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## **Nayuki Holdings Limited**

**奈雪的茶控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2150)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2024**

The Board hereby announces the unaudited consolidated interim results of the Group for the Reporting Period. The condensed consolidated financial statements of the Group for the Reporting Period have not been audited but have been reviewed by KPMG, the external auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*” issued by the Hong Kong Institute of Certified Public Accountants.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. BUSINESS REVIEW

In the first half of 2024, the Group's revenue decreased by 1.9% to RMB2,544.4 million from RMB2,593.8 million for the six months ended June 30, 2023. The adjusted net (loss)/profit turned from profit of RMB70.2 million for the six months ended June 30, 2023 to loss of RMB437.7 million in the same period in 2024.

In the first half of 2024, we recorded store-level operating profit of RMB165.1 million for *Nayuki* self-operated stores, representing a decrease of 65.1% compared to the same period in 2023. In the first half of 2024, the store-level operating profit margin of *Nayuki* self-operated stores was 7.8%, representing a decrease of 12.3 percentage points compared to the same period in 2023. Net cash generated from operating activities of the Group decreased by 73.3% from RMB388.1 million for the six months ended June 30, 2023 to RMB103.8 million.

As of June 30, 2024, the Group had a total of 297 *Nayuki* franchise stores, and we plan to provide the market with more information on the performance of the franchise stores at an appropriate time. For the avoidance of doubt, unless otherwise stated, the figures in the section headed "Management Discussion and Analysis" in respect of *Nayuki* teahouses include *Nayuki* self-operated stores only.

#### Performance by sub-brands

	For the six months ended June 30,				Change	
	2024		2023		Percentage	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	<i>point(s)</i>
	<i>(in thousands, except percentages)</i>					
<i>Nayuki</i> self-operated stores	2,104,630	82.7	2,354,040	90.8	(249,410)	(8.1)
Ready-to-drink beverage	171,971	6.8	156,848	6.0	15,123	0.8
Others <sup>(1)</sup>	267,751	10.5	82,958	3.2	184,793	7.3
<b>Total</b>	<b>2,544,352</b>	<b>100.0</b>	<b>2,593,846</b>	<b>100.0</b>	<b>(49,494)</b>	<b>N/A</b>

	<b>For the six months ended June 30, 2024</b>	For the six months ended June 30, 2023
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***Nayuki* self-operated stores**

Store-level operating profit ( <i>RMB</i> '000) <sup>(2)</sup>	<b>165,062</b>	472,546
Store-level operating profit margin (%) <sup>(2)</sup>	<b>7.8</b>	20.1
Average sales value per order ( <i>RMB</i> ) <sup>(3)</sup>	<b>27.5</b>	32.4
Average orders per teahouse per day(#) <sup>(4)</sup>	<b>265.9</b>	363.4

*Notes:*

- (1) Including revenue derived from business lines other than *Nayuki* self-operated stores and ready-to-drink beverage, which consist primarily of revenue generated from our franchise business, as well as sales of gifts such as gift tea boxes, seasonal gift sets and retail products.
- (2) We define store-level operating profit as revenue deducting operational costs, comprising costs of materials, staff costs, depreciation of right-of-use assets, other rentals and related expenses, depreciation and amortization of other assets, utilities expenses and delivery expenses, incurred at the store level under *Nayuki* self-operated stores, while store-level operating profit margin is calculated by dividing store-level operating profit by revenue for the corresponding period.
- (3) Calculated by the revenue generated by a *Nayuki* self-operated store in certain period divided by the total number of orders placed by customers to such *Nayuki* self-operated store in the same period.
- (4) Calculated by the arithmetic average amount of valid orders per day of a *Nayuki* self-operated store in certain period.

## Performance by business lines

	For the six months ended June 30,					
	2024		2023		Change	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>Percentage point(s)</i>
	<i>(in thousands, except percentages)</i>					
Freshly-made tea drinks	1,721,778	67.7	1,904,535	73.5	(182,757)	(5.8)
Baked products	270,477	10.6	366,270	14.1	(95,793)	(3.5)
Ready-to-drink beverages	171,971	6.8	156,848	6.0	15,123	0.8
Other products <sup>(1)</sup>	380,126	14.9	166,193	6.4	213,933	8.5
<b>Total</b>	<b>2,544,352</b>	<b>100.0</b>	<b>2,593,846</b>	<b>100.0</b>	<b>(49,494)</b>	<b>N/A</b>

Note:

- (1) Primarily include revenue generated from our franchise business and coffee, peripheral products, retail products and gifts, such as gift tea boxes, snacks, seasonal gift sets.

## Performance by income sources – *Nayuki* self-operated stores

	For the six months ended June 30,					
	2024		2023		Change	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>Percentage point(s)</i>
	<i>(in thousands, except percentages)</i>					
<b><i>Nayuki</i> self-operated stores</b>						
Order at store counter <sup>(1)</sup>	281,610	13.4	354,189	15.0	(72,579)	(1.6)
Pickup orders <sup>(2)</sup>	967,998	46.0	966,656	41.1	1,342	4.9
Delivery orders <sup>(3)</sup>	855,022	40.6	1,033,195	43.9	(178,173)	(3.3)
<b>Total</b>	<b>2,104,630</b>	<b>100.0</b>	<b>2,354,040</b>	<b>100.0</b>	<b>(249,410)</b>	<b>N/A</b>

*Notes:*

- (1) Representing revenue generated from customer orders placed on-site at *Nayuki* self-operated stores (excluding orders placed through our WeChat, Alipay and third-party platform mini programs).
- (2) Representing revenue generated from customer orders placed through our WeChat, Alipay and third-party platform mini programs.
- (3) Representing revenue generated from delivery orders that require delivery services. For the six months ended June 30, 2024, out of the revenue of the Group's *Nayuki* self-operated stores, approximately 35.2% was derived from revenue generated from delivery orders placed by third-party platforms; and approximately 5.4% was derived from revenue generated from delivery orders placed by the Group's self-operated platform.

### ***Nayuki* Membership Program**

As at June 30, 2024, the Company had registered members of approximately 92.3 million. The monthly active members<sup>(1)</sup> of the Company amounted to approximately 5.0 million, with a monthly repurchase rate<sup>(2)</sup> of approximately 23.8%.

*Notes:*

- (1) Representing the average number of members who ordered our products at least once a month for the six months ended June 30, 2024;
- (2) Representing the average proportion of active members who ordered our products at least twice a month for the six months ended June 30, 2024.

## 2. PERFORMANCE ANALYSIS OF NAYUKI SELF-OPERATED STORES

### Number and distribution of stores

As of June 30, 2024, the Group had 1,597 *Nayuki* self-operated stores in 114 cities. In the first half of 2024, we recorded a net increase of 23 *Nayuki* self-operated stores. We insist on further expanding our teahouse network and increasing market penetration mainly in the existing Tier 1 cities, New Tier 1 cities and key Tier 2 cities, so as to cultivate and consolidate consumers' consumption habits for high-end freshly-made tea drinks. The following table sets out the breakdown of the number of our *Nayuki* self-operated stores by geographic location.

	<b>As at June 30, 2024</b>	As at December 31, 2023
<b>Number of <i>Nayuki</i> self-operated stores (#)</b>		
Tier 1 cities	<b>568</b>	542
New Tier 1 cities	<b>557</b>	552
Tier 2 cities	<b>317</b>	328
Other cities <sup>(1)</sup>	<b>155</b>	152
<b>Total</b>	<b>1,597</b>	1,574

*Note:*

- (1) Including (i) cities of other tiers across mainland China and (ii) cities outside mainland China.
- (2) The number of *Nayuki* self-operated stores is relatively stable, so the proportion of *Nayuki* franchise stores is expected to grow at a faster rate, while the profitability of the franchise business is different from that of the self-operated business, and the rental level of *Nayuki* franchise stores is not directly related to the financial performance of the Group. Therefore, from 2024 onwards, we will no longer differentiate between “Type I/Type II” *Nayuki* self-operated stores based on the location of the stores.

## Performance by market

As of and for the six months ended  
June 30, 2024

	Number of stores <sup>(1)</sup> (#)	Average daily sales per teahouse (RMB'000)	Store-level operating profit margin <sup>(2)</sup> (%)
<b><i>Nayuki</i> self-operated stores</b>			
Shenzhen	228	10.4	14.7
Shanghai	120	6.8	1.4
Guangzhou	111	8.0	10.3
Wuhan	99	6.5	7.5
Xi'an	63	8.7	17.5
Beijing	90	7.5	2.2

For the six months ended June 30,			
2024	2023	2024	2023
Average daily sales per teahouse (RMB'000)		Store-level operating profit margin <sup>(2)</sup> (%)	

### ***Nayuki* self-operated stores<sup>(3)</sup>**

Tier 1 cities	8.6	13.8	9.9	21.2
New Tier 1 cities	6.6	10.7	6.6	20.0
Tier 2 cities	6.7	10.7	8.2	20.3
Other cities <sup>(4)</sup>	6.8	10.8	10.8	21.7

## Performance by same stores

	Number of same stores <sup>(5)</sup> (#)	For the six months ended June 30,			
		2024	2023	2024	2023
		Average daily sales per teahouse (RMB'000)		Store-level operating profit margin <sup>(2)</sup> (%)	
<b>Nayuki self-operated stores</b>					
Shenzhen	171	<b>11.8</b>	16.0	<b>15.9</b>	24.5
Shanghai	67	<b>7.8</b>	12.4	<b>2.0</b>	17.1
Guangzhou	70	<b>8.8</b>	12.0	<b>10.9</b>	20.9
Wuhan	61	<b>7.4</b>	11.2	<b>9.0</b>	22.2
Xi'an	39	<b>10.8</b>	13.7	<b>19.1</b>	27.2
Beijing	55	<b>8.1</b>	12.8	<b>1.5</b>	15.8

### Notes:

- (1) Only including stores that opened for at least 60 days as of June 30, 2024 and did not cease operation as of June 30, 2024. We are of view that stores opened for less than 60 days may be significantly affected by opening promotions, “store opening customer traffic” and other factors, which may lead to the overall data being unrepresentative and misleading to investors. Therefore, we have excluded those stores.
- (2) Since there are one-off opening expenses, including but are not limited to, preoperating labor costs for the teahouse and other expenses, to be included in the profit and loss for the month that the teahouse commences operation, it will be not meaningful for reference due to the fact that the store-level profit margin of such teahouses to be significantly affected by the opening expenses. To facilitate investors to have a better understanding and compare the daily profitability of teahouses in different cities, the store-level operating profit margin listed in the table has excluded the impact of the one-off opening expenses mentioned above.
- (3) Only including stores that operated for at least 60 days as of June 30 of the current year and did not cease operations as of June 30 of the current year.
- (4) Including (i) cities of other tiers across mainland China and (ii) cities outside mainland China.
- (5) Only including stores that operated for at least 60 days in the first half of 2023 and the first half of 2024 and did not cease operations as of June 30, 2024.



## Unit economic model of *Nayuki* self-operated stores

	For the six months ended	
	June 30, 2024	2023
Labour (%)	24.6	19.6
Rent (%)	17.1	14.4
Delivery order fee (%)	8.1	8.0
Raw material, utilities expenses, other depreciation and amortization (%) <sup>(1)</sup>	42.4	37.9
Store-level operating profit margin (%)	7.8	20.1

*Note:*

- (1) We believe that labour, rent, and delivery order fee are the main indicators of the optimisation in the unit economic model of the stores.

### 3. OUTLOOK

In the first half of 2024, consumer demand remained weak, and overlapping with the impact of the high base factor from January to April, 2023, the Group's profitability showed a significant decline year-on-year. Although the Group has continued to optimize its store cost structure in the past and has seen results, the store revenue level was under pressure, resulting in a greater impact on the store-level operating profit margin.

Under the current circumstances, the Group's top priority is to boost the performance of the store revenue. To this end, the Group plans to appropriately increase its marketing efforts and enhance the brand's reputation, while keeping the total cost of the middle and back office basically unchanged. We will also continue to maintain our research and development efforts in order to provide consumers with more high-quality products at the current price level. The Group will also continue to steadily promote its incremental businesses including franchise business and overseas expansion. In August 2024, the Group's flagship store in Thailand opened, which is well received by local consumers with one-day sales reaching a record high for overseas stores. This further strengthens our confidence in the development of overseas businesses. The recovery in revenue will contribute to the Group's profitability through operating leverage.

## **FINANCIAL REVIEW**

### **Revenue**

The Group generates substantially all of its revenue from sales of products offered by *Nayuki* teahouses. For the Reporting Period and for the six months ended June 30, 2023, *Nayuki* teahouses contributed approximately 82.7% and approximately 90.8% of the Group's total revenue, respectively. The remaining portion of revenue was mainly derived from the Group's ready-to-drink business and the franchise business.

The Group recorded revenue of approximately RMB2,544.4 million for the Reporting Period (for the six months ended June 30, 2023: approximately RMB2,593.8 million), representing a decrease of approximately 1.9% as compared with the six months ended June 30, 2023. The decrease in revenue was mainly due to the weaker-than-expected consumption recovery, resulting in the decrease in revenue of *Nayuki* self-operated stores.

### **Other income**

Other income of the Group consists primarily of (i) interest income; and (ii) government grants, primarily representing unconditional cash awards granted by local governments. Other income of the Group amounted to approximately RMB95.6 million for the Reporting Period (for the six months ended June 30, 2023: approximately RMB87.6 million). The increase in the Group's other income was primarily due to the increase in government grants.

### **Expenses**

#### *Cost of materials*

Cost of materials consists primarily of (i) cost of raw materials, including tea leaves, dairy products, seasonal fruits, juices, and other raw materials used for the preparation of our freshly-made tea drinks, baked goods and other products, and (ii) cost of packaging materials and consumables such as tea cups and paper bags.

Cost of materials of the Group amounted to approximately RMB933.0 million, representing approximately 36.7% of the Group's total revenue for the Reporting Period, compared to approximately RMB825.5 million, or approximately 31.8% of the total revenue for the six months ended June 30, 2023. During the Reporting Period, our cost of materials and its proportion to the total revenue increased as compared with the same period in 2023, which was mainly due to (i) the increase in the cost of materials during the Reporting Period arising from our new franchise business in the second half of 2023; and (ii) the launch of a series of promotional activities by the Group during the Reporting Period.

#### *Staff costs*

Staff costs consist primarily of (i) salaries, wages and other benefits; (ii) contributions to defined contribution retirement plan; (iii) equity-settled share-based payment expenses; and (iv) outsourced staff costs.

Staff costs of the Group amounted to approximately RMB746.7 million, representing approximately 29.3% of the total revenue for the Reporting Period, compared to approximately RMB685.6 million, or approximately 26.4% of the total revenue for the six months ended June 30, 2023. The proportion of staff costs over the total revenue increased for the Reporting Period, primarily due to the lower-than-expected single-store revenue and the increase in the number of stores as compared to the same period in 2023. During the Reporting Period, staff costs classified by brands and business included: (i) store-level staff costs for *Nayuki* self-operated stores, which amounted to approximately RMB518.8 million, representing approximately 24.7% of revenue of *Nayuki* self-operated stores, (ii) staff costs for ready-to-drink business line, which amounted to approximately RMB34.6 million, representing approximately 20.1% of the revenue of our ready-to-drink business, and (iii) staff costs for headquarters and others, which amounted to approximately RMB193.3 million, representing approximately 7.6% of the Group's total revenue.

#### *Depreciation of right-of-use assets*

Depreciation of right-of-use assets represents depreciation charges for the Group's leases. Depreciation of right-of-use assets is recognized as using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use assets or the end of the lease term.

Depreciation of right-of-use assets of the Group amounted to approximately RMB233.8 million for the Reporting Period, representing approximately 9.2% of the Group's total revenue during such period (for the six months ended June 30, 2023: approximately RMB200.4 million, representing approximately 7.7% of the Group's total revenue during such period). The increase in the Group's depreciation of right-of-use assets and its proportion to the total revenue was primarily due to the increase in the number of self-operated stores as compared to the same period in 2023.

#### *Other rentals and related expenses*

Our other rentals and related expenses mainly include: (i) short-term leases that have a lease term of 12 months or less and leases of low-value assets; and (ii) variable lease payments which subject to some specified event or condition.

Other rentals and related expenses of the Group amounted to approximately RMB140.4 million for the Reporting Period, representing approximately 5.5% of the Group's total revenue during such period (for the six months ended June 30, 2023: approximately RMB162.4 million, representing approximately 6.3% of the Group's total revenue during such period). The decrease in the Group's other rentals and related expenses and its proportion to the total revenue was primarily due to the decrease in store revenue, resulting in a decrease in store-level variable lease payments.

#### *Depreciation and amortization of other assets*

Depreciation and amortization of other assets represent depreciation charges for property and equipment and depreciation expense for leasehold improvements. Depreciation and amortization of other assets of the Group amounted to approximately RMB174.4 million for the Reporting Period, representing approximately 6.9% of the Group's total revenue during such period (for the six months ended June 30, 2023: approximately RMB142.9 million, representing approximately 5.5% of the Group's total revenue during such period). The increase in the Group's depreciation and amortization of other assets and its proportion to the total revenue was primarily due to the increase in the number of self-operated stores as compared to the same period in 2023.

#### *Advertising and promotion expenses*

Advertising and promotion expenses primarily represent expenses incurred in connection with our marketing, branding and promotion activities. Advertising and promotion expenses of the Group amounted to approximately RMB112.7 million for the Reporting Period, representing approximately 4.4% of the Group's total revenue during such period (for the six months ended June 30, 2023: approximately RMB74.1 million, representing approximately 2.9% of the Group's total revenue during such period). The increase in the Group's advertising and promotion expenses and its proportion to the total revenue was primarily due to the increase of the Group's marketing efforts during the Reporting Period, such as the increase in delivery promotional activities.

### *Delivery service fees*

Delivery service fees represent fees paid by the Group to third-party delivery service providers. Delivery service fees of the Group amounted to approximately RMB170.1 million for the Reporting Period, representing approximately 6.7% of the Group's total revenue during the Reporting Period (for the six months ended June 30, 2023: approximately RMB191.2 million, representing approximately 7.4% of the Group's total revenue during such period).

### *Utilities expenses*

Utilities expenses consist primarily of expenses in relation to electricity utilities, and to a lesser extent, gas and water utilities that are attributable to the operation of the Group's teahouses. Utilities expenses of the Group amounted to approximately RMB76.4 million for the Reporting Period, representing approximately 3.0% of the Group's total revenue during such period (for the six months ended June 30, 2023: approximately RMB66.7 million, representing approximately 2.6% of the Group's total revenue during such period).

### *Logistic and storage fees*

Logistic and storage fees represent fees paid by the Group to third-party service providers for raw materials transportation and warehousing services. Logistic and storage fees of the Group amounted to approximately RMB80.1 million for the Reporting Period, representing approximately 3.1% of the Group's total revenue during such period (for the six months ended June 30, 2023: approximately RMB68.6 million, representing approximately 2.6% of the Group's total revenue during such period).

### *Finance costs*

Finance costs consist primarily of interests on lease liabilities and provisions. Finance costs of the Group amounted to approximately RMB35.1 million for the Reporting Period, representing approximately 1.4% of the Group's total revenue during such period (for the six months ended June 30, 2023: approximately RMB34.0 million, representing approximately 1.3% of the Group's total revenue during such period).

### *Other expenses*

Other expenses consist primarily of (i) administrative expenses incurred during our ordinary course of business, such as telecommunication expenses and maintenance expenses; (ii) travelling and business development expenses incurred by our employees; (iii) other-party service fees representing costs associated with third-party management consulting and other professional services; (iv) impairment losses; and (v) others, such as insurance fees and other taxes and surcharges. Other expenses of the Group amounted to approximately RMB248.4 million for the Reporting Period, representing approximately 9.8% of the Group's total revenue during such period (for the six months ended June 30, 2023: approximately RMB117.3 million, representing approximately 4.5% of the Group's total revenue during such period). The following table sets forth the components of our other expenses in absolute amounts and as percentages of total revenue for the periods indicated.

	<b>For the six months ended June 30,</b>			
	<b>2024</b>		<b>2023</b>	
	<i><b>RMB</b></i>	<i><b>%</b></i>	<i><b>RMB</b></i>	<i><b>%</b></i>
	<i>(in thousands, except percentages)</i>			
Administrative expenses	<b>56,503</b>	<b>2.2</b>	45,678	1.8
Travelling and business development expenses	<b>21,312</b>	<b>0.8</b>	18,756	0.7
Other-party service fees	<b>5,819</b>	<b>0.2</b>	8,639	0.3
Impairment losses				
– property and equipment	<b>101,441</b>	<b>4.0</b>	2,676	0.1
– right-of-use assets	<b>28,099</b>	<b>1.1</b>	2,201	0.1
Write-down of inventories	<b>901</b>	<b>0.1</b>	869	0.1
Commissions	<b>6,031</b>	<b>0.2</b>	7,285	0.3
Bank and third-party platform charges	<b>5,501</b>	<b>0.2</b>	3,472	0.1
Others	<b>22,816</b>	<b>1.0</b>	27,755	1.0
	<b>248,423</b>	<b>9.8</b>	117,331	4.5

### **Income Tax**

The income tax expenses of the Group amounted to approximately RMB47.4 million for the Reporting Period. The income tax expenses of the Group for the six months ended June 30, 2023 amounted to approximately RMB13.7 million.

## Non-IFRS Measures

To supplement the Group's combined financial statements that are presented in accordance with IFRS, the Group also uses adjusted net (loss)/profit (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, IFRS. The Group believes that this non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impact of items that our management does not consider to be indicative of the Group's operating performance. The Group believes that this measure provides useful information to Shareholders, investors and others in understanding and evaluating the Group's consolidated results of operations in the same manner as it helps the Group's management. However, the Group's presentation of adjusted net (loss)/profit (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and the investors should not consider them in isolation from, or as a substitute for analysis of, the Group's results of operations or financial condition as reported under IFRS.

**For the six months ended**  
**June 30,**  
**2024**                      2023  
*(RMB in thousands,*  
*except percentages)*

### Reconciliation of net (loss)/profit and adjusted net (loss)/profit (non-IFRS measure)

Net (loss)/profit for the period	<b>(440,000)</b>	64,846
Add:		
Equity-settled share-based payment expenses <sup>(1)</sup>	<b>2,286</b>	5,307
Adjusted net (loss)/profit (non-IFRS measure)	<b>(437,714)</b>	70,153
Adjusted net (loss)/profit margin (non-IFRS measure) <sup>(2)</sup>	<b>(17.2)%</b>	2.7%

#### Notes:

- (1) Equity-settled share-based payment expenses consist of Options and RSUs granted under the 2020 Share Option Plan and 2020 Share Incentive Plan, which is non-cash and non-operational in nature, and is not directly correlated with the Group's business performance in a given period.
- (2) Calculated using adjusted net (loss)/profit (non-IFRS measure) divided by revenue for a given period.

## **Cash, Bank Deposits and Borrowings**

As of June 30, 2024, the total cash and cash equivalents of the Group amounted to approximately RMB374.1 million (as of December 31, 2023: approximately RMB444.3 million), and the total term deposits and certificates of deposit of the Group amounted to approximately RMB2,298.6 million (as of December 31, 2023: approximately RMB2,539.1 million), primarily denominated in RMB and USD. As of June 30, 2024, the Group did not have any interest-bearing borrowings (as of December 31, 2023: nil).

## **Right-of-Use Assets**

The Group's right-of-use assets primarily represent the leases for our teahouses, office at headquarters and warehouses. As of June 30, 2024, the right-of-use assets of the Group amounted to approximately RMB1,199.4 million (as of December 31, 2023: approximately RMB1,609.2 million). The decrease in the Group's right-of-use assets was primarily due to the impairment charges for certain stores and the depreciation charged during the Reporting Period.

## **Property and Equipment**

The Group's property and equipment consist primarily of leasehold improvements, kitchen equipment, furniture equipment, electronic equipment and others, as well as construction in progress. As of June 30, 2024, the property and equipment of the Group amounted to approximately RMB1,240.7 million (as of December 31, 2023: approximately RMB1,419.2 million). The decrease in the Group's property and equipment was primarily due to the impairment charges for certain stores and the depreciation charged during the Reporting Period.

## **Inventories**

The Group's inventories consist primarily of raw materials and packaging materials. As of June 30, 2024, the inventories of the Group amounted to approximately RMB150.4 million (as of December 31, 2023: approximately RMB147.2 million).

The Group's inventories turnover days for the Reporting Period was 28.7 days (for the six months ended 30 June, 2023: 28.6 days).



## **Trade and Other Receivables and Prepayments**

The Group's trade receivables consist primarily of receivables due from third parties in connection with the sales of products. The Group's other receivables and prepayments consist primarily of input value-added tax recoverable in connection with purchase of raw materials, rental deposits within one year, interest receivables and prepayments to suppliers. Trade and other receivables and prepayments of the Group increased from approximately RMB250.4 million as of December 31, 2023 to approximately RMB274.2 million as of June 30, 2024, primarily due to the increase in deposits as a result of the increase in the number of stores, the increase in interest receivables as well as the increase in receivables due from third parties.

## **Trade and Other Payables**

The Group's trade payables consist primarily of trade payables to the Group's raw materials suppliers. The Group also recorded other payables and accrued charges in connection with various aspects of its operations, including (i) payroll and welfare payables to employees; (ii) payables for purchase of property and equipment; (iii) accrued charges, which are mainly utilities; and (iv) others. Trade and other payables of the Group decreased from approximately RMB635.8 million as of December 31, 2023 to approximately RMB583.6 million as of June 30, 2024.

## **Gearing Ratio**

As of June 30, 2024, our gearing ratio, which is calculated as total debt divided by total assets, was 33.8%, as compared with 36.0% as of December 31, 2023.

## **Treasury Policy**

The Group adopts a prudent financial management approach for its treasury policy to ensure that the Group's liquidity structure comprising assets, liabilities and other commitments is able to always meet its capital requirements.

## **Liquidity and Financial Resources**

Taking into account the financial resources available to the Group, including cash and cash equivalents on hand, cash generated from operations and available facilities of the Company, and the net proceeds from the listing, and after diligent and careful investigation, the Directors are of the view that the Group has sufficient working capital required for the Group's operations at present.

As of June 30, 2024, the Group had total cash and cash equivalents of approximately RMB374.1 million (as of December 31, 2023: approximately RMB444.3 million). In the Reporting Period, the Group mainly used cash for store operation and deposited part of idle cash into banks for term deposits and certificates of deposit (as of June 30, 2024, the total term deposits and certificates of deposit of the Group amounted to approximately RMB2,298.6 million (as of December 31, 2023: approximately RMB2,539.1 million)).

The current ratio as of June 30, 2024 was approximately 2.11 times (as of December 31, 2023: approximately 2.27 times).

### **FOREIGN CURRENCY RISK**

For the Reporting Period, the Group mainly operated in China and the majority of the transactions were settled in RMB. As of June 30, 2024, apart from cash and cash equivalents and term deposits denominated in foreign currency, the Group did not have any significant foreign exchange risk in its business operations. As of June 30, 2024, the Group did not engage in any foreign exchange hedging activities. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

### **CONTINGENT LIABILITIES**

As of June 30, 2024, the Group did not have any significant contingent liabilities.

### **CAPITAL EXPENDITURES**

Our capital expenditures amounted to approximately RMB217.3 million for the Reporting Period, which were incurred primarily in connection with payment for purchase of equipment and leasehold improvements.

### **CHARGE ON ASSETS**

As of June 30, 2024, the Group did not pledge any group assets.

## **SIGNIFICANT INVESTMENT**

References are made to the announcements of the Company dated December 5, 2022, December 19, 2022, January 6, 2023 and June 2, 2023 in relation to the Group's investment in Shanghai Chatian ("**LELECHA Investment**"). Shanghai Chatian is a company established in the PRC with limited liability and is the operator of the "LELECHA" brand. Founded in 2016, "LELECHA" is one of the leading brands in freshly-made tea industry in the PRC, focusing on offering freshly-made tea drinks and bakery goods. LELECHA Investment was completed in June 2023 and Shanghai Chatian has been owned by our Company as to 43.64% since then. As at June 30, 2024, the carrying value of LELECHA Investment was approximately RMB479.8 million, accounted for approximately 7.3% of our Company's total assets. The unrealised loss from LELECHA Investment recorded in the Reporting Period amounted to approximately RMB34.6 million. The directors are of the view that LELECHA Investment will further enhance the brand diversity of the Group, reduce the Group's cost in store expansion and operation, and optimize the competitive environment of the freshly-made tea industry in the PRC. During the Reporting Period, there was no material change in the Group's investment strategy. The Group will review its investment strategy in connection with the significant investment on a regular basis.

## **FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

As of June 30, 2024, save as disclosed in this announcement, the Group did not have any future plan for material investments or capital assets.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND AFFILIATED COMPANIES**

The Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

## **EMPLOYEES AND REMUNERATION POLICIES**

As of June 30, 2024, the Group had a total of 6,603 full-time employees, among which 1,517 employees worked at the Group's headquarters and regional offices, and the remaining employees were in-store staff. The Group values its employees and is committed to growing with employees. The Group has launched an employee retention initiative, under which the Group incorporates employee retention rate as one of the key criteria that used to assess its teahouse performance. The Group is also committed to establishing a competitive and fair remuneration and benefits environment for its employees. Remuneration is determined with reference to the qualification, experience and work performance, whereas the payment of discretionary bonus is generally subject to work performance, the financial performance of the Group in that particular year and general market conditions. To effectively motivate the Group's business development team through remuneration incentives and ensure that our employees receive competitive remuneration packages, the Group continually refines its remuneration and incentive policies through market researches and comparisons with its competitors. As required by the PRC laws and regulations, the Group participates in various employee social security plans for its employees that are organized by municipal and provincial governments, including basic pension, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing fund.

The Group also shares its success with employees by offering them a variety of incentives and financial rewards to keep them motivated. To recognize and reward the Group's employees, directors and senior management for their contributions to the Group, to attract suitable personnel and to provide incentives to them to remain with and further contribute to the Group, the Group has adopted the 2020 Share Option Plan and the 2020 Share Incentive Plan.

In addition, the Group places strong emphasis on providing trainings to its employees in order to enhance their professional skills, understanding of industry and work place safety standards, and appreciation of the Group's value, especially the Group's unwavering commitment to food safety and product quality as well as satisfying customer services. The Group designs and offers different training programs for employees at various positions. For example, the Group requires every newly recruited employee at operational functions to attend a one-month in-store training as the Group strives for consistency and high quality of its product delivery and customer services. In addition, the Group pairs its new in-store staff with seniors, who are responsible for guiding them through the probation period. The Group has also established a vanguard program to foster and maintain a local talent pool and offers a promotion path for excellent employees to become future teahouse managers.

## USE OF NET PROCEEDS FROM GLOBAL OFFERING

The Shares were listed on the Stock Exchange on June 30, 2021. The net proceeds raised from the Company's global offering (the "**Global Offering**"), after deduction of the underwriting fees and commissions and other estimated expenses payable by the Company in connection with the Global Offering, were approximately HK\$4,842.4 million. As of the date of this announcement, there was no change in the intended use of net proceeds as previously disclosed in the section headed "Future Plans and Use of proceeds" in the Prospectus. However, in light of the lack of significant recovery in consumer demand, the Company has adopted a more prudent business expansion strategy. As a result, the expected timeline of utilization of the proceeds will be extended as detailed in the table below. The net proceeds received by the Company from the Global Offering will be used for the following purposes:

- approximately 70.0%, or HK\$3,389.8 million, will be used to expand the Group's teahouse network and deepen the Group's market penetration;
- approximately 10.0%, or HK\$484.2 million, will be used to further improve the Group's overall operations through enhancing technology capabilities, with a goal to improve operational efficiency;
- approximately 10.0%, or HK\$484.2 million, will be used to strengthen the Group's supply chain and product distribution capabilities, with a goal to support our expanding scale; and
- the remaining approximately 10.0%, or HK\$484.2 million, will be used for working capital and general corporate purposes.

The following table sets forth a summary of the utilization of the net proceeds from the Global Offering as of June 30, 2024:

<b>Purpose</b>	<b>Percentage to total amount</b>	<b>Net proceeds incurred from the Global Offering</b> <i>HK\$ (million)</i>	<b>Actual use of proceeds up to June 30, 2024</b> <i>HK\$ (million)</i>	<b>Unutilized amount as of June 30, 2024</b> <i>HK\$ (million)</i>	<b>Expected timeline of full utilization of the remaining proceeds</b>
Expand the Group's teahouse network and deepen the Group's market penetration	70.0%	3,389.8	2,146.5	1,243.3	December 2025
Further improve the Group's overall operations	10.0%	484.2	464.0	20.2	December 2024
Strengthen the Group's supply chain and product distribution capabilities	10.0%	484.2	484.2	0	June 2024
Fund the Group's working capital and general corporate purposes	10.0%	484.2	381.0	103.2	June 2025
<b>Total</b>	<b>100.0%</b>	<b>4,842.4</b>	<b>3,475.7</b>	<b>1,366.7</b>	

#### **EVENTS AFTER THE REPORTING PERIOD**

There has been no important events subsequent to the Reporting Period and up to the date of this announcement, which would affect the Group's business operations in material aspects.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
*for the six months ended June 30, 2024 – unaudited*  
*(Expressed in Renminbi)*

		<b>Six months ended June 30,</b>	
	<i>Note</i>	<b>2024</b>	2023
		<b>RMB'000</b>	<b>RMB'000</b>
Revenue	3	2,544,352	2,593,846
Other income	5	95,615	87,601
Cost of materials		(932,967)	(825,490)
Staff costs		(746,680)	(685,571)
Depreciation of right-of-use assets	6(c)	(233,753)	(200,384)
Other rentals and related expenses		(140,393)	(162,445)
Depreciation and amortization of other assets	6(c)	(174,394)	(142,948)
Advertising and promotion expenses		(112,670)	(74,054)
Delivery service fees		(170,097)	(191,197)
Utilities expenses		(76,405)	(66,722)
Logistic and storage fees		(80,077)	(68,589)
Other expenses	6(b)	(248,423)	(117,331)
Other net losses	6(d)	(19,324)	(25,694)
Finance costs	6(a)	(35,111)	(34,003)
Share of (losses)/profits of associates		(35,285)	55
Fair value changes of financial assets at fair value through profit or loss (“FVTPL”)		(27,001)	(8,517)
<b>(Loss)/profit before taxation</b>		<b>(392,613)</b>	78,557
Income tax	7	(47,387)	(13,711)
<b>(Loss)/profit for the period</b>		<b>(440,000)</b>	64,846
<b>Attributable to:</b>			
Equity shareholders of the Company		(435,202)	66,098
Non-controlling interests		(4,798)	(1,252)
<b>(Loss)/profit for the period</b>		<b>(440,000)</b>	64,846
<b>(Loss)/earnings per share</b>			
Basic and diluted (RMB)	8	(0.25)	0.04

There are no dividends payable to equity shareholders of the Company attributable to the profit for the period as set out in note 18(a).

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*for the six months ended June 30, 2024 – unaudited*

*(Expressed in Renminbi)*

	<b>Six months ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
	<i><b>RMB'000</b></i>	<i><b>RMB'000</b></i>
<b>(Loss)/profit for the period</b>	<b>(440,000)</b>	64,846
<b>Other comprehensive income for the period (after tax and reclassification adjustments)</b>		
<i>Item that will not be reclassified to profit or loss:</i>		
Currency translation differences	<b>13,403</b>	95,712
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Currency translation differences	<b>1,613</b>	619
<b>Other comprehensive income for the period</b>	<b>15,016</b>	96,331
<b>Total comprehensive income for the period</b>	<b>(424,984)</b>	161,177
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>(420,186)</b>	162,429
Non-controlling interests	<b>(4,798)</b>	(1,252)
<b>Total comprehensive income for the period</b>	<b>(424,984)</b>	161,177



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at June 30, 2024 – unaudited

(Expressed in Renminbi)

	<i>Note</i>	<b>At June 30, 2024 RMB'000</b>	At December 31, 2023 RMB'000
<b>Non-current assets</b>			
Property and equipment	9	1,240,748	1,419,221
Right-of-use assets	9	1,199,380	1,609,188
Intangible assets		45	124
Interests in associates	10	502,289	537,574
Deferred tax assets		40,734	88,046
Rental deposits		135,581	160,196
Term deposits	16	–	56,662
Other non-current assets	11	617,681	607,283
		<u>3,736,458</u>	<u>4,478,294</u>
<b>Current assets</b>			
Financial assets at FVTPL	12	121,173	147,675
Inventories	13	150,394	147,208
Trade and other receivables	14	212,002	183,227
Prepayments	14	62,246	67,135
Cash and cash equivalents	15	374,088	444,346
Term deposits	16	1,888,602	2,072,479
Other current assets	11	70,000	–
		<u>2,878,505</u>	<u>3,062,070</u>
<b>Current liabilities</b>			
Trade and other payables	17	583,625	635,762
Contract liabilities		208,623	257,803
Lease liabilities		547,393	428,842
Provisions		421	421
Current taxation		26,897	28,218
		<u>1,366,959</u>	<u>1,351,046</u>
<b>Net current assets</b>		<u>1,511,546</u>	<u>1,711,024</u>
<b>Total assets less current liabilities</b>		<u>5,248,004</u>	<u>6,189,318</u>

	<i>Note</i>	<b>At June 30, 2024 RMB'000</b>	At December 31, 2023 RMB'000
<b>Non-current liabilities</b>			
Lease liabilities		<b>821,165</b>	1,341,646
Provisions		<b>44,426</b>	23,320
Deferred tax liabilities		<b>1,054</b>	2,580
		<u>866,645</u>	<u>1,367,546</u>
<b>NET ASSETS</b>		<b><u>4,381,359</u></b>	<b><u>4,821,772</u></b>
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>18(b)</i>	<b>558</b>	558
Reserves		<b>4,388,804</b>	4,824,419
<b>Total equity attributable to equity shareholders of the Company</b>		<b>4,389,362</b>	4,824,977
<b>Non-controlling interests</b>		<b>(8,003)</b>	(3,205)
<b>TOTAL EQUITY</b>		<b><u>4,381,359</u></b>	<b><u>4,821,772</u></b>

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

*(Expressed in Renminbi unless otherwise indicated)*

### 1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), including compliance with International Accounting Standard (“**IAS**”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“**IASB**”). It was authorized for issue on August 27, 2024.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

## 2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendment to IFRSs issued by the IASB to this interim financial report for the current accounting period:

- Amendments to IAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current* (“**2020 amendments**”)
- Amendments to IAS 1, *Presentation of financial statements: Non-current liabilities with covenants* (“**2022 amendments**”)
- Amendments to IFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to IAS 7, *Statement of cash flows* and IFRS 7, *Financial instruments: Disclosures – Supplier finance arrangements*

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in these financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 3 REVENUE AND SEGMENT REPORTING

The Group principally generates its revenue from (i) the sales of freshly-made tea drinks, baked goods and other products and services through its operating teahouses, online food delivery applications and franchisees; and (ii) the sales of ready-to-drink beverage.

### (a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products and timing of revenue recognition is as follows:

	<b>Six months ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB’000</b>	<b>RMB’000</b>
<b>Revenue from contracts with customers within the scope of IFRS 15</b>		
Disaggregated by major products		
– Sales of freshly-made tea drinks	<b>1,721,809</b>	1,904,535
– Sales of ready-to-drink beverage	<b>172,220</b>	156,848
– Sales of baked goods and other products	<b>650,323</b>	532,463
	<b>2,544,352</b>	2,593,846

For the six months ended June 30, 2024, the Group did not have any customer with which transactions have exceeded 10% of the Group’s total revenue (six months ended June 30, 2023: nil).

**(b) Segment reporting**

The Group manages its businesses by business lines.

In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Freshly-made tea drinks business and franchise operations: this segment mainly offers freshly-made tea drinks, baked goods and other products and services through operating teahouses, online food delivery applications and franchisees.
- Ready-to-drink beverage business: this segment mainly offers ready-to-drink beverage through distribution network.

*(i) Segment results*

The Group's most senior executive management assess the performance of the operating segments mainly based on segment revenue and operating profit of each operating segment. Logistic and storage fees and other expenses are common costs incurred for these operating segments as a whole and therefore, they are not included in the measure of the segments' performance which is used by the Group's most senior executive management as a basis for the purpose of resource allocation and performance assessment. Other income, other net losses, finance costs, share of (losses)/profit of associates and fair value changes of financial assets at FVTPL are not allocated to individual operating segment.

The revenues from external customers reported to the Group's most senior executive management are measured in a manner consistent with that applied in the consolidated statement of profit or loss.

Other information, together with the segment information, provided to the Group's most senior executive management, is measured in a manner consistent with that applied in this interim financial report. There was no segment assets or segment liabilities information provided to the Group's most senior executive management.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and performance assessment for the period is set out below.

For the six months ended June 30,	Freshly-made tea drinks business and franchise operations		Ready-to-drink beverage business		Total	
	2024	2023	2024	2023	2024	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Disaggregated by timing of revenue recognition</b>						
- A point in time	2,344,603	2,433,196	171,971	156,848	2,516,574	2,590,044
- Over time	27,778	3,802	-	-	27,778	3,802
Reportable segment revenues	<u>2,372,381</u>	<u>2,436,998</u>	<u>171,971</u>	<u>156,848</u>	<u>2,544,352</u>	<u>2,593,846</u>
Reportable segment operating profit	147,125	429,899	12,695	11,628	159,820	441,527

(ii) *Reconciliations of reportable segment profit or loss*

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
Reportable segment operating profit	159,820	441,527
Other income	95,615	87,601
Logistic and storage fees	(80,077)	(68,589)
Other expenses	(248,423)	(117,331)
Other net losses	(19,324)	(25,694)
Finance costs	(35,111)	(34,003)
Share of (losses)/profits of associates	(35,285)	55
Fair value changes of financial assets at FVTPL	(27,001)	(8,517)
Unallocated head office and corporate expenses	<u>202,827</u>	<u>(196,492)</u>
Consolidated (loss)/profit before taxation	<u>(392,613)</u>	<u>78,557</u>

(iii) *Geographic information*

As substantially all of the Group's operations and assets are in the People's Republic of China ("PRC"), no geographic information is presented.

#### 4 SEASONALITY OF OPERATIONS

The Group's freshly-made tea drinks business and franchise operations and ready-to-drink beverage business operations are subject to seasonal factors. The Group generally experience fewer purchase orders during cold seasons in the beginning and end of the first and fourth quarters of the year, respectively. The Group achieve higher purchase orders during the warm seasons in the second and third quarters of the year from time to time and during public holidays such as the national day celebration holidays in the PRC. The fluctuation in customer traffic resulted from these seasonal factors during these periods may have an impact on the Group's revenue. For the twelve months ended June 30, 2024, the Group reported revenue of RMB5,114,562,000 (twelve months ended June 30, 2023: RMB4,840,485,000).

#### 5 OTHER INCOME

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
Interest income	63,270	68,670
Government grants ( <i>note (i)</i> )	32,213	3,028
Additional deduction of input VAT	–	15,903
Dividend income	132	–
	<u>95,615</u>	<u>87,601</u>

*Note:*

- (i) Government grants mainly represented unconditional cash awards granted by the government authorities in the PRC.

#### 6 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging/(crediting):

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
(a) <b>Finance costs</b>		
Interest on lease liabilities	31,427	33,445
Interest on provisions	3,684	558
	<u>35,111</u>	<u>34,003</u>





7 **INCOME TAX**

	<b>Six months ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Current tax	<b>1,601</b>	462
Deferred taxation	<b>45,786</b>	13,249
	<b><u>47,387</u></b>	<b><u>13,711</u></b>

8 **(LOSS)/EARNINGS PER SHARE**

(a) **Basic (loss)/earnings per share**

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB435,202,000 (six months ended June 30, 2023: profit of RMB66,098,000) and the weighted average of 1,711,079,043 ordinary shares (2023: 1,715,126,147 ordinary shares) in issue (excluding treasury shares) during the interim period.

(b) **Diluted (loss)/earnings per share**

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

There were no diluted potential ordinary shares for the six months ended June 30, 2024 and 2023. Accordingly, diluted (loss)/earnings per share for the six months ended June 30, 2024 and 2023 are same as basic (loss)/earnings per share.

## 9 PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS

### (a) Right-of-use assets

During the six months ended June 30, 2024, the Group entered into a number of lease agreements for use of teahouses and offices, and therefore recognized the additions to right-of-use assets of RMB44,019,000 (six months ended June 30, 2023: RMB351,616,000).

The leases of teahouses contain variable lease payment terms that are based on sales generated from the teahouses and minimum monthly lease payment terms that are fixed. These payment terms are common in the PRC where the Group operates. The amount of fixed and variable lease payments for the interim reporting period is summarized below:

	Six months ended June 30, 2024		
	Fixed payments <i>RMB'000</i>	Variable payments and other rentals <i>RMB'000</i>	Total payments <i>RMB'000</i>
Lease payments	<u>236,804</u>	<u>73,732</u>	<u>310,536</u>
	Six months ended June 30, 2023		
	Fixed payments <i>RMB'000</i>	Variable payments and other rentals <i>RMB'000</i>	Total payments <i>RMB'000</i>
Lease payments	<u>217,993</u>	<u>77,709</u>	<u>295,702</u>

### (b) Acquisitions and disposals of owned assets

During the six months ended June 30, 2024, the Group acquired items of leasehold improvements and other equipment with a cost of RMB113,222,000 (six months ended June 30, 2023: RMB204,251,000). Items of leasehold improvements and other equipment with a net book value of RMB33,801,000 were disposed of during the six months ended June 30, 2024 (six months ended June 30, 2023: RMB20,610,000), resulting in a loss on disposal of RMB31,568,000 (six months ended June 30, 2023: RMB18,306,000).

### (c) Impairment loss

The recoverable amount of each teahouse (cash generating unit (“CGU”)) with indication of impairment is estimated at the end of each reporting period. As at the end of each reporting period, in view of the unfavorable future prospects and poor performance of certain teahouses, there were indications that the CGUs may suffer an impairment loss. The management of the Group has conducted impairment testing for teahouses with impairment indications. The recoverable amount of each CGU is determined based on value-in-use calculations by preparing cash flow projections of the relevant CGU derived from the most recent financial forecast approved by the management covering the remaining lease term. An impairment loss of RMB129,540,000 was recognized in “other expenses” (six months ended June 30, 2023: RMB4,877,000).

## 10 INTERESTS IN ASSOCIATES

The following list contains the particulars of associates, all of which are unlisted corporate entities whose quoted market price is not available:

Name of associate	Place of incorporation and business	Registered share capital	Proportion of ownership interest		
			Group's effective interest	Held by a subsidiary	Principal activity
Shanghai Chatian Catering Management Co., Ltd. (上海茶田餐飲管理有限公司) "Shanghai Chatian" (notes (i)(ii))	the PRC	RMB57,797,321	43.64%	43.64%	Sales of freshly-made tea drinks, baked goods and other products
Shanghai Ultimate Food Co., Ltd. (上海澳帝美食品有限公司) (notes (i)(ii))	the PRC	RMB2,545,000	21.40%	21.40%	Sales of coffee and other products
Shanghai Jiu Wen Qian Food & Beverage Management Co., Ltd. (上海九文錢餐飲管理有限公司) (notes (i)(ii))	the PRC	RMB1,248,477	19.90%	19.90%	Sales of fresh fruit tea drinks and other products
Shenzhen Xing Fu Kai Brand Management Co., Ltd. (深圳市幸福開品牌管理有限公司) (notes (i)(ii))	the PRC	RMB1,661,723	10.62%	10.62%	Sales of coffee and other products

Notes:

- (i) The official name of these entities is in Chinese. The English translation of the name is for identification only.
- (ii) Based on the investment agreement, the Group has the right to appoint certain number of the board members which allow the Group to exercise significant influence over the investee's operational and financial directions.

All of the above associates are accounted for using the equity method in the consolidated financial statements.

Aggregate information of associates that are not individually material:

	Six months ended June 30,	
	2024 RMB'000	2023 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	502,289	601,835
Aggregate amounts of the Group's share of those associates (Loss)/profit for the period and total comprehensive income	(35,285)	55

**11 OTHER CURRENT ASSETS AND OTHER NON-CURRENT ASSETS**

	<b>At June 30, 2024 RMB'000</b>	At December 31, 2023 RMB'000
<b>Current</b>		
Certificates of deposit	<b>70,000</b>	–
<b>Non-current</b>		
Certificates of deposit	<b>340,000</b>	410,000
Prepayments for purchase of equipment	<b>38,016</b>	21,702
Others	<b>239,665</b>	175,581
	<b>687,681</b>	607,283

**12 FINANCIAL ASSETS AT FVTPL**

	<b>At June 30, 2024 RMB'000</b>	At December 31, 2023 RMB'000
Financial assets designated at FVTPL		
– Listed equity investment	<b>104,330</b>	130,833
– Unlisted equity investment ( <i>note (i)</i> )	<b>16,738</b>	16,738
– Wealth management products	<b>105</b>	104
	<b>121,173</b>	147,675

*Note:*

- (i) The Group held unlisted equity investment engaged in sales of baked goods. Fair value of the unlisted equity investment is measured by referencing to the latest equity transactions. Otherwise, the costs are used as approximation of fair value if there is no significant change observed.

### 13 INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	<b>At June 30, 2024 RMB'000</b>	At December 31, 2023 RMB'000
Raw materials	85,520	98,145
Ready-to-drink beverage	8,350	3,533
Packaging supplies and others	<u>56,524</u>	<u>45,530</u>
	<b><u>150,394</u></b>	<b><u>147,208</u></b>

### 14 TRADE AND OTHER RECEIVABLES, AND PREPAYMENTS

	<b>At June 30, 2024 RMB'000</b>	At December 31, 2023 RMB'000
Trade and other receivables		
– Trade receivables	34,045	17,374
– Input value-added tax recoverable	48,475	53,536
– Income tax recoverable	1,182	1,101
– Amounts due from related parties	64	18
– Interest receivables	64,139	51,156
– Rental deposits	61,972	57,429
– Other receivables	<u>2,125</u>	<u>2,613</u>
	<b><u>212,002</u></b>	<b><u>183,227</u></b>
Prepayments	<b><u>62,246</u></b>	<b><u>67,135</u></b>

All of the current portion of trade and other receivables are expected to be recovered or recognized as expense within one year.

## Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables based on the invoice date and net of loss allowance, is as follows:

	<b>At June 30, 2024 RMB'000</b>	At December 31, 2023 RMB'000
Within 1 month	15,458	7,884
1 to 3 months	14,616	9,290
3 to 6 months	3,864	104
Over 6 months	107	96
	<b>34,045</b>	<b>17,374</b>

Trade receivables are due within 30 to 90 days from the date of billing.

## 15 CASH AND CASH EQUIVALENTS

	<b>At June 30, 2024 RMB'000</b>	At December 31, 2023 RMB'000
Cash at bank and on hand	2,635,864	2,954,494
Deposit on online payment platform ( <i>note (ii)</i> )	36,826	28,993
Less: term deposits – current ( <i>note 16</i> )	(1,888,602)	(2,072,479)
Less: term deposits – non-current ( <i>note 16</i> )	–	(56,662)
Less: certificates of deposit – current ( <i>note 11</i> )	(70,000)	–
Less: certificates of deposit – non-current ( <i>note 11</i> )	(340,000)	(410,000)
Cash and cash equivalents	<b>374,088</b>	<b>444,346</b>

*Notes:*

- (i) As at June 30, 2024, cash and cash equivalents placed with banks in Mainland China amounted to RMB266,493,000 (December 31, 2023: RMB366,794,000). Remittance of funds out of Mainland China is subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.
- (ii) As at June 30, 2024, the Group had cash held in accounts managed by online payment platforms such as Wechat Pay and Alipay.

## 16 TERM DEPOSITS

Term deposits presented in RMB are denominated in:

	<b>At June 30, 2024</b>	At December 31, 2023
	<i>RMB'000</i>	<i>RMB'000</i>
Current		
USD	<b>1,888,602</b>	1,855,667
RMB	–	200,500
HKD	–	16,312
	<b>1,888,602</b>	<b>2,072,479</b>
Non-current		
USD	–	56,662

Term Deposits are placed in reputable commercial banks with initial maturity terms of over three months.

## 17 TRADE AND OTHER PAYABLES

	<b>At June 30, 2024</b>	At December 31, 2023
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	<b>275,312</b>	274,969
Other payables and accrued charges	<b>303,191</b>	355,159
Amounts due to related parties	<b>5,122</b>	5,634
	<b>583,625</b>	<b>635,762</b>

As of the end of the reporting period, the ageing analysis of trade payables based on the invoice date, is as follows:

	<b>At June 30, 2024</b>	At December 31, 2023
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	<b>274,975</b>	274,665
More than 1 year	<b>337</b>	304
	<b>275,312</b>	<b>274,969</b>

## **18 CAPITAL, RESERVES AND DIVIDENDS**

### **(a) Dividends**

No interim dividends have been declared or paid by the Company during the six months ended June 30, 2024 (six months ended June 30, 2023: nil).

### **(b) Share capital**

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on September 5, 2019 with authorized share capital of USD250,000 divided into 5,000,000,000 shares with a par value of USD0.00005 each.

### **(c) Purchase of own shares**

During the six months ended June 30, 2024, the Company repurchased 7,538,000 of its own shares from the market, out of which, all the repurchased shares had not been cancelled as at the date of this report. The shares were repurchased at prices ranging from HKD2.06 to HKD3.07 per share, with a total consideration of HKD19,937,000 (equivalent to RMB18,166,000).



## OTHER INFORMATION

### INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended June 30, 2024 (for the six months ended June 30, 2023: nil).

### PURCHASE, SALE OR REDEMPTION OF THE SECURITIES OF THE COMPANY

During the Reporting Period, the Company conducted share repurchases of 7,538,000 listed Shares on the Stock Exchange pursuant to a general mandate granted by the Shareholders to the Directors during the annual general meeting of the Company convened on June 21, 2023. Details are set out as following:

Month of repurchase	Number of shares repurchased and method	Price paid per share		Total consideration (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
January 2024	Repurchase of 3,377,000 Shares on the Stock Exchange	3.07	2.70	9,973,811
February 2024	Repurchase of 132,500 Shares on the Stock Exchange	2.75	2.64	358,725
April 2024	Repurchase of 1,848,500 Shares on the Stock Exchange	2.69	2.39	4,630,570
May 2024	Repurchase of 570,000 Shares on the Stock Exchange	2.50	2.47	1,421,185
June 2024	Repurchase of 1,610,000 Shares on the Stock Exchange	2.35	2.06	3,552,520
<b>Total</b>	<b>Repurchase of 7,538,000 Shares on the Stock Exchange</b>			<b>19,936,811</b>

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the securities of the Company during the Reporting Period (including sale of treasury shares). As of the end of the Reporting Period, no treasury shares were held by the Company.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company's corporate governance practices are based on the principles and code provisions as set out in Part 2 of the Corporate Governance Code contained in Appendix C1 to the Listing Rules (the "**CG Code**"). During the Reporting Period, save as disclosed below, the Company has complied with all the applicable code provisions as set out in the CG Code.

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the Reporting Period and as of the date of this announcement, Mr. Zhao is currently the Chairman of the Board and Chief Executive Officer of the Company.

Mr. Zhao served as a director of Shenzhen Pindao Food & Beverage Management Co., Ltd. (深圳市品道餐飲管理有限公司) from February 2017 to October 2020 and has been acting as a Director of the Company since June 2020. He is the founder of the Group and has extensive experience in the business operations and management of the Group. Our Directors believe that it is beneficial to the business operations and management of the Group that Mr. Zhao serves as both the Chairman of the Board and the Chief Executive Officer of the Company. This structure will enable the Company to make and implement decisions promptly and effectively. Our Directors consider that the balance of power and authority will not be impaired due to this arrangement. In addition, all major decisions are made in consultation with members of the Board, including the relevant Board committees, and three independent non-executive Directors.

The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED COMPANIES**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. Upon specific enquiry, all Directors confirmed that they had complied with the requirements as set out in the Model Code during the Reporting Period.

## **AUDIT COMMITTEE**

The Audit Committee consists of three independent non-executive Directors, namely Ms. Zhang Rui (Chairperson), Mr. Liu Yiwei and Mr. Xie Yongming. The Group's interim results for the Reporting Period have been reviewed by all members of the Audit Committee and they were of the opinion that the Group's unaudited interim results were prepared in accordance with applicable accounting standards.

In addition, the Company's independent auditor, KPMG, has performed an independent review of the Group's interim financial report for the Reporting Period in accordance with Hong Kong Standard on Review Engagements 2410 "*Review of Interim Financial Information performed by the Independent Auditor of the Entity*" issued by the Hong Kong Institute of Certified Public Accountants.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This announcement is published on the websites of the Company ([www.naixuecha.com](http://www.naixuecha.com)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The interim report of the Company for the Reporting Period will be provided to the Shareholders and published on the above websites in due course.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings.

“2020 Share Incentive Plan”	the share incentive plan of the Company approved and adopted on May 15, 2020
“2020 Share Option Plan”	the share option plan of the Company approved and adopted on May 15, 2020
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors of the Company

“Company”	Nayuki Holdings Limited (奈雪的茶控股有限公司) (formerly known as Pindao Holdings Limited (品道控股有限公司)), an exempted company with limited liability incorporated in the Cayman Islands on September 5, 2019, whose Shares were listed and traded on the Stock Exchange (Stock code: 2150)
“Director(s)”	member(s) of the board of directors of the Company, including all executive, non-executive and independent non-executive directors
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Group,” “our Group,” “the Group,” “we” or “us”	the Company and our subsidiaries (or the Company and any one or more of our subsidiaries, as the context may require)
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards, amendments, and interpretations, as issued from time to time by the International Accounting Standards Board
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Mr. Zhao”	Zhao Lin, the Chairman of the Board and the Chief Executive Officer of the Company
“Option(s)”	share option(s) granted pursuant to the 2020 Share Option Plan

“PRC” or “China” or the “People’s Republic of China”	the People’s Republic of China and, except where the context otherwise requires, references in this announcement to the PRC or China do not apply to Hong Kong, Macau Special Administrative Region and Taiwan Province
“Prospectus”	the prospectus of the Company dated June 18, 2021
“Reporting Period”	the six months ended June 30, 2024
“RMB”	Renminbi, the lawful currency of the PRC
“RSU(s)”	restricted share unit(s) granted pursuant to the 2020 Share Incentive Plan
“Shareholders”	holders of the Shares
“Shares”	shares of the Company of nominal value of US\$0.00005 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“treasury share(s)”	has the meaning ascribed to it under the Listing Rules
“USD”	United States dollars, the lawful currency for the United States
“%”	per cent

By order of the Board  
**Nayuki Holdings Limited**  
**ZHAO Lin**  
*Chairman*

Shenzhen, China, August 27, 2024

*As at the date of this announcement, the Board comprises Mr. ZHAO Lin, Ms. PENG Xin and Mr. DENG Bin as executive directors; Mr. WEI Guoxing and Mr. MA Yanjun as non-executive directors; and Mr. LIU Yiwei, Ms. ZHANG Rui and Mr. XIE Yongming as independent non-executive directors.*