

**THE JOINT PROVISIONAL LIQUIDATORS' FIRST REPORT TO THE
GRAND COURT OF THE CAYMAN ISLANDS
LUCKIN COFFEE INC. (IN PROVISIONAL LIQUIDATION)**

For the period: 15 July 2020 (date of appointment) to 17 December 2020

Issue Date: 17 December 2020

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Disclaimers

The following report has been prepared by the Joint Provisional Liquidators of Luckin Coffee Inc. (in Provisional Liquidation) for the purposes of providing the Grand Court of the Cayman Islands with an update on the conduct of the provisional liquidation. Therefore, it may not be copied or disclosed to any third party or otherwise be quoted or referred to, in whole or in part, without the Joint Provisional Liquidators' prior written consent. In the event that the following report is obtained by a third party or used for any purpose other than in accordance with its defined purpose, any such party relying on the report does so entirely at its own risk and shall have no right of recourse against the Joint Provisional Liquidators, their respective firms, partners, directors, employees, professional advisors or agents.

Any reference to legal advice or otherwise is not intended to, and does not, waive any privilege.

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As discussed further in the following report, whilst the Joint Provisional Liquidators will continue to request independent third-party information, the work undertaken to date to prepare this Report has been largely based on information obtained from Luckin Coffee Inc. (in Provisional Liquidation) and its advisors. The Joint Provisional Liquidators have not performed an audit examination of this information. Unless otherwise specifically stated, the Joint Provisional Liquidators have not independently verified the reliability of the sources of information presented to the Joint Provisional Liquidators.

The following report is intended to update the Grand Court of the Cayman Islands on only the relevant and material developments since the Joint Provisional Liquidators' appointment and as such it does not include details of every event that has taken place in the provisional liquidation thus far.

The following report has not been sensitised to consider the potential impact on Luckin Coffee Inc. (in Provisional Liquidation) or market conditions generally of COVID-19. It will be the stakeholder's responsibility to consider Alvarez and Marsal's findings in light of your own analysis of the impact of COVID-19 on Luckin Coffee Inc. (in Provisional Liquidation).

The following report contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. These statements can be identified by terminology such as “will,” “expects,” “anticipates,” “future,” “intends,” “plans,” “believes,” “estimates,” “potential,” “continue,” “ongoing,” “targets,” “guidance” and similar statements. Any statements that are not historical facts, including statements about the Company’s beliefs and expectations, are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties. A number of factors could cause actual results to differ materially from those contained in any forward-looking statement, including but not limited to the following: the expense, timing and outcome of existing or future legal and governmental proceedings, investigations in connection with the Company; the outcome and effect of the ongoing restructuring of the Company’s financial obligations; the Company’s growth strategies; its future business development, results of operations and financial condition; the effect of the non-reliance identified in, and the resultant restatement of, certain of the Company’s previously issued financial results; the effectiveness of its internal control; its ability to retain and attract its customers; its ability to maintain and enhance the recognition and reputation of its brand; its ability to maintain and improve quality control policies and measures; its ability to establish and maintain relationships with its suppliers and business partners; trends and competition in China's coffee industry or China's food and beverage sector in general; changes in its revenues and certain cost or expense items; the expected growth of China's coffee industry or China's food and beverage sector in general; PRC governmental policies and regulations relating to the Company’s industry; the potential effects of COVID-19; and general economic and business conditions globally and in China and assumptions underlying or related to any of the foregoing. The joint provisional liquidators and the Company undertake no obligation to update any forward-looking statement, except as required under applicable law.

Schedule of Defined Terms

Term	Definition
A&M	Alvarez & Marsal Cayman Islands Limited and Alvarez & Marsal Asia Limited
A&M Cayman	Alvarez & Marsal Cayman Islands Limited
A&M H.K.	Alvarez & Marsal Asia Limited
Ad hoc Group	An ad hoc group of holders of the CBs, represented by CO
ADS	American Depositary Share
Appointment Order	Order dated 15 July 2020, by which the Cayman Court appointed the JPLs
BC	Bedell Cristin Cayman Partnership, Cayman counsel representing the Lead Plaintiffs and Petitioner
BNY	Bank of New York Mellon, as indenture trustee of the US\$460,000,000 0.75% convertible senior notes due 2025 and the depository bank appointed by the Company in November 2019 for listing shares on the Nasdaq
Board	Board of Directors of the Company
BOR	Cayman Islands Beneficial Ownership Regime
BVI	British Virgin Islands
Campbells	Campbells, the JPLs' legal counsel in the Cayman Islands
Cayman Court	The Grand Court of the Cayman Islands
CBs	All holders of US\$460,000,000 0.75% convertible senior notes due 2025
CEO	Jinyi Guo
CFO	Reinout Hendrik Schakel
CJ	Chief Justice Anthony Smellie QC
CO	Carey Olsen Cayman Limited, Cayman counsel representing a group of CBs who hold approximately 84% of the total convertible bonds
Companies Act	Cayman Islands Companies Act (2020 Revision)
Company	Luckin Coffee Inc. (in Provisional Liquidation)
Conyers	Conyers Trust Company (Cayman) Limited, registered office of the Company
CRS	Common Reporting Standard
CWR	Companies Winding Up Rules, 2018
DLA H.K.	DLA Piper Hong Kong, H.K. counsel representing the JPLs in Hong Kong
DLA U.S.	DLA Piper LLP (US), U.S. counsel representing the JPLs in the U.S.
DPW	Davis Polk & Wardwell LLP, counsel for the Company in the U.S. and Hong Kong.
DOJ	U.S. Department of Justice
DTC	Depository Trust Company
EFG Bank	EFG Bank AG, Cayman Islands branch
Epiq	Epiq Corporate Restructuring LLC
Exchange Act	The Securities Exchange Act of 1934
EY	Ernst & Young Hua Ming LLP, former auditors of the Company
FATCA	Foreign Account Tax Compliance Act
Group	Luckin Coffee Inc. (in Provisional Liquidation), its subsidiaries and affiliates
H.K.	Hong Kong

H.K. Court	High Court of the Hong Kong Special Administrative Region of First Instance
Harneys	Harney Westwood & Riegels, legal counsel to the Company
HL	Houlihan Lokey, the Company's financial advisor
JPLs	Alexander Lawson and Wing Sze Tiffany Wong, as joint provisional liquidators of the Company, appointed under the Appointment Order
K	Thousand ('000)
Lead Plaintiffs	Sjunde AP-Fonden and Louisiana Sheriffs' Pension & Relief Fund
Luckin China	Luckin Coffee (China) Co., Ltd.
M	Million ('000,000)
Marcum	Marcum Bernstein & Pinchuk LLP, current Company auditors
Meifu Jiaye	Meifu Jiaye (Xiamen) Automobile Service Co., Ltd.
Nasdaq	National Association of Securities Dealers Automated Quotations exchange
NDA	Non-disclosure agreement dated 4 October 2020, as amended from time to time
NEED	China's National Equities Exchange And Quotations Co., Ltd.
Petition	Winding up petition dated 10 July 2020
Petitioner	A non-executive director who petitioned for the winding up of the Company on the basis of unpaid fees
POCL	The Proceeds of Crime Law (Cayman Islands)
PRC	People's Republic of China
Protiviti	Protiviti Hong Kong Co. Limited
Protocol	Protocol dated 16 October 2020 agreed between the JPLs and the Board with respect to the ongoing management of the Company during provisional liquidation period.
Report	The JPLs' first report to the Cayman Court (i.e. this report)
RMB	Renminbi
SAFE	State Administration of Foreign Exchange
SAMR	Chinese State Administration for Market Regulation
SEC	U.S. Securities and Exchange Commission
Securities Act	The Securities Act of 1933
SHs	Persons who are or were holders of ADSs and who are entitled to be claimants in the class action litigation being pursued in the U.S. and Canada against the Company.
U.S.	United States of America
USD	United States Dollar
Xiamen Trustee	Xiamen International Trust Co., Ltd.
Yishi	Xiamen Yishi Finance Lease Co., Ltd.
YLO and TTL	Yaoliang Law Office and TianTong Law Firm, collectively PRC counsel representing the JPLs
Yousheng Development	Yousheng (Tianjin) Technology Development Co., Ltd.
Yousheng Information	Yousheng Chengyi (Tianjin) Information Technology Co., Ltd
Yunnan Trustee	Meifu Jiaye. Yunnan International trust Co., Ltd.

1 Introduction

- 1.1.1 This is the first report of Alexander Lawson and Wing Sze Tiffany Wong of A&M in their capacities as JPLs of the Company. The JPLs were appointed over the Company for the purposes of exploring whether it is possible to develop and promote a restructuring of the Company's indebtedness, with a view to the Company continuing as a going concern. The Company is the holding company of a group engaged in selling coffee and other products in the PRC, principally through retail shops. Its principal creditors include the CBs (holders of US\$460,000,000 0.75% convertible senior notes due 2025), the SHs (current or former holders of ADSs in the Company who are entitled to be claimants in the class action litigation being pursued in the U.S. and Canada against the Company), and, to the extent such claims are enforceable, regulators (and other governmental bodies) in the U.S. (in particular the SEC) and in the PRC.
- 1.1.2 Pursuant to paragraph 17 of the Appointment Order, this Report was to be submitted to the Cayman Court on 30 October 2020. However, as the Cayman Court will be aware, by various consent orders, that deadline has been extended to allow the Company to continue its negotiations with stakeholders. In particular, the Company, the Ad hoc Group and the JPLs have recently agreed to a further extension by consent order of the Cayman Court which requires the JPLs to file a report by 15 January 2021. This is not that report. The JPLs intend to file a further report by 15 January 2021 which will contain an update on further material developments within the provisional liquidation.
- 1.1.3 Negotiations with the Company and key stakeholders have progressed positively and substantially. Accordingly, the JPLs consider it useful to provide the Cayman Court and all stakeholders with a fulsome update on the steps taken by the JPLs and all other material developments since their appointment, to 17 December 2020.
- 1.1.4 The Cayman Court will be familiar with this matter and therefore, the JPLs do not intend to restate the detailed background already included in the evidence filed in support of the JPLs' appointment.

1.2 Summary

- 1.2.1 On 15 July 2020, by the Appointment Order of the Cayman Court, the Company was placed into provisional liquidation and the JPLs were appointed. A copy of the Appointment Order is included at Appendix I.
- 1.2.2 Under the Appointment Order, amongst other things, the JPLs are empowered do all things necessary and incidental to developing and proposing a restructuring of the Company's indebtedness in a manner designed to allow the Company to continue as a going concern. It is envisaged that a restructuring will be proposed by way of one or more creditors' schemes of arrangement pursuant to section 86 of the Companies Act.

1.2.3 As detailed in the subsequent sections of this Report, since their appointment, the JPLs have successfully achieved the following:

- took immediate steps to develop open lines of communication with the Company's management and their advisors such that the JPLs attend weekly calls with each of these groups. The JPLs and the Company continue to work collaboratively on all aspects of the restructuring proposal;
- undertook an extensive review of the Company's business plan to understand (amongst other things) the business, its internal control environment, cash demands and growth prospects, and for the quarter ended 30 September 2020 the Company achieved a net revenue growth of 35.8% YoY;
- supported the Company throughout its negotiations with the Ad hoc Group, which has resulted in a deal in principle being reached between the parties, subject to agreement on the terms of a restructuring support agreement;
- worked collaboratively with DPW to successfully develop a framework within which a settlement could be entered into with the SEC without impeding the proposed restructuring which ultimately aims to bring restitution to the victims of the misconduct;
- together with Cayman Islands and U.S. legal counsel considered a number of complex legal and commercial issues related to the development of a robust restructuring proposal that will completely resolve a number of issues for the Company and its stakeholders;
- worked with PRC counsel to consider various PRC legal issues that may impact the restructuring, particularly with respect to the legalities associated with obtaining SAFE approval of the remittance of funds out of the PRC;
- instructed H.K. legal counsel and obtained an order of the H.K. Court recognising the JPLs' appointment;
- assisted the Company in its negotiations with certain service providers with outstanding balances;
- pursuant to paragraph 16 of the Appointment Order, agreed to a Protocol with the Board which sets out the terms upon which the JPLs and the Board will cooperate with respect to the management of the Company (and wider group) during the provisional liquidation;
- started and continued to monitor and oversee operational and cash management controls per the Protocol; and
- observed and occasionally participated in meetings of the Board as agreed under the Protocol.

1.2.4 At the outset of the provisional liquidation, the JPLs together with their legal counsel completed an extensive review of the Company's operations and its financial position to better understand the restructuring needs of the Company and its stakeholders.

- 1.2.5 The result of that review is that the JPLs, in conjunction with the Company, have developed a detailed, robust restructuring proposal to scheme the Company's indebtedness, with a view to the Company emerging from the provisional liquidation as a going concern, for the benefit of all stakeholders. For the purposes of this report, however, it would be premature for the JPLs to present the restructuring proposal in its entirety. The JPLs intend to file a further report by 15 January 2021, which is a deadline agreed by consent of the parties, and that second report will contain an update on material developments between now and then.
- 1.2.6 The JPLs' present view is that there is a viable path to restructuring the Company's indebtedness in a manner designed to allow the Company to continue as a going concern.**

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2 Appointment of the JPLs

- 2.1.1 On 10 July 2020, the Petitioner presented a winding up petition (Cause No. FSD 157 of 2020 (ASCJ)), by which the Petitioner sought an order of the Cayman Court winding up the Company under section 92(d) of the Companies Act. This application was on the basis that the Company is unable to pay its debts, and therefore is insolvent on a cashflow basis.
- 2.1.2 Under section 104(3) of the Companies Act, the Company then made an *ex parte* application for the appointment of the JPLs on the grounds that:
- the Company is unable to pay its debts within the meaning of section 93 of the Companies Act; and
 - the Company intends to present a compromise or arrangement to its creditors, under the supervision of the Cayman Court through the JPLs.
- 2.1.3 By the Appointment Order, the Court ordered the appointment of the JPLs on a restructuring mandate.
- 2.1.4 The evidential basis for the Company's application for the appointment of the JPLs was the fact that monies held within the Group could be considered, as a matter of Cayman Islands law, to be the proceeds of crime for the purposes of the POCL. In the circumstances, the Company could not pay its debts as they fell due without giving rise to potential offences of money laundering under POCL.
- 2.1.5 As a result of the JPLs' appointment, the hearing of the winding up petition has been adjourned. The Petitioner's debt was satisfied by the Company on 2 October 2020, and on 12 October 2020 by consent it was agreed that one of the CBs be substituted as the petitioner. The Court has yet to seal the consent order filed in respect of that substitution application.
- 2.1.6 It is presently contemplated that the petition will be listed for hearing on or after the 15 February 2021, pursuant to the 16 December 2020 consent order by the Cayman Court.

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3 JPLs' legal counsel

In accordance with the Appointment Order, the JPLs have engaged legal counsel in the Cayman Islands the U.S., H.K. and the PRC to advise and assist them in the performance of their duties.

3.1 Campbells

3.1.1 On 20 July 2020 the JPLs engaged Campbells as their Cayman Islands legal counsel. Campbells have been principally engaged in advising the JPLs on all aspects of the restructuring of the Company's indebtedness which are connected to the Cayman Islands. This includes advice on negotiating with key stakeholders and the presentation of one or more schemes of arrangement in the Cayman Court.

3.2 DLA U.S.

3.2.1 On 4 August 2020 the JPLs engaged DLA U.S. as their U.S. legal counsel.

3.2.2 DLA U.S. have been principally involved in providing the JPLs with legal advice as it relates to the settlement the Company has reached with the SEC (subject to approval by a U.S. court), the ongoing investigation of the Company by the DOJ, the various legal proceedings (including a number of class action lawsuits) being pursued by the SHs against the Company principally in the U.S..

3.3 DLA H.K.

3.3.1 On 6 August 2020 the JPLs engaged DLA H.K. as their H.K. legal counsel.

3.3.2 DLA H.K. were engaged principally for the purposes of assisting the JPLs with their application to the H.K. Court for an order recognising the JPLs' appointment in H.K.

3.3.3 Additionally, DLA H.K. have been working collaboratively with YLO and TTL on cross-border cash pooling matters and an assessment of compliance needs with PRC regulators. DLA H.K. have also advised the JPLs in connection with legal issues relating to developing and proposing a financial restructuring of the Company.

3.4 YLO and TTL

3.4.1 On 30 July 2020 the JPLs engaged YLO and TTL as their PRC counsel.

3.4.2 The PRC counsel have been engaged for the purposes of advising the JPLs on PRC law matters in connection with the operating entities the PRC, in particular any matters with local regulators and assessing the legalities associated with obtaining SAFE approval of the remittance of funds out of the PRC.

4 Initial steps upon JPLs' appointment

4.1 POCL, cash management & monitoring operations

4.1.1 The basis for the JPLs' appointment has already been described in section 2, and as such shortly after their appointment it was necessary for the JPLs to engage with the RCIPS Bureau of Financial Investigation in the Cayman Islands in respect of the POCL issues.

4.1.2 Campbells appeared before the Cayman Court on 31 July 2020, with the JPLs in attendance, to update the Court on the JPLs' assessment of the position under POCL. In the context of the overall restructuring, the JPLs do not believe there to be any material POCL issues at this time which may impact upon the successful restructuring of the Company.

4.1.3 Upon their appointment and prior to the Protocol being agreed, it was of critical importance to the JPLs to develop and agree with the Company on an interim cash management framework to allow for sufficient cash controls whilst not disrupting the day-to-day operations of the Company. These steps were also necessary in light of the relevant sub sections of paragraph 4 of the Appointment Order, and relate to only the expenses of the Company (i.e. not the underlying subsidiaries).

4.2 Initial and ongoing meetings with the Company and their advisors

4.2.1 Following the appointment of the JPLs, immediate steps were taken to meet with management, and arrange an ongoing dialogue with the Company and their advisors. This can be summarised as follows:

- bi-weekly calls (minimum) with the Company's CEO and CFO;
- weekly (minimum) calls with the Company's financial advisors, HL;
- regular meetings and calls with the Company's Cayman Islands legal counsel, Harneys; and
- invitation and inclusion in all ongoing board meetings from the date of appointment.

4.2.2 In addition to these calls, the JPLs are provided with regular updates on measures of the Company's and group's performance – such as the share price of the Company (which was delisted from NASDAQ but trades Over The Counter), the Company's market capitalisation, the price of the 0.75% convertible senior notes due 2025 (held by the CBs), as well as daily operations and payment summaries concerning the wider Group (including any payment requests as required). This level of oversight by the JPLs will continue throughout the provisional liquidation.

4.2.3 The JPLs continue to keep detailed records of all cash transactions and are closely monitoring the daily operations of the Company in line with its business plan.

4.3 Protocol between the JPLs and the Board

- 4.3.1 Pursuant to paragraph 16 of the Appointment Order, the JPLs and the Company were empowered to seek to agree a Protocol between the JPLs and the Board. The Protocol is designed to set out the terms upon which the JPLs and the Board shall cooperate with respect to the ongoing management of the Company during the provisional liquidation period.
- 4.3.2 Due to the complex nature and structure of the Group, prior to the JPLs being able to agree a protocol (particularly in respect of the cash management processes, cash controls, and cash allocation/purpose within the Group), the JPLs and the Board (on behalf of the Company) entered into detailed and extensive discussions regarding its form and structure.
- 4.3.3 Aspects of the Protocol were anchored to the Company's business plan, in particular the cash management controls. Therefore, it was of critical importance to the JPLs that they review and understand the Company's business plan (and its accompanying cash needs) before agreeing to the cash allocations as described in detail in the Protocol.
- 4.3.4 The final version of the Protocol was agreed on 16 October 2020.
- 4.3.5 The JPLs are satisfied that the Company continues to adhere to the Protocol and the ongoing operations have continued in an efficient and controlled manner.

4.4 Solvency determination

- 4.4.1 The JPLs will continue to monitor and reassess the Company's solvency throughout the restructuring period and will provide the Cayman Court with any updates as required, but for present purposes consider the Company to be of doubtful solvency.

4.5 Constitution of a creditor committee

- 4.5.1 Paragraph 4(xxii) of the Appointment Order empowered (but did not oblige) the JPLs to establish a creditors' committee in such manner as contemplated by Order 9 of the CWR.
- 4.5.2 Following consultation with various stakeholders, the JPLs (with advice from Campbells) determined that a creditors' committee would be of little benefit to the provisional liquidation in circumstances where the JPLs already had well established lines of communication with the Ad hoc Group, and a committee for a company of doubtful solvency comprising both creditors and shareholders was not regarded as likely to be an effective body for the JPLs to consult with regarding the separate negotiations which would be necessary with the CBs and the SHs regarding the terms on which their respective debt might be restructured.

4.6 Financial statement audit for the year ended 31 December 2019

- 4.6.1 Following the JPLs' appointment, they were made aware that the Company's former auditors, EY, would not be engaged to audit the financial statements for the financial year ended 2019, and they would be replaced by Marcum.
- 4.6.2 The JPLs understood that Marcum needed to be engaged on an expedited basis due to certain SEC filing requirements and the Company's focus on updating the market on an urgent basis in relation to its audited financial statements. Further, the JPLs have been advised that any restructuring proposal will need to be supported (if possible) by audited financial statements of the Company and so, given the clear and obvious benefit to both the Company and its stakeholders, as of 30 November 2020, the JPLs approved payment of US\$3,128,889.04 on account to Marcum to allow for them to commence their audit field work.
- 4.6.3 As at the date of this Report, the audit of the Company's financial statements for the period ended 31 December 2019, though on schedule, has not been completed and is currently still underway. The JPLs continue to obtain regular updates from the Company on Marcum's progress.

4.7 Freezing injunction and recognition

Worldwide freezing order

- 4.7.1 Prior to the appointment of the JPLs, on 8 May 2020 the Cayman Court granted an ex-parte worldwide freezing order in favour of a CB against the Company. The ancillary relief was granted in relation to alleged causes of action against the Company for misrepresentation arising from the issuance of the convertible bonds. Following the appointment of the JPLs, the worldwide freezing order was discharged.
- 4.7.2 Ancillary relief of a similar kind had also been obtained before the H.K. Court, but has since been discharged.

H.K. Recognition

- 4.7.3 Upon the ex parte application of the JPLs of the Company, filed on 10 September 2020, the H.K. Court recognised the appointment of the JPLs in H.K., on 12 October 2020.

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5 Group structure

5.1.1 As the Cayman Court is aware, the Company has a complex corporate structure between offshore (Cayman Islands, BVI and H.K.) and onshore (PRC) entities. The Group's structure can be summarised as:

- the Company is an investment holding company which wholly owns Luckin Coffee Investment Inc., a company incorporated in the British Virgin Islands;
- in turn, Luckin Coffee Investment Inc. wholly owns three subsidiaries incorporated in H.K., Luckin Coffee (Hong Kong) Limited, Luckin Coffee Roastery (Hong Kong) Limited and Luckin Coffee Roasting (Hong Kong) Limited; and
- those H.K. subsidiaries do not have operations of their own and only hold investments in the various PRC operating subsidiaries.

5.1.2 The complete Group structure has been included at Appendix II.

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6 Assets

- 6.1.1 The Company is an investment holding company and its principal assets are shares held in its wholly-owned BVI subsidiaries, and cash in the amount of approximately US\$27.9M as of 30 November 2020. In turn, the BVI subsidiaries own H.K. subsidiaries.
- 6.1.2 The Company's operations are principally conducted through its PRC subsidiaries, Luckin Coffee Group Co., Ltd and Beijing Luckin Coffee Co., Ltd, and so the majority of the Group's assets (including cash) are located in the PRC.
- 6.1.3 Pursuant to paragraph 4(xiii) of the Appointment Order, the JPLs opened a Cayman Islands bank account with EFG Bank on 5 August 2020. On 13 August 2020, the Company made a transfer of US\$31.2M to the JPLs' bank account for the purpose of payment of the JPLs' fees and expenses, and also for the payment of various offshore restructuring expenses of the Company.
- 6.1.4 Following agreement of the Protocol (as discussed in section 4.3), the JPLs have visibility over the operation of the entire Group's cash.

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7 Indebtedness and stakeholders

Following their review of the financial information and documentation made available to them, the JPLs have identified the following stakeholder groups:

7.1 Convertible bondholders (unsecured creditors)

- 7.1.1 The JPLs understand that the CBs are currently owed US\$467M by the Company, being the full principal and accrued interest of the issued convertible bonds as at 30 November 2020, following acceleration of the bonds.
- 7.1.2 To date, the JPLs together with HL have held various discussions with the Ad hoc Group and their Cayman legal counsel, CO. All discussions have been conducted under an NDA that was entered into on 4 October 2020 (as amended).
- 7.1.3 Following extensive negotiations, the Company and the Ad-hoc Group have reached an agreement in principle. The precise terms of a restructuring support agreement are still being negotiated between the parties.
- 7.1.4 The JPLs understand that the Ad hoc Group control over 80% of the issued convertible bonds, by value. With that in mind, and given that the CBs' debt is due and payable, the JPLs' view is that agreement between the Ad-hoc Group and the Company is the first, critical step in achieving a successful restructuring of the Company's indebtedness.

7.2 Shareholders (contingent unsecured creditors)

- 7.2.1 The Company (and certain directors and officers during the relevant time) presently face class action claims in U.S. federal and state courts, and in a Canadian court. The claimants are SHs, viz. current or former holders of ADSs in the Company. The actions are currently in their preliminary stages.
- 7.2.2 The SHs assert claims in the U.S. under section 11 of the Securities Act of 1933 and section 10b-5 of the Securities Exchange Act of 1934 in relation to alleged material misrepresentations and omissions by the Company during the period May 2019 to April 2020, prior to the public offering of the Company's ADSs and issuance of the convertible notes.
- 7.2.3 A restructuring of the Company's indebtedness will likely include a restructuring of these contingent claims. In that regard, the JPLs, through Campbells, have started to engage with Bedell Cristin, who act as Cayman Islands counsel for the Court appointed Lead Plaintiffs in legal proceedings in the United States Southern District of New York and their U.S. counsel.

7.3 Internal investigation

7.3.1 The Company provided the JPLs with the following information concerning the internal investigation which took place prior to their appointment:

On 19 March 2020, in light of certain issues raised to the Board during the audit of the consolidated financial statements for the fiscal year ended 31 December 2019, the Board formed a Special Committee to oversee an internal investigation with the assistance of independent legal and forensic accounting advisors.

On 1 July 2020, The Company announced that the Special Committee has substantially completed the internal investigation. Based on its work, the Special Committee found that the fabrication of transactions began in April 2019 and that, as a result, the Company's net revenue in 2019 was inflated by approximately RMB 2.12 billion (consisting of RMB 0.25 billion in the second quarter, RMB 0.70 billion in the third quarter, and RMB 1.17 billion in the fourth quarter). The Company's costs and expenses were inflated by RMB 1.34 billion in 2019 (consisting of RMB 0.15 billion in the second quarter, RMB 0.52 billion in the third quarter, and RMB 0.67 billion in the fourth quarter).

Based on the Special Committee's recommendations, the Company has taken disciplinary measures against certain personnel, including termination of former executives involved in the misconduct, terminated business relationship and transactions with implicated third-party entities, and restructured the company's management team by changing reporting lines and functions such that the CFO gained full control over finance department, has a dotted reporting line to the Audit Committee and is budgeted to allocate sufficient resources.

In connection with the Special Committee's findings, the Company has taken and is continuing to take steps to enhance the corporate governance structure and the accounting, banking, and financial disclosure controls.

7.4 SEC and DOJ

7.4.1 On 2 April 2020, the Company made voluntary disclosures in relation to its own misconduct in respect of financial reporting obligations to the SEC, during the time that it was listed on NASDAQ, and shortly thereafter the Company engaged in discussions with the DOJ. The DOJ will be conducting its own investigation into the Company's misconduct, separately from the SEC.

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- 7.4.2 The Company has come to an agreement with the SEC, which is embodied in the complaint, the consent and the draft final judgment dated 16 December 2020 (see Appendix III). Under the terms of the agreement, the Company, without admitting or denying the allegations of the SEC, consented to the entry of an order requiring the Company to pay a civil penalty in the amount of US\$180M. The civil penalty is to be offset by the dollar value of any cash payments made by the Company to CBs and SHs pursuant to schemes of arrangement sanctioned by the Cayman Court, if such payments are made within 42 months subject to extensions granted by the SEC staff and provided the final distribution plan is not reasonably objectionable to SEC staff.
- 7.4.3 The deferral of the penalty and the offsetting mechanism are, in the JPLs' view, key to ensuring that the SEC's penalty does not prejudice any restructuring. Nor will the penalty necessarily increase the Company's liabilities materially in the medium term, since credit will be given for the cash component of scheme consideration payable under any successful restructuring with the CBs and SHs. The agreement also acknowledges that in the event the restructuring is not successful the fact that there is a civil penalty would not somehow give rise to an enforceable claim in the Company's liquidation where such a claim ordinarily would not be permitted under Cayman law.
- 7.4.4 The Company was contacted by DOJ following its disclosure to the SEC on 2 April 2020 relating to the misconduct. The DOJ indicated that it had commenced an investigation into the misconduct. The Company has been in regular contact with the DOJ regarding its investigation including apprising the DOJ of the relevant PRC laws that restrict it from providing evidence and information without prior approval from the Chinese Ministry of Justice.
- 7.4.5 The JPLs note that as at the date of this Report, no fines have been imposed on the Company by the DOJ. However, its investigation is ongoing and the Company continues to cooperate with the DOJ to the extent permissible under the applicable PRC laws.

7.5 Chinese regulators

- 7.5.1 On 23 September 2020, the Company received the penalty decisions from the SAMR. The penalty decisions found that misconduct disclosed by the Company on 2 April 2020 violated the PRC Anti-Unfair Competition Laws. The SAMR imposed an aggregate fine of RMB61.0 million on Luckin Coffee Group Co., Ltd and Beijing Luckin Coffee Co., Ltd and certain implicated third-party companies as a result of their involvement in the misconduct.
- 7.5.2 During September and October 2020, the Company paid the fine imposed on the two Luckin entities as well as certain implicated third parties.
- 7.5.3 On 6 May 2020, the Ministry of Finance of the PRC initiated its investigation into the accounting information of Luckin Coffee Group Co., Ltd and Beijing Luckin Coffee Co., Ltd. On 31 July 2020, the Ministry of Finance of the PRC announced its investigation has been substantially completed. The Ministry of Finance of the PRC further announced that they would impose and publish its relevant penalty decision to the Company in due course.

- 7.5.4 The JPLs note that as at the date of this Report, no fines have been imposed on the Company by the Ministry of Finance of the PRC.
- 7.5.5 Whilst no further fines have been imposed on the Company by other Chinese regulators, the JPLs are not able to confirm whether their investigations have been concluded.

7.6 Trade & other unsecured creditors

BNY

- 7.6.1 The JPLs understand that BNY were appointed as the depository to provide the Company with a depository receipts facility and secondary market support services. In its capacity as the depository, and prior to the Appointment Order, BNY paid or waived certain upfront fees and expenses which have not yet been reimbursed by the Company.
- 7.6.2 Following the de-listing of the Company's ADSs from NASDAQ, and pursuant to the terms of the agreement between the parties BNY are entitled to claim payment in the amount of US\$13M in respect of sums not yet reimbursed. The US\$13M is comprised of an outstanding principal amount of US\$11.3M and interest of US\$1.7M.

Other unsecured creditors

- 7.6.3 As at the date of this Report, the JPLs are also aware of other unsecured creditors of the Company in the amount of approximately US\$6.6M.

7.7 Petitioning creditor

- 7.7.1 As noted in section 2, the original Petitioner's debt was discharged on 2 October 2020 and so there is no outstanding amount in respect of that Petitioner's debt. However, as previously noted, one of the CBs has applied to the Cayman Court to be substituted as the petitioning creditor and an order to that effect has been lodged by consent, although has not yet been sealed.

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8 Business plan review

The Company, together with its advisors, formulated the draft business plan dated 23 July 2020, which was shared with the JPLs prior to agreeing to the Protocol and the Company entering further negotiations with the CBs.

The JPLs have considered the reasonableness of the assumptions underlying the business plan to ensure that they are comfortable that any restructuring is not only achievable, but also allows the Company to continue as a going concern following sanction by the Cayman Court (in the event the restructuring is approved by its stakeholders). As a result the JPLs have undertaken the following:

- reviewed, analysed and tested the business plan assumptions to confirm that they were reasonable; and
- attended various meetings with the Company's senior and middle management to discuss the key assumptions and the JPLs' divergent views in relation to certain of the key assumptions.

As a result of the Company and the JPLs working closely together to refine the overall business plan and its assumptions, pursuant to the Protocol, a revised business plan was agreed between the JPLs and the Directors on 8 October 2020. Further information on the business plan and financial forecasts are shown in Appendix IV.

The JPLs have outlined below the key outcomes from their review of the business plan.

8.1 Cash burn overview

- 8.1.1 Initially the Company's business model was predicated on the rapid expansion of its physical and digital presence. Whilst expansion is still important to the Company's growth strategy, the primary focus has shifted from rapid expansion to more targeted expansion and improving both profitability and cash flows.
- 8.1.2 To facilitate its initial high growth model, the Company entered into a number of long-term contracts which at the time, aligned with the commercial realities of the business and its growth plans.
- 8.1.3 However, following a review of the cash burn rate and the performance of the various service lines, the Company has identified the need to retire certain service lines and potentially renegotiate certain long-term contracts, both of which may result in the Company incurring certain one-off 'exit fees'.
- 8.1.4 Whilst the expansion plans of the Group have been curtailed to an extent, a significant portion of the Group's cash on hand is still required to execute the revised business plan (which includes settling the one-off costs noted above) and the overall growth strategy.

8.1.5 In addition, the Group's cash burn rate is further impacted by one-off costs related to the closure of underperforming stores and the professional expenses related to the restructuring.

8.1.6 Based on the business plan, the Company is expected to reach its cash flow breakeven point on a normalised basis (ie excluding restructuring and other non-recurring expenses) in the first half of 2023 or possibly before.

8.2 Store level profitability

8.2.1 As previously mentioned, the Company implemented various improvement measures to refine and optimise its store portfolio and pricing and as a result of these efforts, the Company achieved positive store level profit¹ at the aggregate level for the first time in August 2020. Additionally, more than 60% of the approximately 3,898 self-operated stores were profitable on store level¹ in November 2020.

8.2.2 Following their review of the business plan, the JPLs are satisfied that the Company's revised expansion plan is achievable and reasonable and so they expect store level profitability to continue to improve.

8.3 Other products and service lines profitability

8.3.1 To support its expansion plans at a rate which exceeds its organic growth, the Company has developed a partnership model and as of 30 November 2020 it operates 894 partnership stores.

8.3.2 Whilst the partnership business was loss making prior to June 2020, recent changes to the partnership model have contributed to the turnaround of this service line and in November 2020, more than 70% of the partnership stores have reached the required minimum gross profit threshold and are therefore required to share profits with the Company.²

8.3.3 Earlier this year the Company entered the unmanned retail market with the launch of its Luckin Express offering and currently operates approximately 150 express machines.

¹ Store level profit calculation: Self-operated store revenue - Direct cost of materials (excluding wastage in warehouse) - Cost of delivery packaging materials - Storage & logistics expenses - Store D&A expenses (excluding decoration lost for store closure) - Store rental and other operating costs (excluding delivery expense, new store pre-opening expense, loss of rent from store closure and transaction fee). Store level profitability excludes SG&A and overhead costs at the group level.

² Luckin takes a percentage share of partnership stores' gross profit based on partnership agreements.

- 8.3.4 Although the Luckin Express business line is currently loss making, the Company is committed to improving its profitability and has a dedicated team charged with optimizing its operations.
- 8.3.5 The Company has decided to retire the Luckin Pop service line due to the significant further investment and scale of operations required to make it profitable.

9 Update on the Company's performance

9.1 General performance update

9.1.1 As described in the business plan review (section 8), the Company has, with the assistance of the JPLs, developed an updated business plan. Based thereon, the Company has implemented a strategy to focus on growing its core coffee business (namely, the operation of its self-operated and partnership stores) and achieving profitability.

9.1.2 The Company has implemented a series of measures, including closing underperforming stores, strengthening store open criteria, adjusting the resources allocated to non-core businesses, optimizing product portfolio, product pricing and discount policies, continuously focusing on customer retention and purchase frequency, as well as optimizing cost control.

9.2 Operational update

9.2.1 The JPLs understand that the Company is committed to its long term growth plans. As set out in the business plan, the Company is targeting a portfolio of between 4,800 and 6,900 self-operated stores by 2023.

9.2.2 To improve profitability, the Company has conducted store performance reviews and has strengthened its store opening criteria. In 2020, the Company opened new stores in areas with strong growth potential, while closing some existing underperforming stores.

9.2.3 As of 30 November 2020, the Company had 3,898 self-operated stores and 894 partnership stores. The below table sets out the details of the Company's stores for each quarter of 2019 and first three quarters of 2020.

	For the Three Months Ended Or As of							
	31-Mar-19	30-Jun-19	30-Sep-19	31-Dec-19	31-Mar-20	30-Jun-20	30-Sep-20	30-Nov-20
Total Self-operated Stores	2,370	2,963	3,680	4,507	4,511	4,267	3,952	3,898
<i>Number of Self-operated Store New Openings</i>	407	630	776	882	69	134	133	76 <i>(for the month of Oct and Nov 2020)</i>
<i>Number of Self-operated Store Closures</i>	110	37	59	55	65	378	448	130 <i>(for the month of Oct and Nov 2020)</i>
Total Partnership Stores	-	-	-	282	501	824	879	894

- 9.2.4 Additionally, the Company adjusted its business plan for its non-core business, including its unmanned retail initiative, to focus its resources on its core-business.

9.3 Financial update³

- 9.3.1 The content included in this section is based on unaudited financial information provided by the Company. Accordingly, the Company's audited financial data may differ from the preliminary results presented here.
- 9.3.2 Unrestricted cash and cash equivalents and short-term investments were RMB 5,175.0 million (US\$742.7 million) as of 30 November 2020.

Cash and Cash Equivalents	As of November 30, 2020 (RMB in million)	As of November 30, 2020 (USD in million)
China	4,949.7	710.3
Hong Kong	31.1	4.5
Cayman Islands and BVI	194.3	27.9
Total	5,175.0	742.7

- 9.3.3 The Company's estimated preliminary unaudited cash and cash equivalents and short-term investments as of 30 November 2020 discussed above excluded the considerations of restricted cash of about RMB145M and illiquid investments of RMB1,140M. For details of illiquid investments, see section 9.4.
- 9.3.4 While the Company's operations had been adversely affected by COVID-19, particularly in the first quarter of the 2020, the Company has returned to normal operations.
- 9.3.5 From April 2020 to November 2020, the Company has experienced continued growth in its net revenue and revenue per self-operated stores, which was primarily driven by factors including the increased number of our transacting customers, purchasing frequency per customer, higher effective selling prices of freshly-brewed products and our increased efforts in enriching our product portfolio.

³ Unless otherwise noted, the conversion from Renminbi to U.S. dollars is made at RMB6.968 to US\$1.00.

9.3.6 The below table sets out the details of the Company's revenue performance for each quarter of 2019 and first three quarters of 2020.

(RMBm)	For the Three Months Ended Or As of						
	31-Mar-19	30-Jun-19	30-Sep-19	31-Dec-19	31-Mar-20	30-Jun-20	30-Sep-20
Net Revenue	479	653	843	1,050	565	980	1,145
YoY Growth % ⁴	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	18.1%	49.9%	35.8%
Self-operated Store Revenue ⁵	445	614	793	971	512	843	976
YoY Growth % ⁴	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	15.1%	37.3%	23.1%

9.3.7 The Company estimates the net revenue for the fiscal year of 2020 to be between RMB 3.8 billion and RMB 4.2 billion.⁶

9.3.8 Store level profitability has been improving since May 2020, and the Company achieved store level break-even for the first time in August 2020.

9.4 Summary of the Company's illiquid financial investments

9.4.1 The JPLs have been informed by the Company of the following information in respect of the illiquid financial instruments currently held:

In mid-April 2020, after changes to the Company's management team and reporting lines following the suspension of the then-CEO, the Board and the current management of the Company identified two trust investments, namely Xiamen Trust and Yunnan Trust, established by Luckin China. Below sets forth a summary of the key information on the two trusts and the actions taken or to be taken by the Company.

⁴ "n.m." means non-meaningful

⁵ Self-operated store level revenue is net revenue generated by self-operated stores which includes revenues from freshly brewed drinks and other products

⁶ This estimation reflects the Company's current and preliminary views, which are subject to change.

Background of Xiamen Trust

Xiamen Trust was established on 12 March 2020 with (i) a term of 12 months from the establishment date, and (ii) a total trust investment of RMB600million.

Luckin China invested RMB590million in Xiamen Trust. The Company understands that the other trustor/beneficiary to be Meifu Jiaye. Xiamen Trustee is the trustee of Xiamen Trust.

The trust instruments provide that the trust funds would be used to purchase receivables from Yishi relating to assets (auto assembly line and facilities) leased to Borgward automobile (China) Co., Ltd., or Borgward. Borgward is controlled by UCAR Inc. (Stock code:838006), a company which Mr. Lu Zhengyao, former chairman of the board of Luckin, serves as chairman of the board, according to UCAR Inc.'s public disclosures.

The receivables are not backed by any guarantees and the ownership of the leased assets still reside with Yishi and does not belong to Luckin China.

In accordance with the trust instruments, Borgward pays Xiamen Trust lease interest on a monthly basis. The annual rate for the trustors is 6.1%. All outstanding interest payments have been received to date as per the contractual agreement.

Background of Yunnan Trust

Yunnan Trust was established on 17 March 2020 with a term of 24 months from the establishment date, and a total trust investment of RMB600 million. Luckin China invested RMB550 million in a trust fund of Yunnan Trust. The Company understands the other trustor/beneficiary to be Yunnan Trustee is the trustee of Yunnan Trust.

According to the trust instruments, the entirety of the trust fund is supposed to be invested in 46.15% equity interests of Yousheng Information.

The trust instruments indicate that Yousheng Information has pledged to the Yunnan Trustee 40.36 million shares of UCAR Inc. as guarantee. UCAR Inc.'s shares are listed on NEED and have been suspended from trading by the NEED. The stock price of UCAR Inc. dropped to RMB0.99 at the point that its shares were suspended on 31 August 2020.

The trust instruments stipulate that Yousheng Development, the other shareholder of Yousheng Information holding 52.85% of its equity interests, is required to buy back the equity interest held by Yunnan Trust, at the end of the trust term of 24 months. Public record searches show that Yousheng Development has a registered capital of RMB5 million.

The trust instruments provide that Yousheng Development shall pay Yunnan trust the premium of the principal on a quarterly basis. The annual rate for the trustors is 6.5%. All outstanding interest payments have been received to date as per contractual agreement.

Action taken or to be taken by the Company's management

After the Board and the current management of the Company identified the trust investments by Luckin China, they have been assessing the information concerning the two trusts and manage dissipation risk. With the help of the forensic advisors of the Special Committee of the Board, the Company obtained copies of the underlying trust agreements and immediately engaged reputable PRC law firms to look into the issue and formulate action plans to preserve the investments and recover the assets. Throughout the process, the Board has been kept updated about the progress and instructed management to explore options with respect to the trusts and take the appropriate action.

Following its review of these options, and to safeguard the assets of the Company and mitigate the dissipation risk, the Company intends to exercise all rights available to it to request for early termination of the two trusts and redeem the funds invested by Luckin China on an accelerated basis. Specifically:

For Xiamen Trust. Pursuant to the trust instruments, early redemption is allowed starting six months from the date of creation of the trust. As authorized by the Board, the Company's management issued the formal early redemption notice to Xiamen Trustee on 4 November 2020, demanding that the Xiamen Trustee request Borgward to promptly pay back the principal and corresponding interests. Xiamen Trustee has since confirmed with Borgward that Borgward cannot make the payment as requested on time, and has asked the Company to confirm that an in-kind distribution of the trust asset to the Company should be made. With assistance from PRC counsel, Luckin China has subsequently confirmed with Xiamen Trustee and is in the process of early terminating the Xiamen Trust and receiving in-kind distribution.

For Yunnan Trust. The right of early redemption is not provided for in the trust arrangements. Therefore, Luckin China cannot unilaterally terminate the trust by exercising such right. However, with the consent of the other trustor/beneficiary of the trust Meifu Jiaye at a beneficiary meeting, Luckin China can request an early termination of Yunnan trust. Luckin China has attempted but not yet been able to obtain the consent of Meifu Jiaye to make such early termination request.

With assistance from its PRC counsel, on 13 November 2020, Luckin China has issued a letter to the Yunnan Trustee demanding that the Yunnan Trustee (i) request Yousheng Information to add or provide a new guarantee considering the significant decrease in value of current guarantee; and (ii) request Yousheng Development to provide further details of how the trust's funds were utilized by Yousheng Information. Luckin China has been in close communication and discussion with the Yunnan Trustee, Yousheng Information and Yousheng Development to resolve aforesaid issues.

Dialogue with various parties is ongoing and the proposed action plans are subject to change. However, there are no assurances that the Company will be able to recover funds it invested in Xiamen Trust and Yunnan Trust in whole or in part.

9.5 Audit and internal control progress

- 9.5.1 On the date of the issuance of this report, the audit for the Company's financial statements as of 31 December 2019 and for the year ended, though on schedule, has not been completed yet and currently is still underway.
- 9.5.2 The management of the Company has invested great efforts in making necessary changes and improvements to its internal controls. With the assistance of the independent professional advisors, the Company has taken steps to enhance its corporate governance structure and the accounting, banking, and financial disclosure controls. Specifically, the Company has implemented substantially all recommendations from the Special Committee following the internal investigation of the accounting fraud, has significantly enhanced its internal control capabilities by ensuring the staff in the key functions and positions have relevant experience and suitable background, and has strengthened its controls on payment, the contract cycle, and the supervision over access to and activities conducted on the IT systems and databases, among others. Further details on the remediation efforts undertaken by the Company will be disclosed separately by the Company in due course.

10 SAFE and the remittance of funds from the PRC

- 10.1.1 SAFE regulates and categorises all foreign exchange transactions that may involve cross-border remittance of funds into and out of the PRC.
- 10.1.2 At the outset of the provisional liquidation, the JPLs were made aware that the Company's foreign exchange transactions are heavily regulated by SAFE and thus any funds currently in the PRC that are needed to facilitate the restructuring will be subject to SAFE approval.
- 10.1.3 As at 30 November 2020, approximately US\$718.9M (i.e. 97%) of the Group's cash is located in the PRC and, therefore, it is of critical importance to the JPLs that they determine how much of this cash can be remitted from the PRC for the purposes of the restructuring.
- 10.1.4 The Company's PRC counsel and the JPLs' PRC counsel continue their dialogue with SAFE officials in relation to approval of the remittance of funds required to facilitate a restructuring of the Company's indebtedness.

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11 Proposed restructuring and preliminary timeline

- 11.1.1 Since their appointment, the JPLs have been working closely with the Company and its advisors to develop a comprehensive restructuring proposal for key stakeholders.
- 11.1.2 Negotiations with different stakeholder groups are at different stages of development. This phased approach is deliberate, given the legal and commercial complexities of the case. Discussions with the Ad hoc Group are the most advanced, given that the CBs' debt is the Company's largest outstanding liability. Significant progress has been made in that regard (and with the SEC, as noted above) and the JPLs have started to engage with Cayman Islands counsel for some of the SHs. Overall, the JPLs are satisfied that the restructuring is developing positively.
- 11.1.3 In the event that the restructuring is implemented by way of schemes of arrangement, the JPLs' reasonable expectation is that completion of the whole process will take approximately 1-1.5 years (from the date of appointment of the JPLs). That includes, however, a period after sanction for scheme implementation which may last a number of months.
- 11.1.4 The JPLs will keep the Cayman Court updated about the progress made with respect to the proposed restructuring and will advise the Cayman Court of any material updates thereto, as soon as practicable. In particular, the JPLs intend to file a further report by 15 January 2021.

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12 Statutory matters

12.1 Filing, service and registration of JPLs' appointment

12.1.1 Pursuant to Order 4, rule 8 of the CWR the JPLs have fulfilled the following statutory requirements:

- filed the Appointment Order with the Cayman Islands Registrar of Companies on 20 July 2020; and
- sent notice of their appointment together with a copy of the Appointment Order to the following classes of stakeholders:
 - CBs (the use of Epiq assisted with coordinating the notice dissemination to the CBs via the DTC);
 - BNY;
 - U.S., H.K. and PRC regulators;
 - Shareholders (i.e. Co-founder, Angel1-1, Series A preferred etc);
 - EY; and
 - Other trade creditors of the Company.

12.1.2 Further, the JPLs have advertised their appointment in the following publications as required by the Appointment Order:

- the Cayman Islands Extraordinary Gazette issue number 58/2020 on 17 July 2020;
- the Wall Street Journal on 23 July 2020;
- South China Morning Post on 21 July 2020; and
- China Business Herald, in Chinese, on 28 July 2020.

The JPLs are also aware that their appointment was announced in a Form 6-K filed with the SEC on 15 July 2020.

12.2 Notice of JPLs' appointment

12.2.1 In addition to advertising their appointment, the JPLs also provided stakeholders with formal notice of their appointment in a letter dated 29 July 2020. The letter also includes further information regarding the JPLs' role during the provisional liquidation period and the role of the existing board of directors.

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12.3 Books & records and disclosure of information

- 12.3.1 Pursuant to paragraph 4 (ix) of the Appointment Order, the JPLs may request and take into their possession and control the books, papers, and records of the Company including the accountancy and statutory records of the Company. Further, and as set out in section 6 of the Protocol, the Company is to provide the JPLs any information being reasonably requested, as soon as reasonably practical.
- 12.3.2 Upon their appointment the JPLs sent a comprehensive information request list to the Company for documents that would allow them to familiarise themselves with the financial and operational aspects of the Company. In order to establish an efficient system for sharing documentation and information between the parties, it was agreed that a secure data room be established for both parties to use.
- 12.3.3 The JPLs confirm that the Company has complied with all information requests as and when it has been required.
- 12.3.4 Due to the confidential nature of certain of the information requests by the JPLs, it became necessary for the JPLs and the Company to execute a common interest privilege agreement to allow for the exchange of information in furtherance of their common interests.

12.4 JPLs' powers

- 12.4.1 As noted in section 2 above, the appointment of the JPLs was primarily driven by the fact that the monies held within the Group could be considered, as a matter of Cayman Islands law, to be the proceeds of crime for the purposes of the POCL.

Therefore, the appointment of the JPLs has had two effects:

- the Company could continue to use the money in the ordinary course of business under the supervision of the JPLs and the Cayman Court; and
- the JPLs are empowered to do all things necessary and incidental to developing and proposing a restructuring of the Company's indebtedness in a manner designed to allow the Company to continue as a going concern, with a view to making arrangement with the Company's creditors, including (without limitation) a compromise or arrangement by way of a scheme of arrangement pursuant to section 86 of the Companies Act.

Accordingly, all of the powers detailed in paragraph 4 of the Appointment Order have been specifically conferred upon the JPLs for the purposes set out above.

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12.5 Registered Office, FATCA, CRS and BOR

12.5.1 The JPLs confirm that the registered office remains in the care of Conyers.

12.5.2 On 16 July 2020, the JPLs sent a letter to Conyers informing them of their appointment and requested the statutory books and records of the Company. Electronic copies of the statutory books and records which were provided on 20 July 2020. The JPLs have conducted a review of the books and records received.

12.5.3 The JPLs also understand that Conyers will continue to fulfil their obligations to the Company in respect of the necessary statutory filings under FATCA, CRS and the BOR.

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13 JPLs' view on next steps and ongoing restructuring

- 13.1.1 In light of the work that the JPL team and their legal counsel (in all jurisdictions) have undertaken since the appointment, it is the JPLs' view that there is scope for a viable restructuring of the Company's indebtedness, with a view to a restructuring being presented by way of one or more schemes of arrangement before the Cayman Court. The JPLs intend to file a further report by 15 January 2021, in advance of the adjourned winding up petition coming on for hearing, in order to update the Cayman Court in relation to the progress of the restructuring.



Alexander Lawson

Joint Provisional Liquidator



Wing Sze Tiffany Wong

Joint Provisional Liquidator

Alexander Lawson and Wing Sze Tiffany Wong are authorised to act as JPLs in accordance with the Companies Act (2020 Revision). The JPLs act as agents of the Company only and do so without personal liability.

AI Appointment Order dated 15 July 2020

IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION

CAUSE NO. FSD 157 OF 2020 (ASCJ)

IN THE MATTER OF THE COMPANIES LAW (2020 REVISION)
AND IN THE MATTER OF LUCKIN COFFEE INC.

ORDER



UPON the application of Luckin Coffee Inc (the "Company") by its Summons dated 10 July 2020 for the appointment of joint provisional liquidators pursuant to section 104(3) of the Companies Law (2020 Revision) (the "Companies Law")

AND UPON READING the Petition filed herein

AND UPON READING the affirmations and affidavits set out in Schedule 1 and Schedule 2 hereto

AND UPON HEARING LEADING COUNSEL for the Company in camera on 14 July 2020 and 15 July 2020

IT IS HEREBY ORDERED as follows:

1. That Alexander Lawson of Alvarez & Marsal Cayman Islands Limited and Wing Sze Tiffany Wong of Alvarez & Marsal Asia Limited are hereby appointed joint provisional liquidators ("**JPLs**") of the Company.
2. The JPLs shall not be required to give security for their appointment.
3. The powers of the JPLs appointed pursuant to paragraph 1 above shall be limited to doing all things necessary and incidental to developing and proposing a restructuring of the Company's indebtedness in a manner designed to allow the Company to continue as

a going concern, with a view to making arrangement with the Company's creditors, including (without limitation) a compromise or arrangement by way of a scheme of arrangement pursuant to section 86 of the Companies Law (the "**Restructuring Proposal**").

4. For the purposes set out in paragraph 3 above and without prejudice to the powers retained by the board of directors (the "**Board**") of the Company pursuant to paragraphs 12 and 14 below, until further Order, the JPLs are authorised to exercise, within and outside of the Cayman Islands, and without further sanction of the Court, the following powers:
- (i) as representatives of the Company, and if so advised, to seek relief under Chapter 15 of the United States Bankruptcy Code and to take such steps arising in connection therewith as the JPLs may consider appropriate.
 - (ii) as representatives of the Company, and if so advised, to seek recognition in any other jurisdiction, including, without limitation Hong Kong, the People's Republic of China ("**PRC**") and the British Virgin Islands, together with such other relief as the JPLs may consider necessary for the proper exercise of their functions within those jurisdictions, and to take steps arising in connection therewith that the JPLs may consider appropriate;
 - (iii) to do all things necessary to implement the Restructuring Proposal in consultation with the Board;
 - (iv) to monitor, oversee and supervise the Board, including attending any Board meetings as an observer, with a view to the continuation of the business of the Company under the control of the Board so as to effect a maximisation of returns to the stakeholders of the Company pending the implementation of the Restructuring Proposal;
 - (v) to monitor, oversee and supervise the Board in its management of the Company with a view to developing and proposing any compromise or arrangement with the Company's creditors;



- (vi) to do all acts and to execute in the name of and on behalf of the Company, all deeds, receipts and other documents and for that purpose to use, when necessary, the seal (if any) of the Company;
- (vii) to request and receive from third parties documents and information concerning the Company and its promotion, formation, business dealings, accounts, assets, liabilities or affairs;
- (viii) to take any steps necessary at law or in equity to locate, protect, secure and take into their possession and control all assets and property to which the Company is or appears to be entitled and for that purpose to demand all debts due;
- (ix) to take any steps necessary at law or in equity to locate, protect, secure and take into their possession and control the books, papers, and records of the Company including the accountancy and statutory records of the Company and the circumstances which gave rise to its insolvency;
- (x) to deal with all questions in any way relating to or affecting the assets of the Company or the Restructuring Proposal;
- (xi) to retain attorneys and professional advisors, in the Cayman Islands, Hong Kong, the United States of America, PRC and elsewhere, as the JPLs may consider necessary to advise and assist them in the performance of their duties and to remunerate them for their reasonable fees and expenses out of the assets of the Company as an expense of the provisional liquidation;
- (xii) to liaise with the Company's legal and financial advisors and to remunerate them for their reasonable fees and expenses out of the assets of the Company as an expense of the provisional liquidation;
- (xiii) to open bank accounts on behalf of the Company (in provisional liquidation) for the purpose of paying the costs and expenses of the provisional liquidation;
- (xiv) to draw, accept, make and indorse any bill of exchange or promissory note or borrow funds for the purpose of the day to day expenses of the provisional



liquidation, in the name and on behalf of the Company, with the same effect with respect of the Company's liability as if the bill or note had been drawn, accepted, made or indorsed or the loan had been entered into by or on behalf of the Company in the course of its business;

- (xv) to communicate with regulatory bodies, and carry out any necessary filings therewith as appropriate, including, without limitation, the Cayman Islands Registrar of Companies, the Financial Reporting Authority, the Director of Public Prosecutions, the Hong Kong Joint Financial Intelligence Unit, the Securities and Exchange Commission of the United States, and the Ministry of Finance of the PRC, in the name and on behalf of the Company;
- (xvi) to make payments to trade creditors which may have the effect of preferring such trade creditors, in order to minimise the interruption to the day-to-day activities of the Company;
- (xvii) to prove, rank, and claim in the bankruptcy, insolvency or sequestration of any contributory for any balance against the estate of such contributory, and to receive dividends in the bankruptcy, insolvency or sequestration in respect of that balance, as a separate debt due from the bankrupt, insolvent or sequestrated contributory and rateably with the other separate creditors;
- (xviii) to discharge debts incurred by the Company after the commencement of these proceedings as expenses or disbursements properly incurred in the provisional liquidation;
- (xix) to engage staff (whether or not as employees of the Company and whether located in the Cayman islands or elsewhere) to assist them in the performance of their duties for the purpose of the proceedings herein and to remunerate them out of the assets of the Company as an expense of the provisional liquidation;
- (xx) to bring or defend legal proceedings and make all such applications to this Court whether in their own names or in the name of the Company on behalf of and for the benefit of the Company including any applications for:



- (a) orders for disclosure, the production of documents and/or examination of third parties which it is anticipated may be made by the JPLs to facilitate their investigations into the assets and affairs of the Company and the circumstances which gave rise to its insolvency; and/or
 - (b) ancillary relief such as freezing orders, search and seizure orders in any legal proceedings commenced.
 - (xxi) to authorise the Board to exercise such of the above powers relating to the Company on such terms as the JPLs consider fit;
 - (xxii) to establish a creditors' committee in the same manner as contemplated by Order 9 of the Companies Winding Up Rules, 2018;
 - (xxiii) to do all other things necessary and incidental to the exercise of the powers set out above.
5. The JPLs are directed to, to the extent practicable in the circumstances, to discuss and consult with the Board (or any relevant sub-committee thereof) any exercise of the powers conferred on them pursuant to this Order in relation to any decision made by them with respect to material matters concerning the Company.
6. For the avoidance of doubt, for so long as provisional liquidators are appointed to the Company, pursuant to section 97(1) of the Companies Law, no suit, action or other proceeding, including criminal proceedings, shall be proceeded with or commenced against the Company except with the leave of the Court and subject to such terms as the Court may impose.
7. For the avoidance of any doubt, no payment or other disposition made or effected by or with the authority or approval of the JPLs in carrying out their duties and functions and in the exercise of their powers under this Order shall be avoided by virtue of the provisions of section 99 of the Companies Law.
8. Notwithstanding section 99 of the Companies Law the Company shall be permitted to continue to operate bank accounts in its name, and the Company shall be permitted to



register the transfer of fully paid up shares in the Company and the Company's shares may continue to be traded in the same manner as they were traded immediately before the making of this Order.

9. Notwithstanding any provisions of the Company's Articles of Association, and for so long as the JPLs are appointed:
 - (a) any change of the members of the Board and the members of the Board's sub-committees, other than by the resolution of shareholders or by resignation, shall be approved by the JPLs before such change becomes effective, provided that the JPLs shall not unreasonably withhold their approval; and
 - (b) No new shares shall be issued nor shall any rights attaching to any shares be altered without the prior approval of the JPLs.
10. For the avoidance of doubt, the JPLs are not empowered to do anything which interferes with the rights of any receiver over any shares in or assets of any immediate or indirect subsidiary of the Company.
11. In the event that a winding-up order is made against the Company, any fees and expenses of the JPLs, including all costs, charges and expenses of any attorneys and all other agents, managers, accountants and other persons that they may employ, which are payable in accordance with the terms of the orders which may be made by this Court, and which are outstanding at the date of the winding-up order, shall be treated as fees and expenses properly incurred in preserving, realising or getting in the assets of the Company for the purposes of Order 20 of the Companies Winding Up Rules, 2018, subject to any further order that the Court might make.
12. Save as are specifically set out herein and until further order, the Board shall retain all powers of management conferred upon it by the Company immediately prior to the date of this Order, subject to the JPLs' oversight and monitoring of the exercise of such powers in relation to matters related to the ordinary course of business, and in relation to matters outside of the ordinary course of business of the Company, granting prior approval of the exercise of such powers.




13. In the event that the JPLs and the Board cannot agree upon a proposed course of action outside the ordinary course of the Company's business, the JPLs and the Board have liberty to apply to the Court for directions.
14. Specifically, and without limitation to the foregoing, the Board shall continue to retain the following powers:
 - (a) to continue to conduct the ordinary, day-to-day, business of the Company, and its direct and indirect subsidiaries including for the avoidance of doubt the hiring and firing of employees;
 - (b) to continue to operate bank accounts of the Company in the ordinary course of the Company's business; and
 - (c) subject to the approval and consent of the JPLs, to open and close bank accounts on behalf of the Company.
15. The Company shall provide the JPLs with such information as the JPLs may reasonably require in order that the JPLs should be able properly to discharge his functions under this Order and as officers of this Court.
16. The JPLs and the Board shall seek to agree a protocol which sets out the terms upon which the JPLs and the Board shall cooperate with respect to the management of the Company.
17. The JPLs shall submit a report to the Court on the conduct of the provisional liquidation by no later than 30 October 2020 and at other intervals as the Court may direct.
18. The remuneration and expenses of the JPLs, including the expenses associated with the exercise of their powers, shall be paid out of the assets of the Company subject to approval of the Court.
19. All applications to the Court for the approval of the JPLs' fees shall relate to the work carried out during the periods covered by the Reports and shall be made within 7 days of the submission of each such Report.



- 20. The powers exercisable by the JPLs pursuant to this order may be exercised jointly and severally.
- 21. The appointment of the JPLs be advertised in English once in the Cayman Islands Gazette and once in the International edition of The Wall Street Journal, and once in English in the South China Morning Post, and in Chinese once in an appropriate newspaper in the People’s Republic of China with national circulation, as soon as reasonably practicable.
- 22. The Affidavits and Affirmations set out in Schedule 2 hereto, and their respective Exhibits, (and any further versions of such Affidavits and Affirmations and Exhibits to be filed in final sworn or approved form), be sealed and kept confidential, and the Company’s Skeleton Argument for the hearing on 14 July 2020 and 15 July 2020 and any recording or transcript of the hearing on 14 July 2020 and 15 July 2020 also be sealed and kept confidential.
- 23. The JPLs do have liberty to apply.
- 24. The costs of this application shall be taxed and paid out of the assets of the Company.

Dated this 15th day of July 2020
Filed this day of July 2020



The Honourable Chief Justice
Judge of the Grand Court, Financial Services Division

This Order was filed by Conyers Dill & Pearman, attorneys-at-law for the Company, whose address for service is 2nd Floor, SIX, Cricket Square, Grand Cayman, Cayman Islands, KY1-1111

SCHEDULE 1

The First Affidavit of Jordan David Henry McErlean

The First Affirmation of Jinyi Guo

The First Affidavit of Alexander Lawson

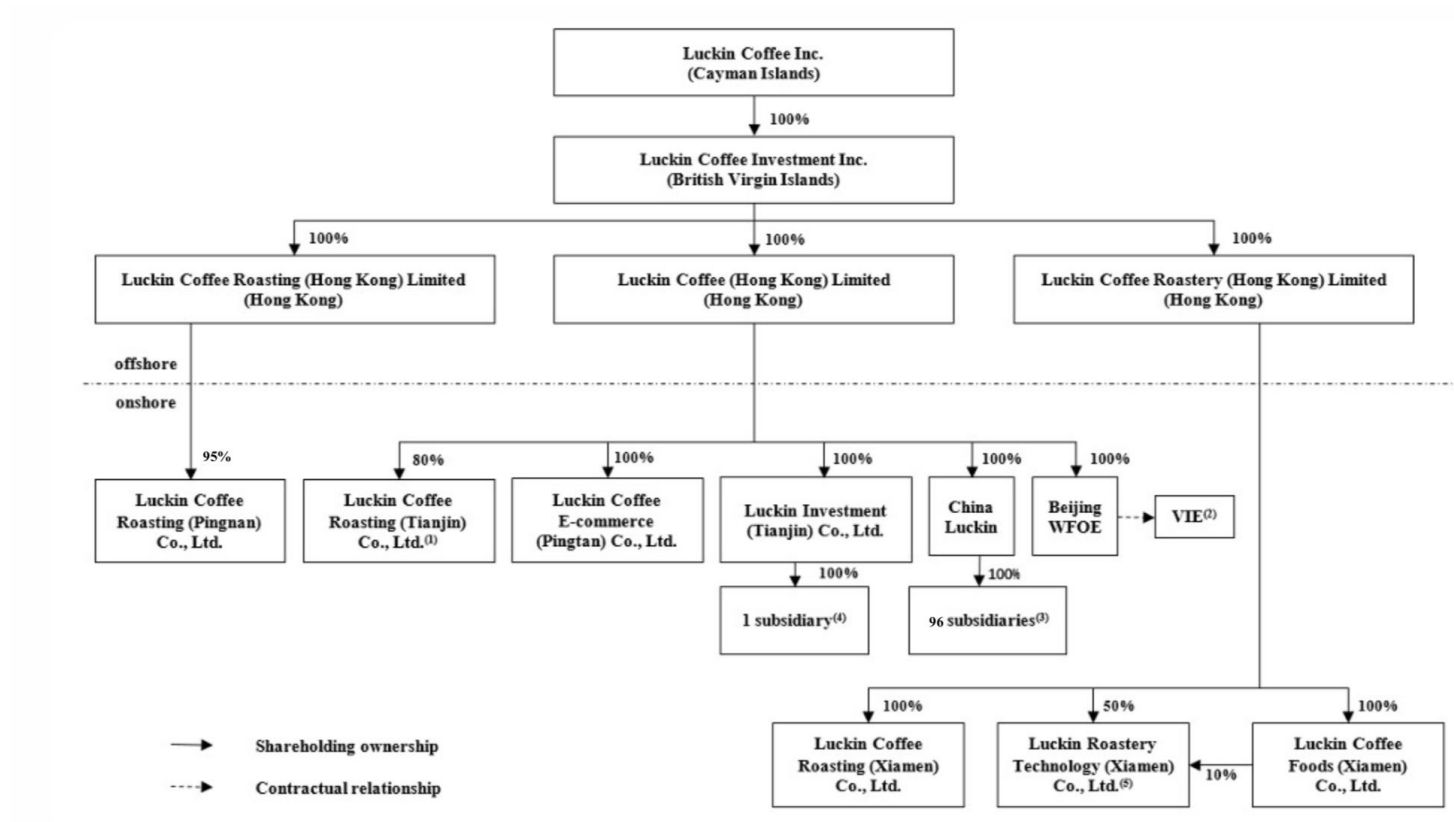
The First Affidavit of Wing Sze Tiffany Wong

The First Affidavit of Jamie McGee

SCHEDULE 2
(CONFIDENTIAL AFFIDAVITS AND AFFIRMATIONS SUBJECT TO SEALING ORDER)

The Second Affidavit of Jordan David Henry McErlean
The Third Affidavit of Jordan David Henry McErlean
The Fourth Affidavit of Jordan David Henry McErlean
The Fifth Affidavit of Jordan David Henry McErlean
The Second Affirmation of Jinyi Guo
The Third Affirmation of Jinyi Guo
The Fourth Affirmation of Jinyi Guo

All Group structure



AIII SEC complaint, consent and draft final judgment dated 16 December 2020

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

LUCKIN COFFEE, INC.

Defendant.

Civil Action No. 1:20-cv-10631

Plaintiff Securities and Exchange Commission (“Commission”), for its Complaint against Defendant Luckin Coffee, Inc. (“Luckin” or “Defendant”), alleges as follows:

SUMMARY

1. From at least April 2019 through January 2020, Luckin Coffee, Inc., a United States listed retail coffee provider based and operating in the People’s Republic of China (“China”), intentionally fabricated more than RMB 2.12 billion (approximately USD \$311 million) in retail sales transactions in an effort to falsely appear to achieve rapid growth and increased profitability and to meet the company’s earnings estimates. Luckin incorporated the fraudulent sales transactions into its books and records and intentionally and materially overstated its reported revenue by more than 27% for the period ending June 30, 2019, and 45% for the period ending September 30, 2019, in its publicly disclosed financial statements. During these same time periods, Luckin intentionally and materially understated its net loss by approximately 15% and 34%, respectively.

2. Luckin used related third parties to fund and execute the manufactured retail sales

transactions. During the same time period, Luckin also inflated its costs and expenses by more than RMB 1.3 billion (approximately USD \$196 million), in part to mask the fabricated sales and falsely inflated revenue and in part to return money used in the sham sales back to the related third-party sources. Luckin incorporated these fraudulent costs and expenses in its books and records and intentionally overstated its expenses by at least 9% and 24% in its publicly disclosed financial statements for the periods ending June 30, 2019 and September 30, 2019, respectively.

3. Certain executive officers and senior managers at Luckin intentionally orchestrated, effected, and approved the sham sales and expense transactions. They created a fake operations database and altered bank records to hide their misconduct from the company's Finance Department and others. These sham sales, the fake database, and altered bank records enabled Luckin to make materially misleading statements about key aspects of the company's financial condition. Luckin made these material misstatements in reports, earnings calls, guidance, and materials provided in January 2020 in connection with an equity offering that raised approximately USD \$418 million and a convertible bond issuance that raised approximately USD \$446.7 million.

4. On April 2, 2020, Luckin, whose American Depositary Shares ("ADS") traded on the NASDAQ Global Select Market, acknowledged the fabricated sales, as well as fabricated transactions that substantially inflated Luckin's costs and expenses. Luckin also warned investors that they should no longer rely upon its 2019 quarterly reports or its fourth quarter earnings guidance.

5. When Luckin's fraud was revealed, the price of Luckin's ADS plummeted by more than 75 percent, from a closing price of USD \$26.20 per ADS on April 1, 2020 to USD \$6.40 per ADS on April 2, 2020. On July 13, 2020, the NASDAQ delisted Luckin's ADS from the exchange.

6. Luckin's fraudulent practices, including but not limited to its fabricated sales transactions and its false statements regarding revenue, income, and expenses, deceived investors about the true financial performance of the company, in particular its rapid growth, and violated the anti-fraud and other provisions of the federal securities laws.

JURISDICTION AND VENUE

7. This Court has subject matter jurisdiction over this action pursuant to Securities Act Sections 20(b) and 22(a) [15 U.S.C. §§ 77t(b) and 77v(a)] and Exchange Act Sections 21(d), 21(e), and 27 [15 U.S.C. §§ 78u(d), 78u(e), and 78aa].

8. In connection with the conduct alleged in this Complaint, Defendant has, directly or indirectly, made use of the means or instruments of transportation or communication in interstate commerce, or the means or instrumentalities of interstate commerce, or of the mails, or of any facility of any national securities exchange.

9. Venue is proper in this District pursuant to Securities Act Section 22 [15 U.S.C. § 77v] and Exchange Act Section 27 [15 U.S.C. § 78aa]. Certain of the acts, practices, transactions, and courses of business constituting the violations alleged in this Complaint occurred within this District. Notably, Luckin's ADS traded on the NASDAQ Global Select Market, a national securities exchange located in this District; Luckin's depository bank for its ADS is headquartered in this District; and Luckin offered its securities for sale in this District.

DEFENDANT

10. **Luckin** is a retail coffee provider incorporated in the Cayman Islands with its principal place of business in the Siming District, Xiamen, Fujian, China. As of March 31, 2020, Luckin had approximately 108 million outstanding ADS that traded on the NASDAQ Global Select Market. The company is registered as a foreign private issuer with the Commission and is

required to submit annual reports with the Commission on Form 20-F. Luckin also furnished quarterly financial results on Forms 6-K. At all relevant times, Luckin operated on a fiscal year that ran from January 1 to December 31. On July 1, 2020, NASDAQ filed a Form 25 to remove Luckin's ADS from listing on the NASDAQ; Luckin's ADS now trade on the over-the-counter markets under the symbol "LKNCY."

FACTS

Luckin's Business Model

11. Luckin sells coffee, tea, and other food and beverage items to retail customers throughout China. Luckin claimed to have served over 40 million cumulative transacting customers, including approximately 10 million new customers in the fourth quarter of 2019, and to have more than 4,500 coffee stores throughout China as of December 31, 2019.

12. Luckin's articulated business model was premised on an unmet demand for coffee in China and its ability to stimulate mass market coffee consumption. Among Luckin's techniques for increasing coffee consumption and gaining market share were the use of aggressive price discounting and offering customers free or reduced-price products through the use of coupons.

13. Luckin's customers place orders for Luckin's products through the company's phone-based application ("app"). All purchases must be made through the app, including by redeeming coupons or using certain third-party payment systems, such as Alipay and WeChat.

14. Luckin's customers could purchase coupons through Luckin's app by using funds from their Alipay or WeChat accounts. Its customers redeemed coupons through the company's app when purchasing coffee or other food and beverage items.

15. Luckin disclosed to the public that it recognized revenue from the sale of a coupon when the coupon was redeemed by a customer for coffee or another product, rather than at the time

of the sale of the coupon.

Luckin's IPO in May 2019

16. Luckin made an initial public offering (“IPO”) of ADS in the United States on May 17, 2019, raising approximately USD \$600 million. In connection with the IPO, Luckin primed the market for tremendous growth. Although it had only commenced operations in October 2017, Luckin reported that by March 31, 2019, it operated 2,370 stores in 28 cities across China and had over 16.8 million transacting customers. Luckin further proclaimed it was China’s “second largest and fastest-growing coffee network,” that it aimed to become the largest coffee network in China—as measured by number of stores—by year-end 2019, and that its “disruptive model has fulfilled the large unmet demand for coffee and driven its mass market consumption in China [], allowing us to achieve significant scale and growth.”

17. In the prospectus, Luckin disclosed that the company’s total revenues were USD \$125 million for year-end 2018, and USD \$71.3 million for the quarter ending March 31, 2019. Luckin acknowledged that it had incurred significant operating losses since its inception and that it may continue to be unprofitable if it could not sustain its historical growth rate.

18. Luckin released additional material in the run-up to the IPO that touted its historical growth. In the financial section of a March 2019 analyst presentation, Luckin highlighted its “[s]trong growth since inception” in terms of its number of stores, average monthly transacting customers, average monthly items sold, and net revenues. And in the months leading up to, and following, the IPO, Luckin executives reiterated the company’s goal of becoming the largest coffee network in China by the end of 2019.

19. In the months leading up to the IPO, various news reports characterized Luckin’s trajectory as a “meteoric expansion,” with “staggering,” “stunning,” and “super-charged” growth

occurring at “break-neck speed.” According to news reports, several rounds of private fundraising had already rapidly escalated Luckin’s pre-IPO valuation from USD \$1 million in July 2018, to USD \$2.2 billion in November 2018, to USD \$2.9 billion in April 2019. Its May 2019 IPO—priced at USD \$17 per ADS—valued the company at USD \$3.9 billion.

20. On its first day of trading, Luckin’s shares traded as high as USD \$25 per ADS, before settling at around USD \$20 per ADS. By mid-June 2019, a number of analysts began following the company, with a consensus target price of USD \$25 per ADS, which would correspond to a company valuation of approximately USD \$5 billion. Analysts recognized that the company did not anticipate break-even profitability in the near term, but focused on Luckin’s extraordinary revenue growth trajectory.

Luckin’s Fabricated Sales

21. Luckin was not able to meet its own guidance, extraordinary predictions, or the market’s high expectations for revenue and growth. Beginning in April 2019, Luckin fabricated coupon sales transactions for the purpose of artificially inflating its revenues and growth. Certain Luckin employees, including senior officers and directors, orchestrated and carried out three separate fraudulent schemes to fabricate coupon sales and associated revenue. Luckin and certain of its employees knew or were reckless in not knowing that by fabricating coupon sales and associated revenues and income, the company was providing investors with materially false and misleading information about the company’s financial position. This practice operated as a fraud or deceit on Luckin investors.

22. In the first scheme, Luckin fabricated coupon sales and redemptions by purported individual customers. Beginning in April 2019, Luckin employees and others transferred money from individual bank accounts—controlled by Luckin employees and their family members, as

well as employees of two entities associated with certain officers and directors of Luckin (the “Two Related Entities”)—to WeChat and Alipay accounts associated with mobile phone numbers those individuals controlled. The transferred funds were then used to purchase coupons on Luckin’s app. Luckin, through the actions of its employees, then created fake customer orders to “redeem” the coupons, and, although real orders were never placed and the coupons were never actually redeemed, Luckin recognized the fabricated revenue.

23. In connection with the first scheme, Luckin fabricated sales of several millions of dollars.

24. In its second scheme, certain Luckin employees fabricated coupon sales to four purported corporate customers, all of which were controlled by or associated with Luckin personnel or employees of the Two Related Entities. Beginning in May 2019, the four corporate entities transferred money directly to Luckin from their corporate Alipay accounts to purchase coupons on Luckin’s app. As with the first scheme, Luckin created fake retail customer orders to redeem the coupons, and, although real orders were never placed and the coupons were never actually redeemed, Luckin recognized the fabricated revenue.

25. In connection with the second scheme, Luckin fabricated sales of tens of millions of dollars, nearly triple the amount of sales fabricated in the first scheme.

26. In its third scheme, which had the largest impact on Luckin’s financial statements, certain Luckin employees fabricated coupon sales to third-party shell companies—purported intermediary agents that would resell coupons to individual customers (the “Fictitious Agents”). Beginning in May 2019, Luckin entered into sham coupon purchase agreements with the Fictitious Agents.

27. A May 2019 email from an employee of one of the Two Related Entities to certain Luckin officers described efforts to conceal the fraud: “We will try to replace the contact persons [of the Fictitious Agents] with third parties, in order to reduce the number of our internal colleagues that are aware of such issue.”

28. In connection with the third scheme, seven funding companies (collectively, the “Funding Companies”), including two of the corporate entities involved in the second scheme, transferred money into Luckin’s bank accounts beginning in May 2019. The Funding Companies were controlled by or associated with Luckin employees or employees of the Two Related Entities. Certain Luckin employees altered the company’s bank statements so that the funds appeared to originate from the Fictitious Agents, rather than the Funding Companies. Then, these Luckin employees generated fake coupons and fabricated coupon sales to the Fictitious Agents. Finally, Luckin created fake orders by individual customers, who had purportedly bought coupons from the Fictitious Agents, to redeem the coupons, and, although real orders were never placed and the coupons were never actually redeemed, Luckin recognized the fabricated revenue.

29. In connection with the third scheme, Luckin fabricated sales of hundreds of millions of dollars, accounting for nearly 90% of the approximately USD \$311 million in total fabricated revenue.

30. Luckin maintained a database to track its business operations, including coupon sales and redemptions and customer orders (the “Business Operations Database”). To effectuate the above-described schemes, certain Luckin employees created a second database that included both legitimate coupon sales, redemptions, and customer orders as well as fabricated coupon sales, redemptions, and customer orders (the “Fabricated Database”). These employees then switched the source data for certain reports—reports used by Luckin’s Finance Department for bookkeeping

and financial reporting purposes—from the Business Operations Database to the Fabricated Database. The Finance Department had access only to the Fabricated Database and so could not distinguish the legitimate from the fabricated transactions. As a result, the Finance Department incorporated the fabricated transactions into Luckin’s publicly disclosed financial statements.

31. An April 2019 email from an employee of one of the Two Related Entities to certain Luckin officers confirmed that “the original reports/forms in the system are all unseeable,” and that those reports included the cost carryover and income reports.

32. In total, Luckin fabricated sales transactions and revenues totaling approximately RMB 2.12 billion (approximately USD \$311 million) from April 2019 through at least January 2020. By quarter, Luckin fabricated sales and falsified revenue of approximately RMB 250 million (approximately USD \$36 million) in the second quarter of 2019, RMB 700 million (approximately USD \$103 million) in the third quarter of 2019, and RMB 1.17 billion (approximately USD \$172 million) in the fourth quarter of 2019.

Luckin Fabricated Expenses and Recycled Funds to the Funding Companies

33. While fabricating coupon sales, Luckin returned funds to the Funding Companies, including the four purported corporate customers involved in the second scheme, both directly through bank transfers and indirectly through fabricated expense payments to vendors.

34. For example, Luckin made payments to 13 purported suppliers of raw materials that did not provide any materials to the company, overpaid two providers of human resources (outsourcing) services, and paid delivery fees to three companies that did not provide any services to Luckin. Nonetheless, Luckin reported these payments as business-related expenses in its publicly disclosed financial statements.

35. In total, Luckin fabricated costs and expenses totaling approximately RMB 1.3 billion (approximately USD \$196 million) in 2019. By quarter, Luckin fabricated costs and expenses of approximately RMB 150 million (approximately USD \$22 million) in the second quarter of 2019, RMB 520 million (approximately USD \$76 million) in the third quarter of 2019, and RMB 670 million (approximately USD \$98 million) in the fourth quarter of 2019. As discussed below, during the relevant time period, Luckin inflated its costs and expenses by more than 20%.

36. Luckin's fabricated costs and expenses allowed for funds to be returned, in part, to the Funding Companies, which were controlled by or associated with Luckin employees and employees of related companies. Further, the Luckin employees increased costs to make those costs consistent with its increased, inflated revenue. In March and April 2020, Luckin continued returning money to the Funding Companies through direct bank transfers, and certain vendors refunded fabricated and inflated expenses to Luckin.

37. Certain Luckin officers were kept apprised of the progress of the schemes. In two emails in October 2019 to Luckin officers, for example, an employee of one of the Two Related Entities expressed concern that the fraud may be discovered, writing that "the same-store revenue can maintain a growth rate of more than 35%, but its credibility will be questioned ..." and "suppliers will notice the abnormality [in Luckin's growth] because we don't purchase that much."

Luckin's Second Quarter 2019 Earnings Release

38. In advance of Luckin's first earnings release as a public company, analysts expected quarterly revenues of approximately USD \$130 to \$133 million. By contrast, Luckin's revenues for the entire fiscal year of 2018 were USD \$125 million.

39. On August 14, 2019, Luckin furnished to the Commission a Form 6-K disclosing

its earnings for the second quarter ending June 30, 2019.

40. In its 6-K, Luckin reported that its total net revenues for the second quarter were RMB 909.1 million (approximately USD \$132 million). Total net revenues from products were reportedly RMB 870 million (approximately USD \$126 million), an increase of 698% over the same quarter in 2018. Luckin highlighted this astronomical growth on a same-day earnings call. Luckin's reported net revenue included the fabricated coupon sales, as described above, of approximately RMB 250 million (approximately USD \$36 million). Luckin's reported total net revenues for the second quarter of 2019 were therefore overstated by more than 27%.

41. Despite Luckin's substantial revenue growth, analyst reports generally characterized the results as "in line" with their expectations. Luckin's stock declined moderately, closing at USD \$20.68 per ADS the following day.

42. The company's expenses were also overstated in this period because of the fraudulent expense transactions created to return funds used in the scheme back to certain Funding Companies and to create the appearance that expenses were consistent with reported revenue. Luckin reported total operating expenses of RMB 1,598.8 million (approximately USD \$233 million), which were overstated by approximately RMB 150 million (approximately USD \$22 million), or approximately 9%.

43. Because Luckin materially misstated its total revenues and expenses in the second quarter of 2019, it also materially understated its net loss in this period. The company reported net loss of RMB 681.3 million (approximately USD \$99 million), which was understated by approximately RMB 100 million (approximately USD \$14 million), or approximately 15%.

Luckin's Third Quarter 2019 Earnings Release

44. In advance of its third quarter earnings release, Luckin provided revenue guidance

of USD \$190 million to \$210 million in total quarterly net revenues. Analysts reported a consensus expectation of approximately USD \$209 to \$211 million.

45. On November 20, 2019, Luckin furnished to the Commission its 6-K reporting its third quarter financial results. In the 6-K, Luckin reported that its total net revenues in the third quarter were RMB 1,541.6 million (approximately USD \$216 million), an increase of 540% over the same quarter in 2018. On a same-day earnings call with investors, Luckin highlighted its revenue growth percentage. On the same call, Luckin stated that “since [its] inception, Luckin’s growth has always been beyond everyone’s expectations” and that, by year-end, it believed it would “become the largest coffee player in China.”

46. Luckin’s reported net revenues in the third quarter of 2019 included fabricated coupon sales and redemptions, as described above, of approximately RMB 700 million (approximately USD \$103 million) in the quarter. Luckin’s revenues for this period were therefore overstated by approximately 45%.

47. The company’s expenses were also overstated in this period because of the fraudulent expense transactions created to return funds used in the scheme back to certain Funding Companies. Luckin reported total operating expenses for the third quarter of RMB 2,132.5 million (approximately USD \$298 million). This amount was overstated by approximately RMB 520 million (approximately USD \$76 million), or approximately 24%.

48. Because Luckin materially misstated its total revenues and expenses in the third quarter of 2019, it also materially understated its net loss in this period. The company reported net loss of RMB 531.9 million (approximately USD \$74 million) for the third quarter of 2019, which was understated by approximately RMB 180 million (approximately USD \$26 million), or approximately 34%.

49. Luckin’s total revenues for the third quarter of 2019 exceeded both its issued guidance and analyst expectations. Analysts praised Luckin’s “robust,” “accelerating” growth and “strong momentum,” revising their forecasts and raising their price targets in response to the earnings release.

50. Following the November 13 earnings release, Luckin’s stock steadily increased, from USD \$18.98 per ADS on November 12 to USD \$28.16 per ADS on November 18—an increase of more than 60% from its IPO just five months prior.

Luckin’s Fabricated Sales and Expenses in the Fourth Quarter of 2019

51. Through the fourth quarter of 2019, Luckin continued to fabricate coupon sales, redemptions, and revenues and to falsify its Business Operations Database. In that three-month period, Luckin fabricated approximately RMB 1.17 billion (approximately USD \$172 million) in sham coupon sales, redemptions, and revenues.

52. Luckin also continued to fabricate or inflate its expenses during this period to account for the return of money to the Funding Companies for their participation in the scheme. During the fourth quarter of 2019, Luckin recorded in its books and records approximately RMB 670 million (approximately USD \$98 million) in fraudulent expenses.

53. On December 31, 2019, Luckin’s stock closed at USD \$39.36 per ADS, a nearly 100% increase from its IPO.

January 2020 Follow-on Equity Offering and Convertible Bond Issuance

54. On January 14, 2020, Luckin conducted a follow-on equity offering and convertible bond issuance, raising approximately USD \$418 million from the equity offering and approximately USD \$446.7 million from the convertible bond offering. The offering materials included the company’s previously disclosed, materially misstated financials for the second and

third quarters of 2019.

55. In its January 2020 management presentation to investors, Luckin again claimed that it was China's "largest," in terms of number of stores, and "fastest growing coffee network." The presentation highlighted Luckin's "[h]igh growth with significant improvements in efficiency," noting that its total net revenues from products grew 557.6% year-over-year in the third quarter of 2019. The presentation further stated that the company's product revenue "beat our Q3 guidance as a result of strong business fundamentals."

56. Luckin's stock price continued to climb, closing at an all-time high of USD \$50.02 per ADS on January 17, 2020—an increase of nearly 200% from its IPO just eight months prior. Analysts continued to issue positive reports and increase their target prices.

Luckin's Inadequate System of Internal Accounting Controls and Inaccurate Books and Records

57. Luckin failed to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions were recorded as necessary to permit the preparation of accurate financial statements or to maintain accountability for assets in accordance with required accounting principles. Luckin's lack of adequate internal controls allowed the scheme to continue, without detection, for at least nine months. For example, Luckin's inadequate internal accounting controls enabled the alteration, without detection, of source data to include fabricated transactions. In addition, Luckin lacked controls to provide reasonable assurance that transactions with third parties were properly disclosed and that payments made were for legitimate services.

58. As a consequence of Luckin's inadequate internal accounting controls, Luckin's books and records inaccurately reflected the company's transactions and dispositions of assets. The

company's books and records included fabricated sales and expense transactions as well as altered bank records. As a result, the company's financial statements materially overstated revenue and expenses and materially understated net operating loss.

Luckin's Disclosure of the Fraudulent Schemes

59. Luckin's fraud came to light in early 2020 in the course of the annual external audit of the company's financial statements.

60. On April 2, 2020, Luckin announced that it had fabricated over USD \$300 million in sales transactions in the last three quarters of 2019. Luckin warned investors that they should no longer rely upon its 2019 quarterly reports or its fourth quarter earnings guidance. Luckin's disclosure also stated that several officers and employees had been suspended.

61. Luckin's stock, which closed at USD \$27.19 per ADS on March 31, 2020, closed at USD \$3.39 per ADS on April 6, 2020.

Luckin's Cooperation and Remedial Efforts

62. After Luckin's misconduct was discovered, Luckin self-reported the fabricated sales and expenses to the Commission's staff, cooperated with the staff's investigation, and promptly undertook significant remedial efforts. Those efforts included initiating an internal investigation, terminating certain personnel, terminating its relationships with third parties involved in the fraudulent conduct, and reorganizing the Finance Department and adding internal accounting controls.

CLAIMS

FIRST CLAIM FOR RELIEF

Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder

63. Paragraphs 1 through 62 alleging that Luckin intentionally fabricated sales and expenses to materially falsify revenue and reduce net losses in its publicly filed and furnished financial statements are realleged and incorporated by reference as if fully set forth herein.

64. Luckin, knowingly or recklessly, by use of the means or instrumentalities of interstate commerce or of the mails, in connection with the purchase or sale of securities, directly or indirectly:

(a) employed devices, schemes, or artifices to defraud;

(b) made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and/or

(c) engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon any person.

65. By reason of the foregoing, Luckin violated and, unless enjoined, is reasonably likely to continue to violate Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rules 10b-5(a), (b), and (c) thereunder [17 C.F.R. § 240.10b-5(a), (b), (c)].

SECOND CLAIM FOR RELIEF

Violations of Section 17(a) of the Securities Act

66. Paragraphs 1 through 62 alleging that Luckin intentionally fabricated sales and expenses to materially falsify revenue and reduce net losses in its publicly filed and furnished financial statements are realleged and incorporated by reference as if fully set forth herein.

67. Luckin, in the offer or sale of securities, by the use of the means or instruments of communication in interstate commerce or by use of the mails, directly or indirectly:

(a) knowingly or recklessly employed any devices, schemes, or artifices to defraud;

(b) knowingly, recklessly or negligently obtained money or property by means of an untrue statement of a material fact or an omission to state a material fact necessary in order to make the statement made, in light of the circumstances under which it was made, not misleading; and/or

(c) knowingly, recklessly or negligently engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon the purchaser.

68. By reason of the foregoing, Luckin violated and, unless enjoined, is reasonably likely to continue to violate Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)].

THIRD CLAIM FOR RELIEF
Violations of Section 13(a) of the Exchange Act
and Rules 12b-20 and 13a-16 Thereunder

69. Paragraphs 1 through 62 alleging that Luckin fabricated sales and expenses to materially falsify revenue and reduce net losses in its publicly filed and furnished financial statements are realleged and incorporated by reference as if fully set forth herein.

70. By reason of the conduct described above, Defendant filed or furnished the following reports and/or statements which either made an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading: (a) Luckin's Form 6-K, disclosing its earnings for the second quarter of 2019, furnished to the Commission on August 14, 2019; (b) Luckin's Form 6-K, disclosing its earnings for the third quarter of 2019, furnished to the

Commission on November 20, 2019; and (c) the offering documents for Luckin's January 2020 follow-on equity offering and convertible bond issuance.

71. By engaging in the conduct described above, Defendant violated, and unless enjoined, will again violate Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20 and 13a-16 thereunder [17 C.F.R. §§ 240.12b-20 and 240.13a-16].

FOURTH CLAIM FOR RELIEF
Violations of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act

72. Paragraphs 1 through 62 alleging that Luckin fabricated sales and expenses to materially falsify revenue and reduce net losses in its books and records used to prepare its publicly filed and furnished financial statements are realleged and incorporated by reference as if fully set forth herein.

73. By reason of the conduct described above, Defendant failed to make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflected the transactions and dispositions of the assets of the issuer. Further, Defendant failed to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions were recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and to maintain accountability for assets.

74. By engaging in the conduct described above, Defendant violated, and unless restrained and enjoined will again violate, Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A) and (b)(2)(B)].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that the Court enter a Final Judgment:

I.

Permanently enjoining Defendant Luckin, and all persons in active concert or participation with Defendant Luckin, from violating the federal securities laws alleged in this Complaint;

II.

Ordering Defendant Luckin to pay civil monetary penalties pursuant to Section 20 of the Securities Act [15 U.S.C. § 77t] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)]; and

III.

Granting any other and further relief this Court may deem just and proper.

Dated: December 16, 2020

Respectfully submitted,

SECURITIES AND
EXCHANGE COMMISSION

S/ Melissa J. Armstrong

Melissa J. Armstrong*

Jan M. Folena*

*Application for admission *pro hac vice*
pending

U.S. Securities and Exchange Commission
100 F Street, N.E.

Washington, DC 20549

Tel: (202) 551-4738 (Folena)

Tel: (202) 551-4724 (Armstrong)

FolenaJ@sec.gov

ArmstrongMe@sec.gov

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

LUCKIN COFFEE, INC.

Defendant.

Civil Action No. 1:20-cv-10631

CONSENT MOTION FOR ENTRY OF FINAL JUDGMENT

Plaintiff Securities and Exchange Commission (the “Commission”) respectfully submits this consent motion to enter final judgment according to the parties’ settlement. In support of this motion, the Commission states the following:

1. On December 16, 2020, the Commission filed a Complaint against Defendant Luckin Coffee, Inc. alleging violations of the anti-fraud and other provisions of the federal securities laws.
2. The parties have reached a settlement agreement in this case. Attached hereto as Exhibit 1 is the executed Consent of Defendant Luckin Coffee, Inc., setting forth the terms of its settlement with the Commission.
3. Attached hereto as Exhibit 2 is the proposed Final Judgment to which Defendant Luckin Coffee, Inc. agreed. The proposed Final Judgment would permanently enjoin Defendant Luckin Coffee, Inc. from violating the following statutory and regulatory provisions: Section 10(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Rule 10b-5 thereunder; Section 17(a) of the Securities Act of 1933; Section 13(a) of the Exchange Act and Rules 12b-20

and 13a-16 thereunder; and Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act. It would impose a civil penalty in the amount of \$180,000,000.

The Commission respectfully requests that the Court enter the proposed Final Judgment attached hereto as Exhibit 2.

Dated: December 16, 2020

Respectfully submitted,

S/ Melissa J. Armstrong
Melissa J. Armstrong*
Jan M. Folena*

*Application for admission *pro hac vice*
pending

U.S. Securities and Exchange Commission
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公 证 书

中华人民共和国广东省广州市广州公证处

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION, Plaintiff, v. LUCKIN COFFEE, INC. Defendant.
--

C.A. No. ___-___ (ABC)

CONSENT OF DEFENDANT LUCKIN COFFEE, INC.

1 Defendant Luckin Coffee, Inc. (“Defendant”) waives service of a summons and the complaint in this action, enters a general appearance, and admits the Court’s jurisdiction over Defendant and over the subject matter of this action.

2 Without admitting or denying the allegations of the complaint (except as provided herein in paragraph 1 and except as to personal and subject matter jurisdiction, which Defendant admits), Defendant hereby consents to the entry of the final Judgment in the form attached hereto (the “Final Judgment”) and incorporated by reference herein, which, among other things:

- (a) Permanently restrains and enjoins Defendant from violations of Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78j(b)] and Rules 10b-5(a), (b), and (c) thereunder [17 C.F.R. § 240.10b-5(a), (b), (c)]; Section 17(a) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. § 77q(a)]; Section 13(a) of the Exchange Act

[15 U.S.C. § 78m(a)] and Rules 12b-20 and 13a-16 thereunder [17 C.F.R. §§ 240.12b-20 and 240.13a-16]; and Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78m(b)(2)(A) and 78m(b)(2)(B)]; and

(b) Defendant shall pay a civil penalty in the amount of \$180,000,000 (USD) pursuant to Section 20 of the Securities Act [15 U.S.C. § 77t] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)]. The amount of the civil penalty shall be offset by the U.S. Dollar value of any cash payments made by Defendant and distributed to its security holders pursuant to the implementation of any schemes of arrangement in accordance with section 86 of the Cayman Islands Companies Law (2020 Revision) (the “Cayman Schemes”) as sanctioned by the Grand Court of the Cayman Islands made under the direction of the Joint Provisional Liquidators appointed by that court on July 15, 2020 to oversee Defendant’s provisional liquidation and restructuring (the “final distribution plan”), provided the final distribution plan is not reasonably objectionable to Commission staff. Payment of attorney’s fees or any other costs of administrating the liquidation shall not be deemed payment to security holders for purposes of the civil penalty offset set forth herein. Within 10 days of any cash payments made by Defendant and distributed to its security holders pursuant to the final distribution plan in the Provisional Liquidation proceeding, Defendant shall transmit photocopies of evidence of payment and case identifying information in a form acceptable to Commission staff. If the civil penalty amount is not offset in full by Defendant’s payments made and distributed

to its security holders in the Provisional Liquidation, the Defendant shall remit to the Commission the outstanding balance of the penalty. The Defendant must remit to the Commission a cash payment for the outstanding balance of the civil penalty within eighteen (18) months of the entry of this Final Judgment. Failure to remit the cash payment due to Defendant's legal inability to remit U.S. Dollars from China, or due to the failure of one or more of the Cayman Schemes, shall not void this Final Judgment, but the Commission retains its right to pursue any outstanding amount of the civil penalty and may enforce the Court's Final Judgment for penalties by the use of all collection procedures authorized by law, including the Federal Debt Collection Procedures Act, 28 U.S.C. § 3001 *et seq.*, and moving for civil contempt for the violation of any Court orders issued in this action. Nothing in this Final Judgment shall impact the operation of Section 139(2) of the Cayman Islands Companies Law as that law governs proceedings outside of the United States. Upon good cause shown, the Commission staff may, in its discretion, grant one or more extensions, up to a total of 24 months, of the period within which Defendant must make payments to satisfy its obligations under this Final Judgment. If the Defendant pays any portion of the penalty to the Commission in accordance with the prior paragraph, the Commission shall hold the funds, together with any interest and income earned thereon (collectively, the "Fund"), pending further order of the Court. The Commission may propose a plan to distribute the Fund subject to the

Court's approval. Such a plan may provide that the Fund shall be distributed pursuant to the Fair Fund provisions of Section 308(a) of the Sarbanes-Oxley Act of 2002. The Court shall retain jurisdiction over the administration of any distribution of the Fund, and the Fund may only be disbursed pursuant to an Order of the Court. The Commission foregoes any right to collect post-judgment interest on this award.

4. Defendant waives the entry of findings of fact and conclusions of law pursuant to Rule 52 of the Federal Rules of Civil Procedure.

5. Defendant waives the right, if any, to a jury trial and to appeal from the entry of the Final Judgment.

6. Defendant enters into this Consent voluntarily and represents that no threats, offers, promises, or inducements of any kind have been made by the Commission or any member, officer, employee, agent, or representative of the Commission to induce Defendant to enter into this Consent.

7. Defendant agrees that this Consent shall be incorporated into the Final Judgment with the same force and effect as if fully set forth therein.

8. Defendant will not oppose the enforcement of the Final Judgment on the ground, if any exists, that it fails to comply with Rule 65(d) of the Federal Rules of Civil Procedure, and hereby waives any objection based thereon.

9. Defendant waives service of the Final Judgment and agrees that entry of the Final Judgment by the Court and filing with the Clerk of the Court will constitute notice to Defendant of its terms and conditions. Defendant further agrees to provide counsel for the Commission, within thirty days after the Final Judgment is filed with the Clerk of the Court, with an affidavit

or declaration stating that Defendant has received and read a copy of the Final Judgment.

10. Consistent with 17 C.F.R. 202.5(f), this Consent resolves only the claims asserted against Defendant in this civil proceeding. Defendant acknowledges that no promise or representation has been made by the Commission or any member, officer, employee, agent, or representative of the Commission with regard to any criminal liability that may have arisen or may arise from the facts underlying this action or immunity from any such criminal liability. Defendant waives any claim of Double Jeopardy based upon the settlement of this proceeding, including the imposition of any remedy or civil penalty herein. Defendant further acknowledges that the Court's entry of a permanent injunction may have collateral consequences under federal or state law and the rules and regulations of self-regulatory organizations, licensing boards, and other regulatory organizations. Such collateral consequences include, but are not limited to, a statutory disqualification with respect to membership or participation in, or association with a member of, a self-regulatory organization. This statutory disqualification has consequences that are separate from any sanction imposed in an administrative proceeding. In addition, in any disciplinary proceeding before the Commission based on the entry of the injunction in this action, Defendant understands that it shall not be permitted to contest the factual allegations of the complaint in this action.

11. Defendant understands and agrees to comply with the terms of 17 C.F.R. § 202.5(e), which provides in part that it is the Commission's policy "not to permit a defendant or respondent to consent to a judgment or order that imposes a sanction while denying the allegations in the complaint or order for proceedings," and "a refusal to admit the allegations is equivalent to a denial, unless the defendant or respondent states that he neither admits nor denies the allegations." As part of Defendant's agreement to comply with the terms of Section 202.5(e),

Defendant: (i) will not take any action or make or permit to be made any public statement denying, directly or indirectly, any allegation in the complaint or creating the impression that the complaint is without factual basis; (ii) will not make or permit to be made any public statement to the effect that Defendant does not admit the allegations of the complaint, or that this Consent contains no admission of the allegations, without also stating that Defendant does not deny the allegations; and (iii) upon the filing of this Consent, Defendant hereby withdraws any papers filed in this action to the extent that they deny any allegation in the complaint. If Defendant breaches this agreement, the Commission may petition the Court to vacate the Final Judgment and restore this action to its active docket. Nothing in this paragraph affects Defendant's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which the Commission is not a party.

12. Defendant hereby waives any rights under the Equal Access to Justice Act, the Small Business Regulatory Enforcement Fairness Act of 1996, or any other provision of law to seek from the United States, or any agency, or any official of the United States acting in his or her official capacity, directly or indirectly, reimbursement of attorney's fees or other fees, expenses, or costs expended by Defendant to defend against this action. For these purposes, Defendant agrees that Defendant is not the prevailing party in this action since the parties have reached a good faith settlement.

13. Defendant agrees that the Commission may present the Final Judgment to the Court for signature and entry without further notice.

14. Defendant agrees that this Court shall retain jurisdiction over this matter for the purpose of enforcing the terms of the Final Judgment.

Dated: 2020.12.8

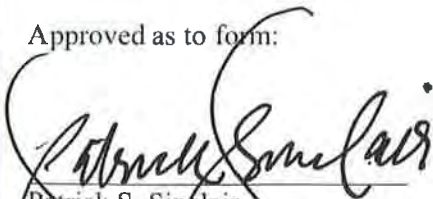
Luckin Coffee, Inc.

By: 
Jinyi GUO
Chairman of the Board and Chief Exec. Officer

On _____, 2020, _____, a person known to me, personally appeared before me and acknowledged executing the foregoing Consent with full authority to do so on behalf of Luckin Coffee, Inc., as its Chairman of the Board and Chief Executive Officer.

Notary Public
Commission expires:

Approved as to form:



Patrick S. Sinclair
Davis Polk & Wardwell
Hong Kong Club Building, 17F
3A Chater Road, Hong Kong
+852 2533 3305

Attorney for Defendant

公 证 书

(2020)粤广广州第272335号

申请人：郭谨一，男， [REDACTED] 出生，公民身份号码： [REDACTED]。

公证事项：签名

兹证明郭谨一于二〇二〇年十二月八日来到我处，在本公证员的面前，在前面的《CONSENT OF DEFENDANT LUCKIN COFFEE, INC.》上签名。

中华人民共和国广东省广州市广州公证处

公 证 员

胡雄辉

二〇二〇年十二月八日



I V29827238

NOTARIAL CERTIFICATE

(2020)YGGZ,No.272335

Applicant: Guo Jinyi, male, born on [REDACTED], ID Card
No. [REDACTED].

Issue under notarization: Signature

This is to certify that Guo Jinyi came to our notary public office and
signed the foregoing CONSENT OF DEFENDANT LUCKIN
COFFEE,INC. on December 8, 2020 before me, the notary public.

Guangzhou Notary Public Office
Guangzhou City, Guangdong Province
The People's Republic of China
Notary Public: Hu Xionghui
December 8, 2020

公 证 书

(2020)粤广广州第272336号

申请人：郭谨一，男， [REDACTED] 出生，公民身份号码： [REDACTED]。

公证事项：译本与原本相符

兹证明前面的英文译本内容与中文原本内容相符。

中华人民共和国广东省广州市广州公证处

公 证 员

胡雄辉



NOTARIAL CERTIFICATE

(2020)YGGZ,No.272336

Applicant: Guo Jinyi, male, born on [REDACTED], ID Card
No. [REDACTED].

Issue under notarization: Translated copy being in conformity
with the original

This is to certify that the attached English translation conforms
to the original document in Chinese.

Guangzhou Notary Public Office
Guangzhou City, Guangdong Province
The People's Republic of China
Notary Public: Hu Xionghui
December 8, 2020

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

LUCKIN COFFEE, INC.

Defendant.

Civil Action No. 1:20-cv-10631

FINAL JUDGMENT AS TO DEFENDANT LUCKIN COFFEE INC.

Plaintiff Securities and Exchange Commission having filed a Complaint and Defendant Luckin Coffee Inc. having entered a general appearance; consented to the Court's jurisdiction over Defendant and the subject matter of this action; consented to entry of this Final Judgment without admitting or denying the allegations of the Complaint (except as to jurisdiction); waived findings of fact and conclusions of law; and waived any right to appeal from this Final Judgment:

I.

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that Defendant is permanently restrained and enjoined from violating, directly or indirectly, Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 promulgated thereunder [17 C.F.R. § 240.10b-5], by using any means or instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange, in connection with the purchase or sale of any security:

- (a) to employ any device, scheme, or artifice to defraud;

- (b) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or
- (c) to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, as provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also binds the following who receive actual notice of this Final Judgment by personal service or otherwise: (a) Defendant's officers, agents, servants, employees, and attorneys; and (b) other persons in active concert or participation with Defendant or with anyone described in (a).

II.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant is permanently restrained and enjoined from violating Section 17(a) of the Securities Act of 1933 (the "Securities Act") [15 U.S.C. § 77q(a)] in the offer or sale of any security by the use of any means or instruments of transportation or communication in interstate commerce or by use of the mails, directly or indirectly:

- (a) to employ any device, scheme, or artifice to defraud;
- (b) to obtain money or property by means of any untrue statement of a material fact or any omission of a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;
or
- (c) to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, as provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also binds the following who receive actual notice of this Final Judgment by personal service or otherwise: (a) Defendant's officers, agents, servants, employees, and attorneys; and (b) other persons in active concert or participation with Defendant or with anyone described in (a).

III.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant is permanently restrained and enjoined from violating Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20 and 13a-16 thereunder [17 C.F.R. §§ 240.12b-20 and 240.13a-16] by, directly or indirectly, filing or causing to be filed with the Commission any report which contains any untrue statement of material fact, which omits to state any material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, or which omits to disclose any information required to be disclosed.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, as provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also binds the following who receive actual notice of this Final Judgment by personal service or otherwise: (a) Defendant's officers, agents, servants, employees, and attorneys; and (b) other persons in active concert or participation with Defendant or with anyone described in (a).

IV.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant is permanently restrained and enjoined from violating Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78m(b)(2)(A) and (b)(2)(B)] by, directly or indirectly:

- (a) failing to make and keep books, records, and accounts which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the issuer; or
- (b) failing to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that: (1) transactions are executed in accordance with management's general or specific authorization; (2) transactions are recorded as necessary (i) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements and (ii) to maintain accountability for assets; (3) access to assets is permitted only in accordance with management's general or specific authorization; and (4) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, as provided in Federal Rule of Civil Procedure 65(d)(2), the foregoing paragraph also binds the following who receive actual notice of this Final Judgment by personal service or otherwise: (a) Defendant's officers, agents, servants, employees, and attorneys; and (b) other persons in active concert or participation with Defendant or with anyone described in (a).

V.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Defendant shall pay a civil penalty in the amount of \$180,000,000 (USD) pursuant to Section 20 of the Securities Act [15 U.S.C. § 77t] and Section 21(d) of the Exchange Act [15 U.S.C. § 78u(d)]. The amount of the civil penalty shall be offset by the U.S. Dollar value of any cash payments made by

Defendant and distributed to its security holders pursuant to the implementation of any schemes of arrangement in accordance with section 86 of the Cayman Islands Companies Law (2020 Revision) (the “Cayman Schemes”) as sanctioned by the Grand Court of the Cayman Islands made under the direction of the Joint Provisional Liquidators appointed by that court on July 15, 2020 to oversee Defendant’s provisional liquidation and restructuring (the “final distribution plan”), provided the final distribution plan is not reasonably objectionable to Commission staff. Payment of attorney’s fees or any other costs of administrating the liquidation shall not be deemed payment to security holders for purposes of the civil penalty offset set forth herein. Within 10 days of any cash payments made by Defendant and distributed to its security holders pursuant to the final distribution plan in the Provisional Liquidation proceeding, Defendant shall transmit photocopies of evidence of payment and case identifying information in a form acceptable to Commission staff.

If the civil penalty amount is not offset in full by Defendant’s payments made and distributed to its security holders in the Provisional Liquidation, the Defendant shall remit to the Commission the outstanding balance of the penalty. The Defendant must remit to the Commission a cash payment for the outstanding balance of the civil penalty within eighteen (18) months of the entry of this Final Judgment. Failure to remit the cash payment due to Defendant’s legal inability to remit U.S. Dollars from China, or due to the failure of one or more of the Cayman Schemes, shall not void this Final Judgment, but the Commission retains its right to pursue any outstanding amount of the civil penalty and may enforce the Court’s Final Judgment for penalties by the use of all collection procedures authorized by law, including the Federal Debt Collection Procedures Act, 28 U.S.C. § 3001 *et seq.*, and moving for civil contempt for the violation of any Court orders issued in this action. Nothing in this Final Judgment shall

impact the operation of Section 139(2) of the Cayman Islands Companies Law as that law governs proceedings outside of the United States. Upon good cause shown, the Commission staff may, in its discretion, grant one or more extensions, up to a total of 24 months, of the period within which Defendant must make payments to satisfy its obligations under this Final Judgment.

If the Defendant pays any portion of the penalty to the Commission in accordance with the prior paragraph, the Commission shall hold the funds, together with any interest and income earned thereon (collectively, the “Fund”), pending further order of the Court. The Commission may propose a plan to distribute the Fund subject to the Court’s approval. Such a plan may provide that the Fund shall be distributed pursuant to the Fair Fund provisions of Section 308(a) of the Sarbanes-Oxley Act of 2002. The Court shall retain jurisdiction over the administration of any distribution of the Fund, and the Fund may only be disbursed pursuant to an Order of the Court.

The Commission foregoes any right to collect post-judgment interest on this award.

VI.

IT IS HEREBY FURTHER ORDERED, ADJUDGED, AND DECREED that based on Defendant’s cooperation in a Commission investigation, the Court is not ordering Defendant to pay a civil penalty in excess of \$180,000,000 (USD). If at any time following the entry of the Final Judgment the Commission obtains information indicating that Defendant knowingly provided materially false or misleading information or materials to the Commission or in a related proceeding, the Commission may, at its sole discretion and without prior notice to the Defendant, petition the Court for an order requiring Defendant to pay an additional civil penalty. In connection with any such petition and at any hearing held on such a motion: (a) Defendant

will be precluded from arguing that it did not violate the federal securities laws as alleged in the Complaint; (b) Defendant may not challenge the validity of the Final Judgment, its Consent, or any related Undertakings; (c) the allegations of the Complaint, solely for the purposes of such motion, shall be accepted as and deemed true by the Court; and (d) the Court may determine the issues raised in the motion on the basis of affidavits, declarations, excerpts of sworn deposition or investigative testimony, and documentary evidence without regard to the standards for summary judgment contained in Rule 56(c) of the Federal Rules of Civil Procedure. Under these circumstances, the parties may take discovery, including discovery from appropriate non-parties, subject to applicable law.

VII.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that the Consent is incorporated herein with the same force and effect as if fully set forth herein.

VIII.

IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that this Court shall retain jurisdiction of this matter for the purposes of enforcing the terms of this Final Judgment.

Dated: _____, _____

UNITED STATES DISTRICT JUDGE

AIV Business plan and financial forecast (RMBm)

Luckin Coffee Inc. (in Provisional Liquidation) Financial Forecast Information (RMBm) ⁽¹⁾					
	2020	2021	2022	2023	2020 to 2023
Revenue					
High	4,200	6,306	10,278	13,100	33,884
Low	3,800	4,669	5,540	7,038	21,046
	2020	2021	2022	2023	2020 to 2023
Core EBITDA⁽²⁾					
High	(1,394)	(697)	174	910	(1,006)
Low	(1,672)	(906)	(592)	(383)	(3,554)
					2021 to 2023
Recurring Capex					Cumulative
High					(1,115)
Low					(557)
					2021 to 2023
One-Off Cash Costs / Expenditures⁽³⁾					Cumulative
High					(1,672)
Low					(836)
					Dec 2023
Number of Self-Operated Stores					
High					6,900
Low					4,800

Notes: USD/RMB FX rate of 6.968 assumed

- (1) The projections set forth in this table are forward-looking statements that represent the Company management's own judgments and expectations. They speak only as of the date on which they are made and are based on the knowledge, information available and views taken on the date on which they are made; such knowledge, information and views may change at any time.

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- (2) EBITDA is (loss)/earnings before interest, taxes, depreciation and amortization, it includes marketing expenses. Core EBITDA excludes non-recurring and one off operating expenses such as non-recurring professional and audit fees related to the restructuring and non-recurring stock ownership plan for employees.
- (3) Excludes any potential payouts to the Convertible Senior Noteholders or potential payouts in relation to the ongoing lawsuits and investigations.

Business plan and financial forecast (USDm)

Luckin Coffee Inc. (in Provisional Liquidation) Financial Forecasts (USDm) ⁽¹⁾					
	2020	2021	2022	2023	2020 to 2023
Revenue					
High	603	905	1,475	1,880	4,863
Low	545	670	795	1,010	3,020
	2020	2021	2022	2023	2020 to 2023
Core EBITDA⁽²⁾					
High	(200)	(100)	25	131	(144)
Low	(240)	(130)	(85)	(55)	(510)
					2021 to 2023
Recurring Capex					Cumulative
High					(160)
Low					(80)
					2021 to 2023
One-Off Cash Costs / Expenditures⁽³⁾					Cumulative
High					(240)
Low					(120)
					Dec 2023
Number of Self-Operated Stores					
High					6,900
Low					4,800

Notes: USD/RMB FX rate of 6.968 assumed

- (1) The projections set forth in this table are forward-looking statements that represent the Company management's own judgments and expectations. They speak only as of the date on which they are made and are based on the knowledge, information available and views taken on the date on which they are made; such knowledge, information and views may change at any time.

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- (2) EBITDA is (loss)/earnings before interest, taxes, depreciation and amortization, it includes marketing expenses. Core EBITDA excludes non-recurring and one off operating expenses such as non-recurring professional and audit fees related to the restructuring and non-recurring stock ownership plan for employees.
- (3) Excludes any potential payouts to the Convertible Senior Noteholders or potential payouts in relation to the ongoing lawsuits and investigations.

