品零售(含冷藏冷冻食品);糕点、面包类散装食品零售(含冷藏冷冻食品);酒、饮料及茶叶类预包装食品零售(含冷藏冷冻食品);酒、饮料及茶叶类散装食品零售(含冷藏冷冻食品);其他未列明预包装食品零售(含冷藏冷冻食品);其他未列明散装食品零售(含冷藏冷冻食品);图书、报刊零售;音像制品零售;电子出版物零售;厨房用具及日用杂品零售;工艺美术品及收藏品零售(不含文物、象牙及其制品);企业总部管理;其他未列明的机械与设备租赁(不含需经许可审批的项目);企业管理咨询;其他未列明的专业咨询服务(不含需经许可审批的项目);其他农产品仓储;机械仓储服务;其他仓储业(不含需经许可审批的项目);纺织品及针织品零售;服装零售;鞋帽零售;钟表、眼镜零售;箱、包零售;其他日用品零售;文具用品零售;其他文化用品零售;互联网销售;食品添加剂零售;其他未列明零售业(不含需经许可审批的项目);其他未列明商务服务业(不含需经许可审批的项目);贸易代理;其他贸易经纪与代理;照相器材零售;化妆品及卫生用品零售;家用视听设备零售;日用家电设备零售;通信设备零售;计算机、软件及辅助设备零售;其他电子产品零售;糕点、糖果及糖类散装食品批发(含冷藏冷冻食品);糕点、糖果及糖类预包装食品批发(含冷藏冷冻食品);酒、饮料及茶叶类预包装食品批发(含冷藏冷冻食品);酒、饮料及茶叶类散装食品批发(含冷藏冷冻食品);其他未列明预包装食品批发(含冷藏冷冻食品);其他未列明散装食品批发(含冷藏冷冻食品);其他未列明批发业(不含需经许可审批的经营项目)。

Unit 803, Block D, Xiamen International Aviation & Shipping Center

Source: National Enterprise Credit Information Publicity System

Zhengzhe is not a standalone case. There is another company called Zhongcheng Century Supply Chain Management Co., Ltd. (“Zhongcheng” 中成世纪供应链管理有限公司). The company was founded on Dec 3rd, 2019 while Baiyin Wang was briefly legal person on Dec 13th, 2019 (later transferred to Yanlin Liu). While Zhengzhe is located in next building of Luckin Xiamen, **Zhongcheng is literally located in the same building and same unit as Luckin Xiamen Headquarter.** It is not surprising that Zhongcheng’s business scope also includes “wholesale of alcohol, drink and tea” (i.e. food raw material supply).

Zhongcheng's registered address

国家企业信用信息公示系统
National Enterprise Credit Information Publicity System

Zhongcheng Century Supply Chain Management Co., Ltd.
中成世纪供应链管理(厦门)有限公司 存续(在營、开业、在册)

统一社会信用代码: 91350200MA33EMMNX0
法定代表人: 刘艳玲
登记机关: 厦门市市场监督管理局
成立日期: 2019年12月03日

基础信息 | 行政许可信息 | 行政处罚信息 | 列入经营异常名录信息 | 列入严重违法失信企业名单(黑名单)信息

营业执照信息

- 统一社会信用代码: 91350200MA33EMMNX0
- 企业名称: 中成世纪供应链管理(厦门)有限公司
- 类型: 有限责任公司(台湾港法人独资)
- 法定代表人: 刘艳玲
- 注册资本: 20000.000000万美元
- 成立日期: 2019年12月03日
- 营业期限自: 2019年12月03日** Established on Dec 3rd, 2019
- 营业期限至: 2069年12月02日
- 登记机关: 厦门市市场监督管理局
- 核准日期: 2019年12月06日
- 登记状态: 存续(在營、开业、在册) **Unit 431, Block C, Xiamen International Aviation & Shipping Center**
- 住所: 中国(福建)自由贸易试验区厦门片区象屿路93号厦门国际航运中心C栋4层431单元A之九 **Business scope includes wholesale of alcohol, drink and tea**
- 经营范围: 供应链管理; 酒、饮料及茶叶类预包装食品批发(含冷藏冷冻食品); 酒、饮料及茶叶类散装食品批发(含冷藏冷冻食品); 调味品类预包装食品批发(含冷藏冷冻食品, 不含食盐); 调味品类散装食品批发(含冷藏冷冻食品, 不含食盐); 其他未列明散装食品批发(含冷藏冷冻食品); 经营各类商品和技术的进出口(不另附进出口商品目录), 但国家限定公司经营或禁止进出口的商品及技术除外; 贸易代理; 其他贸易经纪与代理; 汽车零配件批发; 五金产品批发; 其他机械设备及电子产品批发; 汽车零配件零售; 其他电子产品零售; 五金零售; 其他未列明批发业(不含需经许可审批的经营项目); 其他未列明零售业(不含需经许可审批的项目); 互联网销售; 机械设备仓储服务; 其他仓储业(不含需经许可审批的项目); 装卸搬运; 国际货物运输代理; 其他未列明运输代理业务(不含须经许可审批的事项); 其他未列明企业管理服务(不含须经审批许可的项目); 企业管理咨询; 商务信息咨询; 电气设备批发; 计算机、软件及辅助设备批发; 食品添加剂批发; 厨房用具及日用杂品零售; 家用视听设备零售; 日用家电设备零售; 计算机、软件及辅助设备零售; 通信设备零售; 建材批发; 灯具零售; 家具零售; 涂料零售; 卫生洁具零售; 木质装饰材料零售; 陶瓷、石材装饰材料零售; 其他室内装饰材料零售; 通讯设备修理; 其他办公设备维修; 其他机械和设备修理业; 未涉及外商投资准入特别管理措施范围内及审批许可的其他一般经营项目

Source: National Enterprise Credit Information Publicity System

Baiyin Wang was legal person of Zhongcheng on Dec 13th, 2019

天眼查 国家中小企业发展基金旗下 官方备案企业征信机构

查公司 查老板 查关系

中成世纪供应链管理(厦门)有限公司 天眼一下 VIP会员

Zhongcheng Century Supply Chain Management Co., Ltd.

公司背景 7 司法风险 0 经营风险 0 公司发展 0 经营状况 0 知识产权 0 历史信息 1

历史信息

历史工商信息 查看变更记录 >

Baiyin Wang was legal person of Zhongcheng on Dec 3rd, 2019

历史法定代表人	2019-12-13	王百因	他有 1 家公司 >
历史主要人员	2019-12-13	王百因	

Source: TianyanCha

In conclusion, **Baiyin Wang set up multiple companies to supply coffee machine and food raw materials, which “coincidentally” locate next door to Luckin Headquarter.** Investors should be cautious with respect to the potential dealings and the associated risks between these companies and Luckin.

Red Flag #4: Luckin recently raised USD 865 million through a follow-on offering and a convertible bond offering to develop its “unmanned retail” strategy, which is more likely a convenient way for management to siphon large amount of cash from the company

In early January 2020 and barely 8 months after going public, **Luckin raised another USD 865 million net new capital despite having RMB 5.5 billion cash on balance sheet.** According to the various investor meetings/calls, the company is aiming to install two types of “unmanned retail” machines, 10k Luckin coffee EXPRESS machines and 100k Luckin pop MINI machines by 2021.

Luckin Coffee Inc. Stock and Convertible Bond Offer Press Release

BEIJING, Jan. 17, 2020 (GLOBE NEWSWIRE) -- Luckin Coffee Inc. ("Luckin Coffee" or the "Company") (NASDAQ: LK), a pioneer of a technology-driven new retail model to provide coffee and other products of high quality, high affordability, and high convenience to customers, today announced the closing of the issuance of an additional 1.35 million American Depositary Shares ("ADSs"), each representing eight Class A ordinary shares of the Company, and 0.72 million ADSs offered by the selling shareholder, at US\$42.00 per ADS, pursuant to the exercise in full of the underwriters' option to purchase such additional ADSs in connection with the previously announced follow-on public ADSs offering ("the ADS Offering"). The Company also announced the closing of the issuance of an additional US\$60 million in aggregate principal amount of the previously announced concurrent offering of convertible senior notes of the Company (the "Concurrent Note Offering").

The Company received net proceeds of approximately US\$418.3 million in aggregate from the ADS offering, and net proceeds of approximately US\$446.7 million in aggregate from the Concurrent Note Offering. The Company did not receive any proceeds from the sale of ADSs by the selling shareholder.

Source: <http://investor.luckincoffee.com/news-releases/news-release-details/luckin-coffee-inc-announces-full-exercise-option-underwriters>

Luckin Coffee Inc. Unmanned Retail "Intelligent Terminals"



Essentially these products are vending machines. Management indicated that coffee EXPRESS costs RMB 120k each and pop MINI costs RMB 15k each. The plan is to direct Luckin's online traffic to these vending machines and management is expecting even better profitability than its offline stores due to lower costs. Average selling price of the coffee is estimated to be at RMB 16 per cup, cost per cup can be as low as RMB 6 per cup (assuming 80-100 cups sold a day) and the payback period is estimated to be at only 6 to 12 months.

Luckin's Capex Guidance for Unmanned Retail Business

	Luckin Coffee Express	Luckin Pop Mini	Total
No. of machines (by 2021)	10,000	100,000	110,000
Price per machine (RMB)	120,000	15,000	
Capex required (RMB MM, by 202)	1,200	1,500	2,700

Source: Company call transcripts

CICC "Raising funds to expand into unmanned retail business" dated January 16th 2020: "Luckin plans to install 10,000 unmanned coffee machines and 100,000 vending machines, and we estimate total capex at about Rmb3bn."

Our tracking of machine locations shows that currently there are 11 machines up and running, all coffee EXPRESS machines in office buildings.

Luckin's currently deployed "unmanned Retail" machines

City	Store name	Chinese name	Store type
Beijing	Petro Financial Mansion A	石油金融大厦A座·瑞即购	Luckin Coffee Express
Beijing	Petro Financial Mansion B	石油金融大厦B座·瑞即购	Luckin Coffee Express
Beijing	Beihuan Center	北环中心·瑞即购	Luckin Coffee Express
Guangzhou	West 4 Canteen of GDUT	广工大西四食堂·瑞即购	Luckin Coffee Express
Guangzhou	Tianyu Mansion	天誉大厦·瑞即购	Luckin Coffee Express
Guangzhou	Yidong Mansion	怡东大厦·瑞即购	Luckin Coffee Express
Shenzhen	Haitian Mansion	海天综合大厦·瑞即购	Luckin Coffee Express
Shenzhen	Changping Commerce Mansion	长平商务大厦·瑞即购	Luckin Coffee Express
Shenzhen	Shenzhen Commerce New spaper Mansion	深圳商报社大厦·瑞即购	Luckin Coffee Express
Shenzhen	Beike Mansion	北科大厦·瑞即购	Luckin Coffee Express
Shenzhen	Guangcaixintiandi Mansion	光彩新天地·瑞即购	Luckin Coffee Express
Total no.			11

Source: Luckin APP and website tracking

These assumptions are way too optimistic. The existing stores are only selling at an average price of RMB 10.9 per cup according to our receipt evidence, it's unfathomable why customers are willing to pay 47% more for a product a vending machine product. For the coffee EXPRESS to generate any meaningful volume, the product must be priced at a discount, not a significant premium. In addition, for a RMB 120k machine to have a 6 to 12 months pay-back, we calculate each machine needs to sell 122 to 220 cups of coffee per day with an average selling price of RMB 9 per cup.

However, Luckin's competitors have already installed plenty of coffee vending machines and ran into significant growth bottleneck despite selling coffee at a much cheaper price. According to the marketing material of YOUKAFEE ("友咖啡"), an existing operator of coffee vending machines, it has installed 2k machines with 770 in Beijing, 230 in Shenzhen, 180 in Guangzhou, 120 in Shanghai and 120 in Tianjin. The average daily volume per machine per day was only 6.5 cups with average selling price of about RMB 8. The other two leading operators also average single digit cups per day with similar average selling price. **The machines of these operators only cost RMB 20k-30k, much lower than Luckin.**

If coffee EXPRESS is going to be as successful as the management claims, Luckin's competitors can simply set up a machine at the same location. Even worse, these vending machine competitors are already aiming to cannibalize Luckin's offline stores. They plan to populate 20 vending machines surrounding each of Luckin's high traffic store and attack the company's customer base through low price competition.

The broader "unmanned retail" market had also already seen waves of startups going bust over the past 2-3 years. It used to be a popular concept in China venture capital industry, but the actual performances of unmanned retail startups were quite poor. Unmanned retailers need to invest heavily in equipment and inventory and still rely on workers to complete product supply and machine cleaning/maintenance, so they are not necessarily cost-effective. Competition from existing convenient stores and limited SKU has pressured the traffic growth of unmanned retail sites. Even JD.com, the deep pocketed ecommerce giant with huge online traffic, pulled out from the unmanned retail container business at the end of 2018.

List of Recent Start-up Failures in Unmanned Retail

Founding year	Unmanned retail project name	Chinese name	Latest financing	Amount raised	Operation update	News link
Out-of-business/acquired						
2016	Xone.xin	小闪科技	Nov 2017	RMB 20MM	Filed for bankruptcy in Oct 2018	https://www.36kr.com/newsflashes/145544
2017	GOGO Xiao	GOGO小超			Announced bankruptcy in Feb 2019, only after 4-month operation	https://www.lieyunwang.com/archives/409848
2017	Guoxiaomei	果小美	Jun 2018		The founder said they had exited unmanned retail business in 2019	http://www.xinhuanet.com/tech/2019-07/18/c_1124767448.htm
2017	7 Koalas	七只考拉	Jul 2017	RMB 50MM	The founder admitted they had suspended unmanned retail business in 2018	http://news.stcn.com/2018/05/22/14260075.shtml
2016	Hami	哈米科技	Aug 2017	RMB 10MM+	Co-founders admitted that they didn't have enough money to pay cash salary	https://36kr.com/p/5139534
2017	JD Daojia G	京东到家GO			JD's unmanned retail project JD Daojia GO was suspended in Dec 2018	https://tech.sina.com.cn/i/2018-12-20/doc-ihmutuee0859174.shtml
2017	Baobianli	豹便利			Cheetah Mobile's unmanned retail project Baobianli was suspended in Mar 2018	https://new.qq.com/rain/a/20180422A0CJ1A
2015	Lingwa	领蛙	Aug 2017	RMB 10MM+	Ran out of money in 2017 and sold company in 2018	http://tech.sina.com.cn/roll/2018-01-16/doc-ifyqaciz7828489.shtml
2015	Youhe	友盒便利	Jun 2017	RMB 10MM+	The founder said they had switched to membership e-comm business	https://www.geekpark.net/news/236378
2017	Element Zero	零号元素	Nov 2017	RMB 10MM	Failed because of funding shortage	http://news.winshang.com/html/065/1442.html
In trouble						
2014	BingoBox	缤果盒子	Jan 2018	USD 80MM	Cut headcounts from 500+ to 100 and owned employees unpaid salaries in 2018	http://news.winshang.com/html/065/9732.html
2017	iStore	爱士多			Started shutting down unmanned stores from Apr 2019	https://tech.sina.com.cn/i/2019-04-02/doc-ihxncvvh7621982.shtml
2013	Vingoo Juicc	天使之橙	Sept 2018		Got fined and suspended Shenzhen business for metal pollution problem in 2018	http://www.xinhuanet.com/2019-02/27/c_1124167220.htm

Source: Companies' websites and announcements, news

While enamored sell-side analysts are busy slapping an instantaneous US\$13.2/ADS value creation based on the announcement of the "unmanned retail" aka vending machine strategy alone, **we caution investors that this new business can be a perfect way for management to siphon large amount of cash from the company.** As pointed out in Red Flag #3 above, Charles Zhengyao Lu previously transferred RMB 137 million out from UCAR Inc. through transacting with an undisclosed related party, Baiyin Wang. Baiyin Wang, **on the other hand, now owns a coffee machine supplier that was just established in August 2019.** Investors should pay attention to this "coincidence" and be extremely alert given the significant capital expenditure plan (RMB 2.7 billion over the next 2 years) on coffee/vending machines and the much higher than market machine costs.

Credit Suisse Valuation of Luckin's Unmanned Retail Business

We value Luckin's unmanned retail business at US\$13.2 based on DCF valuation. In addition, we provide investors a scenario analysis to map out bull/bear case, given there is a wide range outcome depending on the company's execution, industry competition and consumer perception. Our key assumptions are based on our discussion with the company, industry expert and local player.

Source: Credit Suisse "Luckin Coffee Spinning up the flywheel" dated January 15th, 2020

In Luckin's "unmanned retail" strategy press conference, CEO Jenny Zhiya Qian mentioned that "there is no upper limit of vending machine expansion target this year, the more the better"⁵. The "unlimited" expansion plan of the coffee vending machine is the perfect way to move "unlimited" money from the company to 3rd party vendor. We would suggest E&Y to audit the machine supplier closely, especially check for connected party transactions.

Red Flag #5: Luckin's independent board member, Sean Shao, is/was on the board of some very questionable Chinese companies listed in the US that have incurred significant losses on their public investors

According to Luckin's prospectus, its independent board member, Sean Shao, has served on the board for multiple US-listed Chinese companies after working at Deloitte for a decade. We examined these companies in detail and found that out of the 18 companies that Sean Shao has served on the board, 4 have been accused of being frauds (CHME, ADY, GRO and YONG) and 5 were reverse mergers - which were infamous for generating droves of Chinese fraudulent companies back in 2011-2012.

List of Companies Sean Shao Board Memberships and Senior Management Positions

Segment	Ticker	Company Name	Chinese Name	Px Local\$	IPO Date	Shortsell Reports	Reverse Takeovers	Delist/Acquired Date	Mcap (\$ MM)	Mcap Peak (\$ MM)	Mcap Chg. From peak	Mcap Chg. From IPO
Board	CBPO	CHINA BIOLOGIC P	泰邦生物控股公司	115.80	12/15/2009				4,452	4,515	-1%	1058%
Board	VNET	21VIANET-ADR	世纪互联数据中心有限公司	10.77	4/21/2011				1,210	2,121	-43%	-28%
Board	JMEI	JUMEI INTERNATIO	聚美优品	18.75	5/16/2014				222	5,437	-96%	-92%
Board	UTSI	UTSTARCOM HOLDIN	UT斯达康控股公司	2.85	3/2/2000				102	5,571	-98%	-84%
Board	LITB	LIGHTINTHEBO-ADR	兰亭集势控股有限公司	1.07	6/6/2013				72	1,092	-93%	-89%
ex-Board	TAOP	TAOPING INC	淘屏有限公司	0.80	2/12/2007		RTO		33	447	-93%	-94%
ex-Board	CREG	CHINA RECYCLING	中国循环能源有限公司	0.37	3/8/2007		RTO		7	306	-98%	-83%
ex-Board	CHME	CHINA MEDICINE C	康采恩集团有限公司	-	10/23/2006	Short report	RTO		1	76	-99%	-99%
Board	CBPI	CHINA BOTANIC PH	仁皇药业公司	0.00	7/2/2010		RTO		0	189	-100%	-100%
ex-Board	ADY	FLYING CRANE INT	飞鹤乳业公司	-	10/17/2001	Short report	RTO	6/28/2013	146	746	-80%	679%
Board, ex-cFO	TSL	TRINA SOLAR-ADR	天合光能有限公司	-	12/19/2006			3/14/2017	1,854	2,426	-24%	-37%
Board	NKBP	CHINA NUOK-ADR	辽宁诺康生物制药有限责任公司	-	12/10/2009			2/7/2013	115	177	-35%	-36%
ex-Board	GRO	AGRIA CORP - ADR	华奥物种集团公司	-	11/6/2007	Short report		11/3/2016	47	803	-94%	-95%
ex-Board	XUE	XUEDA EDU GP-ADR	学大教育集团	-	11/2/2010			6/6/2016	343	862	-60%	-42%
ex-Board	YONG	YONGYE INTERNATI	永业国际公司	-	9/3/2009	Short report		7/8/2014	359	438	-18%	3%
ex-Board	ASIA	ASIAINFO-LINKAGE	亚信联创集团股份有限公司	-	3/2/2000			1/16/2014	867	1,967	-56%	-50%
ex-cFO	CEDU	CHINAEDU COR-ADR	弘成教育公司	-	12/11/2007			4/24/2014	127	178	-29%	-30%
ex-cFO	WDAT	WATCHDATA TE-ADR	握奇数据	-	Pulled			10/10/2005	-	-	n/a	n/a
Average											-66%	

Source: Companies' filings, companies' websites, Bloomberg

SEC recently charged Agria Corporation (GRO) and Executive Chairman with fraud, where SEC identified multiple fraudulent activities between 2010 and 2013. Sean Shao, on the other hand, had been a long-standing independent director of Agria Corporation and served as the chairman of various board committees, including corporate governance, from 2008 to 2017.

SEC's Fraud Charges on Agria Corporation

Washington D.C., Dec. 10, 2018 — A multinational agricultural company has agreed to pay \$3 million to settle charges that it concealed substantial losses from investors through fraudulent accounting in connection with its divestiture of its primary operating entity. In a related action, the company's executive chairman Lai Guanglin (aka Alan Lai) settled charges that he manipulated the company's share price.

As described in the SEC's order, Agria Corporation sold its Chinese operating company in return for stock and land use rights to 13,500 acres of undeveloped land in a remote, mountainous area of China's Shanxi Province. The SEC order found that Agria overstated the value of the stock it received by \$17 million and assigned a value of nearly \$60 million to the effectively worthless land use rights. A separate SEC order found that in March 2013, Lai used nominee brokerage accounts to engage in manipulative trading in Agria's American Depository Shares in order to inflate their price above \$1 and prevent the securities from being delisted by the New York Stock Exchange.

⁵ “越多越好，越密越好，不设上限”

瑞幸“杀进”无人零售，未来凶猛扩张！ <https://cj.sina.com.cn/articles/view/1834507152/6d585b9001900p4on>

Source: <https://www.sec.gov/news/press-release/2018-276>

Summary

1. Agria violated the anti-fraud, reporting, books and records, and internal accounting control provisions of the federal securities laws. Between 2010 and 2013, Agria engaged in a course of fraudulent accounting related to its July 2010 divestiture of Taiyuan Primalights III Modernized Agriculture Development Co., Ltd. ("P3A"), a consolidated affiliated entity. Agria materially overstated the value of the consideration it received in the transaction and concealed material losses as a result of the divestiture.

2. The divestiture involved a related-party exchange between Agria and P3A's president. Agria transferred its ownership interest in P3A to P3A's president in exchange for 14,393 million shares of Agria's common stock. Agria incurred a loss on the transaction, which it materially underreported. In doing so, Agria ignored controlling accounting guidance and manipulated its valuation of the shares it received.

Source: <https://www.sec.gov/litigation/admin/2018/34-84763.pdf>

Sean Shao's Involvement in Agria Corporation

Sean Shao has served as our independent director since May 2019. Mr. Shao has served as an independent director and the chairman of the audit committee of 21Vianet Group, Inc. (NASDAQ: VENT) since 2015, Jumei International Holding Ltd. (NYSE: JMEI) since 2014, LightInTheBox Holdings Co. Ltd. (NYSE: LITB) since 2013, UTStarcom Holdings Corp. (NASDAQ: UTSI) since 2012 and China Biologic Products, Inc. (NASDAQ: CBPO) since 2008. Mr. Shao served as an independent director, the chairman of the compensation committee and the chairman of the corporate governance and nominating committee of Agria Corporation (NYSE: GRO) from 2008 to 2017, from 2008 to 2010 and from 2010 to 2017, respectively. He served as the chief financial officer and a board member of Trina Solar Limited from 2006 to 2008 and from 2015 to 2017,

Source: *Luckin F1 prospectus dated January 8th, 2020, page 148*

Almost all companies Sean Shao has been involved in have lost public investors significant amount of money. 9 out of these 18 companies had lost more than 50% since being listed and 8 were near wipe-outs. On average, these stocks have lost 66% value compared to their peak market capitalizations. We understand that business trends change, and stock price goes up and down, but to have such a long track record and such a high hit rate of being involved with poor performing companies is suspicious at the very least.

China Biologic Products Holdings (CBPO) is the exception to the rule - however, it's worth-noting that the company was also invested by David Hui Li first through Warburg Pincus and then again after he started his own PE fund Centurium Capital, which is leading a deal to take the company private. Centurium Capital is also the largest non-management shareholder of Luckin, currently with 18.1 million ADS (or 7.1% of the company) after selling down 5.5 million ADS in the company's recent follow-on offering in January 2020. As indicated in Red Flag #2 above, David Hui Li also directed Warburg Pincus's investment into Charles Zhengyao Lu's last public company CAR (699 HK) and was CAR's second largest shareholder (after Lenovo) at its IPO. It appears that the company's management, key private investor, and independent board member have worked closely together for a long time.

Another interesting datapoint is that 10 out of the 18 companies disclosed in their latest annual reports that their internal control was not effective, mostly due to material weakness.

Summary of Internal Control Effectiveness as Reported in Annual Reports

Segment	Ticker	Company Name	Chinese Name	Internal Control Effectiveness	
				Management	
Board	CBPO	CHINA BIOLOGIC P	泰邦生物控股公司	Effective	
Board	VNET	21VIANET-ADR	世纪互联数据中心有限公司	Effective	
Board	JMEI	JUMEI INTERNATIO	聚美优品	Not Effective, material weakness	
Board	UTSI	UTSTARCOM HOLDINUT	斯达康控股公司	Not Effective, material weakness	
Board	LITB	LIGHTINTHEBO-ADR	兰亭集势控股有限公司	Not Effective	
ex-Board	TAOP	TAOPING INC	淘屏有限公司	Not Effective, material weakness	
ex-Board	CREG	CHINA RECYCLING	中国循环能源有限公司	Effective	
ex-Board	CHME	CHINA MEDICINE C	康采恩集团有限公司	Not Effective	
Board	CBPI	CHINA BOTANIC PH	仁皇药业公司	Not Effective, material weakness	
ex-Board	ADY	FLYING CRANE INT	飞鹤乳业公司	Not Effective	
Board, ex-cFO	TSL	TRINA SOLAR-ADR	天合光能有限公司	Effective	
Board	NKBP	CHINA NUOK-ADR	辽宁诺康生物制药有限责任公司	Not Effective, material weakness	
ex-Board	GRO	AGRIA CORP - ADR	华奥物种集团公司	Not Effective, material weakness	
ex-Board	XUE	XUEDA EDU GP-ADR	学大教育集团	Effective	
ex-Board	YONG	YONGYE INTERNATI	永业国际公司	Effective	
ex-Board	ASIA	ASIAINFO-LINKAGE	亚信联创集团股份有限公司	Effective	
ex-cFO	CEDU	CHINAEDU COR-ADR	弘成教育公司	Effective	
ex-cFO	WDAT	WATCHDATA TE-ADR	握奇数据	Not Effective	
				Internal Control	
				Not Effective	10
				Effective	8

Source: Company annual reports and 20Fs

Red Flag #6: Luckin co-founder & Chief Marketing Officer, Fei Yang, was once sentenced to 18 months' imprisonment for crime of illegal business operations when he was the co-founder and general manager of Beijing Koubei Interactive Marketing & Planning Co.,Ltd. ("iWOM"). Afterwards, iWOM became a related party with Beijing QWOM Technology Co., Ltd. ("QWOM"), which is now an affiliate of CAR and is doing related party transactions with Luckin

Fei Yang is the co-founder & Chief Marketing Officer of Luckin, who architected the user growth model. He was also the CMO of UCAR (838006 CH), an affiliate of Chairman Charles Zhengyao Lu until the establishment of Luckin. In 2013, as co-founder and general manager of iWOM (北京口碑互动营销策划有限公司), Fei Yang was caught and later sentenced to 18 months jail time⁶ as he was compensated to delete negative online reviews for his clients, an illegal business in China. According to the detailed reporting of CaiXin⁷, whitewash of negative reviews is a major business of iWOM. Under Fei Yang's leadership, iWOM bribed owners or editors of online forums/websites to delete negative reviews related to his clients. It also offered services to post and popularize positive reviews for falsifying positive brand images. Depending on difficulties of each request, iWOM charged in a range of RMB 200-3,000. Fei Yang co-founded this business in Jul 2007 with only a few people and limited capital but in 6 years time, it expanded into a several hundred people team with RMB 70 million revenue at 50%+ CAGR. On Oct 17, 2013, Fei Yang and iWOM was caught by police. **Another fact for consideration is that Fei Yang was supposed to stay in jail until Apr 16 2015 according to news⁸ but became UCAR's CMO in Mar 2015, 1 months earlier than his release date.**

⁶ Case in the news – <http://www.bjnews.com.cn/news/2015/02/12/353653.html> and ChinaCourt.org – http://rmfyb.chinacourt.org/paper/html/2015-02/13/content_93981.htm?div=-1

⁷ Caixin detailed report in Chinese: <http://m.china.caixin.com/m/2013-12-05/100613860.html>

⁸ <http://media.people.com.cn/n/2015/0213/c40606-26559177.html>

Fei Yang, from prisoner to Luckin CMO



Fei Yang, Luckin's co-founder and CMO



Logo of iWOM

为企业有偿删帖 口碑互动公司老总获刑一年半

2015-02-12 18:35:40 | 来源: 新京报 | 作者: 刘洋

Founders of iWOM were sentenced to 1.5 years imprisonment for paid online review whitewash services



3 defendants of iWOM case Xueping Yang, Jinfu Li and Fei Yang (From left to right), attended the court trial

口碑互动三名被告人杨雪萍、李金福、杨飞（从左至右）着便装出席庭审。新京报记者 刘洋 摄

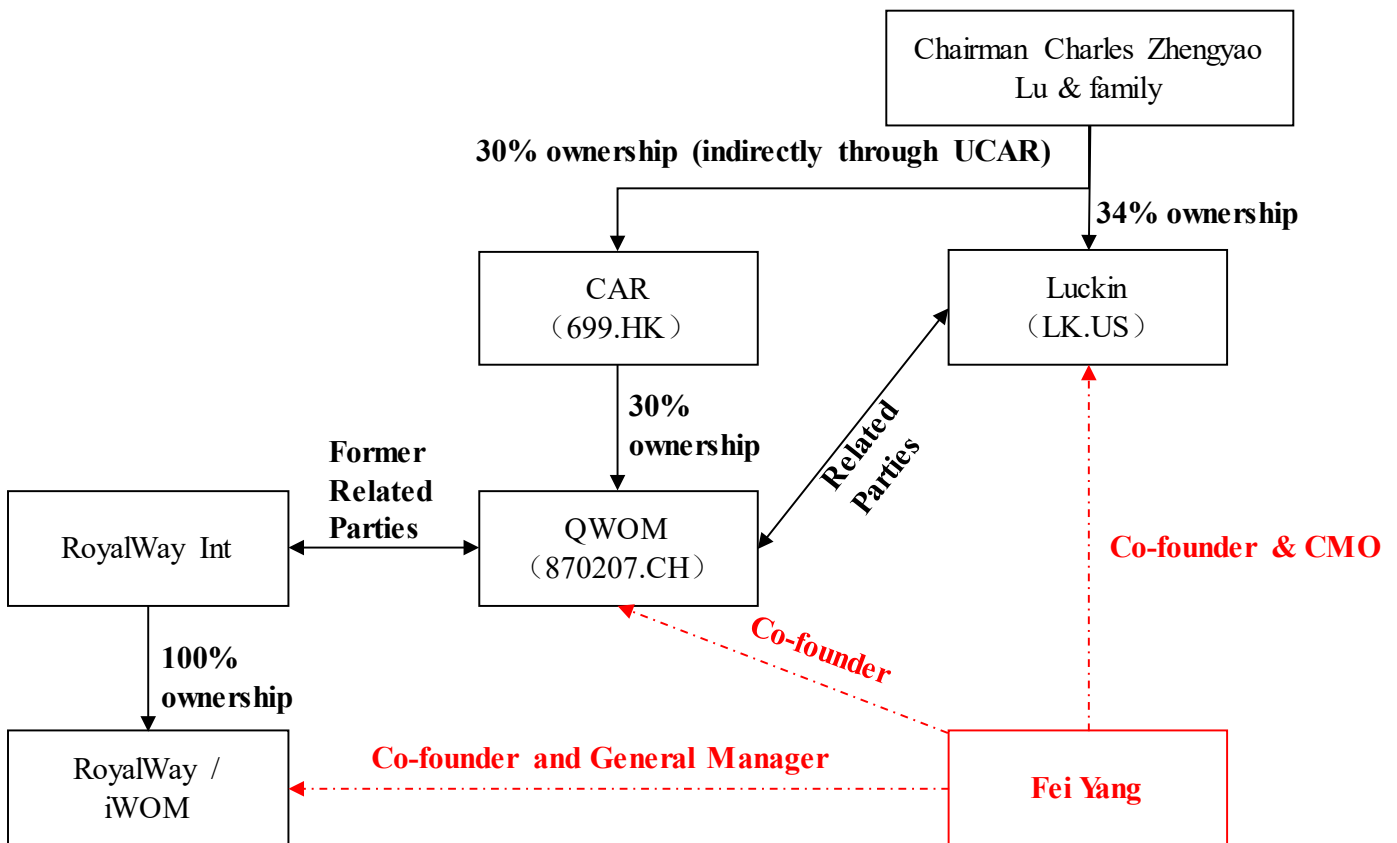
Source: Newrank article, BJnews, Phoenix New Media

Luckin's prospectus also shows that as **an affiliate company of CAR and Chairman Charles Zhengyao Lu, QWOM is providing advertising services to Luckin** with transaction value of \$6 million and \$5.9 million in 2018 and nine months ended Sept 2019. QWOM is a Chinese advertising company listed on NEEQ (870207 CH, Chinese named 北京氢动益维科技股份有限公司 or 氢互动), 30% owned by CAR (699 HK) and according to author introduction and preface of the book *Traffic Pool*⁹ Fei Yang wrote, **Fei Yang was the founder of QWOM**. QWOM's prospectus and Chinese enterprise database Tianyancha (天眼查) also indicate that **iWOM was renamed to Beijing RoyalWay Culture Media Co., Ltd. ("RoyalWay"), whose parent company Beijing Royalway International Media Advertising Co., Ltd ("RoyalWay Int")¹⁰ used to be a related party with QWOM**. Today QWOM, RoyalWay Int and iWOM (renamed to RoyalWay) **are in the same building per their corporate addresses**. Please refer to an org chart summary and relationship proofs as below.

⁹ Link to Fei Yang's book: <https://book.douban.com/subject/30191451/>

¹⁰ Company website: <http://www.xiqiaoguoji.com/>

Fei Yang's close relationship with Luckin, QWOM and RoyalWay/iWOM



Fei Yang Founded QWOM

流量池

作者: 杨飞
出版社: 中信出版集团
出版年: 2018-4
页数: 384
定价: 68.00
装帧: 精装
ISBN: 9787508686769

豆瓣评分 7.6 (3044人评价)

5星 26.9%
4星 41.5%
3星 26.1%
2星 4.2%
1星 1.2%

想读 在读 读过 评价: ☆☆☆☆

写笔记 写书评 加入购书单 分享到 推荐

内容简介

移动互联网时代,信息日益冗余,新闻速朽;整体流量增长速度放缓,而竞争者数量高速增长;流量呈现变少、变贵、取之维艰的现状;品效合一的营销策略成为共识,而实现路径成为痛点;多次开创营销渠道效果之冠的营销人,各种刷屏级营销事件操盘手,神州专车CMO杨飞,这一次颠覆传统,诚恳讲述如何实现流量获取、营销转化以及流量的运营和再挖掘。

作者简介 **Founded QWOM**

杨飞
2017年广州门生策CMO,“流量池营销”理论提出者,传播学硕士。
创办移动端营销机构墨互动,获得海内外营销奖项近200次。
2019年在神州专车集团CMO,操盘神州专车、神州买买车等多次营销战役,现任Luckin coffee营销操盘者。

伴随着这一轮移动互联网的爆发,我创办的移动端数字营销公司“墨互动”,已发展成为国内比较前沿的互联网营销机构。2015年,由于神州租车的战略投资,我有幸加入神州专车这个新项目,负责其市场工作,2016年开始负责神州专车集团(下含神州租车、神州专车、神州买买车和神州车闪贷4个品牌)市场。2017年底,我又负责了luckin coffee(瑞幸咖啡)的营销工作。

Luckin's related party transactions with QWOM

Table of Contents

Transactions with Haode Investment, Haode Group, UCAR and QWOM

In 2017, we received a loan of RMB1.8 million from Haode Investment Inc., a shareholder of our company and an affiliate of Mr. Charles Zhengyao Lu, to support our working capital management. The loan is interest-free with a term of one year and permits prepayment. We settled all the outstanding balance of the related party loan due to Haode Investment Inc. in 2018.

In 2018, we provided a loan of RMB147.6 million (US\$20.6 million) to Haode Group Inc., an affiliate of Mr. Charles Zhengyao Lu. The loan is interest-free with a term of six months and permits prepayment. We settled all the outstanding balance of the related-party loan due from Haode Group Inc. in February 2019.

We rent certain office space from UCAR Inc., an entity controlled by Mr. Lu and persons acting in concert with him. In 2018 and in the nine months ended September 30, 2019, the amount for the rent for UCAR, Inc. was RMB3.2 million (US\$0.4 million) and RMB3.7 million (US\$0.5 million), respectively, and as of December 31, 2018 and September 30, 2019, the amount due to UCAR, Inc. was RMB1.0 million (US\$0.1 million) and RMB1.3 million (US\$0.2 million), respectively.

We received advertising service from Beijing QWOM Digital Technology Co., Ltd., or QWOM, an affiliate of CAR Inc., which is an affiliate of Mr. Charles Zhengyao Lu. In 2018 and in the nine months ended September 30, 2019, the amount for advertising service fee for QWOM was RMB 42.9 million (US\$6.0 million) and RMB42.1 million (US\$5.9 million), respectively, and as of December 31, 2018 and September 30, 2019, the amount due to QWOM was RMB 23.2 million (US\$3.3 million) and RMB18.0 million (US\$2.5 million), respectively.

Transaction with Primus

In 2017, we received a loan of RMB92.9 million from Primus Investments Fund, L.P., a shareholder of our company and an affiliate of Mr. Charles Zhengyao Lu, to support our working capital management. The loan is interest-free with a term of one year and permits prepayment. We settled all the outstanding balance of the related party loan due to Primus Investments Fund, L.P. in 2018.

Transaction with Star Grove

In 2017, we received a loan of RMB227.5 million from Star Grove Global Limited, a shareholder of our company, to support our working capital management. The loan is interest-free with a term of one year and permits prepayment. We settled all the outstanding balance of the related party loan due to Star Grove Global Limited in 2018.

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Founded QWOM mentioned in book

Source: Page 158 of Luckin Prospectus dated January 8, 2020
<https://www.sec.gov/Archives/edgar/data/1767582/000104746920000079/a2240174zf-1.htm>
<https://book.douban.com/subject/30191451/>

RoyalWay Int was an affiliate of QWOM until Aug 2015

Beijing RoyalWay International Media Advertising co. LTD was related party of the company until Aug 28, 2015.

北京氢动益维科技股份有限公司

公开转让说明书

北京玺桥国际传媒广告有限公司原为公司关联方，自2015年8月28日后不再
是本公司的关联方。北京可易品牌管理有限公司为北京玺桥国际传媒广告有限公

序号	关联方名称	与本公司关系
1	天津海科信息技术有限公司	持股 5%以上的股东控制的企业
2	北京群视创维科技有限责任公司	持股 5%以上的股东控制的企业
3	北京翱翔嘉业科技有限公司	持股 5%以上的股东控制的企业
4	北京源清智信科技有限公司	参股子公司控制的企业
5	北京玺桥国际传媒广告有限公司	本公司原股东、执行董事、经理樊万君担任执行董事、经理的公司，樊万君自 2015 年 8 月 28 日起不再在该公司任职；公司原股东李广臣参股的公司，李广臣于 2015 年 8 月 28 日后不

Source: Prospectus of QWOM

<http://qccdata.qichacha.com/Disclosure/afa892ecb36e8f2f6b13fd8ee16d50b4.pdf>

iWOM was renamed to RoyalWay

北京玺桥文化传媒有限公司 我要认证

ROYALWAY

电话: 13146646105 查看更多 修改电话 邮箱: 1759647707@qq.com 查看更多

网址: 暂无信息 地址: 北京市朝阳区永安东里甲3号院1号楼1504-C 附

简介: 暂无信息

浏览量: 1102

企业架构图 瞬息掌握企业关系

股权穿透图 挖掘深层股权结构

企业受益股东 NEW 大数据挖掘最终受益股东

天眼风险 自身风险 1 周边风险 0 预警提醒 21 查看详情 情报动态 2019-12-06 变更工

公司背景 48 司法风险 2 经营风险 2 公司发展 0 经营状况 4 知识产权 22 历史信息 12

公司背景

工商信息

Names previously used

法定代表人 张翠菊 他有 10 家公司, 分布如下

北京 (共6家) 北京玺桥国际传媒广告...等

上海 (共3家) 上海口碑互动营销策划...等

其他 (共1家) 延吉市红日灯饰店等

常用名 北京新口碑营销策划有限公司

北京口碑互动营销策划有限公司

iWOM

注册资本	800万人民币	实缴资本	800万人民币	评分 66 以后获得
成立日期	2007-07-06	经营状态	在业	
统一社会信用代码	91110105664625433B	工商注册号	110105010322993	
纳税人识别号	91110105664625433B	组织机构代码	664625433	
公司类型	有限责任公司(法人独资)	行业	文化艺术业	
核准日期	2019-12-06	登记机关	北京市工商行政管理局朝阳分局	
营业期限	2007-07-06至2027-07-05	纳税人资质	-	
人员规模	小于50人	参保人数	1	
曾用名	北京新口碑营销策划有限公司 查看更多	英文名称	Beijing Koubei Interactive Marketing&Planning Co.,Ltd.	

Sources: Tianyancha <https://www.tianyancha.com/company/2352892181>

Corporate Addresses show that iWOM (now RoyalWay), QWOM, and RoyalWay Int are in the same building

1、中文名称：北京氢动益维科技股份有限公司

2、英文名称：Beijing QWOM Technology Co.,Ltd. **QWOM**

3、法定代表人：王天慧

4、股份公司设立日期：2016年7月7日

5、有限公司设立日期：2010年11月24日

6、注册资本：3000万元

7、住所：北京市朝阳区八里庄东里1号CF28-D

Address of QWOM is CF28-D,

No. 1 Balizhuang Road Dongli,

3、房屋租赁合同

(1) 公司目前租赁的房产具体情况如下：

**Address of
RoyalWay Int is
CF28,
No.1 Balizhuang
Road Dongli,
Chaoyang District,
Beijing**

序号	出租方	房产坐落	用途	面积 (m ²)	租金	租赁期限	履行情况
1	北京玺桥国际传媒广告有限公司	北京市朝阳区八里庄东里1号“来锦文化创意产业园”CF28座	办公	100	13,000 元/月	2014/1/1 至 2014/12/31	履行完毕
2	北京玺桥国际传媒广告有限公司	北京市朝阳区八里庄东里1号“来锦文化创意产业园”CF28座	办公	800	131,400 元/月	2015/1/1 至 2016/5/31	履行完毕

**Address of iWOM
is CF30-A,
No.1 Balizhuang
Road Dongli,
Chaoyang District,
Beijing**

北京口碑互动营销策划有限公司 iWOM

广告/公关/会展 500-999人 北京

www.iwom360.com

北京市朝阳区八里庄东里1号CF30-A

Source: Page 10 and 60 of QWOM's Filings and Kanzhun.com

<http://qccdata.qichacha.com/Disclosure/afa892ecb36e8f2f6b13fd8ee16d50b4.pdf>

<https://www.kanzhun.com/gso1205245.html>

Fei Yang **made many public appearances** on behalf of Luckin, has close relationships with Chairman and CEO of Luckin as ex-core member of UCAR and even wrote a book, proclaiming the advantages of the growth model Luckin adopted. However, **his name has never been shown on any filings of Luckin, UCAR or Luckin's official website.**

Frequent Presence of Fei Yang as Luckin's co-founder & CMO

Luckin's IPO Ceremony



Luckin Tea Product Release Ceremony



Date	Title	Public Appearance	Source
5/17/2019	Luckin CMO	Luckin's IPO Ceremony	https://www.pintu360.com/a64106.html?s=7&o=0
1/3/2019	Luckin CMO	2019 Luckin Strategic Conference	https://www.yicai.com/news/100091870.html
9/23/2019	Luckin co-founder and CMO	Speech @ Communication University of China	https://wemp.app/posts/22ada2fe-e85b-43f3-82b7-2b9dab1031ec
10/9/2018	Luckin co-founder and CMO	Speech @ Conference co-held by Harvard Business Review	https://zhuanlan.zhihu.com/p/46873668
10/25/2018	Luckin co-founder and CMO	Awards @ Vanguard	https://www.sensorsdata.cn/blog/20181025/
1/3/2019	Luckin co-founder and CMO	Interview with National Business Daily	http://www.nbd.com.cn/articles/2019-01-04/1288405.html
7/8/2019	Luckin co-founder and CMO	Luckin Tea Product Release Ceremony	https://kuaibao.qq.com/s/20190708A0UJ4L00?refer=spider
9/26/2019	Luckin co-founder and CMO	Saloon co-held by CITICS Press Group	https://www.sohu.com/a/343682519_650513?spm=smc.athor.fd-3.1569628800041XoZw5NO&trans=000012_js_pd_yl
11/28/2019	Luckin co-founder and CMO	2019 Marketing Summit	https://mp.weixin.qq.com/s/?biz=MzA3NDQ3NDEzMQ==&mid=2653588461&idx=2&sn=d2360e056760e881269d920fc3d17089&chksm=84a11c11b3d69507faa6182c19692073ce3377cfde78b54a5aa32f9ce34154c7387dc0d54d5c&scene=21#wechat_redirect
NA	Luckin co-founder and CMO	Online Lecture @ Hundun University	https://www.hundun.cn/course/intro/5715a98ab383f863817449dd22b3c8dd

“Traffic Pool”, a Published Book written by Fei Yang



Luckin's
co-founder
& CMO

But Absent from Filings of Luckin and UCAR (838006 CH)

Fei Yang is Absent from Luckin's Mgmt. List

Directors and Executive Officers	Age	Position/Title
Charles Zhengyao Lu	50	Chairman
Jenny Zhiya Qian	43	Director and Chief Executive Officer
Jian Liu	36	Director and Chief Operating Officer
Dr. Jinyi Guo	38	Director and Senior Vice President
Hui Li	51	Director
Erhai Liu	51	Director
Sean Shao	62	Independent Director
Thomas P. Meier	49	Independent Director
Reinout Hendrik Schakel	38	Chief Financial Officer and Chief Strategy Officer
Wenbao Cao	50	Senior Vice President

Source: Page 147 of Luckin Prospectus dated January 8, 2020

Fei Yang is Absent from UCAR's Mgmt. List

四、公司董事、监事和高级管理人员情况

(一) 公司董事

截至本公开转让说明书签署日, 公司共有 5 名董事, 分别为陆正耀、黎辉、钱治亚、李晓耕、Weiss Fung Kuen Chan。本届董事会任期 3 年, 陆正耀、黎辉、李晓耕、Weiss Fung Kuen Chan 任期自 2016 年 1 月 14 日至 2019 年 1 月 13 日, 钱治亚任期自 2016 年 3 月 31 日至 2019 年 1 月 13 日。公司董事的基本情况如下:

(二) 公司监事

截至本公开转让说明书签署日, 公司共有 3 名监事, 分别为张翠霞、许开新、薛茜。本届监事会任期 3 年, 任期自 2016 年 1 月 14 日至 2019 年 1 月 13 日。公司监事的基本情况如下:

(三) 高级管理人员

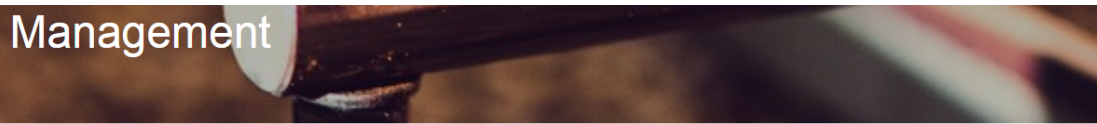
截至本公开转让说明书签署日, 公司共有 5 名高级管理人员, 其中, 陆正耀任总经理, 钱治亚、徐万鸿、李晓耕任副总经理, 陈良芸任财务总监、董事会秘书。公司高级管理人员基本情况如下:

Source: Page 62-65 of filings of UCAR

<https://www.sec.gov/Archives/edgar/data/1767582/000104746920000079/a2240174zf-1.htm>
http://www.neeq.com.cn/disclosure/2016/2016-04-12/1460447285_796632.pdf

Fei Yang is Absent from Luckin's Website

Management



Jenny Zhiya Qian
Chief Executive Officer

Jenny Zhiya Qian has served as our director since August 2017 and our chief executive officer since November 2017. Ms. Qian served as a director and the chief operating officer for UCAR Inc. from 2016 to 2017, and served as an executive vice-president and the chief operating officer for CAR Inc. from 2014 to 2016. Ms. Qian obtained a bachelor's degree majoring in industry and foreign trade from Wuhan Institute of Textile Science in June 1998. She obtained an executive master of business administration degree from Peking University in July 2012.

Reinout Hendrik Schakel
Chief Financial Officer/Chief Strategy Officer

Reinout Hendrik Schakel has served as our chief financial officer and chief strategy officer since January 2019. Mr. Schakel worked at the corporate & institutional banking division of Standard Chartered Bank as an executive director from 2016 to 2018. From 2008 to 2016, Mr. Schakel served successively as an analyst, associate and vice president for the investment banking division of Credit Suisse. Mr. Schakel obtained a master of business administration degree from Erasmus University in December 2005.

Jian Liu
Chief Operating Officer

Jian Liu has served as our director since February 2019 and our chief operating officer since May 2018. Mr. Liu served as the head of yield management for UCAR Inc. from 2015 to 2018. From 2008 to 2015, Mr. Liu served successively as the deputy head of vehicle management center and the head of yield management for CAR Inc. Mr. Liu obtained a bachelor's degree majoring in labor and social security from the Central University of Finance and Economics in June 2005.

Dr. Jinyi Guo
Senior Vice President of Product and Supply Chain

Dr. Jinyi Guo has served as our director since June 2018 and our senior vice president in charge of product and supply chain since October 2017. Dr. Guo served as the assistant to the chairman for UCAR Inc. from 2016 to 2017. He worked at Ministry of Transport from 2011 to 2016, and worked at China Academy of Transportation Sciences as a research assistant from 2009 to 2011. Dr. Guo obtained his master's degree in July 2005 and a Ph.D. in July 2009 from Beijing Jiaotong University, majoring in transportation planning and management. Dr. Guo was a visiting scholar at the University of Leeds in 2008.

Wenbao Cao
Senior Vice President of Store Operations and Customer Service

Wenbao Cao has served as our senior vice president in charge of store operations and customer service since June 2018. Mr. Cao had over 23 years of work experience at McDonald's China. Mr. Cao started his career at McDonald's China in 1994 and served as store manager of McDonald's global largest store in Beijing in 1996. Later Mr. Cao became regional manager of Beijing and eventually served as the vice president of McDonald's China from 2011 to 2017, where he was first responsible for the operation of north district of McDonald's China, and then in charge of the franchising and partner relationship matters. Mr. Cao obtained a bachelor's degree majoring in geophysics from the University of Science and Technology of China in July 1992.

Source: Luckin company website – management page
<http://investor.luckincoffee.com/corporate-governance/management>

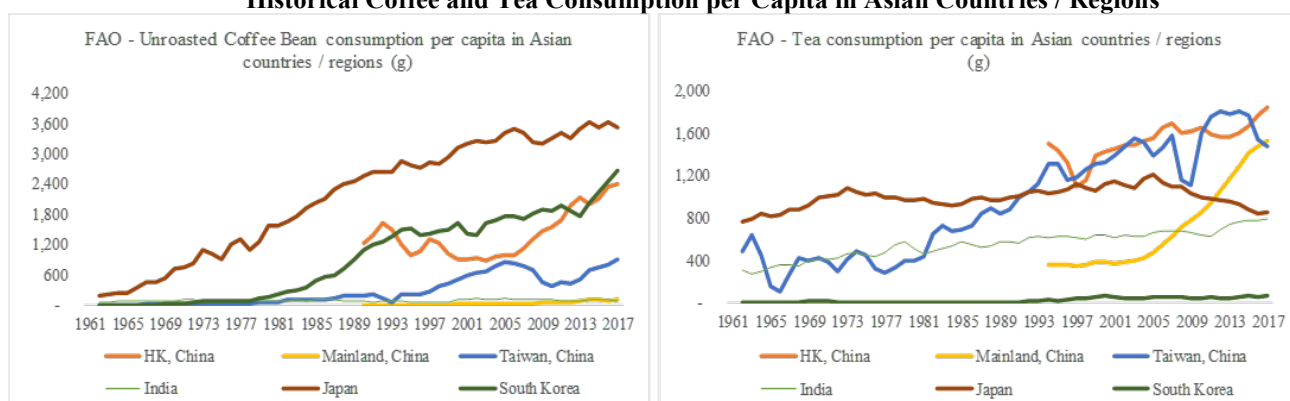
Part Two: The Fundamentally Broken Business
Before 3rd Quarter, 2019

Business Model Flaw #1: Luckin’s proposition to target core functional coffee demand is wrong: China’s caffeine intake level of 86mg/day per capita is comparable to other Asian countries already, with 95% of the intake from tea. The market of core functional coffee product in China is small and moderately growing in China.

Different from the market leader Starbucks, Luckin’s management only focuses on catering to functional demand of Chinese consumers, i.e. caffeine in-take, but **fails to recognize that China is a “stubborn tea drinking” society - such caffeine needs have already been fulfilled by tea products.** Luckin CEO Jenny Zhiya Qian indicated during Luckin 2019 Global Partners Conference¹¹ that, coffee is a very healthy functional beverage to keep people awake and energized... Chinese young people have strong needs to drink coffee for caffeine intake... Luckin’s core value proposition is to offer a coffee product that’s more attractively priced, more easily accessible, with comparable quality, by eliminating the price premium in Starbucks’ business model. It is true that caffeine demand is real in China and coffee’s consumption level is still low compared to international peers. However, **coffee’s functional demand is likely a niche market given Chinese consumers’ caffeine intake has already been met with tea.**

As shown in below chart, post joining WTO at the end of 2001, China witnessed accelerated growth in tea consumption per capita. Coffee consumption per capita also experienced decent growth but absolute level remains low.

Historical Coffee and Tea Consumption per Capita in Asian Countries / Regions



Note: Coffee consumption data is from International Coffee Organization (“ICO”) (Mainland China, HK and Macau) and FAO (JP, South Korea, India and Taiwan). Tea consumption data is from FAO

Source: Food and Agriculture Organization of the United National (“FAO”), National Bureau of Statistics in China (“NBS”), World Bank

Most crucially, tea represents 95%+ of caffeine intake in China on caffeine consumption per capita basis and China’s total caffeine consumption per capita at 86mg/day is comparable to Korea, a coffee caffeine dominated developed country in Asia. Taking 60% urbanization rate into account, the urban consumption per capita could have topped 140mg already, comparable to levels in Japan. Another “stubborn tea drinking” society, India, also shows a similar level. There is very limited room to create additional caffeine needs for coffee consumption.

¹¹ Chinese transcript of Luckin’s 2019 Global Partners Conference Presentation https://www.sohu.com/a/317477316_99900352

Daily Caffeine (Coffee+Tea) Intake per capita per day

mg	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	% of Caffeine Intake from Tea in 2017
China	36	39	44	49	55	60	67	74	76	81	86		95%
Coffee	1	1	1	1	1	2	3	3	3	4	4	4	
Tea	36	39	43	47	53	58	65	72	73	77	82		
Japan	142	140	136	138	138	145	146	145	146	148			28%
Coffee	88	89	87	90	91	98	100	102	104	106	107	103	
Tea	54	51	49	48	48	47	46	43	42	42			
South Korea	55	58	59	66	61	62	73	77	82	90			3%
Coffee	52	56	57	63	59	60	70	74	79	87	84	88	
Tea	2	2	2	2	2	2	2	3	3	3			
Vietnam	79	61	66	67	58	60	63	63	62	59			19%
Coffee	16	18	23	25	31	33	36	40	46	48	50	51	
Tea	63	43	44	42	27	27	27	23	16	11			
India	48	47	46	45	48	52	54	55	55	56			97%
Coffee	2	2	2	2	2	1	1	2	2	1	1	2	
Tea	46	45	44	43	47	51	53	53	53	54			
US	160	159	154	155	157	156	158	155	162	162			20%
Coffee	123	122	118	119	121	120	123	121	128	129	129	136	
Tea	38	37	36	37	36	36	35	34	34	33			

Note: According to Caffeine informer, 1g of dry green tea contains 10-20mg caffeine (assuming 15mg). 1g of dry black tea contains caffeine 22-28mg (assuming 25mg). 12oz Cola contains 34mg caffeine. 15g coffee beans contains 150mg caffeine
 Source: United States Department of Agriculture, Caffeine informer, World Bank

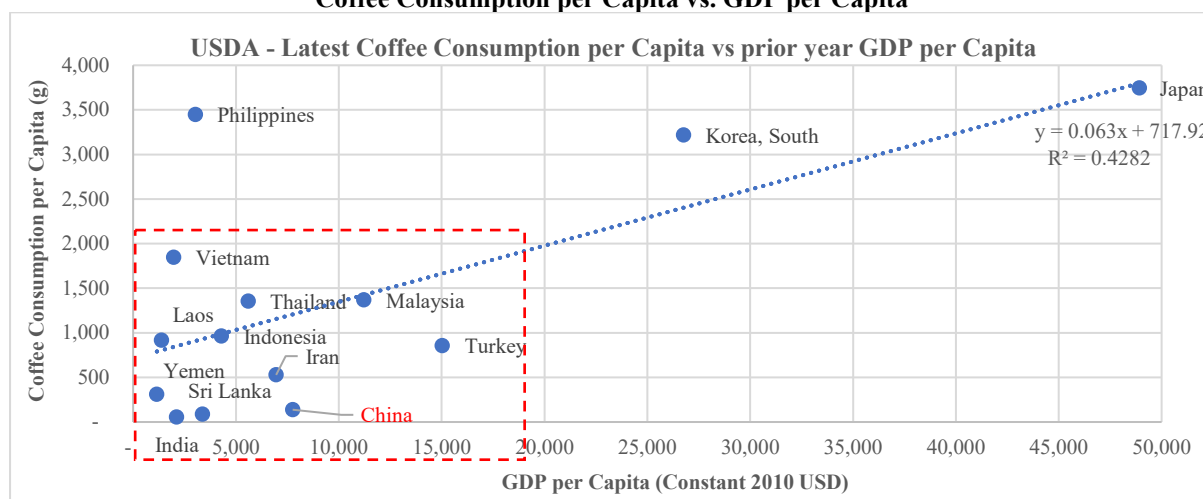
Global coffee consumption per capita comparison across countries also indicates that coffee consumption per capita level is primarily driven by culture rather than economic development. China's coffee bean consumption per capita is not only significantly behind developed countries such as Japan and Korea but also way lower than developing countries such as Vietnam, Indonesia and Laos. According to United States Department of Agriculture ("USDA") data, **global coffee consumption is mostly concentrated in Western countries and former colonies of Western countries** – EU, the US and Brazil, representing 28%, 16% and 14%, respectively. Within developing countries in Asia, more Westernized developing countries such as Vietnam (former colony of France) and Philippines (former colony of Spain and the US) have high coffee consumptions. By contrast, in the countries with strong tea cultures, such as China, India and Sri Lanka, the coffee consumptions are low.

Coffee Consumption per Capita Comparison across Asia

Unroasted Coffee Beans Consumption per Capita (g)					Cups of Coffee Consumed per Capita				
	Japan	South Korea	Philippines	China		Japan	South Korea	Philippines	China
USDA (Latest)	3,745	3,219	3,446	138	USDA (Latest)	250	215	230	9
ICO (2018)	3,715	-	1,857	100	ICO (2018)	248	-	124	7
	Vietnam	Indonesia	Thailand			Vietnam	Indonesia	Thailand	
USDA (Latest)	1,846	964	1,354		USDA (Latest)	123	64	90	
ICO (2018)	1,696	1,076	1,210		ICO (2018)	113	72	81	

Note: According to Starbucks's guidance, 10g of coffee powder requires 180ml of water. 1 tall cup of latte is equal to about 15g of unroasted coffee beans
 Source: USDA, ICO, World Bank

Coffee Consumption per Capita vs. GDP per Capita

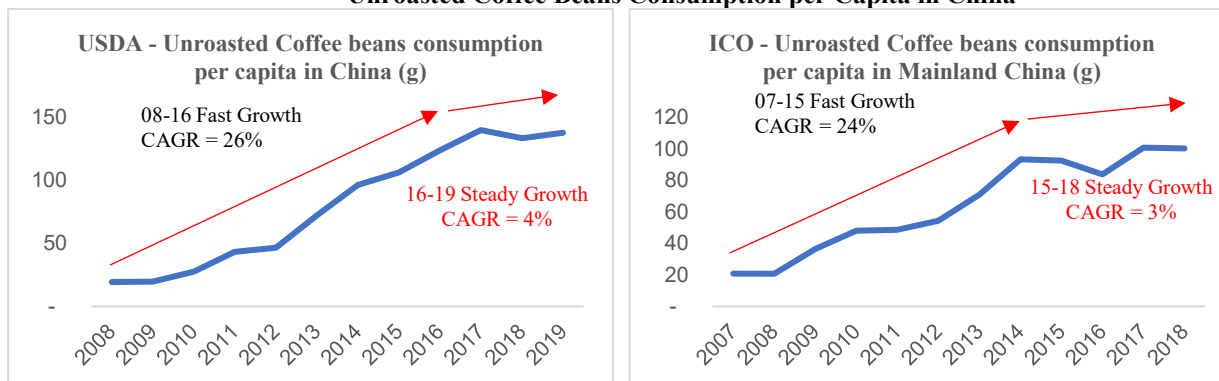


Source: USDA, World Bank

Furthermore, it's unlikely that coffee will play a greater role in Chinese consumers' caffeine consumption in the future given that:

- Overall coffee bean consumption growth has slowed down to 3-4% CAGR only in recent years: data from USDA and ICO shows that **the growth of coffee consumption per capita in China has slowed down to only ~3-4% CAGR in recent years.**

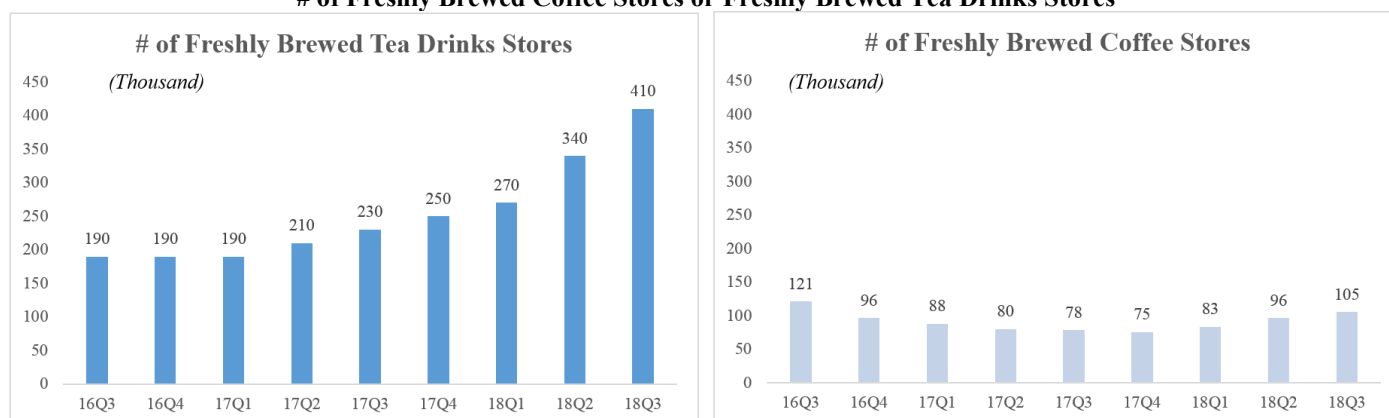
Unroasted Coffee Beans Consumption per Capita in China



Source: USDA, ICO, World Bank

- Divergent store coverage and growth between freshly brewed tea vs. coffee: according to a report from Meituan (HKEX listed: 3690 HK, USD 72 billion market cap, the largest food delivery and local service platform in China), there are ~410,000 freshly brewed tea stores in China, **4 times of the number of freshly brewed coffee stores by 2018 3Q.** In terms of growth rate, the number of tea stores demonstrated a continuous growth trend while **number of freshly brewed coffee stores declined from 121,000 stores by 2016 3Q to 105,000 stores by 2018 3Q.** Hence, the coffee supply network coverage is not the issue, there is just not enough demand.

of Freshly Brewed Coffee Stores or Freshly Brewed Tea Drinks Stores



Source: Meituan (2019 Chinese Beverage Industry's Development Trend Report)

In contrast with Luckin, Starbucks China clearly knows that caffeine functional demand of coffee is not large enough. After doing business in China for 20 years, Starbucks understands that in most of Chinese consumers' mind, "grabbing a coffee" means more than meeting the caffeine intake demand, but more importantly, finding a place to hang out. Chinese consumers often prefer sweet drinks such as flavored latte or Frappuccino over coffee. Coffee industry veterans in China summarized Chinese consumers' demand for coffee shops into 5 categories per our research:

- Space: coffee shops offer space for meeting, work or relaxation, similar to the "3rd space" concept introduced by Starbucks – a place outside the home and work that people can gather and build a sense of community
- Style: stylish coffee shops, such as Starbucks, especially Starbucks Reserve, % Arabica or boutique coffee shops in the eyes of Chinese consumers. Starbucks not only has the most valuable coffee brand name in China, but it is also perceived as a premium brand in China, representing a lifestyle people are longing for
- Beverage: drinking coffee as beverage and can be replaced by tea or juices. This type of consumers often favors Mocha or flavored coffee with milk or syrup
- Functional use: people drink coffee for caffeine to stay awake for study or work; they often become addicted
- Coffee lover: the ones truly enjoy the tastes of a variety of coffees and normally hold high standard in the quality of coffee - this is the smallest portion of coffee consumers in China based on research

Starbucks China knows that the coffee shop business demand across categories A-C are way larger than category D, which Luckin focuses on. Therefore, Starbucks China is willing to pay high rent and renovation expenses for space and style. What Chinese consumers are happy to pay for essentially is a stylish place serving beverages/food for meetings or leisure, not for the coffee itself. Operations of Starbucks in China further prove this point:

- Majority of consumption is not coffee: coffee only represents 40-45% of total sales (70%+ of Starbucks China’s sales comes from drinks and within drinks, coffee represents 59% of total drinks) according to Starbucks’s disclosure on its China Investor Day. Mocha, Latte are the most popular ones within coffee. The functional ones such as Americano/expresso are the minority. The remainder of drinks are tea, Frappuccino and other beverages
- Only 10% of Starbucks revenue is contributed by functional demand category D: Starbucks members contribute 50% of total revenue and functional users only represent 20% of members’ revenue based on industry research
- Divergent revenue mix by time during the day in China vs. the US: the strongest functional needs are normally in the morning and breakfast represents 50%+ of revenue in the US. However, in China breakfast only represents 16% of Starbucks revenue (24% for lunch, 30% in the afternoon, 31% in the evening) according to disclosure on Starbucks’ China Investor Day
- Shopping mall location dominated: coffee shops located in office buildings are more to fulfill functional use of working professionals while coffee shops located in shopping malls are more to fulfill space, style or leisure beverage needs. Per management disclosure, 70-80% of Starbucks China’s stores are in shopping malls and its office location stores are mostly in tier 1 cities core commercial areas such as CBD in Beijing or Lujiazui in Shanghai
- Majority of customers choose to dine in: Luckin often claimed that 70% of Starbucks’ orders in China are take-out orders. Such data is biased. Per research, Starbucks counters normally set orders as take-out status by default and only when a customer demands a mug rather than a paper cup, the order would be switched to dine in. Paper cup usage is close to 70% indeed. However, paper cups are often used for dine-in purpose too. Take-out orders should only represent 30-40% of total orders, and real take-out number should be even lower given the high occupancy rates of the stores

Photos of a typical Luckin coffee shop in China



Photos of a typical Starbucks coffee shop in China



As the first mover in China, Starbucks has built the most extensive prime location store network, offering premium coffee experience across store decoration, services and product quality. **Such consistent performance in the past 20 years empowers Starbucks to establish an unmatched premium brand with a unique business model – it secures lower than market rate rent with long term leases at prime locations and carves out spaces for consumers, charging “rent” by selling them premium priced coffee.** In other words, Starbucks is a successful “coffee WeWork”. It’s not surprising that Starbucks is the only coffee chain achieving a decent profitability in China. All the competitors, including Costa Coffee, Pacific Coffee and Korean players, find it very difficult to replicate Starbucks’ success built on 20 years of brand value and accumulated store portfolio, and

are struggling to turn profitable in China. On the other hand, Luckin chooses to completely go a different direction, and focuses on the coffee functional demand that happens to be only a niche market in China.

In the table below, we list out the key differences in business model and culture between Starbucks and Luckin to help illustrate.

	Starbucks	Luckin
Store level: customer experience	Introduced the “expresso bar” experience to the US; Provide “3 rd Space” for consumers, offering a combination of the best coffee, the best service and the best atmosphere	Only focuses on coffee itself, deems store space and service as unnecessary Only emphasizes “good coffee”
Store level: staff	Staff is Starbucks’ the most important asset and core competency. The concept of a good coffee shop experience and the Starbucks brand are built upon the bond between “partners” and customers	Luckin’s stores are purely production centers. Uses systems to reduce on-site staff involvement as much as possible
Brand	Empower Starbucks brand to be associated with “Knowledge”, “Experience” and “Culture” Make “Starbucks” a style.	Minimize brand premium.
Marketing	Marketing expense as percentage of revenue below 1%; Product, service and value are the drivers of the brand	Aggressive marketing campaign for new customers acquisition: celebrity brand representative, outdoor brand advertising and performance-based ads
Store level: location	Prime locations with strong traffic Location is the key for retail industry	Relies on online traffic; stores located in non-prime locations to save rent
Store level: fit-out	Store image is an essential part of the brand image	Simple fit-out to serve pick-up customers and delivery orders
Promotions	Price discount is a sales driver; premium pricing in most cases	All about discounts and coupons
Product R&D	Marketing department oversees product R&D: consumer demand driven; Diversified product portfolios, catering to a wider customer base	Supply chain department in charge of product R&D: top-down, cost-driven approach; simplifies product portfolio
Views on expansion	If expanding for the sake of scale is defined as success, it will eventually fail.	Benchmarks on Starbucks’ # of stores in China. Deems scale as the prerequisite of a successful business model
Views on franchising	Refused franchise model in the brand-building stage; doesn’t want to lose the key connection to the customers: the store.	New brand Luckin Tea runs franchise model; Luckin Coffee also started franchising in September 2019, less than 2 years since establishment
Non-core products	Brand value would be jeopardized if every random product is labeled with Starbucks	Starting to expand from cups to fashionable items

Source: Starbucks’s Proposition is mainly based on Starbucks founder Howard Schultz’s books “Pour Your Heart into It” and “Onward: How Starbucks Fought for Its Life Without Losing Its Soul”¹²

Business Model Flaw #2: Luckin’s customers are highly price sensitive and retention is driven by generous price promotion; Luckin’s attempt to decrease discount level (i.e. raise effective price) and increase same store sales at the same time is mission impossible

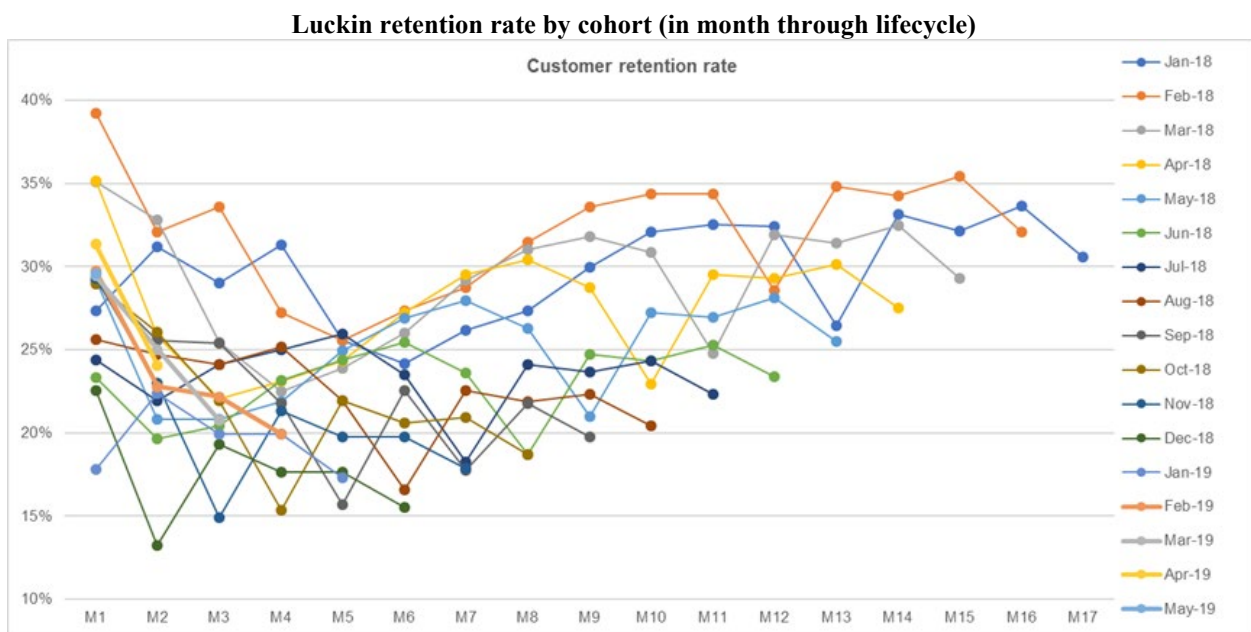
¹² <https://www.amazon.com/Pour-Your-Heart-Into-Starbucks/dp/0786883561>
<https://www.amazon.com/Onward-Starbucks-Fought-without-Losing-ebook/dp/B004OEIQEA>

Market sizing aside, we do recognize Luckin’s success in giving away 20.5 million¹³ cups of coffee per month at zero or low price by burning significant amount of cash and opening 4.5k stores in 2 years. Through 2019 2Q, it had incurred RMB 2.9 billion net loss to amass 22.8 million cumulative transacting customers in just 6 quarters. It had perfected the art of user referral on Wechat: referring a new customer will generate a free cup for both the new AND the existing customers; sharing a link on Wechat moment or a Wechat group will generate 20 randomly formed discount coupons ranging from 82% off to 32% off for other customers to lucky draw.

Chinese observers are so amazed by the persistently large and ever-present discounts, as well as Luckin’s unending appetite to expand and stomach more losses, that they are naming Luckin the “**real badass nationalistic company**”¹⁴, due to its business model of raising capital from foreign investors to subsidize Chinese consumers.

Unfortunately, the free-coffee-plus-coupon-focused customer acquisition strategy results in a customer base that’s highly price sensitive. **We demonstrate below that both retention rate and transaction value are driven by product discount level.**

Cohort analysis clearly demonstrates that 1). Luckin’s new customers had progressively lower retention rates and worse quality than the early adopters, and 2). retention rates across cohorts are driven by level of discount rather than customer vintage. Luckin divided its users into cohorts according to which month they first bought Luckin’s products and compared the retention rate of different cohorts, summarized in the chart¹⁵ below.



Source: Luckin January 2020 prospectus page 15
<https://www.sec.gov/Archives/edgar/data/1767582/000104746920000183/a2240425z424b4.htm>

Luckin’s new customer retention rate universally drops to 35% or below by M1 (2nd month after becoming Luckin’s transacting customer), and M1 retention rate is usually one of the highest in the cohort’s lifecycle. Regardless of cohort vintage, **over 2/3 of each cohort will stay inactive throughout the cohort’s lifecycle, meaning they were only attracted to Luckin by the free cup of coffee and did not come back.**

In terms of quarterly behavior, 2018 1Q cohort had relatively high quality, and their retention rate after one year of use was 30%~35%. From 2018 2Q to 4Q, the quality of new users had been declining, and their retention rates range between 25%~30% or even 20%~25%. 2019 1Q and 2Q cohorts M1 retention rates recovered somewhat, but quickly plunge to 20%-25% or below within the first several months.

¹³ Calculated using (the real case 263 items per store per day) X (65% coffee as reported for first half 2019) X (2019 4Q average number of stores 4.0k) X (30 days) = 20.5 million cups of coffee per month

¹⁴ <https://tech.sina.com.cn/cs/2019-05-22/doc-ihvhiqay0501098.shtml>

¹⁵ Only cohorts till May 2019 were included, because we have shown before that the company had started overstating numbers in 2019 3Q; June 2019 cohort’s “M1” is July 2019 so it was excluded as well.

Luckin recent customer cohort retention rates by month

Customer retention					
Cohort	M1	M2	M3	M4	M5
Jan-19	18%	22%	20%	20%	17%
Feb-19	30%	23%	22%	20%	
Mar-19	29%	25%	21%		
Apr-19	31%	24%			
May-19	30%				

Luckin January 2020 prospectus page 15

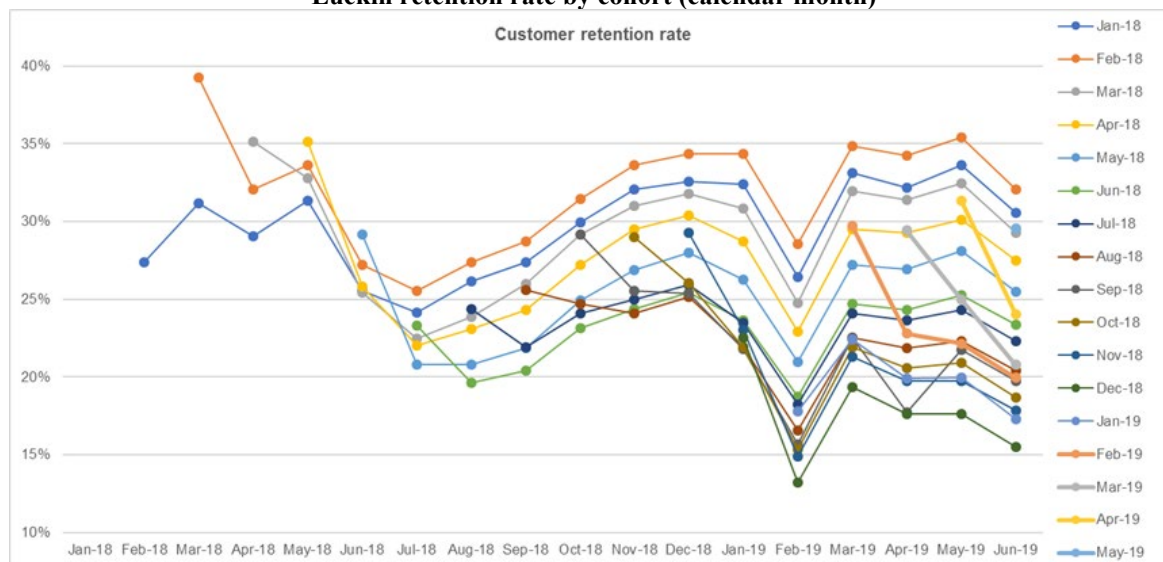
<https://www.sec.gov/Archives/edgar/data/1767582/000104746920000183/a2240425z424b4.htm>

To conclude, Luckin routinely lost majority of its new customers after they consumed their first cup for free; its earliest customers are also its high-quality core customers, and as the number of customers grow, the % of non-core customers grew significantly.

We then group the cohort behaviors by calendar month in the chart below to show how active all the cohorts are in a specific calendar month. The below chart clearly shows that aside from the 1st month after becoming a new customer, Luckin's all cohorts had behaved the same way from calendar month to calendar month.

The retention rate went down gradually in the first half of 2018 and hit the bottom in July-August 2018. From August 2018, the retention rates started to rebound through second half of 2018 to December. 2019 1Q retention rates stayed high (Feb 2019 was abnormally low because of Chinese New Year and Luckin targets office demand). **2019 2Q saw significant decline into June 2019, when most cohorts recorded the lowest monthly retention rates since December 2018.**

Luckin retention rate by cohort (calendar month)



Source: Coffee_Detective research

We derive its level of discounts¹⁶ from the company's filings and presentations. It had increased the level of discounts throughout 2018 to 2019 1Q but attempted to decrease the discount level in 2019 2Q, directly corresponds to the retention rate trend above. Thus, **change of retention rate of each cohort was much more correlated to the level of discounts in each calendar month than the vintage of the cohort: the higher the discounts, the higher the retention, and vice versa.**

Luckin quarterly effective price as % of listed price

	18 1Q	18 2Q	18 3Q	18 4Q	19 1Q	19 2Q
Effective price as % of listed price	82%	63%	55%	49%	47%	52%

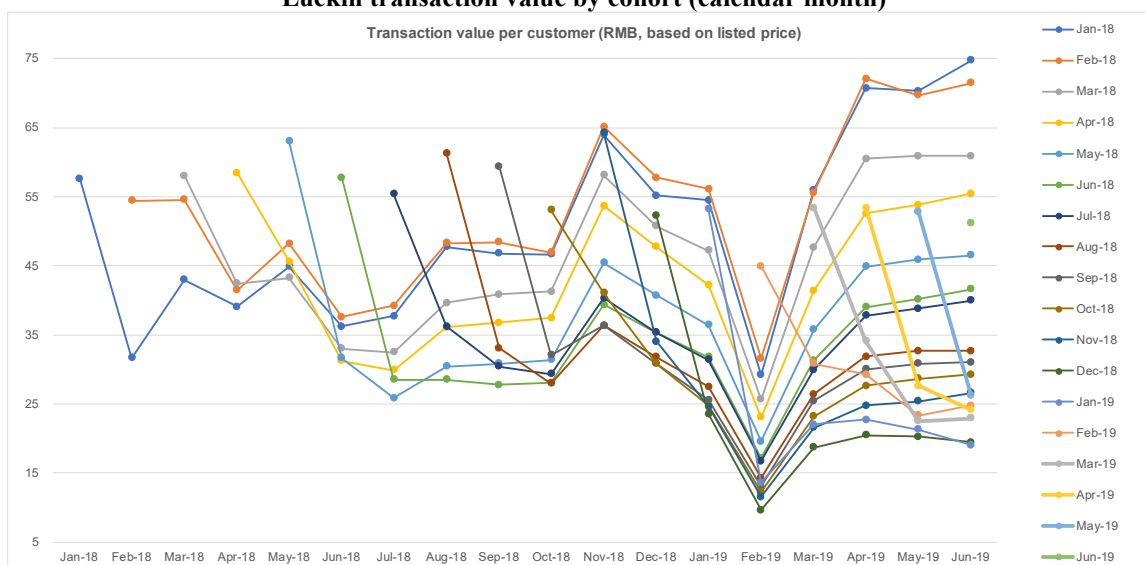
Source: Company filings and Coffee_Detective calculation

Luckin also discloses transaction value (based on listed price instead of effective selling price) per customer cohort. We group the cohort behaviors by calendar month to see how transaction value of each cohort changes. The company's customer cohort transaction value displays similar pattern to retention rate above. First, **all cohorts had behaved the same way from calendar month to calendar month;** secondly, while the cohorts move in the same direction, newer/more recent cohorts significantly underperform

¹⁶ The company's quarterly earnings material discloses average effective selling price and no. of items sold in quarter, both including free coffee items. We adjusted these numbers by excluding the number of free coffee (which is also disclosed by the company) to better gauge the price sensitivity of transacting customers.

older cohorts in the same month. Finally, **transaction value, calculated on list price, grew sequentially from 2018 2Q to 3Q to 4Q as company increased the level of discounts.**

Luckin transaction value by cohort (calendar month)



Source: Luckin January 2020 prospectus page 16 and Coffee Detective research

<https://www.sec.gov/Archives/edgar/data/1767582/000104746920000183/a2240425z424b4.htm>

It's worth-noting that 2019 2Q transaction values were higher sequentially, especially for the older cohort customers. This is partially due to a special 10-week promotion of "7 products to split a cash pool of RMB 5 million per week". The promotion ran from March 11th to May 19th, and on average about 150k customers achieved the 7 products purchased per week. The average monthly items purchased was only 4.5 items for each transacting customer in 2019 2Q (27.6 monthly items transacted, and 6.2 mm monthly transacting customers as disclosed by management). Another possible contributing factor is that Luckin launched a major new product category, Luckin Tea, in 2019 2Q, with trials in Beijing/Shanghai in April and nationwide-launch in May. Separately, we will discuss the positioning and competitiveness of the tea product in Flaw 4 later.

The number of items purchased per month by Luckin's existing transacting customers have decreased.

Based on disclosed numbers, we also calculate the monthly average number of items purchased by existing customers, after excluding the number of items purchased by new customers. As indicated above, a large percentage of new customers are attracted to Luckin due to the free cup, after which they become inactive. As a result, we estimate that the number of items purchased by new transacting customers average around 2.3/month/transacting customer, much lower than the average in the next month and afterwards.

Luckin no. of items bought by new transacting customer cohorts

Cohort analysis	Cohorts (classified by the month when new customers joined)																
	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19
M0 (the month when they first bought Luckin's products)																	
Transaction value per customer (RMB)	58	54	58	58	63	58	55	61	59	53	64	52	53	45	53	53	53
Assumed listed price (RMB)	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24
Monthly items sold per customer	2.4	2.3	2.4	2.4	2.6	2.4	2.3	2.6	2.5	2.2	2.7	2.2	2.2	1.9	2.2	2.2	2.2
Retention rate	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Monthly items sold per transacting customer	2.4	2.3	2.4	2.4	2.6	2.4	2.3	2.6	2.5	2.2	2.7	2.2	2.2	1.9	2.2	2.2	2.2
M1																	
Transaction value per customer (RMB)	32	55	42	46	32	29	36	33	32	41	34	24	14	31	34	28	26
Assumed listed price (RMB)	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24
Monthly items sold per customer	1.3	2.3	1.8	1.9	1.3	1.2	1.5	1.4	1.3	1.7	1.4	1.0	0.6	1.3	1.4	1.2	1.1
Retention rate	27%	39%	35%	35%	29%	23%	24%	26%	29%	29%	29%	23%	18%	30%	29%	31%	30%
Monthly items sold per transacting customer	4.8	5.8	5.0	5.4	4.5	5.1	6.2	5.4	4.6	5.9	4.8	4.4	3.2	4.3	4.8	3.7	3.7

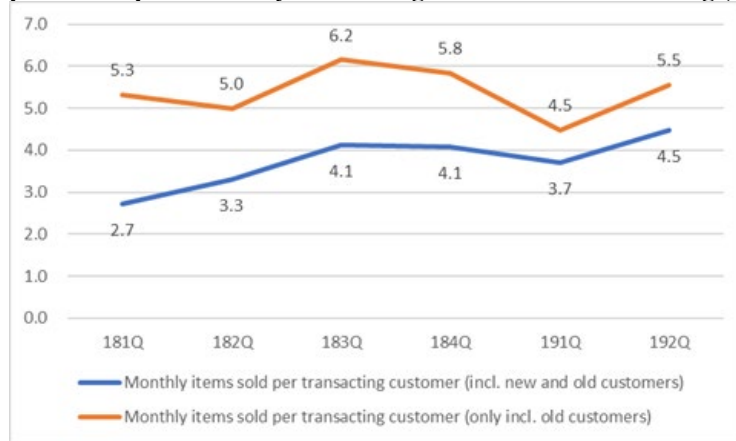
Source: Luckin January 2020 prospectus page 15-16 and Coffee Detective research

<https://www.sec.gov/Archives/edgar/data/1767582/000104746920000183/a2240425z424b4.htm>

The percentage of new customers as total transacting customers decreases as Luckin scales, resulting in higher overall monthly average items purchased per transacting customer. If we exclude the impact of new customers, the number of items purchased per month by Luckin's existing transacting customers had peaked in 2018 3Q at 6.2, and then steadily declined to 5.5 in 2019 2Q (2019 1Q was abnormally low due to Chinese New Year in February).

The decrease in items purchased per transacting customer corresponds to the price discount table discussed above: the boost on customers' spending from higher discount levels peaked in 3Q and 4Q 2018, when effective price quickly dropped from 63% of listed price in 2Q to 49% in 4Q. **As the intensity of discount eased into 2019 2Q, Luckin customers are also purchasing less items per month.**

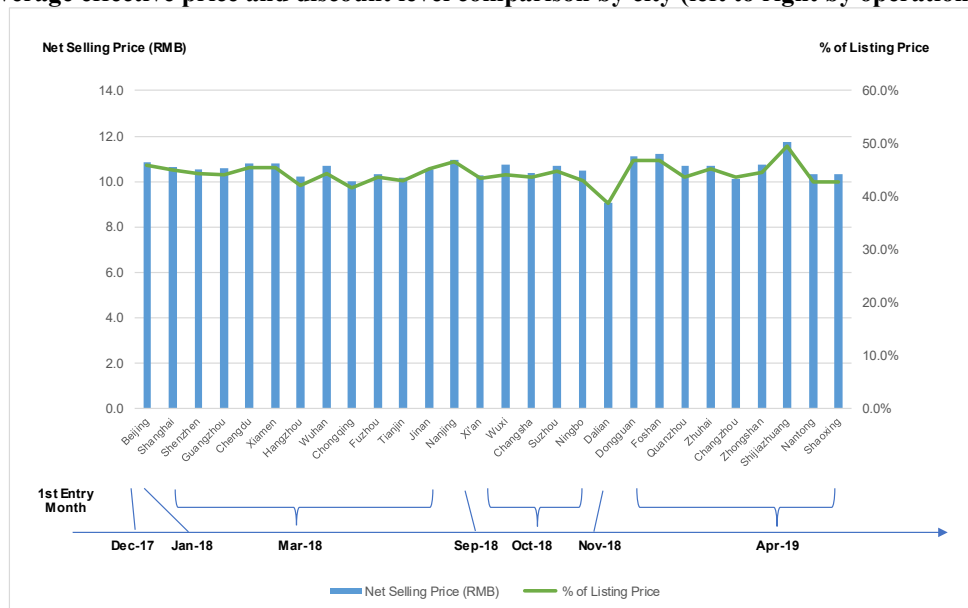
Luckin items purchased per month by transacting customers: all vs existing (excluding new)



Source: Company filings, Coffee_Detective calculations

The receipts we have recently gathered for company’s fraud investigation serves as another evidence. Theoretically in cities where Luckin has been operating the longest, the brand should have accumulated more loyal customers who are willing to buy Luckin’s products with less discount (which is what the management has been aiming for and telling the investors about). In newer cities where Luckin needs to spend aggressively to “educate” consumers, the discount levels are higher. **However, the actual receipts show minimal correlation between the level of discount and the city’s operating history.**

Luckin average effective price and discount level comparison by city (left to right by operation start date)



Source: 25,843 Luckin customer receipts, Coffee_Detective calculation

It’s not surprising that Luckin’s customer base is benchmarking its spending primarily to the level of discount. In fact, the company has been laser-focused on using coupons/discounts as the main customer acquisition and operation strategy. **Luckin customers are groomed from Day 1 to interact with Luckin through coupons/free coffee instead of people/style/service/culture. They are trained to identify Luckin with discounts.**

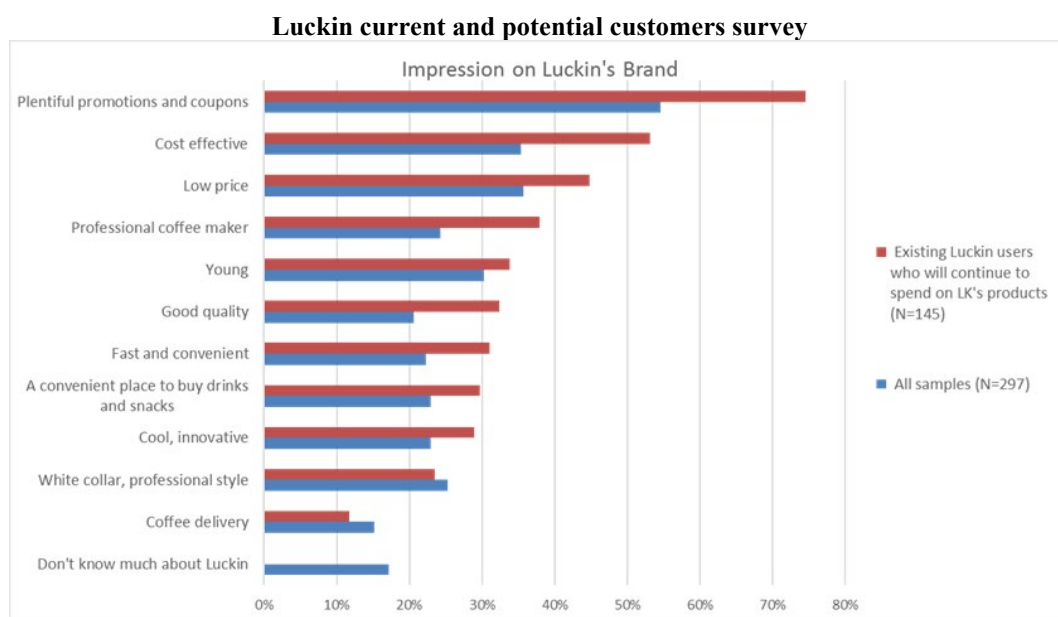
First, no purchases are done without a coupon or a discount. Even the management publicly indicated that 67% should be the long-term discount rate for all products. Luckin has a plethora of coupons in both its APP and on Wechat: top-up coupons (buy 5 get 10, buy 2 get 3, etc.), coupons generated from sharing links, half-off coupons in Wechat official accounts, coupons for customers not active for a week, coupons for customers not active for a month, and other non-coffee product coupons after purchasing coffee. Despite calling itself an internet company, Luckin’s APP is comparatively plain and simple; it doesn’t have any of the usual user engagement functions such as small games, sign-in awards, and flash sales etc.

Secondly, to reduce operating cost, Luckin has adopted the strategy to minimize human participation from all angles, including service. Its coffee machines are fully automatic: barista just need to press a button to make coffee. **Store level employees are not required or incentivized to interact with customers unless they have to.** Orders are placed online, and pick-up can be done by customers themselves through QR codes.

Starbucks, on the other hand, indicates that its key assets are the baristas, as the connection built between the baristas and consumers is a core competitive advantage. It calls baristas “partners” and pays higher than industry average for both full-time and part-time employees. The company also strives to instill the company’s culture and philosophy into its “partners” and then through the partners onto its customers.

Thirdly, Luckin’s store decoration is also minimal and modularized: it aims to satisfy delivery and pick-up demands with no/few seats. From our research, capital expenditure averages about RMB 450k per store, budgeting about RMB 1k-2k/sqm for store-front fit-out versus standard F&B service industry at 4k-6k/sqm. Fit-out period takes only 3 days and store can be open 2 weeks from rental contract signing, versus Starbucks/Costa at 3 months. Because of the core strategy, Luckin needs to cut expenses to the bone and offers customers nothing more than the discounted products.

Our consumer survey shows exactly that: **existing and potential customers’ perception of the Luckin brand highly associates with low price. In fact, the top 3 impressions on Luckin are 1. the abundance of discount coupons, 2. cost effective, and 3. low price.** The perception is stronger for current Luckin customers who plan to remain a customer. Quality, convenience, and association to white-collar all rank low on the other hand.

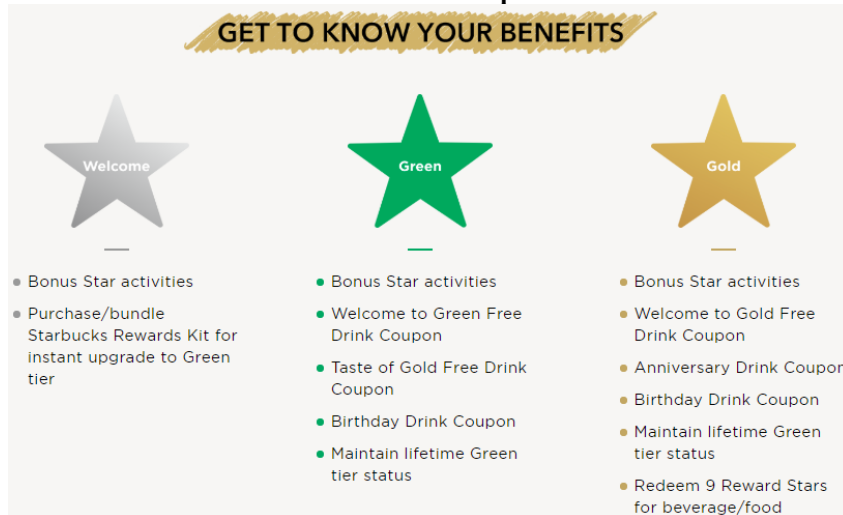


Source: Coffee_Detective survey

Worse still, Luckin pushes its coupon-centric operation model so far that it completely turns the table on its best customers: **a normal, sensible business usually has a membership program to reward loyal customers, while Luckin’s “dynamic pricing” discriminates against them.**

Starbucks has 9.1 million active members and they contribute 50% of Starbucks revenue. Since December 2018, it’s free to register as a Starbucks member and get rated into three different levels according to accumulated consumption dollars. As shown below, the higher the level, the more benefits/coupons the member enjoys. The company uses the membership program to improve stickiness and promote loyalty.

Starbucks Membership Benefits



Source: Starbucks website

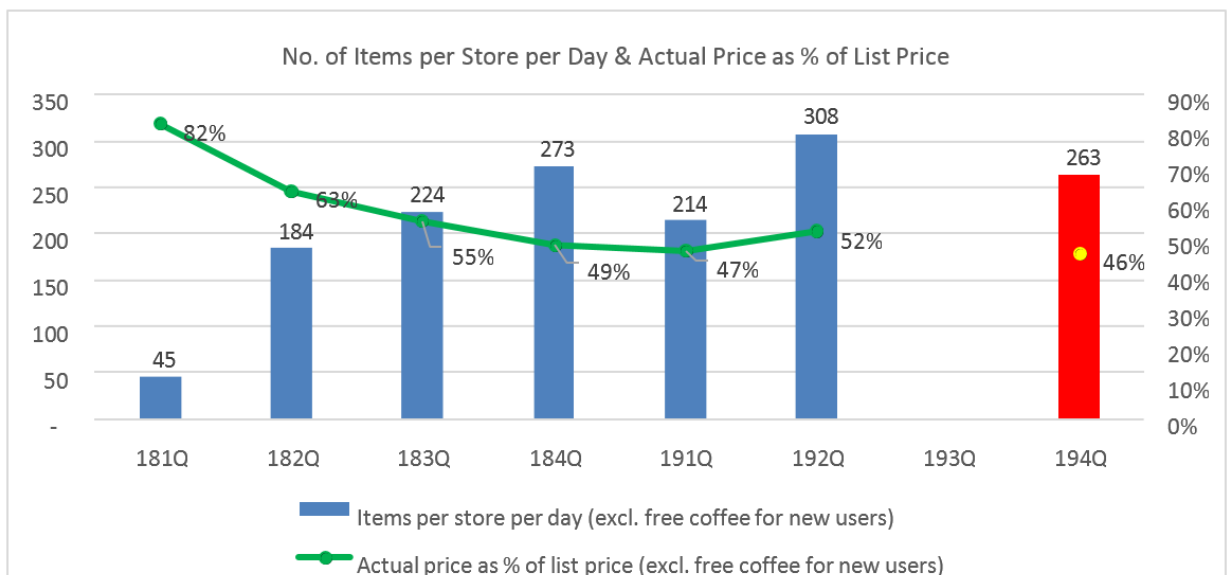
On the other hand, Luckin doesn't have a membership program or point system. **Customers don't get anything extra from spending more or consuming more frequently.** On the contrary, customers who consume less get bigger discounts. Luckin runs a user retention program that sends large discount coupons to customers that haven't made a purchase for a week. The discounts get progressively larger up to 82% off if the customer hasn't ordered for a month.

This coupon structure also ties nicely with the high correlation between retention rate and the level of discount discussed above: active customers get smaller coupons. Luckin's strategy is to use larger discounts to reactivate marginal consumers, while core customers do not enjoy any additional benefits. Management also frequently indicated that their strategy is to use large discounts to attract new customers, help them cultivate the habit of drinking coffee, and then increase the average selling price, i.e., price discriminate loyal customers.

Combining all the above, **the truth of Luckin's business model is that discount level is the key driver for its price sensitive customers.** When the company cranks up the discounts on its products, customers increase spending; when the company wants to "raise price" by decreasing discount levels, customers become less active and purchase less products.

Furthermore, as its number of stores continue to grow fast, further increasing store penetration becomes dilutive for existing stores. By 2019 4Q, **our investigation of the real business metrics indicates that even when the management further increases discount level (to 46% real case), number of items per store per day have started declining.**

Luckin no. of items sold per store per day vs Effective price as % of listed price



No. of stores

290 624 1,189 2,073 2,370 2,963 3,680 4,507

Source: Company filings, Coffee_Detective research

The new “unmanned retail” strategy serves as another potential problem for Luckin: management claims that coffee from its coffee EXPRESS has the same quality as the one sold in its physical stores, thus should be priced the same; however, this will draw attention to the fact that Luckin’s coffee is made by fully automatic machines, not by professional baristas.

Coffee machines used in stores can be classified into three levels of automation. Costa and Pacific Coffee use semi-automatic machines which require on-site baristas to manually make espresso and steam milk. Starbucks and McCafé use semi-automatic machines with an automatic espresso function: espresso comes directly out of the machine, but baristas need to complete the process of steaming/texturing milk. Luckin, KFC and convenience stores such as Seven Eleven use fully automatic coffee machine: employees can make a latte by simply pressing a button.

While KFC and convenience stores choose fully automatic machines because their on-site employees have many other things to do, Luckin also uses this type of machine because it can reduce labor costs and barista training to a minimum level. It only takes half a day for Luckin to train a new “barista”, while Starbucks would take two weeks training theirs. Luckin’s coffee machines are in line with KFC’s in terms of quality and capacity, but better than those used by convenience stores which sell coffee at even lower prices.

From the customer’s perspective, coffee made by experienced baristas are considered premium: quality of coffee is higher, and the barista’s presence makes a difference in the customer’s mind. For example, in the customer survey above, Luckin customers do rank “professional coffee maker” high in their perception of Luckin coffee, likely because Luckin’s stores and employees are dedicated mainly to coffee making. However, emphasizing that Luckin’s unmanned machines make the same coffee works against its customers’ existing perception and its price premium over coffee from KFC or convenience stores.

Business Model Flaw #3: Flawed unit economics that has no chance to see profit: Luckin’s broken business model is bound to collapse

Before we move onto examining Luckin’s store-level unit economics next, it’s important to highlight that, amongst different verticals in the food and beverage (F&B) service industry, coffee is categorized as one with mature supply chain, standardized production, and relatively high gross margin. However, Starbucks is the only coffee retail chain that’s meaningfully profitable in China, which indicates that the key to profitability is not all about making and selling products, but more about finding a viable business model on the store level.

There are three proven business models for freshly brewed drinks business in China: the third-space model (high ASP + big store, e.g. Starbucks), the convenience store model (low ASP with shared store, e.g. FamilyMart, KFC coffee), the bubble tea model (mid-to-low ASP + small store, e.g. tea franchises like Yidiandian, Coco). Each model is successful for different reasons. But Luckin is stuck in between. As comprehensively discussed in Flaw #1 and #2: on one hand, sales volume is capped by the limited end demand for coffee as a functional product; on the other hand, Luckin is not able to increase price and maintain sales volume simultaneously due to its highly price sensitive customer base. When we add rental costs and headquarter expenses (part of which is spent to acquire new customers) to the equation, it’s clear that Luckin cannot turn profitable on store-level and the losses become worse on corporate level.

Luckin is incurring high operating losses on store-level, based on its real case sales volume and effective price.

As an offline F&B service business, Luckin’s unit economics can be broken down into three factors: revenue, cost of sales, and store-level operating cost.

Revenue: Revenue is determined by items sold per day and effective sales price (i.e. after discount). For illustration purposes, we use disclosed 2019 2Q numbers for number of items sold per store per day of 345 and effective cost per item of RMB 10.5 per item (net revenue divided by total items sold) to calculate the store’s net revenue of RMB 109k per month.

Cost of sales: Raw material cost for Luckin’s freshly brewed drink is RMB 5.6 per item (same as 2019 2Q), which is 53.5% of the effective sales price. The blended gross margin is 46.5% on store level, which translates into RMB 50.6k gross profit per month.

Store-level operating cost: Luckin’s store-level operating cost includes rental (RMB 15k per month), labor cost (RMB 3.0/item according to management presentation), utilities (RMB 5k per month) and depreciation of equipment and store decoration (RMB 450k upfront investment that requires 3-5 years of payback). We calculate Luckin’s store-level operating cost to be RMB 61.1k per month, which has limited room to be significantly reduced further.

Delivery subsidy: Luckin outsources delivery service to SF Express (顺丰). Since coffee delivery is very time-sensitive, SF’s delivery riders usually station on Luckin’s store, which results in higher cost. We estimate delivery cost to be RMB 9-10 (incl. VAT) per order. Moreover, Luckin offers free delivery (equivalent to RMB 9-10 delivery subsidy per order) for large orders (>

RMB 55 per order in 13 cities, > RMB35 per order in other cities, based on listed prices, not on effective prices) and charges RMB 6 delivery fee for smaller orders (equivalent to RMB 3-4 delivery subsidy per order). As a result, Luckin effectively offers RMB 5 delivery subsidy per order.

Management excludes delivery expenses/subsidies from store unit economics. However, delivery subsidy is directly resulted from selling and distributing products and can be attributed to each individual store. The company disclosed that in 2019 2Q, 19.8% of the total items were purchased through delivery. We calculate additional RMB 7.8k delivery subsidy per month per store, which further pressures store unit economics.

On store level, Luckin's RMB 50.6k gross profit is unable to cover RMB 61.1k operating cost and RMB 7.8k delivery subsidy, thus generates RMB 18.3k operating losses per month. More importantly, Luckin still cannot break even on store level on cash flow basis without considering depreciation. In other words, Luckin's upfront investment on equipment and decoration will never be paid back as the opened store continues to burn cash on a monthly basis.

Luckin's store-level unit economics

Monthly (RMB)		Unit economics	
Key assumptions			
Area: sqm	40	Rev	108,777
Capex	450,000	Rev/sqm/year (rmb)	32,633
Capex/sqm (rmb)	11,250	Overall COGS	58,167
Equipment	220,000	COGS as % of rev	53.5%
Decoration	230,000	COGS per item	5.6
No. of items per day	345	Overall GP	50,610
No. of items per order	1.3	GPM	46.5%
No. of orders	263	Rental	15,000
ASP	10.5	As % of rev	13.8%
Recommended Retail Price (excl. VAT)	22.3	Rental/sqm/day (rmb)	12.5
Discount (% of original price)	47.1%	Labor	31,050
		As % of rev	28.5%
		Labor costs per item	3.0
		Utilities	5,000
		Per item	0.5
		As % of rev	4.6%
		D&A	10,056
		As % of rev	9.2%
		Equipment	3,667
		Average depreication yrs	5.0
		Decoration	6,389
		Average depreication yrs	3.0
		Delivery subsidy	7,817
		Per order	5.0
		Delivery orders per day	52
		% of total	19.8%
		Store level OP after delivery subsidy	(18,313)
		As % of rev	-16.8%
		EBITDA considering delivery subsidy	(8,257)
		As % of rev	-7.6%
		ROI - per month - considering delivery subsidy	-1.8%
		Payback (excl. ramp-up) - months	NA

Source: Company Filings, Coffee_Detective Analysis

As operating expenses are largely fixed and cost of raw material is proportional to revenue, daily items sold and effective prices after discount are the two key drivers for Luckin's store unit economics.

The below sensitivity table showcases how changes in the two drivers, daily items sold and effective price, impact Luckin's store-level operating margins and corresponding payback period (in months). In 2019 2Q, Luckin's store is running at a negative 16.8% operating margin including the delivery subsidies. Meanwhile, EBITDA is still negative, i.e. the average store was operating on a negative cash flow basis.

Luckin's stores usually have a lease term of 3 years, which means that the payback period needs be within 36 months. In the 2019 2Q case with **53% discount** (effective price at 47% of listed price), daily items sold needs to reach **800 or above** to meet this target.

Luckin management has been articulating to investors that their long-term pricing strategy is not the "listed price" either, but "buy 2 get 1 free", i.e. **33% discount**. Let's generously assume this price target can be achieved in all products. In this case, a store needs to sell **200 items per day to have a 36-month payback period while increasing its average effective price by 43%, still the operating margin would only be 3%.**

Luckin's unit economics sensitivity analysis

Store-level OPM

Net selling price as % of listing price	Items per day per store														
	50	100	150	200	250	300	350	400	450	500	600	700	800	900	1,000
30%	-340%	-190%	-140%	-115%	-100%	-90%	-83%	-78%	-73%	-70%	-65%	-62%	-59%	-57%	-55%
40%	-230%	-117%	-80%	-61%	-50%	-43%	-37%	-33%	-30%	-28%	-24%	-21%	-19%	-18%	-16%
45%	-193%	-93%	-60%	-43%	-33%	-27%	-22%	-18%	-16%	-13%	-10%	-8%	-6%	-5%	-3%
50%	-164%	-74%	-44%	-29%	-20%	-14%	-10%	-7%	-4%	-2%	1%	3%	5%	6%	7%
55%	-140%	-58%	-31%	-17%	-9%	-4%	0%	3%	5%	7%	10%	12%	13%	14%	15%
60%	-120%	-45%	-20%	-8%	0%	5%	9%	11%	13%	15%	17%	19%	21%	22%	22%
65%	-103%	-34%	-11%	1%	8%	12%	16%	18%	20%	21%	24%	25%	27%	28%	28%
67%	-98%	-30%	-8%	3%	10%	15%	18%	20%	22%	23%	26%	27%	29%	29%	30%
70%	-88%	-24%	-3%	8%	14%	19%	22%	24%	26%	27%	29%	31%	32%	33%	34%
80%	-65%	-9%	10%	19%	25%	29%	31%	33%	35%	36%	38%	39%	40%	41%	42%
90%	-47%	3%	20%	28%	33%	37%	39%	41%	42%	43%	45%	46%	47%	48%	48%
100%	-32%	13%	28%	35%	40%	43%	45%	47%	48%	49%	50%	52%	52%	53%	53%

Payback period (month)

Net selling price as % of listing price	Items per day per store														
	50	100	150	200	250	300	350	400	450	500	600	700	800	900	1,000
30%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
40%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
45%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
50%	NA	NA	NA	NA	NA	NA	NA	NA	NA	115	68	39	28	22	18
55%	NA	NA	NA	NA	NA	75	44	32	26	21	16	12	10	9	8
60%	NA	NA	NA	112	45	30	22	18	15	13	10	8	7	6	5
65%	NA	NA	NA	42	26	19	15	12	10	9	7	6	5	4	4
67%	NA	NA	95	36	23	17	13	11	9	8	7	5	5	4	4
70%	NA	NA	56	28	19	14	11	9	8	7	6	5	4	4	3
80%	NA	83	27	16	12	9	7	6	6	5	4	3	3	3	2
90%	NA	38	18	12	9	7	6	5	4	4	3	3	2	2	2
100%	NA	26	13	9	7	5	5	4	3	3	2	2	2	2	1

Source: Coffee_Detective Analysis

Taking a step back, our research shows that there are three viable business models for freshly brewed drinks, and Luckin lacks the competitive advantage to develop into any one of them.

In the F&B service industry, items sold per store and effective price are usually negatively correlated. Luckin's competitors who succeeded have all found their own ways to strike a balance between volume and price. Their investments in new stores can generate reasonable ROI due to this balance, which is the foundation for the business model to be viable.

“Third space”: Starbucks has built a premium brand in past 20 years in China and successfully offers the value proposition of a “third space” through selling coffee. As a result, it can price products at higher price and still achieve larger volume vs. competitors to achieve profitability. Although Luckin's smaller store space enables cost savings on both upfront investment and daily operation, its store-level revenue and gross profit is only 17% and 11% of Starbucks by targeting the niche market of coffee's functional demand. As mentioned in Business Model Flaw #1 and #2, the success of Starbucks' “third space” model is contingent on strong brand value and rental negotiation power, other followers (such as Costa Coffee and Pacific Coffee) are still struggling to break even. It's impossible for Luckin to replicate “third space” model given its different store design and brand positioning.

“Convenience store” model: competitors like KFC and FamilyMart leverage on existing stores and staff to cross-sell coffee. As a result, KFC and FamilyMart only need to purchase the coffee machine and raw materials without any additional rental and labor cost. “Convenience store” model can achieve an ROI level similar to Starbucks despite much smaller sales volume. Luckin, on the other hand, is a dedicated coffee shop (although it tries hard to convince investors that it “uses coffee to generate traffic and then cross-sell them tea or snacks or bakery or everything else) and will continue to be viewed as such by its customers.

Bubble tea shop: Yidiandian and Coco's product pricing is comparable to Luckin's. However, their target market of tea drinks is much larger than coffee in China. Being a top-tier tea drink shop can achieve very high sales volume per store. Luckin will find it hard to replicate, since it mainly serves the functional coffee market and caffeine demand has been largely satisfied through tea in China. Bubble tea shop's gross margin is also structurally higher at >60%, which means Luckin might need to achieve an even higher sales volume per store to break even.

Store-level unit economics comparison of different business models

	Luckin		"Third space"		"Convenience store" model		Bubble tea shop	
	3Q19 Reported	Real Case	SBUX	SBUX Office	KFC	FamilyMart	Yidiandian	Coco
Store size								
Store area	30	30	190	120			50	55
Capex (rmb m)	0.45	0.45	1.9	1.5	0.08	0.06	0.40	0.35
No. of seats	<10	<10	60	30	20-40	5	-	12
% of dine-in	<10%	<10%	>40%			<10%	-	<10%
Operating data								
No. of items per store per day	444	263	493	247	40	40	800	500
Delivery % orders	13%	10%	8%				40%	20%
Items/order	1.2	1.1	1.7	1.3			1.1	1.7
No. of orders per store per day	367	231	290	190			727	294
Price/item (excl. VAT)	11.2	10.0	31.0	32.0	11.0	9.4	13.2	12.3
Daily revenue (rmb k)	5.0	2.6	15.3	7.9			10.6	6.2
Income Statement								
Monthly revenue (rmb k)	149.3	78.7	458.5	237.1	13.2	11.3	316.8	184.5
COGS	72.1	44.3	133.0	64.0	7.2	7.2	117.2	59.0
COGS as % of rev	48%	56%	29%	27%	55%	64%	37%	32%
COGS per item	5.4	5.6	9.0	8.6	6.0	6.0	4.9	3.9
Gross profit	77.2	34.3	325.5	173.1	6.0	4.1	199.6	125.5
GPM	52%	44%	71%	73%	45%	36%	63%	68%
GP per item	5.8	4.4	22.0	23.4	5.0	3.4	8.3	8.4
Rental	15.0	15.0	64.2	23.7	-	-	38.0	29.5
As % of rev	10%	19%	14%	10%			12%	16%
Rental per item	1.1	1.9	4.3	3.2			1.6	2.0
Labor	27.0	27.0	68.8	37.9	-	-	57.0	38.7
As % of rev	18%	34%	15%	16%			18%	21%
Labor per item	2.0	3.4	4.7	5.1			2.4	2.6
Delivery commission or subsidy	7.1	3.3	-	-	-	-	13.4	5.9
As % of rev	5%	4%	0%	0%			4%	3%
Commission rate	0%	0%	0%	0%			10%	15%
Delivery expense per item	0.5	0.4	-	-			0.6	0.4
Delivery expense per delivered item	4.1	4.1	-	-			1.4	2.0
Other operating expenses	5.0	5.0	27.5	14.2	0.4	0.3	25.3	12.9
As % of rev	4%	6%	6%	6%	3%	3%	8%	7%
Other per item	0.4	0.6	1.9	1.9	0.3	0.3	1.1	0.9
D&A	10.1	10.1	39.6	31.3	1.3	1.0	16.7	14.6
As % of rev	7%	13%	9%	13%	10%	9%	5%	8%
D&A per item	0.8	1.3	2.7	4.2	1.1	0.8	0.7	1.0
Depreciation years	3.7	3.7	4.0	4.0	5.0	5.0	2.0	2.0
Store level profit	13.1	(26.0)	125.5	66.0	4.3	2.8	49.1	23.8
Operating margin	9%	-33%	27%	28%	32%	25%	15%	13%
Operating profit per item	1.0	(3.3)	8.5	8.9	3.6	2.3	2.0	1.6
Store level cash profit	23.1	(15.9)	165.1	97.2	5.6	3.8	65.8	38.4
Cash margin	16%	-20%	36%	41%	42%	33%	21%	21%
Key Financial metrics								
Payback years	1.6	NA	1.0	1.3	1.2	1.3	0.5	0.8
Price per item	11.2	10.0	31.0	32.0	11.0	9.4	13.2	12.3
COGS+Operating expenses per item	10.2	13.3	22.5	23.1	7.4	7.1	11.2	10.7
COGS	5.4	5.6	9.0	8.6	6.0	6.0	4.9	3.9
Operating expenses	4.8	7.6	13.5	14.5	1.4	1.1	6.3	6.8
Operating profit per item	1.0	(3.3)	8.5	8.9	3.6	2.3	2.0	1.6

Source: Company filings, Coffee_Detective research

For Luckin's store-level economics to work, Luckin needs to either increase both price and volume simultaneously or increase one of them while maintain the other one stable. However, capped by the market size and price-sensitive user base, it's very difficult for Luckin to achieve either targets. **The above table showcase how in 2019 3Q, Luckin had faked the increases in BOTH its items sold per day and price per item to achieve store level profitability. In reality, their store-level operating margin calculated from the real business metrics was likely negative 33% (inclusive of delivery subsidy).**

Luckin's best bet is to follow the bubble tea model, with small stores and low product price: then its high sales volume per store per day is the necessary condition to store-level break-even. Unfortunately, the core issue would be the limited demand in China for coffee as a functional product, which is especially apparent when compared to the much bigger market for tea drinks in China. As a result, it's extremely difficult for Luckin's sales volume per store to match its bubble tea peers such as Yidiandian and Coco.

Another restricting factor on volume is the fact that **the majority of Luckin's stores are located in office buildings**, as it aims to satisfy functional demand. An office building in China typically contains ~2k people. The first requirement in Luckin's own business development criteria is to position new stores in office buildings with >1.5k people. We can also verify this by looking at Luckin's monthly transacting customers per store: the metric centers around 2k. It reached peak levels of ~2.6k in 2018 2Q (when there were not so many stores) and 2018 4Q (when there were deep discounts). In 2019, its monthly transacting customers per store trended down with its aggressive store expansion. **Due to the geographic coverage of each store, there is substantial cannibalization if stores become too dense in a region, which further limits the sales volume can be achieved by each store.**

Luckin monthly transacting customers per store



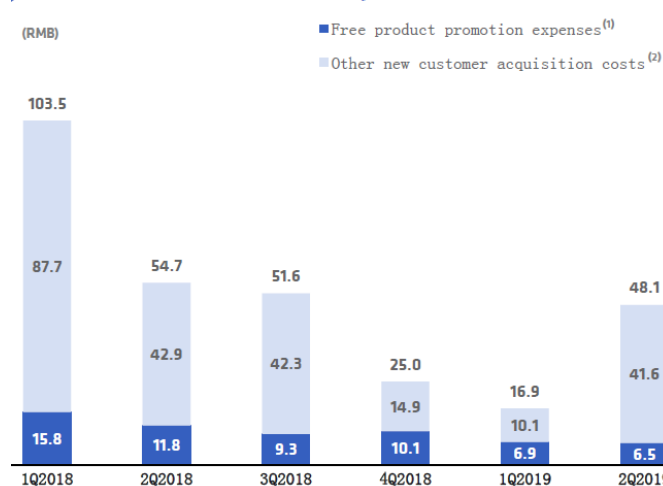
Source: Company filings, Coffee_Detective analysis

With the sales volume upside handicapped, can Luckin shift towards the Starbucks’ model to improve its pricing power? The answer is clearly a no, as **Luckin’s customers are highly price-sensitive and lack royalty to its products and brand, and it cannot increase price without sacrificing sales volume significantly.**

The two inherent flaws in its business model have been pushing Luckin away from any of the viable paths to profitability. Luckin’s real case in 2019 3Q should have been unsurprisingly continued losses and no improvement in unit economics. However, as we have shown in the Smoking Gun Evidence segment above, management had started to commit fraud by faking an inflection point of its business model: miraculously, they are able to dramatically increase sales volume per store with less discounts in 2019 3Q reported case and 4Q guidance, and investors mistakenly bought their story thinking that the business has turned the corner to become viable.

On top of the losses Luckin is racking up on store-level, its high and rising headquarter expenses also add insult to injury. Luckin incurs heavy customer acquisition cost (“CAC”) on the corporate level: over the past quarters, CAC per new customer mostly stayed ~RMB 50 and if we take its ~25% monthly retention (<35% in M1 and quickly decline to 20%-25%) into account, **the CAC per monthly transacting customer is already ~RMB 200.**

Luckin customer acquisition cost
New customer acquisition costs



Source: Luckin’s 2019 2Q earnings highlights

Management targets a total of 10k stores by the end of 2021, which means it aims to open another 5.5k stores over the next 8 quarters, or 688 new stores per quarter. We use the real case of 263 items sold per store per day to derive that its stores on average sell 7890 items per month. We have also derived in Business Model Flaw #2 that Luckin’s existing transacting customer buys on average 5.5 items per month. **Thus, Luckin will need to acquire 1,435 monthly transacting customers for each new store.** If the new store doesn’t cannibalize from the existing stores (which is aggressively optimistic as its store penetration in existing cities increases), we estimate that Luckin will need to spend RMB 287k per new store per quarter on customer acquisition expenses alone, which works out to be **RMB197 million per quarter with 688 new stores.**

In terms of general and admin expenses, Luckin’s trailing 3 quarters’ run rate is about RMB 76k per store per quarter (average of RMB 228 million expenses divided by the average store count of 3,000). Therefore, **additional general and admin expenses for 688 new stores will cost the company another RMB 52.2 million per quarter.**

On the other hand, Luckin is currently far from store-level break-even. We calculate that it’s losing RMB 26k per store per month under the real case, or RMB 17.9 million per month for 688 new stores. Essentially under the current business model, everything else equal, Luckin’s expansion plan is losing its investors **RMB 53.7 million more per quarter on the store level, and then another RMB 249.2 million more on the corporate level, totaling RMB 303 million more losses per quarter, just on the new stores alone!** The more stores Luckin opens, the more money and faster Luckin investors will lose.

Business Model Flaw #4: Luckin’s dream “to be part of everyone’s everyday life, starting with coffee” is unlikely to come true, as it lacks core competence in non-coffee products as well. Its “platform” is full of opportunist customers without brand loyalty. Its labor-light store model is only suitable for making “Generation 1.0” tea drinks that have been in the market for more than a decade, while leading fresh tea players have pioneered “Generation 3.0” products five years ago.

Luckin Tea (小鹿茶): a generation 1.0 tea product benchmarking generation 3.0 competitors

Luckin Tea is the most important non-coffee product for Luckin – there are differences in coffee vs tea customer base and consumption scenarios, thus theoretically Luckin Tea could help target and attract customers outside of its core coffee customers. Luckin started its Luckin Tea trial in Beijing and Shanghai in Apr 2019 and launched in nationwide stores in May 2019. In September 2019, Luckin Tea was officially separated out as an independently operated brand and hired Xiao Zhan (肖战) as the brand ambassador.

Compared to tea drinks, coffee is more functional and appropriate for more formal occasions such as business. Tea drink buyers, on the other hand, consume tea drinks for leisure and mostly care about the drink’s taste. **While demand is not the limiting factor for the tea drink industry, the main challenges lie in supply chain management and in-store production.**

Coffee is a commodity with a standardized supply chain, while automatic coffee machines can greatly simplify coffee’s in-store production process; both factors are quite straight-forward. On the other hand, our research shows that tea drink, especially the “generation 3.0” product that Luckin Tea is benchmarking, is exactly the opposite, with much higher complexity in both supply chain and in-store production.

Level of difficulty in various type of F&B categories

	Supply Chain (food storage & preparation, inventory mgmt, bulk/centralized procurement)	On-site cooking/baking/brewing
Chinese Cuisines	Hard	Hard
Hot Pot	Hard	Easy
Western Fast Food	Moderate	Moderate
Tea Drinks (generation 3.0)	Hard	Hard
Tea Drinks (generation 2.0)	Easy	Moderate
Tea Drinks (generation 1.0)	Easy	Easy
Bakery Food	Easy	Hard
Coffee	Easy	Easy

Source: Coffee_Detective research

China’s tea drink industry has developed from generation 1.0 product (tea-powder brewed) to generation 2.0 product (tea leaves + creamer or milk), and then to generation 3.0 product (tea leaves + cheese milk topping + fresh fruits). Correspondingly, tea drink consumers have developed discerning taste on flavors. As can be seen in the top 10 tea drink brand below, products from generation 2.0 and generation 3.0 currently co-exist in the market.

Top 10 China Tea Drinks Brands in 2019

From left to right:

HeyTea, Nayuki, Mixue Bingcheng, Coco, Yidiandian, the Alley, Lele Tea, Good Me, Auntea Jenny, Happy Lemon



Source: World Federation of Chinese Catering Industry, Hongcan

- **Generation 1.0: standardized product brewed from tea-powder.** Major chains include Jieke Milk Tea (街客), Happy Lemon (快乐柠檬) and mom and pop shops. Product cost is low, but taste is also subpar.
- **Generation 2.0: bubble tea – pre-made tea (brewed from real tea leaves) with creamer/milk and bubble at order.** Major chains are Coco Milk Tea (Coco 都可) and Yidiandian (一点点), both Taiwanese brands
 - Currently Coco Milk Tea has 3,000+ stores while Yidiandian has 2,000+ stores. Both brands operate under the franchise model. This type of store has very limited store area (no seating)
 - Due to restriction on supply chain, these stores are limited to fruits with long shelf-life such as lemon, which is why they feature milk tea instead of fruit tea.
 - Mixue Bingcheng (蜜雪冰城) is another generation 2.0 chain; it targets lower tier cities with low priced products
- **Generation 3.0: tea drinks are made on the spot with real tea, cheese milk topping, and fresh fruits.** Major chains include HEYTEA (喜茶), Nayuki (奈雪的茶) and Lele Tea (乐乐茶).
 - Generation 3.0 is another significant upgrade from 2.0, with much better raw materials and correspondingly product price also increases from RMB 10-15 to RMB ~30
 - In-store decoration of generation 3.0 brands are often more “instagramable”, and they also provide seats to better integrate the “3rd place” strategy like Starbucks
 - Due to the raw materials upgrade and increased requirement for handling & processing of fresh fruits, the cost of generation 3.0 products is higher both from material and labor perspectives

Luckin Tea is benchmarking generation 3.0 tea drink and its product lineup mainly copies HeyTea, which has been one of the most popular tea drink brands in China. **However, Luckin’s product R&D system as well as supply chain capabilities are based on Starbucks and designed for coffee products**, which are fundamentally different from the generation 3.0 tea product.

Coffee brands such as Starbucks and KFC mainly use pre-mixed powder for tea drink production: the flavors of tea and fruits mainly come from tea powder and jam. These drinks are cheaper and easier to produce and are supplemental to the main coffee products. Luckin has always been targeting an even simpler in-store production process than Starbucks to minimize the involvement of employees. While Starbucks would mix different raw material powders, Luckin **requires suppliers to blend as much raw material powers as possible into a condensed paste**, which then can easily be mixed with water on-site to produce tea drinks.

Product development for the generation 3.0 tea drink is the opposite: HeyTea and Lele Tea prioritize better and fuller taste over efficiency/convenience. To ensure quality and flavor, raw products such as **tea leaves, fresh fruits and toppings are often directly sourced and selected**. Product managers would then go through repeated test and trial of different combinations of raw materials to achieve the optimal taste before promoting the product in-store. **On-site production is very labor intensive, as the fresh fruits are often peeled on the spot, and the cheese milk topping is blended and whipped by hand.**

Luckin’s management made it clear that due to a large scale of 4,000+ stores and the pursuit of in-store efficiency, the company won’t be able to afford fresh fruits. Instead, it would only adopt NFC juice, jam, and frozen fruits as substitutes. Luckin’s cheese milk topping is also powder-made. Furthermore, no additional equipment is required for Luckin Tea products, which reinforces our view that **Luckin’s tea drink is essentially generation 1.0 product**. Luckin Tea can’t replicate HeyTea products given its R&D and supply chain model.

Below picture shows a series of Luckin Tea product: each drink's texture appears even and balanced, indicating that it is blended from either NFC juice/jam; the bright color likely comes from artificial pigment. Limited fruits, mainly citrus with longer shelf-life, are added likely for decorative purposes.

Luckin Tea Series



Starbuck Modern Mixology series launched in 2019 summer are similar to Luckin Tea above. The artificial coloring is quite apparent, and the fruits are also mainly citrus. Some of these drinks have even mixed in the coffee element. Based on our research, Starbucks' own feedback is that they were on the right track to acquire younger customers with tea drink, but the products were not attractive to target consumers as they had hoped.

Starbucks Modern Mixology Series



The HeyTea products below have uneven texture with obvious layers of tea, fruits and cheese milk topping. The color is more natural, and there are more variety of fresh fruits. The quantity of fruits is also much bigger than Luckin/Starbucks to provide a fresh flavor instead of juice/jam.

HeyTea products



According to our research, **Luckin Tea's fruit tea products taste drastically different from generation 3.0 products** they are trying to imitate. There is an obvious taste of jam and artificial flavoring but barely any flavor of tea. The only product with fruit pulp tastes like canned fruits. Customers also have limited choice on level of sweetness: most of the products **could not be delivered as sugar-free** (feedback from Luckin's stores indicates that sugar had been pre-blended in tea powder and jam). The limited customization of products reflects on Luckin's principal of standardizing and simplifying in-store operation. Yet it comes at the expense of customer experience. Based on Meituan's milk tea delivery industry report, only 7% of customers would choose full sugar / high sugar while **sugar-free is the top option when choosing milk tea products**.

To conclude, Luckin Tea is poorly positioned to compete in the tea drink market. It lacks product R&D, supply chain know-how, in-store production manpower to deliver high quality product. **Luckin Tea is structurally not competitive with generation 3.0 tea drink players.**

Luckin Tea are priced at RMB 21, 24 and 27 before discount; after the standard 33% off, the price range is between 14 to 18, lower than HeyTea/Nayuki but still higher than generation 2.0 products from Coco/Yidiandian. The other brands do not use price discounts as a constant mark-down. Since taste is the key factor for tea drinks, and the consumption frequency is only once or twice a week, Luckin Tea likely will end up resorting to price competition with an inherently lower quality product.

Price Comparison of Tea Drinks

RMB	Luckin Tea	HeyTea	Nayuki	CoCo	A Little Milk Tea
Original Price	21-27	20-35	20-35	10-16	10-18
Discount price (33% off)	14-18				

Source: Meituan

Other products: low gross margin business that's inherently disadvantaged

In addition to freshly brewed drinks, Luckin also provides F&B products purchased from 3rd-party suppliers, including 5 types of NFC juices, 3 types of lunches (salad/noodles), 21 kinds of light meals (bread, desserts, sandwiches, etc.) and 20 kinds of snacks. We've divided Luckin's 3rd-party products by their distribution requirement and shelf life.

Lunches (salad/noodles) and light meals (sandwiches, rolls, etc.) are perishable food that require cold chain supply. They are priced at RMB 35-38 and RMB 13-24 originally. Luckin provides 34% discount for all lunches and light meals on its APP as well as various coupons to bring the effective price down further. According to our research, customers think Luckin's lunches and light meals are mediocre. For example, Luckin's salad has a big serving of veggies/fruits but little protein, and the taste is plain. Lunches and light meals also require daily cold chain supply, thus the location of the vendors as well as cold chain logistics can be restricting factors. Moreover, Luckin is quite conservative in perishable food inventory management. Thus, lunches and light meals are usually sold out by noon, which is quite uncommon in F&B industry.

NFC juices, bakery products and desserts also require cold chain supply. Luckin's NFC juices are OEM products supplied by Zero Fruit Farm (零度果坊). The original retail price of NFC juices is RMB 24. Post-discount price is slightly lower than the offline retail price of Zero Fruit Farm's own products. Bakery products and desserts are listed at RMB 13-16 and RMB 25, but with have corresponding discounts. On-site staff needs to thaw bakery products before selling them because these products are also supplied through cold chain logistics. **However, most of Luckin's stores are not equipped with heating equipment so Luckin's bakery products taste significantly worse than freshly baked/heated ones.** Per our research, Luckin fits out its stores based on a "modularized" design to expedite its new-store deployment. Initially, Luckin didn't take heating equipment into consideration, **so there is little room for heating equipment in its existing stores.** To our knowledge, Luckin's product team doesn't plan to add heating equipment either and customers can only heat food themselves.

Snacks are easy to store and have no need for cold chain supply. Luckin's snacks mainly target white-collar workers, and its number of SKUs is higher than that of Starbucks and Costa. The original price of Luckin's snacks varies from RMB 13 to RMB 30, and the post-discount price would be RMB 9-20. Luckin's snacks have no differentiation as they are existing products under 3rd-party suppliers' own brands, which are available in all major retail channels. Customers cannot see the brands they are buying when ordering snacks in APP only to find out later that they are not Luckin branded. We've compared the prices of Luckin's snacks and same products sold in other channels. **Luckin's post-discount prices are in line with the retail prices offered by offline convenience stores, but on Tmall/JD and the O2O food delivery platforms the same products are 25% and 15% cheaper.**

Same Product Price Comparison

Product Name	天猫	京东	711/罗森等便利店	O2O-非便利店
	Tmall	JD	Convenient Store	O2O Food Delivery
	% of Luckin APP price	% of Luckin APP price	% of Luckin APP price	% of Luckin APP price
NFC Fresh Orange Juice	44%	41%		107%
Perrier	34%	37%	67%	65%
Evian	46%	36%	69%	83%
Nestle KitKat Green Tea Flavor Chocolate	73%	75%	104%	
Luckin Cosomi Cracker	106%	73%	113%	
Crispy Rolls Coconut	75%	90%	78%	
Bourbon Elise Tonyu Wafers	97%	108%	136%	
Maltesers Chocolate Balls	89%	57%	98%	
Daily Nuts	75%	71%	98%	
Africhain Dried Mango	97%	68%	98%	
Mini Baumroll Milk Taste	73%	115%	91%	
Toms Farm Honey Butter	69%	74%	100%	
Organic Chestnut Kernel	80%	80%		
Nestle KitKat Dark Chocolate	56%	27%	110%	
Pocky Almond Crush Taste	90%	90%	96%	
Goodness of Nature Purple	109%	134%	74%	
Ambrosial Premium Yogurt	89%	89%		88%
TKFood Saltyu Yolk Cookies	99%	95%	74%	
Locker Quadratini Napolita	57%	63%	98%	
Average	77%	75%	94%	86%
Median	75%	74%	98%	85%

Source: Luckin app, Tmall app, JD app, offline convenience stores, Meituan app, Ele.me app

According to the reported numbers, **Luckin’s other F&B business has a lower ASP and a higher average COGS per item than its freshly brewed drinks business.** Per our research, Luckin’s procurement costs for 3rd-party F&B products are already very low. The company has already known its suppliers’ costs and used a cost-plus method to negotiate on pricing. Therefore, Luckin’s suppliers’ margin should be relatively low and there is very limited room for further reduce procurement price.

Gross Profit Margin of Luckin’s Businesses

RMB	Q1 18A	Q2 18A	Q3 18A	Q4 18A	Q1 19A	Q2 19A
Freshly Brewed Drinks						
ASP	19.4	14.6	13.7	12.3	10.9	11.9
COGS per item	15.4	9.6	8.1	6.9	5.9	5.6
Outsourced Items						
ASP	13.1	10.9	7.4	7.2	8.8	10.8
COGS per item	16.7	12.9	8.3	8.0	8.4	8.0
GPM	-28%	-18%	-11%	-10%	4%	26%

Source: Luckin quarterly reports

Luckin’s other F&B business is not competitive and cannot generate new traffic for its offline stores. Luckin entirely depends on 3rd-party in product supply and has poor R&D capability, **so its products lack differentiation and competitiveness.** Unlike coffee, Luckin doesn’t use a consistent brand in its other F&B business. Lack of heating significantly worsens the taste of its bakery products and lunches (like noodles). 3rd-party snacks are widely available in other channels and often at a cheaper price, such as online ecommerce platforms and offline convenience stores. **Compared to these competitors, Luckin is much worse positioned with a lot smaller scale, very limited product SKU, inferior supply chain/inventory management expertise.**

Business Model Flaw #5: The franchise business of Luckin Tea is subject to high compliance risk as it’s not registered with relevant authority as required by law, because Luckin Tea launched its franchise business in September 2019 without having at least two directly-operated stores fully operational for at least 1 year.

According to China’s Regulation on the Administration of Commercial Franchises 《商业特许经营管理条例》, the term **“commercial franchise”** refers to such business operations by which an enterprise (“franchiser”) owning a registered trademark, enterprise mark, patent, know-how or any other business resource confers the said business resource to any other business operator (“franchisee”) by means of contract, and the franchisee undertakes business operations under the uniform business model as stipulated by the contract, and pay franchising fees to the franchiser¹⁷.

Luckin Tea has clearly avoided associating with the franchise business model: it names its third-party operators “New Retail Partners”, and specifically emphasizes that it doesn’t charge a franchising fee. Instead, company requires the “New Retail Partners” to exclusively procure raw materials from Luckin and charges a share of gross profits after the store achieves gross profit breakeven¹⁸.

However, the Higher People’s Court of Beijing **had already provided judicial interpretation that charging any profit-sharing or any product mark-up already constitutes as franchising fee**¹⁹. Therefore, whether the company calls it franchise model or not, Luckin Tea is trying to operate a business that, by regulation’s definition, is a commercial franchise.

¹⁷ Regulation on the Administration of Commercial Franchises, regulation no.3; 《商业特许经营管理条例》第三条, “商业特许经营...是指拥有注册商标、企业标志、专利、专有技术等经营资源的企业(以下称特许人), 以合同形式将其拥有的经营资源许可其他经营者(以下称被特许人)使用, 被特许人按照合同约定在统一的经营模式下开展经营, 并向特许人支付特许经营费用的经营活动” (http://www.gov.cn/zwqk/2007-02/14/content_527207.htm)

¹⁸ Luckin Tea would open independent stores from coffee, and is open for franchisee application with no franchise fee (<http://www.caixin.com/2019-09-03/101458373.html>)

¹⁹ Regulation no. 5 of Notice of the Higher People's Court of Beijing Municipality on Issuing the Guiding Opinions of the Higher People's Court of Beijing Municipality on Several Issues Concerning the Application of Law in the Trial of Disputes over Commercial Franchise Contracts, “the parties concerned may stipulate the franchise cost by directly setting forth the amount thereof in the franchise contract or in the form of reward points of payments for goods, a percentage of profits, training expenses, etc.” (《北京市高级人民法院关于审理商业特许经营合同纠纷案件适用法律若干问题的指导意见》第五条, “当事人可以在特许经营合同中直接约定特许经营费用, 也可以通过货款返点、盈利提成、培训费等形式约定特许经营费用”) (<http://www.bjcourt.gov.cn/ssfw/spzdwj/detail.htm?Nid=25000086&channel=100014003>)

Lukin's Presentation on Luckin Tea's "New Retail Partners" Model

Differences between New Retail Partners model vs. traditional franchise model

New Retail Partners Model		VS	传统门店加盟模式
Zero upfront partnership fee	新零售合伙人模式 零加盟费	加盟费	5-30万元
Does not charge "Retail Partners" before they reach profitability	合作伙伴不挣钱时不收费 数字化营销驱动收益最大化	收益及风险	品牌方旱涝保收, 加盟商负担重 传统模式收益有限
	一线明星代言 海量广告投放 纳斯达克上市公司背书	品牌	很少, 甚至没有
	新式茶饮、大师咖啡 瑞幸旗下全线产品	产品	单一品类
	新客户补贴 线上线下全域流量导入	流量	零渠道导流
	全数字化运营 品质效率双保障	运营	传统模式, 过度依赖人 品质难把控, 效能低下

与传统加盟有哪些区别

Source: "After 2 months, Luckin announced that Luckin Tea brand will be operated independently and introduced partnership model" <https://new.qq.com/omn/TEC20190/TEC2019090300532000.html>

According to Administration of Commercial Franchises regulation no. 7, a qualified franchiser needs to own and operate at least 2 direct stores for over 1 year²⁰. **Luckin Tea did not have any independent operating stores until October 2019** according to Luckin's COO Liu Jian²¹. Therefore, Luckin Tea has not met China's regulation requirement to qualify as a franchiser.

Another evidence is that it also still needs to register with the relevant department of Ministry of Commerce within 15 days of signing its first franchisee agreement, according to regulation no. 8²². However, **we have searched the key words "Luckin Tea" and "Luckin" in both English and Chinese ("小鹿茶" and "瑞幸") on Ministry of Commerce Commercial Franchises Information Registration System (<http://txjy.syggz.mofcom.gov.cn/>), and found no companies registered with these keywords.**

Search Results on Ministry of Commerce Commercial Franchises Information Registration System

The image displays four screenshots of the MOFCOM Business Unified Platform search results. Each screenshot shows a search for 'Luckin' (either in Chinese '瑞幸' or English 'Luckin') and returns a 'Search result: 0 record'.

²⁰ Regulation on the Administration of Commercial Franchises, regulation no.7; 《商业特许经营管理条例》第七条明确规定“特许人从事特许经营活动应当拥有至少2个直营店, 并且经营时间超过1年” (http://www.gov.cn/zwgg/2007-02/14/content_527207.htm)

²¹ <http://www.caixin.com/2019-09-03/101458373.html>

²² Regulation on the Administration of Commercial Franchises, regulation no.8; 《商业特许经营管理条例》第八条明确规定“自首次订立特许经营合同之日起15日内, 依照本条例的规定向商务主管部门备案” (http://www.gov.cn/zwgg/2007-02/14/content_527207.htm)



Source: MOFCOM.

The potential consequences of Luckin Tea's violations of these regulations: violating regulation no. 7: commercial administrative department shall order the company's correction, confiscate all illegal income, impose a fine of more than RMB 100k and less than 500k, and make an announcement on the violation²³. Violating regulation no. 8: Competent Commercial Department shall order record procedure within specified time limit, a fine of more than RMB 10k and less than 50k shall be imposed; if no record has been made within the time limit, a fine of more than RMB 50k and less than 500k shall be imposed, and a public announcement on the violation shall be made²⁴. Negative impact of not satisfying "lawful business operations" might far exceed the fine amount for a listed company.

²³ Regulation on the Administration of Commercial Franchises, regulation no.24; 《商业特许经营管理条例》第二十四条：特许人不具备本条例第七条第二款规定的条件，从事特许经营活动的，由商务主管部门责令改正，没收违法所得，处10万元以上50万元以下的罚款，并予以公告。(http://www.gov.cn/zwqk/2007-02/14/content_527207.htm)

²⁴ Regulation on the Administration of Commercial Franchises, regulation no.25; 《商业特许经营管理条例》第二十五条：特许人未依照本条例第八条的规定向商务主管部门备案的，由商务主管部门责令限期备案，处1万元以上5万元以下的罚款；逾期仍不备案的，处5万元以上10万元以下的罚款，并予以公告。(http://www.gov.cn/zwqk/2007-02/14/content_527207.htm)