NAYUKI

Nayuki Holdings Limited
奈雪的茶控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2150)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2021

The Board hereby announces the audited consolidated annual results of the Group for the year ended December 31, 2021 (the "**Results Announcement**"), together with the comparative figures for the year ended December 31, 2020, as below. The results have been reviewed by the Audit Committee.

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW

2021 was a year of opportunities and challenges. On one hand, we successfully completed our Global Offering in June 2021, marking a major milestone in the history of our Group. Our phenomenal products newly launched in 2021 such as the "Supreme Emblica Tea" and "Phoenix Oolong Milk Tea" were hotly sought after, while our classic products remained the favor of consumers. On the other hand, as consumers tend to be more cautious towards travel and consumption with the recurrence of the COVID-19 pandemic ("**COVID-19**"), especially when the corresponding public health control measures tightened in various regions when the Omicron variant emerged in Mainland China in the second half of 2021, which brought challenges to our Group's financial performance. Adhering to the strategy of increasing store density, we continued to open stores in premium locations in high-tier cities to cultivate consumption habits, while stepping up research and development and promotion of hot beverages, as well as enhancing our marketing efforts to stabilize our revenue. We also promoted automation by adopting automated tea-making equipment, to reduce costs and help the Group recover profitability as soon as possible in the challenging external environment.

In 2021, the Group's revenue increased by approximately 40.5% to RMB4,296.6 million from RMB3,057.2 million in 2020, and the adjusted net profit/(loss) (non-IFRS measure) turned from profit of RMB16.6 million in 2020 to loss of RMB145.3 million in 2021.

In 2021, we recorded store-level operating profit of RMB591.5 million for *Nayuki* teahouses, representing an increase of approximately 68.4% compared to 2020. The store-level operating profit margin of *Nayuki* teahouses was 14.5% in 2021, representing an increase of approximately 2.3 percentage points compared to 2020. Net cash generated from operating activities of the Group decreased by approximately 11.1% from RMB574.3 million in 2020 to RMB510.3 million in 2021.

Performance by sub-brands

For the Reporting Period, *Nayuki* teahouses contributed a vast majority of our revenue. In the foreseeable future, we expect that *Nayuki* teahouses will continue to be our key business. The following table sets out our performance by our sub-brands.

	For the year ended December 31,					
	2021		2020		Change	
						Percentage
	RMB	*%*	*RMB*	*%*	*RMB*	*point(s)*
	(in thousands, except percentages)					
Revenue						
Nayuki	**4,067,298**	**94.7**	2,870,888	93.9	1,196,410	+0.8
Tai Gai	**141,489**	**3.3**	152,981	5.0	(11,492)	-1.7
Others[1]	**87,831**	**2.0**	33,312	1.1	54,519	+0.9
Total	**4,296,618**	**100.0**	3,057,181	100.0	1,239,437	N/A

	For the year ended December 31, 2021		For the year ended December 31, 2020	
	Store-level Operating Profit [2]	**Store-level Operating Profit Margin** [2]	Store-level Operating Profit [2]	Store-level Operating Profit Margin [2]
	RMB	*%*	*RMB*	*%*
	(in thousands, except percentages)			
Nayuki	**591,527**	**14.5**	351,233	12.2
Tai Gai	**18,726**	**13.2**	23,633	15.4

	For the year ended December 31, 2021	For the year ended December 31, 2020
	RMB	*RMB*
Average sales value per order [3]		
– *Nayuki teahouses*	**41.6**	43.0

Notes:

(1) Including revenue derived from our headquarters and others. Revenue derived from headquarters consist primarily of sales of gift tea boxes, seasonal gift sets and other gifts 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 each teahouse brand, while store-level operating profit margin is calculated by dividing store operating profit by revenue for the corresponding period.

(3) Calculated by the revenue generated by a *Nayuki* teahouse in certain period divided by the total number of orders placed by customers to such *Nayuki* teahouse in the same period.

Performance by business lines

We intend to modernize China's long-lived tea-drinking culture and promote it to more customers by offering freshly-made tea drinks and baked products coupled with enjoyable customer experience. Moreover, in order to cater to the diversified demands of our customers, we have launched various retail products such as sparkling water and snacks. The following table sets out our performance by business lines.

	For the year ended December 31,					
	2021		2020		Change	
	RMB	*%*	*RMB*	*%*	*RMB*	*Percentage point(s)*
	(in thousands, except percentages)					
Freshly-made tea drinks	**3,186,988**	**74.2**	2,322,849	76.0	864,139	-1.8
Baked products	**940,054**	**21.9**	667,384	21.8	272,670	+0.1
Other products [(1)]	**169,576**	**3.9**	66,948	2.2	102,628	+1.7
Total	**4,296,618**	**100.0**	3,057,181	100.0	1,239,437	N/A

Note:

(1) Primarily including gifts and retail products, such as sparkling water, gift tea boxes, snacks and seasonal gift sets.

Performance by income sources – *Nayuki* teahouses

In 2021, the proportion of delivery orders recorded a slight increase, especially in cities with COVID-19. Such change was primarily due to the control measures imposed by local governments on dine-in so as to cope with COVID-19 and the changes in consumption preference after COVID-19. We believe that a relatively stable proportion of delivery orders is conducive to the healthy development of the Group. At the current stage, we have no intention to actively push up or pull down the proportion of delivery orders.

The following table sets out the performance of *Nayuki* teahouses by income sources.

	For the year ended December 31,					
	2021		2020		Change	
	RMB	*%*	*RMB*	*%*	*RMB*	*Percentage point(s)*
	(in thousands, except percentages)					
***Nayuki* teahouses**						
In-store cashier[(1)]	**1,146,582**	**28.2**	871,325	30.4	275,257	-2.2
Pickup by mini programs[(2)]	**1,422,538**	**35.0**	1,083,438	37.7	339,100	-2.7
Delivery orders[(3)]	**1,498,178**	**36.8**	916,125	31.9	582,053	+4.9
Total	**4,067,298**	**100.0**	2,870,888	100.0	1,196,410	N/A

Notes:

(1) Representing revenue generated from customer orders placed on-site at *Nayuki* teahouses (excluding orders placed through our WeChat and Alipay mini programs and *Nayuki* app).

(2) Representing revenue generated from customer orders placed through our WeChat and Alipay mini programs and *Nayuki* app.

(3) Representing revenue generated from delivery orders that require delivery services. In 2021, out of the revenue of the Group's *Nayuki* teahouses, approximately 30.6% was derived from revenue generated from delivery orders placed by third-party platforms; and approximately 6.2% was derived from revenue generated from delivery orders placed by the Group's self-operated platform.

Nayuki Membership Program

Since we introduced the *Nayuki* Membership Program in 2019, the number of our members increased continuously. As at December 31, 2021, the Company had registered members of approximately 43.3 million. The active members[(1)] of the Company amounted to approximately 7.0 million with a repurchase rate[(2)] of approximately 35.3%.

Notes:

1. Representing the members who order our products at least once in the fourth quarter of 2021.

2. Representing the proportion of active members who order our products at least twice in the fourth quarter of 2021.

2. PERFORMANCE ANALYSIS OF STORES

Number and distribution of stores – *Nayuki* teahouses

As of December 31, 2021, our Group has 817 self-owned *Nayuki* teahouses in 80 cities. In 2021, we newly opened 326 *Nayuki* teahouses. 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' habits for high-end freshly-made tea drinks. The following table sets out the breakdown of the number of our *Nayuki* teahouses by geographic location.

	As of December 31, 2021	As of December 31, 2020
Number of regular *Nayuki* teahouses (#)		
Tier 1 cities	**149**	166
New Tier 1 cities	**150**	168
Tier 2 cities	**118**	122
Other cities[1]	**29**	29
Total	**446**	485

	As of December 31, 2021	As of December 31, 2020
Number of Type-I PRO Teahouses (#)		
Tier 1 cities	**96**	–
New Tier 1 cities	**95**	1
Tier 2 cities	**54**	–
Other cities[1]	**27**	–
Total	**272**	1

	As of December 31, 2021	As of December 31, 2020
Number of Type-II PRO Teahouses (#)		
Tier 1 cities	**35**	4
New Tier 1 cities	**37**	1
Tier 2 cities	**15**	–
Other cities(1)	**12**	–
Total	**99**	5

Notes:

(1) Including (i) cities of other tiers across mainland China, and (ii) cities outside mainland China.

(2) According to the report by our development department on potential store locations, Type-I PRO Teahouses are located in higher rated commercial area as compared with Type-II PRO Teahouses. Except for the above, there is no systematic difference between the Type-I PRO Teahouses and the Type-II PRO Teahouses in terms of aspects such as product, size and design. We will not set the number of stores for the two types in advance when formulating our store opening plans, and instead will consider the location of new stores based on a series of factors. We expect that in the short to medium term, the number of Type-I PRO Teahouses will be higher than that of Type-II PRO Teahouses.

Certain additional performance indicator data of our *Nayuki* teahouses by market and by nature of PRO teahouses is shown below for the ease of understanding of shareholders and potential investors.

Performance by market – *Nayuki* teahouses

Benefiting from our strong brand influence, when tapping into a new market, *Nayuki* teahouses usually attract customer traffic from outside the peripheral communities and experienced "store opening customer traffic" and higher sales volume. However, as it is difficult to cultivate customers' consumption habits due to the relative sparsity of stores; therefore, until store density reaches a reasonable level, daily sales per teahouse will gradually decline. At the same time, as we continue to expand, newly-opened stores account for a larger proportion and it is necessary for existing stores in these markets to recruit and reserve talents for them, which will put pressure on the operating margins of existing stores.

With our accumulated operating hours and growing store density, customers' consumption habits will be gradually established in these markets. Coupled with gradual decline in the proportion of newly-opened stores, we expect that the average daily sales per teahouse of *Nayuki* teahouses in these markets will gradually stabilize and thus our store-level operating profit margin will gradually increase. Therefore, we believe that it is necessary to further increase our store density in the existing markets to accelerate market maturity.

The following table sets out certain key performance indicators for stores in certain cities.

	As of and for the year ended December 31, 2021		
	Number of store[1](#)	**Average daily sales per teahouse** ***(RMB'000)***	**Store-level operating profit[2]** ***(%)***
***Nayuki* teahouses**			
Shenzhen	**110**	**24.1**	**21.7**
Shanghai	**49**	**17.5**	**11.6**
Guangzhou	**37**	**20.9**	**17.8**
Wuhan	**39**	**19.8**	**16.2**
Xi'an	**29**	**18.7**	**16.2**
Beijing	**31**	**21.1**	**7.5**

The following table sets out certain same-store key performance indicators of *Nayuki* teahouses in certain cities.

		For the year ended December 31,			
		2021	2020	**2021**	2020
	Number of same stores[3] (#)	Average daily sales per teahouse *(RMB'000)*		Store-level operating profit margin[2] *(%)*	
***Nayuki* teahouses**					
Shenzhen	75	**25.9**	22.1	**22.8**	17.1
Shanghai	27	**18.8**	18.4	**12.7**	6.5
Guangzhou	19	**23.6**	20.0	**19.2**	12.8
Wuhan	21	**23.3**	23.4	**17.6**	16.2
Xi'an	18	**20.8**	18.3	**17.4**	14.6
Beijing	15	**23.0**	21.2	**9.2**	4.7

Despite the relatively greater changes in external factors such as the COVID-19 during the Reporting Period, and the impact of which is difficult to quantify, we believe the logic of increasing our store density can facilitate the cultivation of consumption habits, and in turn assist different markets to progressively develop into mature oligopolistic market remains valid and is gradually being verified. We will continue to disclose performance by cities in the future to assist investors in understanding and verifying the above logic.

Performance by store nature – *Nayuki* teahouses

The following table sets out certain key performance indicators of regular *Nayuki* teahouses, Type-I PRO Teahouses and Type-II PRO Teahouses.

	As of and for the year ended December 31, 2021		
	Number of stores[1](#)	**Average daily sales per teahouse *(RMB'000)***	**Store-level operating profit margin[2] *(%)***
Regular *Nayuki* teahouse	**444**	**20.3**	**17.5**
Type-I PRO Teahouse	**179**	**14.2**	**9.8**
Type-II PRO Teahouse	**62**	**11.0**	**6.2**

As compared with the Group's interim result for 2021, we believe there is a gradual improvement in the value of reference in the performance data by store nature as the number of PRO Teahouses increase continuously. The Company's store openings are concentrated in the second half of the year. As such, the rapid changes in external environment in the second half of 2021 had a more significant impact on PRO Teahouses. We believe that, as the Company's cost management and control deepens gradually, along with the implementation of automation measures and so on, the profitability of different types of teahouses will recover and improve.

Notes:

(1) Only including stores that were opened for at least 60 days as of December 31, 2021 and did not cease operation as of December 31, 2021. 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) There are one-off opening expenses, including but are not limited to, pre-operating labor costs for the teahouse and other expenses, to be included in the profit and loss for the month that the teahouse commences operation, so it will not be a meaningful reference due to the fact that the store-level operating profit margin of such teahouses will be significantly affected by the opening expenses. To facilitate the investors' better understanding of and to compare the daily profitability of teahouses in different types, 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 in 2020 and 2021 and did not cease operation as of December 31, 2021.

3. OUTLOOK

Although in the second half of 2021, consumers adopted a conservative spending attitude and became more prudent when making decisions about travelling and consumption. However, through consumer feedbacks we can see their desire for better living and increasing aspiration for high-end freshly-made tea drinks. In February 2022, the National Development and Reform Commission and other departments issued the "Several Policies on Promoting the Recovery and Development of Difficult Industries in the Service Industry" (《關於促進服務業領域困難行業恢復發展的若干政策》), which proposed a number of supportive measures to help the industry better cope with external challenges. We have strong confidence in the sustainable and rapid development of the high-end freshly-made tea drinks industry. As a leading brand in the high-end freshly-made tea drinks industry, the Group enjoys advantages over other brands in the industry in terms of brand recognition, supply chain strength, product research and development capability, quality control, scientific and technological strength, and capital reserve. Therefore, we can better seize the favorable industry opportunities brought by the recovery of the macro environment in the future.

In terms of store expansion, past experience tells us that the cultivation of consumption habits is closely related to store performance. We will continue to implement our strategy of increasing store density, focusing on Tier 1 cities, new Tier 1 cities and key Tier 2 cities to enhance brand profile. In 2022, we expect to open 350 *Nayuki* teahouses, which is basically in line with the plan stated in the Prospectus published by the Group on June 18, 2021, while we will further strengthen the requirements for the expected profitability of newly opened teahouses.

In terms of capital security, as at December 31, 2021, the Group had cash and cash equivalents of RMB4,052.8 million, and the Group's cash flow position remained stable. We aim to be free cash flow positive in 2022 to support our business development. We will strictly control the labor costs. In 2022, we will continue to optimize and in principle will not increase the staffing of a single store, and the growth rate of middle and back office labor costs will also be lower than the revenue growth rate.

Facing highly uncertain external environment, we will continue to optimize operations, improve efficiency, and continue to invest in technology and other fields, so that the Group can better cope with external pressures and seize recovery opportunities in a timely manner when the macro environment improves in the future. At the same time, we will continue to enhance the transparency of capital market communication, improve corporate governance, and help our shareholders and potential investors make prudent investment decisions.

FINANCIAL REVIEW

Revenue

The Group generates substantially all of its revenue from sales of products offered by *Nayuki* teahouses. For the Reporting Period and 2020, *Nayuki* contributed 94.7% and 93.9% of the total revenue, respectively. The remaining small portion of revenue was mainly derived from teahouses operated under our sub-brand *Tai Gai*.

The Group recorded revenue of RMB4,296.6 million for the Reporting Period (2020: RMB3,057.2 million), representing an increase of 40.5% as compared with 2020, which was mainly attributable to the increasing in the number of teahouses within our Group's teahouse network.

Other income

Other income of the Group consists primarily of (i) interest income on bank deposits, rental deposits and other financial assets, (ii) government grants, primarily representing subsidies, and unconditional cash awards granted by local governments. Other income of the Group amounted to RMB27.3 million for the Reporting Period (2020: RMB206.0 million). The decrease in the Group's other income was primarily due to the decreased in government grants and our Group's entitlement to valued-added tax exemption in response to COVID-19 outbreak in 2020 was no longer applicable to our Group in 2021.

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 RMB1,400.7 million, representing 32.6% of the total revenue of the Group for the Reporting Period, compared to RMB1,159.3 million, or 37.9% of the total revenue for 2020. The 20.8% increase in our cost of materials over 2020 was generally in line with our overall business growth trend. The proportion of cost of materials over total revenue decreased, primarily due to (i) our Group's entitlement to valued-added tax exemption in response to COVID-19 outbreak in 2020 was no longer applicable to our Group in 2021 and the corresponding input valued-added tax was creditable in 2021; (ii) the introduction of multi-channel suppliers which reduced the unit price of external purchases; and (iii) the optimization of our Group's in-store product structure.

Staff costs

Staff costs consist primarily of (i) salaries, wages and other benefits, (ii) contributions to defined contribution retirement plan and (iii) equity-settled share-based payment expenses. Staff costs of the Group amounted to RMB1,424.4 million, representing 33.2% of the total revenue for the Reporting Period, compared to RMB919.1 million, or 30.1% of the total revenue for 2020. The proportion of staff costs over total revenue increased, primarily due to the fact that our Group enjoyed the COVID-19-related policy for labour costs benefit in 2020, while our Group no longer benefited from such policy in 2021. During the Reporting Period, staff costs classified by brands included: (i) store-level staff costs for *Nayuki*, which amounted to RMB1,049.0 million, representing 25.8% of revenue for *Nayuki*, (ii) store-level staff costs for *Tai Gai*, which amounted to RMB39.3 million, representing 27.8% of revenue for *Tai Gai*, and (iii) staff costs for headquarters and others, which amounted to RMB336.1 million, representing 7.8% of the 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 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 RMB420.3 million for the Reporting Period, representing 9.8% of the Group's total revenue during the Reporting Period (2020: RMB352.9 million, representing 11.5% of the Group's revenue for 2020).

Other rentals and related expenses

Other rentals and related expenses consist primarily of lease payments for our leases of teahouses. 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 RMB213.0 million for the Reporting Period, representing 5.0% of the Group's total revenue during the Reporting Period (2020: RMB100.6 million, representing 3.3% of the Group's revenue for 2020).

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 RMB204.0 million for the Reporting Period, representing 4.7% of the Group's total revenue during the Reporting Period (2020: RMB154.1 million, representing 5.0% of the Group's revenue for 2020).

Advertising and promotion expenses

Advertising and promotion expenses primarily represent expenses incurred in connection with marketing, branding and promotion activities of the Group. Advertising and promotion expenses of the Group amounted to RMB111.6 million for the Reporting Period, representing 2.6% of the Group's total revenue during the Reporting Period (2020: RMB82.2 million, representing 2.7% of the Group's revenue for 2020).

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 RMB259.0 million for the Reporting Period, representing 6.0% of the Group's total revenue during the Reporting Period (2020: RMB167.4 million, representing 5.5% of the Group's revenue for 2020).

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 RMB90.8 million for the Reporting Period, representing 2.1% of the Group's total revenue during the Reporting Period (2020: RMB66.9 million, representing 2.2% of the Group's revenue for 2020).

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 RMB90.5 million for the Reporting Period, representing 2.1% of the Group's total revenue during the Reporting Period (2020: RMB56.7 million, representing 1.9% of the Group's revenue for 2020).

Finance costs

Finance costs consist primarily of interests on bank loans, redeemable capital contributions, lease liabilities and provisions. Finance costs of the Group amounted to RMB91.5 million for the Reporting Period, representing 2.1% of the Group's total revenue during the Reporting Period (2020: RMB130.3 million, representing 4.3% of the Group's revenue for 2020). The following table sets forth the components of our finance costs for the period indicated, both in absolute amount and as a percentage of total revenue.

	For the year ended December 31,			
	2021		2020	
	RMB	***%***	*RMB*	*%*
	(in thousands, except percentages)			
Interest on bank loans	**851**	**0.0**	7,924	0.3
Interest on redeemable capital contributions	**866**	**0.0**	38,249	1.3
Interest on lease liabilities	**88,757**	**2.1**	83,234	2.7
Interest on provisions	**1,073**	**0.0**	851	0.0
	91,547	**2.1**	130,258	4.3

Other expenses

Other expenses consist primarily of (i) administrative expenses incurred during the ordinary course of business of the Group, such as telecommunication expenses and maintenance expenses, (ii) travelling and business development expenses incurred by employees of the Group, (iii) other-party service fees representing costs associated with third-party management consulting and other professional services, (iv) impairment losses, (v) listing expenses, and (vi) others, such as insurance fees and other tax and surcharges. Other expenses of the Group amounted to RMB176.3 million for the Reporting Period, representing 4.1% of the Group's total revenue during the Reporting Period (2020: RMB123.7 million, representing 4.0% of the Group's revenue for 2020). The following table sets forth the components of our other expenses in absolute amounts and as percentages of total revenue for the periods indicated.

	For the year ended December 31,			
	2021		2020	
	RMB	*%*	*RMB*	*%*
	(in thousands, except percentages)			
Administrative expenses	**72,631**	**1.7**	45,213	1.5
Travelling and business development expenses	**31,873**	**0.7**	17,990	0.6
Other-party service fees	**20,656**	**0.5**	25,906	0.8
Impairment losses	**8,410**	**0.2**	3,802	0.1
Listing expenses	**14,735**	**0.3**	11,410	0.4
Others	**28,020**	**0.7**	19,334	0.6
	176,325	**4.1**	123,655	4.0

Income Tax

The income tax benefits of the Group amounted to RMB4.1 million for the Reporting Period. The income tax expenses of the Group for the year ended December 31, 2020 amounted to RMB13.2 million.

Non-IFRS Measures

To supplement the Group's consolidated financial statements that are presented in accordance with IFRS, the Group also use 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 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 substitute for analysis of, the Group's results of operations or financial condition as reported under IFRS.

	Year Ended December 31,	
	2021	2020
	(RMB in thousands)	
Reconciliation of net loss and adjusted net (loss)/profit (non-IFRS measure)		
Net loss for the year	**(4,525,524)**	(203,302)
Add:		
Fair value changes of financial liabilities at fair value through profit or loss[1]	**2,874**	132,757
Fair value changes of convertible redeemable preferred shares[2]	**4,329,052**	–
Listing expenses[3]	**14,735**	11,410
Equity-settled share-based payment expenses[4]	**32,732**	45,458
Interest on redeemable capital contributions[5]	**866**	38,249
Income from output value-added tax exemption[6]	**–**	(180,342)
Uncreditable input value-added tax[7]	**–**	172,413
Adjusted net (loss)/profit (non-IFRS measure)	**(145,265)**	16,643
Adjusted net (loss)/profit margin (non-IFRS measure)	**(3.4)%**	0.5%

Notes:

(1) Fair value changes of financial liabilities at fair value through profit or loss represent the gains or losses arising from change in fair value of the Group's warrants, onshore loans and convertible note with conversion rights in connection with the Series B-2 investments. Such changes are one-off and non-cash in nature and are not directly related to the Group's operating activities. The aforementioned financial liabilities at fair value through profit or loss have been ultimately converted into ordinary shares of the Company upon the closing of the Global Offering on June 30, 2021 and no further gains or losses on fair value changes from these financial instruments going forward.

(2) Fair value changes of convertible redeemable preferred shares represent fair value changes in all classes of preferred shares, which is a non-cash item, and there will be no further gains or losses on fair value changes from these preferred shares after the automatic conversion into ordinary shares upon the closing of the Global Offering.

(3) Listing expenses relate to the Global Offering, which is one-off in nature and is not directly related to the Group's operating activities.

(4) Equity-settled share-based payment expenses consist of (i) share options and RSUs granted in 2021 and 2020 under the 2020 Share Incentive Plan, and (ii) difference in fair value of ordinary shares and preferred shares arising from the re-designation of ordinary shares held by the Group's Controlling Shareholders to preferred shares by the Company. For (i), it is adjusted for as these items are non-cash and non-operational in nature; and for (ii), it is adjusted for as the transaction is irregular to the operation of the business. In addition, both (i) and (ii) are not directly correlate with the Group's business performance in a given period.

(5) Interest on redeemable capital contribution represents interest on the Group's Series A, Series A+ and Series B-1 investments. Although the Group recorded interest on redeemable capital contribution for the year ended December 31, 2021 and 2020, the underlying Pre-IPO Investments nonetheless are non-recurring in nature. Upon completion of the Global Offering, the redeemable capital contribution in connection with such Pre-IPO Investments has been ultimately converted into ordinary shares of the Company upon the closing of the Global Offering on June 30, 2021 and subsequently no interest would accrue. In addition, the interest on redeemable capital contribution is a non-cash and non-operational item, which is not directly correlate with the Group's business performance in a particular period.

(6) Income from output value-added tax exemption represents the income from the one-off preferential output value-added tax exemption that local governments granted to ease the impact of the COVID-19 outbreak. This output value-added tax exemption policy had expired and the Group will no longer benefited from such tax exemption going forward.

(7) Uncreditable input value-added tax represents the amount of the corresponding input value-added tax that was left uncreditable as a result of the one-off output value-added tax exemption in 2020. This output value added tax exemption policy had expired and the Group will no longer benefited from such tax exemption going forward.

(8) Calculated using adjusted net (loss)/profit (non-IFRS measure) divided by revenue for a given period.

Cash and Borrowings

As of December 31, 2021, the total cash and bank balances of the Group amounted to RMB4,052.8 million (as of December 31, 2020: RMB501.8 million). The increase in cash and cash equivalents of the Group was mainly attributable to the proceeds from our Global Offering in June 2021. As of December 31, 2021, the total interest-bearing borrowings (including bank overdrafts and other borrowings) of the Group amounted to RMB0.4 million (as of December 31, 2020: approximately RMB283.6 million). All of the borrowings are denominated in USD.

Right-of-Use Assets

The Group's right-of-use assets primarily represent the leases for the Group's teahouses, office at headquarters and warehouses. As of December 31, 2021, the right-of-use assets of the Group amounted to RMB1,313.3 million (as of December 31, 2020: RMB1,240.1 million). The increase in the balance of the Group's right-of-use assets was generally in line with our overall business expansion.

Property and Equipment

The Group's property and equipment consist primarily of leasehold improvements, kitchen equipment, furniture equipment, electronic equipment and others and construction in progress. As of December 31, 2021, the property and equipment of the Group amounted to RMB801.4 million (as of December 31, 2020: RMB587.1 million). The increase in the Group's property and equipment was primarily due to business growth and increase in number of stores.

Inventories

The Group's inventories consist primarily of raw materials and packaging materials. As of December 31, 2021, the inventories of the Group amounted to RMB174.1 million (as of December 31, 2020: RMB103.1 million). The increase in the Group's inventories was primarily due to business growth and increased stock for the Group's newly open stores.

The Group's inventories turnover days increased from 28.5 days for 2020 to 36.1 days for the Reporting Period.

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 valued-added tax recoverable in connection with purchase of raw materials, rental deposits within one year and prepayments to suppliers. Trade and other receivables and prepayments of the Group decreased from RMB725.0 million as of December 31, 2020 to RMB346.1 million as of December 31, 2021, primarily due to the receivable from Series C preferred shares Pre-IPO investors of RMB522.0 million as at December 31, 2020 was actually received in January 2021, partially offset by an increase in prepayments to suppliers of RMB102.3 million and input valued-added tax recoverable of RMB46.8 million.

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 increased from RMB500.7 million as of December 31, 2020 to RMB654.2 million as of December 31, 2021, primarily due to the fact that the increase in number of stores was in line with the increase in payables relating to purchase of raw materials and property and equipment.

Gearing Ratio

As of December 31, 2021, our gearing ratio, which is calculated as total debt divided by total assets, was 32.5%, as compared with 112.8% as of December 31, 2020.

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, cash generated from operations and available facilities of the Company, and the net proceeds from the Global Offering, and after diligent and careful investigation, the Directors are of the view that the Group have sufficient working capital required for the Group's operations at present.

As of December 31, 2021, the Group had total cash and cash equivalents of approximately RMB4,052.8 million (2020: approximately RMB501.8 million), the increase of the Group's cash and cash equivalents was primarily due to the proceeds from our Global Offering in June 2021.

Total bank loans and interest-bearing borrowings of the Group as of December 31, 2021 were approximately RMB0.4 million (as of December 31, 2020: approximately RMB283.6 million), and current ratio as of December 31, 2021 was approximately 3.51 times (as of December 31, 2020: approximately 0.49 times). These bank borrowings were denominated in USD, and the interest rates applied were primarily charged at fixed rates. As of December 31, 2021, the Group has RMB200.0 million available revolving loan facilities.

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 December 31, 2021, apart from cash and cash equivalents denominated in foreign currency, the Group did not have any significant foreign exchange risk in its business operations. The Group currently does not engage in hedging activities designed or intended to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

CONTINGENT LIABILITY

As of December 31, 2021, the Group did not have any significant contingent liabilities.

CAPITAL EXPENDITURES

Our capital expenditures amounted to approximately RMB749.1 million for the Reporting Period, which were incurred primarily in connection with payment for purchase of property and equipment.

CHARGE ON ASSETS

As of December 31, 2021, the Group charged restricted bank deposits of RMB51.7 million to banks for issuing unconditional and irrevocable letter of guarantee.

Save as disclosed above, as of December 31, 2021, the Group did not pledge any assets.

SIGNIFICANT INVESTMENT

As of December 31, 2021, there was no significant investment held by the Group or future plans for significant investments or capital assets.

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of December 31, 2021, save for the "Future Plans and Use of Proceeds" disclosed in the Prospectus, the Group did not have any existing plan for acquiring other material investments or capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND AFFILIATED COMPANIES

For the Reporting Period, there was no material acquisitions or disposal of subsidiaries, associates and joint ventures.

EMPLOYEES AND REMUNERATION POLICIES

As of December 31, 2021, the Group had a total of 10,671 full-time employees, among which 1,275 employees work in the Group's headquarters and regional offices, and the remaining employees are 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 refine its remuneration and incentive policies through market research 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 share its success with employees by offering them a variety of incentives and financial rewards to keep them motivated. To recognize and reward, among others, 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 by way of resolutions of the Board on May 15, 2020.

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 have also established a vanguard program to foster and maintain a local talent pool and offer 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 December 31, 2021, there was no change in the intended use of net proceeds and the expected timeline as previously disclosed in the section headed "Future Plans and Use of proceeds" in the Prospectus. 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 over the next three years 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 over the next three years 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 over the next three years 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.

Such net proceeds from the Global Offering have been utilized in accordance with the proposed applications as disclosed in the Prospectus during the Reporting Period.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 16 to the Consolidated Financial Statements, 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

(Expressed in Renminbi)

	Note	**2021** *RMB'000*	2020 *RMB'000*
Revenue	*3*	**4,296,618**	3,057,181
Other income	*4*	**27,339**	205,951
Cost of materials		**(1,400,674)**	(1,159,322)
Staff costs	*5(b)*	**(1,424,358)**	(919,096)
Depreciation of right-of-use assets	*5(d)*	**(420,272)**	(352,912)
Other rentals and related expenses	*5(d)*	**(212,996)**	(100,568)
Depreciation and amortization of other assets	*5(d)*	**(204,026)**	(154,117)
Advertising and promotion expenses		**(111,592)**	(82,172)
Delivery service fees		**(258,976)**	(167,369)
Utilities expenses		**(90,750)**	(66,909)
Logistic and storage fees		**(90,502)**	(56,710)
Other expenses	*5(c)*	**(176,325)**	(123,655)
Other net losses	*5(e)*	**(38,746)**	(7,382)
Finance costs	*5(a)*	**(91,547)**	(130,258)
Fair value changes of financial assets at fair value through profit or loss ("**FVTPL**")		**7,560**	–
Fair value changes of financial liabilities at FVTPL	*12*	**(11,330)**	(132,757)
Fair value changes of convertible redeemable preferred shares	*13*	**(4,329,052)**	–
Loss before taxation	*5*	**(4,529,629)**	(190,095)
Income tax	*6(a)*	**4,105**	(13,207)
Loss for the year		**(4,525,524)**	(203,302)
Attributable to:			
Equity shareholders of the Company		**(4,524,506)**	(201,872)
Non-controlling interests		**(1,018)**	(1,430)
Loss for the year		**(4,525,524)**	(203,302)
Loss per share			
Basic and diluted (RMB)	*7*	**(3.28)**	(0.20)

There are no dividends payable to equity shareholders of the Company attributable to the profit for the year as disclosed in note 14(d).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in Renminbi)

	2021	2020
	RMB'000	*RMB'000*
Loss for the year	**(4,525,524)**	(203,302)
Other comprehensive income for the year (after tax and reclassification adjustments)		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of:		
– financial statements of operations outside the mainland China	**(40,446)**	4,384
Total comprehensive income for the year	**(4,565,970)**	(198,918)
Attributable to:		
Equity shareholders of the Company	**(4,564,952)**	(197,488)
Non-controlling interests	**(1,018)**	(1,430)
Total comprehensive income for the year	**(4,565,970)**	(198,918)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Renminbi)

	Note	**December 31, 2021** *RMB'000*	December 31, 2020 *RMB'000*
Non-current assets			
Property and equipment		**801,363**	587,116
Right-of-use assets		**1,313,334**	1,240,066
Intangible assets		**457**	1,051
Investment in an associate		**–**	–
Deferred tax assets		**44,238**	27,596
Rental deposits		**159,755**	126,695
Prepayments	*9*	**338,383**	1,667
		2,657,530	1,984,191
Current assets			
Financial assets at FVTPL		**46,200**	–
Inventories	*8*	**174,089**	103,061
Trade and other receivables	*9*	**176,963**	658,172
Prepayments	*9*	**169,109**	66,832
Restricted bank deposits		**51,749**	100
Cash and cash equivalents		**4,052,806**	501,753
		4,670,916	1,329,918
Current liabilities			
Trade and other payables	*10*	**654,208**	500,676
Contract liabilities		**218,054**	78,551
Bank loans		**428**	283,120
Redeemable capital contributions	*11*	**–**	465,309
Financial liabilities at FVTPL	*12*	**8,376**	361,881
Convertible redeemable preferred shares	*13*	**–**	652,490
Lease liabilities		**421,153**	364,733
Current taxation		**27,951**	21,431
		1,330,170	2,728,191
Net current assets/(liabilities)		**3,340,746**	(1,398,273)
Total assets less current liabilities		**5,998,276**	585,918

	Note	December 31, 2021 RMB'000	December 31, 2020 RMB'000
Non-current liabilities			
Interest-bearing borrowing		**–**	438
Lease liabilities		**1,031,885**	991,993
Provisions		**17,934**	13,858
Deferred tax liabilities		**5,027**	4,046
		1,054,846	1,010,335
NET ASSETS/(LIABILITIES)		**4,943,430**	(424,417)
CAPITAL AND RESERVES			
Share capital	*14*	**558**	422
Reserves		**4,943,890**	(424,839)
Total equity/(deficit) attributable to equity shareholders of the Company		**4,944,448**	(424,417)
Non-controlling interests		**(1,018)**	–
TOTAL EQUITY/(DEFICIT)		**4,943,430**	(424,417)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

1 GENERAL INFORMATION

Nayuki Holdings Limited (the "**Company**") (formerly known as Pindao Holdings Limited) was incorporated in the Cayman Islands on September 5, 2019 as an exempted company with limited liability under the Companies Act of the Cayman Islands.

The Company is an investment holding company and has not carried on any business since the date of its incorporation save for the group's reorganization below. The Company and its subsidiaries (together as "**the Group**") are principally engaged in the sales of freshly-made tea drinks, baked goods and other products (the "**Business**") in the People's Republic of China (the "**PRC**"). The Company had successfully listed in The Stock Exchange of Hong Kong Limited on 30 June 2021.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Significant accounting policies adopted by the group are disclosed below.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Reorganization and basis of presentation

The consolidated financial statements for the year ended December 31, 2021 comprise the Company and its subsidiaries (together referred to as the "**Group**").

Before the completion of the Reorganization, the Business were carried out through Shenzhen Pindao Food & Beverage Management Co., Ltd. ("**Shenzhen Pindao Management**") and its subsidiaries established in the PRC (together referred to as the "**Shenzhen Pindao Group**"), which are ultimately owned and controlled by Mr. Zhao Lin and Ms. Peng Xin (collectively the "**Founders**" or the "**Controlling Shareholders**").

To rationalize the corporate structure in preparation for the listing of the Company's shares on the Stock Exchange, the Group underwent a reorganization ("**Reorganization**").

Upon completion of the Reorganization in January 2021, the Company became the holding company of the companies now comprising the Group. As all companies now comprising the Group were controlled by the Founders before and after the Reorganization, there were no changes in the economic substances of the ownership and the business of the Group. The Reorganization only involved inserting newly formed investment holding entities with no substantive operations as the new holding companies of Shenzhen Pindao Management. Accordingly, the financial statements for the year ended December 31, 2021 has been prepared and presented as if the Company had always been the holding company of the Group.

Item included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the "**Functional Currency**"). The financial statements are presented in Renminbi ("**RMB**"), rounded to the nearest thousand except for loss per share information.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value:

– Financial assets at FVTPL;

– Financial liabilities at FVTPL;

– Warrants, onshore loans and convertible note; and

– Convertible redeemable preferred shares

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendment to IFRS 16, Covid-19-related rent concessions beyond June 30, 2021

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, Interest rate benchmark reform – phase 2

Other than the amendment to IFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are discussed below:

Amendment to IFRS 16, Covid-19-related rent concessions beyond June 30, 2021 (2021 amendment)

The Group previously applied the practical expedient in IFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 outbreak were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from June 30, 2021 to June 30, 2022.

Rent concessions received have been accounted for as negative variable lease payments recognized in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of accumulated losses at January 1, 2021.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, Interest rate benchmark reform – phase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates ("**IBOR reform**"). The amendments do not have an impact on these financial statements as the group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group principally generates its revenue from the sales of freshly-made tea drinks, baked goods and other products through its operating teahouses and online food delivery applications mainly in the PRC.

(i) Disaggregation of revenue

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

	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products		
– Sales of freshly-made tea drinks	**3,186,988**	2,322,849
– Sales of baked goods and other products	**1,109,630**	734,332
	4,296,618	3,057,181
Disaggregated by timing of revenue recognition		
– A point in time	**4,289,017**	3,055,976
– Over time	**7,601**	1,205
	4,296,618	3,057,181

During the year ended December 31, 2021, the Group did not have any customer with which transactions have exceeded 10% of the Group's total revenue (2020: nil).

(ii) Performance obligation and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognizes revenue when it transfers control over a good or service to a customer. The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of product/service	**Nature and timing of satisfaction of performance obligations, including significant payment terms**	**Revenue recognition policies**
Freshly-made tea drinks, baked goods and other products	Customers obtain control of the products when the goods are delivered to and have been accepted by the customers at the point in time.	Revenue is recognized when the goods are delivered and have been accepted by customers.
Service income from contracts with portable mobile phone charger's provider	The Company provide service to the portable mobile phone charger's provider over a period of time.	Revenue is recognized overtime as the services are provided, which is expected over next 12 to 36 months.
Trademark licensing income	The Company's grant of permission to the collaborated party to use its trademark on agreed commercial products overtime.	Revenue is recognized overtime as the services are provided, which is expected over next 12 to 24 months.

(iii) Revenue expected to be recognized in the future arising from contracts in existence as at the end of the reporting period

Contracts within the scope of IFRS 15

As at December 31, 2021, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB218,054,000 (2020: RMB78,551,000). This amount represents revenue expected to be recognized in the future when the Group satisfies the remaining performance obligations.

(b) Segment reporting

The Group manages its businesses as a whole by the most senior executive management for the purposes of resource allocation and performance assessment. The Group has one operating segment, which is the sales of freshly-made tea drinks, baked goods and other products. The Group's chief operating decision maker is the chief executive officer of the Group who reviews the Group's consolidated results of operations in assessing performance of and making decisions about allocations to this segment.

Accordingly, no reportable segment information is presented.

As substantially all of the Group's operations and assets are in the PRC, no geographic information is presented.

4 OTHER INCOME

	2021	2020
	RMB'000	*RMB'000*
Interest income on:		
– bank deposits	**12,432**	1,533
– rental deposits	**6,691**	5,952
– other financial assets	**1,202**	247
Government grants *(note (i))*	**7,014**	17,877
Income from output VAT exemption *(note (ii))*	**–**	180,342
	27,339	205,951

Notes:

(i) Government grants represent unconditional cash awards from government authorities in multiple countries, mainly the PRC.

(ii) The amount represents the Group's entitlement to VAT exemption in accordance with the Announcement on Relevant Tax Policies Supporting the Prevention and Control of the Outbreak of COVID-19 (《關於支持新型冠狀病毒感染的肺炎疫情防控有關稅收政策的公告》) issued by the Ministry of Finance and the State Taxation Administration. There were no unfulfilled conditions or other contingencies attached to the entitlements of such VAT exemption. The Group has no such VAT exemption entitlement in 2021.

5 LOSS BEFORE TAXATION

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

	2021 *RMB'000*	2020 *RMB'000*
(a) Finance costs		
Interest on bank loans	**2,351**	8,924
Less: policy-based discount interest *(note (i))*	**(1,500)**	(1,000)
Interest on redeemable capital contributions *(note 11)*	**866**	38,249
Interest on lease liabilities	**88,757**	83,234
Interest on provisions	**1,073**	851
	91,547	130,258

Note (i): Policy-based discount interest represents an interest discount for loan interest entitled by the Group as a result of the successful application for the incentive by the government authorities to support entitled enterprises.

	2021 *RMB'000*	2020 *RMB'000*
(b) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	**1,325,363**	853,579
Contributions to defined contribution retirement plan (i)	**66,263**	20,059
Equity-settled share-based payment expenses	**32,732**	45,458
	1,424,358	919,096

Note (i): Contributions to these plans are expensed as incurred and not reduced by contributions forfeited by those employees who leave the plans prior to vesting fully in the contributions.

		2021	2020
		RMB'000	*RMB'000*
(c)	**Other expenses**		
	Auditors' remuneration		
	– audit services	**2,900**	–
	– non-audit services	**700**	–
	Administrative expenses	**72,631**	45,213
	Travelling and business development expenses	**31,873**	17,990
	Other-party service fees	**20,656**	25,906
	Impairment losses		
	– property and equipment	**2,620**	2,045
	– right-of-use assets	**4,224**	1,155
	Write-down of inventories *(note 8(b))*	**1,566**	602
	Listing expenses	**14,735**	11,410
	Commissions	**8,368**	2,341
	Bank charge	**7,289**	6,017
	Others	**8,763**	10,976
		176,325	123,655

		2021	2020
		RMB'000	*RMB'000*
(d)	**Other items**		
	Amortization	**167**	139
	Depreciation		
	– property and equipment	**203,859**	153,978
	– right-of-use assets	**420,272**	352,912
		624,131	506,890
	Other rentals and related expenses	**212,996**	100,568
	Cost of inventories *(note (i), 8(b))*	**1,400,674**	1,159,322

Note (i): Cost of inventories mainly represented raw materials and consumables consumed during the sales of freshly-made tea drinks, baked goods and other products.

		2021	2020
		RMB'000	*RMB'000*
(e)	**Other net losses/(gain)**		
	Loss on disposal of non-current assets	**33,317**	6,173
	Loss on stores closures	**4,497**	4,289
	Gains on reassessment of right-of-use assets and lease liabilities	**(13,112)**	(4,964)
	Loss on foreign currency exchange	**7,421**	444
	Others	**6,623**	1,440
		38,746	7,382

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2021	2020
	RMB'000	*RMB'000*
Current tax		
Provision for the year	**11,556**	9,513
Deferred tax		
Origination and reversal of temporary differences	**(15,661)**	3,694
	(4,105)	13,207

(b) Reconciliation between tax (credit)/expense and accounting loss at applicable tax rates:

	2021	2020
	RMB'000	*RMB'000*
Loss before taxation	**(4,529,629)**	(190,095)
Calculated at the rates applicable to profits/loss in the jurisdictions concerned	**(41,587)**	(9,053)
Effect of preferential income tax rates of certain subsidiaries	**(7,428)**	(2,796)
Additional deduction for qualified research and development costs	**(9,949)**	(1,082)
Tax effect of non-deductible expenses	**13,048**	24,336
Tax effect of unused tax losses and deductible temporary differences not recognized	**43,529**	6,117
Tax effect of utilization of tax losses not recognized in previous years	**(1,426)**	(3,542)
Recognize the effect of temporary differences for which deferred tax asset was not recognized in previous years	**(292)**	(773)
Actual tax (credit)/expense	**(4,105)**	13,207

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "**BVI**"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

(ii) The provision for Hong Kong Profits Tax is subject to Hong Kong's two-tiered profits tax regime, under which the tax rate is 8.25% for assessable profits on the first Hong Kong Dollars ("**HKD**") 2,000,000 and 16.5% for any assessable profits in excess of HKD 2,000,000. The Group's subsidiaries in Hong Kong did not have any assessable profits for the year ended December 31, 2021 (2020: nil).

(iii) Taxable income for the Group's subsidiaries in the PRC are subject to PRC income tax rate of 25% for the year ended December 31, 2021 and 2020, unless otherwise specified below.

Pindao Supply Chain, Pindao Technology, Pindao R&D and Pindao Chain fulfilled the criteria required for preferential income tax rate granted to small and low profit-making enterprise in the PRC and were entitled to a preferential income tax rate of 5% and 10% on taxable income for the first RMB1,000,000 and the subsequent RMB1,000,000 to RMB3,000,000 respectively, for the years ended 31 December 2021 and 2020.

(iv) The subsidiaries in the United States of America and Japan of the Group did not have any assessable profits for the year ended December 31, 2021 (2020: nil).

7 LOSS PER SHARE

(a) Basic loss per share

The calculation of the basic loss per share is based on the loss attributable to equity shareholders of the Company of RMB4,524,506,000 (2020: RMB201,872,000) and the weighted average of 1,377,499,646 ordinary shares (2020: 999,288,282 ordinary shares), calculated as follows:

	2021	2020
	Number of shares	*Number of shares*
Issued shares at January 1,	**986,911,287**	1,000,000,000
Effect of re-designation of ordinary shares to preferred shares	**(4,369,735)**	(794,498)
Effect of shares issued through exercise of share options	**–**	82,780
Effect of shares issued to employee incentive platform	**86,685,288**	–
Effect of automatic conversion of convertible redeemable preferred shares into ordinary shares	**178,581,036**	–
Effect of shares issued by global offering	**129,691,770**	–
Weighted average number of ordinary shares at December 31	**1,377,499,646**	999,288,282

The weighted average number of ordinary shares for the purpose of calculating basic loss per share has been determined on the assumption that the Reorganization and the capitalization issue as referred in note 2(b) had been effective since January 1, 2020.

(b) Diluted loss per share

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

The Company had potential ordinary shares from redeemable capital contributions, financial liabilities at FVTPL and convertible redeemable preferred shares for the years ended December 31, 2021 and 2020. All potential ordinary shares convertible from redeemable capital contributions, financial liabilities at FVTPL and convertible redeemable preferred shares for the year ended had been converted into ordinary shares upon the successful listing of the Company on June 30, 2021. As the Group incurred losses for the years ended December 31, 2021 and 2020, the potential ordinary shares were not included in the calculation of diluted loss per share, as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the years ended December 31, 2021 and 2020 are same as basic loss per share.

8 INVENTORIES

(a) Inventories in the consolidated statements of financial position comprise:

	2021	2020
	RMB'000	*RMB'000*
Raw materials	**121,383**	74,224
Packaging supplies and others	**52,706**	28,837
	174,089	103,061

(b) The analysis of the amount of inventories recognized as an expense and included in profit or loss is as follows:

	2021	2020
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**1,400,674**	1,159,322
Write-down of inventories	**1,566**	602
	1,402,240	1,159,924

9 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The Group

	2021	2020
	RMB'000	*RMB'000*
Current		
Trade receivables	**2,756**	816
Input valued-added tax recoverable	**146,449**	99,612
Income tax recoverable	**893**	606
Amounts due from related parties	**2,464**	306
Receivable from series C preferred shares holder *(note (i))*	**–**	521,992
Other receivables	**24,401**	34,840
	176,963	658,172
Prepayments	**169,109**	66,832
Non-current		
Prepayments for purchase of property	**331,816**	–
Prepayments for purchase of equipment	**6,567**	1,667
	338,383	1,667

The Company

	2021	2020
	RMB'000	*RMB'000*
Amount due from subsidiaries *(note (ii))*	**1,947,794**	12,876
Receivable from series C preferred shares holder *(note (i))*	**–**	521,992
Other receivables	**–**	11,420
	1,947,794	546,288

Notes:

(i) In prior year, pursuant to a share purchase agreement entered into between the Company and PAGAC Nebula Holdings Limited ("**PAGAC Nebula**"), PAGAC Nebula agreed to subscribe for 72,497,876 Series C Preferred Shares of the Company at a price of USD1.1035 per share, for a total purchase consideration of USD80 million. The subscription was completed on December 31, 2020 and the total consideration are receivable from PAGAC Nebula due to time lags in the banking transaction processing as at December 31, 2020. The total consideration had been received in January 2021.

(ii) Amounts due from a subsidiary are unsecured, non-interest bearing and recoverable on demand.

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 at 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:

	2021	2020
	RMB'000	*RMB'000*
Within 1 month	**443**	616
1 to 3 months	**2,132**	32
3 to 6 months	**129**	122
Over 6 months	**52**	46
	2,756	816

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

10 TRADE AND OTHER PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Trade payables	**289,213**	226,146
Other payables and accrued charges	**362,509**	257,711
Amounts due to related parties	**2,486**	16,819
	654,208	500,676

All trade and other payables (including amounts due to related parties) are expected to be settled or recognized as income within one year or are repayable on demand.

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

	2021	2020
	RMB'000	*RMB'000*
Within 1 year	**287,942**	225,067
More than 1 year	**1,271**	1,079
	289,213	226,146

11 REDEEMABLE CAPITAL CONTRIBUTIONS

The analysis of the carrying amount of redeemable capital contributions is as follows:

	2021	2020
	RMB'000	*RMB'000*
Redeemable capital contributions	**–**	465,309

In 2017, Shenzhen Pindao Management entered into a capital contribution agreement with certain investors, pursuant to which, these investors agreed to invest RMB70,000,000 to acquire 10% of the then equity interest of Shenzhen Pindao Management. In the same year, Shenzhen Pindao Management further entered into a capital contribution agreement with certain investors, pursuant to which the investors agreed to invest RMB22,000,000 to acquire 2.2% of the then equity interest of Shenzhen Pindao Management (collectively referred as "**Round A Investments**").

From May to November 2018, Shenzhen Pindao Management entered into three capital contribution agreements with certain investors, pursuant to which these investors agreed to contribute RMB60,000,000, RMB90,000,000 and RMB150,000,000 (collectively referred as "**Round B-1 Investments**") to acquire 1%, 1.5% and 2.5% of the then equity interest of Shenzhen Pindao Management respectively.

The holders of the Round A and Round B-1 investment shares are entitled to the same voting rights and dividend rights as other equity holders of Shenzhen Pindao Management. A summary of the special rights attributable to the Round A and Round B-1 investments:

Redemption rights

Shenzhen Pindao Management shall buy back all, or portion of the Round A investments and Round B-1 investments held by the holders upon certain events at the option of the holders at any time upon certain events as follows:

(a) failure of the Group to complete the Qualified IPO on or before 30 December 2023;

(b) changes to the Group's beneficial controlling owners or other events which may result in the failure the Group to complete the Qualified IPO within the stipulated time frame;

(c) any breach of contractual terms or misconducts by the management of the Group which may result in adverse financial effect (as defined in the capital contribution agreements as actual outlay losses of more than RMB1 million) to the holders and subsequently not financially compensated;

(d) failure of the Group to register for commercial trademarks for certain brand of products of the Group to secure the branding of the business before 31 December 2018.

The redemption price of the Round A investments and Round B-1 investments shall equal to the aggregate of:

(a) the total actual consideration paid by the investors;

(b) an annual rate of return of 8% beginning from the date of actual payments of the consideration from the investors to the redemption date, excluding any actual paid dividends during the equity holding period.

At the date of issuance, both Round A and Round B-1 Investments are initially recognized at fair value and are carried at amortized cost for subsequent periods. Interest on both Round A and Round B-1 investments is calculated using the effective interest method and recognized in the consolidated statements of profit or loss.

In December 2020 and January 2021, Shenzhen Pindao Management had repaid the aggregate principal amount of RMB392 million to redeemable capital contributions investors as part of the Reorganization. Pursuant to the share subscription agreement, the repayment were utilized by the redeemable capital contributions investors to subscribe for certain number of series A, series A+ and series B-1 preferred shares of the Company (Note 13).

12 FINANCIAL LIABILITIES AT FVTPL

	2021	2020
	RMB'000	*RMB'000*
Forward foreign exchange structure contracts	**8,376**	–
Warrants *(note (a))*	**–**	114,254
Onshore loans *(note (a))*	**–**	197,126
Convertible note *(note (a))*	**–**	50,501
	8,376	361,881

(a) Warrants, onshore loans and convertible note

In prior year, the Group completed B-2 round financing issuing convertible loan and note respectively to its investors, namely SCGC Capital Holding Company Limited and its affiliates (collectively known as "**SCGC**") and Court Card HK Limited ("**CCHK**").

In January 2021, upon the completion of the Reorganization, Shenzhen Pindao Management had repaid the principal amount of RMB200 million to SCGC to exercise and convert the warrants and onshore loans into certain number of series B-2 preferred shares of the Company. Furthermore, during the same period, the CCHK had also exercised and converted the convertible note into certain number of series B-2 preferred shares upon completion of the Reorganization (Note 13).

The details and key terms of the warrants, onshore loans and the convertible note are summarized as follows:

(i) *Warrants and onshore loans*

In prior year, SCGC had entered into an onshore loan agreement with a subsidiary of the Group, Shenzhen Pindao Management, to provide RMB denominated loans amounted to RMB200 million. In connection with the onshore loan agreements, SCGC and its affiliates had entered into warrant purchase agreements with the Company to subscribe for and purchase from the Company the warrants convertible into series B-2 preferred shares of the Company ("**the Warrants**"). The Group designated and accounted for the onshore loans as financial liabilities at FVTPL and the Warrants are accounted for as derivative liabilities measured at FVTPL.

The key terms of the warrants and onshore loans are as follows:

Warrants

The Warrants can be exercised by the holders upon the completion of the Overseas Direct Investments registration ("**ODI registration**") within 9 months from the issue date of the Warrants. Upon an exercise of the Warrants, The Company will issue series B-2 preferred shares to the warrant holders. The series B-2 preferred shares are automatically converted into ordinary shares of the Company prior to the closing of the qualified Initial Public Offering ("**the qualified IPO**").

Number of series B-2 preferred shares to be issued upon exercise of the Warrants

The number of series B-2 preferred shares to be issued upon exercise of the Warrants shall be determined by the amount repaid by Shenzhen Pindao Management under the onshore loan agreement ("**Repayment amount**") as converted by the exchange rate and the initial exercise price of United States Dollars ("**USD**") 0.6366 per series B-2 preferred shares.

Exercise period

Earlier of within five business days from the repayment date from Shenzhen Pindao Management under the onshore loan agreement ("**Repayment date**").

Exercise payment

The equivalent amount in USD of the Repayment amount as converted based on the selling rate of USD of the China Merchants Bank on the relevant exercise date.

Expiration

The Warrants shall expire on the fifteenth business day after nine months of the dates of the Warrants.

Repayment of the onshore loans

Shenzhen Pindao Management is required to repay SCGC to exercise the Warrants upon the completion of the ODI registration within the stipulated timeframe.

In the case where the ODI registration had not completed within the stipulated timeframe, Shenzhen Pindao Management is also required to repay SCGC for the onshore loan amounts provided for the portion of the Warrant that had not been exercised due to the failure to complete the ODI registration. The repayment period could be extended to first (1st), third (3rd) or fifth (5th) anniversary from the date of the Warrants, depending on the agreed causes for such failure. The repayments are interest-free in any of the above circumstances.

Upon the occurrence of any accelerated events as defined by the Warrants agreement, the repayment of the onshore loans shall be based on the redemption price of the series B-2 preferred shares on an as-converted and as-exercised basis.

(ii) *Convertible note*

In prior year, the Company and CCHK had entered into an agreement pursuant to which the Company issued a convertible note to the CCHK for consideration of RMB34,466,000 (face value of USD5 million). The convertible note shall be due and payable on the earlier of (a) 1st anniversary of the note issue date ("**the Maturity Date**") or (ii) the due and payable date triggered by an event of default. The convertible note bears interest at LIBOR interest rate per annum payable on the Maturity Date.

The rights of the noteholder to convert the note into series B-2 preferred shares are as follows:

Conversion right

In the case of the Group restructuring whereby Shenzhen Pindao Management becomes a wholly-owned subsidiary of the Company is completed within 9 months from the convertible note issue date (or within a longer year ending no later than the Maturity Date as mutually agreed by the Company and CCHK), the outstanding principal amount of the convertible note is automatically converted into series B-2 preferred shares of the Company, in which event the convertible note is deemed interest-free during the year between the convertible note issue date and the date of conversion.

In respect of which conversion rights have not been exercised, the convertible note will be redeemed at face value plus LIBOR interest rate on the due and payable Date.

The movements of the warrants, onshore loans and convertible note are set out as below:

	Warrants, onshore loans and convertible note
	RMB'000
At January 1, 2020	–
Issuance of the warrants	22,686
Issuance of the onshore loans	177,314
Issuance of the convertible note	34,466
Fair value changes	132,757
Exchange reserve	(5,342)
At December 31, 2020	361,881
At January 1, 2021	361,881
Conversion of the warrants	(113,126)
Conversion of the onshore loans	(200,000)
Conversion of the convertible note	(50,002)
Fair value changes	2,874
Exchange reserve	(1,627)
At December 31, 2021	–

The Group applied the market approach to determine the underlying equity value of the Group and adopted option-pricing method and equity allocation model to determine the fair value of the warrants, onshore loans and convertible note. Key assumptions are set as below:

	Warrants, onshore loans and convertible note
Discount rate	6.56%
Risk-free interest rate	0.18%
Volatility	32.78%

The fair value of the warrants, onshore loans and convertible note ("**Subject**") was determined with the assistance of an independent third-party valuation firm, Jones Lang LaSalle Corporate Appraisal and Advisory Limited. The fair value of the Subject was principally developed through the application of the option pricing method ("**OPM**"). The OPM treats ordinary share and the Subject as call options on the entity's equity value, with exercise prices based on the liquidation and redemption preferences of the Subject. This method considers the various terms of the investor agreements of the Subject that would affect the distributions to the Subject upon a liquidation event, including the level of seniority among the securities, conversion ratios, and cash allocations. The OPM frequently relies on the Black-Scholes option pricing model to price the call option.

13 CONVERTIBLE REDEEMABLE PREFERRED SHARES

Since the date of incorporation and upon the completion of Reorganization, the Company has completed several rounds of financing and re-designation of ordinary shares to convertible redeemable preferred shares to its investors, namely, series A preferred shares, series A+ preferred shares, series B-1 preferred shares, series B-2 preferred shares and series C preferred shares (collectively as "**Preferred Shares**"), respectively.

The key terms of the Preferred Shares are summarized as follows:

Dividend rights

The holders of Preferred Shares shall be entitled to receive dividends, out of any funds legally available therefor, prior and in preference to any declaration or payment of any dividend on the ordinary shares. No dividend, whether in cash, in property or in shares of the capital of the Company, shall be paid on or declared and set aside for any ordinary shares or any other class or series of shares of the Company unless and until all dividends have been paid in full on the Preferred Shares (on an as-converted basis).

Conversion feature

The Preferred Shares shall be automatically converted into fully-paid, non-assessable ordinary shares, based on the then-effective applicable conversion price for such shares immediately prior to the closing of an IPO.

Also, at the option of the holders, the Preferred Shares can be converted into fully-paid, non-assessable ordinary shares on the date specified on the written request with respect to such conversion.

Redemption feature

Upon the written request of each holder of the Preferred Shares, the Company shall redeem all or any portion of the Preferred Shares. Upon the earlier to occur of (i) the Company has not completed an IPO within 36 months of the Issue Date, or (ii) any material breach of any transaction agreement by any group company or any founder party, any holder of Preferred Shares may at any time require the Company to redeem any or all of the then outstanding Preferred Shares held by such holders at the redemption price which represent the issue price, plus all declared or accrued but unpaid dividends and an interest at an annual compounded rate of 8% calculating from the Issue Date to the payment date.

Voting rights

Each Preferred Shares has voting rights equivalents to the number of ordinary shares into which such preferred shares could be then convertible.

Liquidation preferences

Upon the occurrence of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the assets of the Company legally available for distribution shall be distributed among the holders of the issued and outstanding shares (on an as-converted basis) in the following order and manner:

Each holder of Preferred Shares shall be entitled to receive for each Preferred Share held, the amount equal to one hundred percent (100%) of the applicable preferred shares issue price, plus all declared dividends on such Preferred Share. If the assets and funds available for distribution shall be insufficient to permit the payment to such holders of the full preferred preference amount, the liquidation preference amount will be paid to the preferred shareholders in the following order: first to holders of series C preferred shares, second to series B-2 and series B-1 preferred shares, third to series A+ preferred shares and fourth to series A preferred shares.

The movements of the convertible redeemable preferred shares are set out as below:

	Convertible redeemable preferred shares
	RMB'000
At January 1, 2020	–
Issuance of series C preferred shares	521,992
Re-designation of ordinary shares to series C preferred shares	130,498
At December 31, 2020	652,490
At January 1, 2021	652,490
Issuance of series A, series A+ and series B-1 preferred shares	477,174
Issuance of series B-2 preferred shares	363,128
Re-designation of ordinary shares to series C preferred shares	32,303
Fair value changes of convertible redeemable preferred shares	4,329,052
Automatic conversion of all classes preferred shares upon listing	(5,836,481)
Exchange reserve	(17,666)
At December 31, 2021	–

All classes of convertible redeemable preferred shares were automatically converted into ordinary shares on a one-to-one ratio upon the Company's listing on the Stock Exchange on June 30, 2021. The difference between the fair value of the preferred shares as at December 31, 2020 and the listing offer price of HKD19.80 per share is accounted for as fair value changes of convertible redeemable preferred shares in the consolidated statement of profit or loss. The fair value loss of financial instruments is a non-cash item, and there will be no further gains or losses on fair value changes from these preferred shares after the automatic conversion into ordinary shares upon listing.

14 CAPITAL, RESERVES, DIVIDENDS AND NON-CONTROLLING INTERESTS

(a) Share capital

	Note	**Number of Shares**	**Nominal Value** *RMB'000*
Ordinary shares, issued and fully paid:			
At January 1, 2020	*(ii)*	–	100
Issuance of ordinary shares		1,000,000,000	326
Re-designation of ordinary shares to series C preferred shares		(18,124,469)	(6)
Exercise of share options		5,035,756	2
At December 31, 2020		986,911,287	422
At January 1, 2021		986,911,287	422
Reorganization	*(ii)*	–	(100)
Re-designation of ordinary shares to series C preferred shares		(4,531,117)	(1)
Issuance of ordinary shares to employee incentive platform		121,226,552	40
Automatic conversion of preferred shares upon global offering	*(iii)*	354,250,425	114
Global offering	*(iv)*	257,269,000	83
At December 31, 2021		1,715,126,147	558

(i) 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.

(ii) For the purpose of the presentation of the consolidated statements of financial position, the share capital of the Group represents the paid-in capital of Shenzhen Pindao Group amounting to RMB100,000 and the share capital of the Company amounting to RMB322,000 as at December 31, 2020. Upon the completion of the Reorganization, the Company became the holding company of the Group and share capital as at December 31, 2021 represented solely the share capital of the Company.

(iii) After the completion of the Reorganization in January 2021, the Company had issued certain numbers of series A, series A+, series B-1, series B-2 and series C preferred shares upon the share subscriptions, exercised warrants and re-designation of certain numbers of ordinary shares to series C preferred shares by the pre-IPO investors and the Company, respectively. All classes of preferred shares were automatically converted into ordinary shares on a one to one ratio upon the Company's listing on the Stock Exchange on June 30, 2021.

(iv) On June 30, 2021, the Company had newly issued 257,269,000 shares at HKD19.80 per share with a par value of USD0.00005 each. The total gross proceeds from the new shares issued were approximately RMB4,238,555,000 (equivalent to HKD5,093,926,000). The respective share capital amount was RMB83,000 (equivalent to USD13,000), and capital reserve was approximately RMB4,096,877,000, net of issuance costs. The issuance costs paid mainly include share underwriting fees and commissions and professional fees paid to legal, accounting, other advisors and other related cost for their services rendered, which are incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB141,594,000 were treated as a deduction against the capital reserve arising from the issuance.

(b) Movements in components of equity

Details of the changes in the Company's individual components of equity are set out below:

The Company

	Share capital *RMB'000*	Capital reserve *RMB'000*	Share-based payments reserve *RMB'000*	Exchange reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
Balance at January 1, 2021	322	(86,710)	10,355	4,858	(153,883)	(225,058)
Changes in equity for the year ended December 31, 2021:						
Losses for the year	–	–	–	–	(4,363,290)	(4,363,290)
Other comprehensive income	–	–	–	(57,785)	–	(57,785)
Total comprehensive income	–	–	–	(57,785)	(4,363,290)	(4,421,075)
Issuance of ordinary shares	–	–	–	–	–	–
Equity-settled share-based transactions	–	–	25,239	–	–	25,239
Re-designation of ordinary shares to series C preferred shares	(1)	(24,822)	–	–	–	(24,823)
Automatic conversion of preferred shares upon global offering	114	5,836,367	–	–	–	5,836,481
Issuance of ordinary shares upon global offering, net of issuance costs	83	4,096,878	–	–	–	4,096,961
Shares issued to employee incentive platform	40	19	–	–	–	59
RSUs vested	–	4,493	(4,493)	–	–	–
Balance at December 31, 2021	558	9,826,225	31,101	(52,927)	(4,517,173)	5,287,784
Balance at January 1, 2020	–	–	–	–	–	–
Changes in equity for the year ended December 31, 2020:						
Losses for the year	–	–	–	–	(153,883)	(153,883)
Other comprehensive income	–	–	–	4,858	–	4,858
Total comprehensive income	–	–	–	4,858	(153,883)	(149,025)
Issuance of ordinary shares	326	–	–	–	–	326
Equity-settled share-based transactions	–	–	14,199	–	–	14,199
Shares issued under share option plan	2	13,567	(3,844)	–	–	9,725
Re-designation of ordinary shares to series C preferred shares	(6)	(100,277)	–	–	–	(100,283)
Balance at December 31, 2020	322	(86,710)	10,355	4,858	(153,883)	(225,058)

(c) Nature and purposes of reserves

(i) Capital reserve

Acquisition of non-controlling interests

During the year ended 31 December 2020, the Group acquired an additional 5% equity interest of Shanghai Nayuki, Hangzhou Nayuki, Nanjing Manyida and Nanjing Nayuki from their non-controlling shareholders at consideration of nil in aggregate, the differences between the consideration paid and acquired proportionate interest in identifiable net assets of Shanghai Nayuki, Hangzhou Nayuki, Nanjing Manyida and Nanjing Nayuki of RMB4,738,000 was recognized as a deduction from capital reserve.

Re-designation of ordinary shares to preferred shares

The Group recognized the difference between the fair value and par value of ordinary shares resulted from the redesignation of ordinary shares to preferred shares to amounted to RMB24,822,000 for the year ended December 31, 2021 (2020: 100,277,000).

Automatic conversion of all classes of preferred shares upon listing

All classes of preferred shares were automatically converted into ordinary shares on a one-to-one ratio upon the Company's listing on June 30, 2021. The principal amount of all classes of preferred shares and the cumulative changes in fair value are capitalized as share capital and capital reserve accordingly.

(ii) Share-based payments reserve

The share-based payments reserve represents the portion of the grant date fair value of share options and RSUs granted to the directors and employees of the Group that has been recognized in accordance with the accounting policy adopted for share-based payments.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements for operations outside of mainland China. The reserve is handled with in accordance with the accounting policies adopted for foreign exchange.

(d) Dividends

No dividends have been declared or paid by the Company during the year ended December 31, 2021 (2020: nil).

No final dividends were proposed after the end of Reporting Period (2020: nil).

(e) Non-controlling interests

In prior years, a subsidiary of the Group received contribution from non-controlling shareholders, amounted to RMB813,000.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net asset/debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing borrowings and lease liabilities but excludes redeemable capital contributions, financial liabilities at FVTPL and convertible redeemable preferred shares) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity and redeemable capital contributions, financial liabilities at FVTPL and convertible redeemable preferred shares, other than amounts recognized in equity relating to cash flow hedges, less unaccrued proposed dividends, if any.

The Group's adjusted net asset-to-capital ratio at December 31, 2021 is 33.7% (2020: adjusted net debt-to-capital ratio 166.5%).

15 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2021

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and new standards, which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, *Reference to the Conceptual Framework*	January 1, 2022
Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	January 1, 2022
Amendments to IAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*	January 1, 2022
Amendments to IFRS Standards, *Annual Improvements to IFRS Standards 2018-2020*	January 1, 2022
Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*	January 1, 2023
IFRS 17, *Insurance Contracts*	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2, *Disclosure of Accounting Policies*	January 1, 2023
Amendments to IAS 8, *Definition of Accounting Estimate*	January 1, 2023
Amendments to IAS 12 Income Taxes, *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*	January 1, 2023
Amendments to IFRS 10 and IAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far, the Group has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

16 SUBSEQUENT EVENTS

COVID-19

Since early 2022, a new wave of COVID-19 outbreak has impacted various regions across Mainland Chinese with raising reported confirmed cases. The Chinese government has imposed various restrictions over business activities, including temporarily banning of dine-in services and reduced business hours in certain areas where the confirmed cases are high. The impact to the operation of the Group remains highly uncertain and subject to the development of the situation.

OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code. Since the Listing Date and up to December 31, 2021, the Company has complied with all applicable code provisions as set out in the CG Code save for the deviation from code provision C.2.1 of the CG Code.

Under 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. Mr. Zhao Lin is currently the Chairman and Chief Executive Officer.

Mr. Zhao has served as a director of Shenzhen Pindao Management from February 2017 to October 2020 and a Director of our Company since June 2020. He is the founder of our Group and has extensive experience in the business operations and management of our 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 and the Chief Executive Officer. This structure will enable our 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all Directors, all of them have confirmed that they have complied with the Model Code since the Listing Date and up to December 31, 2021.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with the CG Code. The Audit Committee consists of three independent non-executive Directors, namely Ms. Zhang Rui, Mr. Liu Yiwei and Mr. Chen Qunsheng. Ms. Zhang Rui, with appropriate accounting and financial management expertise, has been appointed as the chairperson of the Audit Committee. The primary duties of the Audit Committee are to manage relationship with the Company's auditor, review financial information of the Company and oversee the Company's financial reporting system and internal control procedures. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended December 31, 2021. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members and the Company's auditor, KPMG. The Audit Committee considered that the consolidated results of the Group for the year ended December 31, 2021 are in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been duly made.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities since the Listing Date and up to December 31, 2021.

FINAL DIVIDENDS

The Board has resolved not to recommend the payment of any final dividend for the year ended December 31, 2021 (2020: Nil).

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company will be held in due course. A notice convening the annual general meeting and setting out the arrangements in relation to the closure of register of members will be published and dispatched to the Shareholders in due course in accordance with the requirements of the Hong Kong Listing Rules.

SCOPE OF WORK OF KPMG

The financial figures in respect of the Group's consolidated statement of financial position as at December 31, 2021, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2021 as set out in this Results Announcement have been compared by KPMG to the amounts set out in the Group's audited consolidated financial statements for the year. The Company's Auditor made no comments as to the reasonableness or appropriateness of those assumptions of the "adjusted net profit/(loss)" as presented in this Results Announcement. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG on this Results Announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This Results Announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.naixuecha.com.

The Company's annual report for the year ended December 31, 2021 containing all the information required by the Listing Rules will be dispatched to the Shareholders and will also be published on the respective websites of the Company at www.naixuecha.com and the Stock Exchanges at www.hkexnews.hk 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" or "Board of Directors"	the board of Directors of the Company
"BVI"	the British Virgin Islands
"CG Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"Chairman"	the chairman of the Board
"Chief Executive Officer"	the chief executive officer of our 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 are listed and traded on the Stock Exchange
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and, in the context of this announcement, means Mr. Zhao, Ms. Peng, Linxin Group, Linxin International, Linxin Holdings and Crystal Tide Profits Limited
"Director(s)"	member(s) of the board of directors of the Company, including all executive, non-executive and independent non-executive directors
"Group," "our 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" or "HK dollars" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party" or "Independent Third Parties"	any entity or person who is not a connected person of our Company or an associate of any such person within the meaning ascribed thereto under the Listing Rules

"Linxin Group"	Linxin Group Limited, a company incorporated in the BVI on December 29, 2020, one of our Controlling Shareholders
"Linxin Holdings"	Linxin Holdings Limited (林心控股有限公司), a company incorporated in the BVI on September 5, 2019, one of our Controlling Shareholders
"Linxin International"	Linxin International Limited, a company incorporated in the BVI on December 29, 2020, one of our Controlling Shareholders
"Listing Date"	June 30, 2021
"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
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Option(s)"	share option(s) granted pursuant to the 2020 Share Option Plan
"Prospectus"	the prospectus of the Company dated June 18, 2021
"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 SAR, Macau SAR or Taiwan Province
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"Reporting Period"	the year ended December 31, 2021
"RSU(s)"	restricted share unit(s) granted pursuant to the 2020 Share Incentive Plan
"Share(s)"	share(s) of the Company of nominal value of US$0.00005 each
"Shareholder(s)"	holder(s) of the Shares

"Shenzhen Pindao Group"	Shenzhen Pindao Group Co., Ltd. (深圳市品道集團有限公司), a company incorporated in the PRC on December 17, 2019 and a wholly-owned subsidiary of our Company
"Shenzhen Pindao Management"	Shenzhen Pindao Food & Beverage Management Co., Ltd. (深圳市品道餐飲管理有限公司), a company incorporated in the PRC on May 12, 2014 and a wholly owned subsidiary of our Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US$" or "U.S. dollars"	United States dollars, the lawful currency for the time being of the United States
"%"	per cent

By order of the Board
Nayuki Holdings Limited
ZHAO Lin
Chairman

Shenzhen, the PRC, March 29, 2022

As at the date of this announcement, the Board of the Company comprises Mr. ZHAO Lin, Ms. PENG Xin and Mr. DENG Bin as executive directors; Mr. PAN Pan and Mr. WONG Tak-wai as non-executive directors; and Mr. CHEN Qunsheng, Mr. LIU Yiwei and Ms. ZHANG Rui as independent non-executive directors.