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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2022

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

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW

In the first half of 2022, due to the continuous impact of the COVID-19 pandemic ("**COVID-19**"), the operation of *Nayuki* teahouses was disrupted especially for those high-tier cities where *Nayuki* teahouses are densely located. The Group's revenue decreased by 3.8% from RMB2,125.9 million for the six months ended June 30, 2021 to RMB2,044.9 million for the same period in 2022, and the adjusted net profit/(loss) turned from profit of RMB48.2 million for the six months ended June 30, 2021 to loss of RMB249.0 million for the same period in 2022.

In the first half of 2022, we recorded store-level operating profit of RMB195.6 million for *Nayuki* teahouses, representing a decrease of 49.2% compared to the same period in 2021. The store-level operating profit margin of *Nayuki* teahouses was 10.4% in the first half of 2022, representing a decrease of 8.8 percentage points compared to the same period in 2021. Net cash generated from operating activities of the Group decreased by 72.8% from RMB377.9 million for the six months ended June 30, 2021 to RMB102.9 million for the same period in 2022.

Performance by sub-brands

For the six months ended June 30, 2022, *Nayuki* teahouses contributed a vast majority of our revenue. For 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 six months ended June 30,					
	2022		2021		Change	
	RMB	*%*	*RMB*	*%*	*RMB*	*Percentage point(s)*
	(in thousands, except percentages)					
Nayuki	**1,878,033**	**91.8**	2,006,509	94.4	-128,476	-2.6
Tai Gai	**43,722**	**2.2**	77,528	3.6	-33,806	-1.4
Others[(1)]	**123,192**	**6.0**	41,890	2.0	81,302	4.0
Total	**2,044,947**	**100**	2,125,927	100.0	-80,980	N/A

	For the six months ended June 30, 2022		For the six months ended June 30, 2021	
	Store-level Operating Profit(2)	**Store-level Operating Profit Margin(2)**	Store-level Operating Profit(2)	Store-level Operating Profit Margin
	RMB	***%***	*RMB*	*%*
	(in thousands, except percentages)			
Nayuki	**195,561**	**10.4**	385,177	19.2
Tai Gai	**-4,067**	**-9.3**	12,039	15.5

	For the six months ended June 30, 2022	For the six months ended June 30, 2021
***Nayuki* teahouses**		
Average sales value per order (RMB)(3)	**36.7**	43.5
Average orders per teahouse per day(#)(4)	**346.2**	488.9

Notes:

(1) Including revenue derived from our headquarters and others. Revenue derived from headquarters consist primarily of sales of retail products such as bottled drinks, gift tea boxes, seasonal gift sets and other gifts.

(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-level 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.

(4) Calculated by the arithmetic average amount of valid orders per day of a *Nayuki* teahouse in certain 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 bottled fruit tea, sparkling water and snacks. The following table sets out our performance by business lines.

	For the six months ended June 30,					
	2022		2021		Change	
	RMB	*%*	*RMB*	*%*	*RMB*	*Percentage point(s)*
	(in thousands, except percentage)					
Freshly-made tea drinks	**1,472,141**	**72.0**	1,587,444	74.7	-115,303	-2.7
Baked products	**380,610**	**18.6**	468,754	22.0	-88,144	-3.4
Other products(1)	**192,196**	**9.4**	69,729	3.3	122,467	6.1
Total	**2,044,947**	**100**	2,125,927	100	-80,980	N/A

Under the current market environment, the Group will focus on the research and development and promotion of its main business, the freshly-made tea drinks. The product line of the freshly-made tea drinks is comparatively flexible and can be more capable of helping the Group to restore profitability more quickly. In view of this, the share of revenue of the baked products decreased in the first half of 2022. Once there is recovery of both the market environment and profitability, the Group will continue to launch more baked products which are popular with consumers and are more suitable for the type of bake stores that no on-site baking is required.

Note:

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

Performance by income sources – *Nayuki* teahouses

In the first half of 2022, the proportion of delivery orders continued to 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 six months ended June 30,					
	2022		2021		Change	
	RMB	***%***	*RMB*	*%*	*RMB*	*Percentage point(s)*
			(in thousands, except percentage)			
***Nayuki* teahouses**						
In-store cashier[1]	**373,477**	**19.9**	557,564	27.8	-184,087	-7.9
Pickup by mini programs [2]	**667,647**	**35.5**	761,115	37.9	-93,468	-2.4
Delivery orders[3]	**836,909**	**44.6**	687,830	34.3	149,079	10.3
Total	**1,878,033**	**100.0**	2,006,509	100.0	-128,476	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. For the six months ended June 30, 2022, out of the revenue of the Group's *Nayuki* teahouses, approximately 36.1% was derived from revenue generated from delivery orders placed by third-party platforms, and approximately 8.5% 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 experienced continuous increasing. As of June 30, 2022, the Company had registered members of approximately 49.0 million, representing an increase in registered members of 5.7 million compared to December 31, 2021. The number of active members[(1)] amounted to approximately 7.2 million, with a repurchase rate[(2)] of approximately 33.6%, representing an increase of 3.3 percentage points compared to the same period last year.

Notes:

(1) Representing the members who placed an order for our products at least once in the second quarter of 2022.

(2) Representing the proportion of active members who placed orders for our products at least twice in the second quarter of 2022.

2. PERFORMANCE ANALYSIS OF STORES

Optimization of store type disclosure of *Nayuki* teahouses

We launched a new store type, namely *Nayuki* PRO teahouse, at the end of 2020. Unlike the regular *Nayuki* teahouses being operated in a "front shop, back factory" model to make freshly-made baked products, we removed the on-site bakery area in the *Nayuki* PRO teahouses and focused on selling pre-made baked products which only require simple processing by the store staff before serving the customers. With this change, there are less restrictions when opening *Nayuki* PRO teahouses, which in turn can better cater for different consumption scenarios and the daily needs of customers. On the premise of maintaining the highest standard of customer experience, *Nayuki* PRO teahouses are more conducive to facilitate efficient operation with fewer store staff and enable rapid increase in the number of *Nayuki* PRO teahouses with relatively low preliminary investments in a cost-effective way.

At present, almost all of the newly opened *Nayuki* teahouses of the Group are PRO teahouses, and the existing regular teahouses will be gradually converted into PRO teahouses upon the expiry of their lease or with the permission of the shopping malls or other lessors. By analyzing the performance before and after the conversion of regular teahouses into PRO teahouses as well as the comparison of the performance of regular teahouses and PRO teahouses at similar store locations, we believe that when the store locations are the same or similar, the revenue of PRO teahouses are basically the same as that of the regular teahouses, and the rental and labor costs of the PRO teahouses are generally lower than those of the regular teahouses. In this regard, the PRO teahouse model has been well verified.

In light of this, we believe that the differences between regular teahouses and PRO teahouses currently are relatively minor and will continue to reduce in the future, and we will no longer put emphasis on such differences. Due to the similarity of the location and operating performance of the stores, regular teahouses and Type-I PRO Teahouses disclosed previously will be consolidated as "Type-I Teahouses", while Type-II PRO Teahouses located in other less prime shopping malls, office buildings, residential neighborhoods, etc. will be named as "Type-II Teahouses".

Number and distribution of stores – *Nayuki* teahouses

As of June 30, 2022, our Group has 904 self-owned *Nayuki* teahouses in 85 cities. In the first half of 2022, we newly opened 87 *Nayuki* teahouses. The following table sets out the breakdown of the number of our *Nayuki* teahouses by geographic location.

	As of June 30, 2022	As of December 31, 2021
Number of Type-I Teahouses (#)		
Tier 1 cities	**261**	245
New Tier 1 cities	**252**	245
Tier 2 cities	**184**	172
Other cities [(1)]	**70**	56
Total	**767**	718

	As of June 30, 2022	As of December 31, 2021
Number of Type-II Teahouses (#)		
Tier 1 cities	**48**	35
New Tier 1 cities	**48**	37
Tier 2 cities	**25**	15
Other cities [(1)]	**16**	12
Total	**137**	99

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 Teahouses are located in higher rated commercial area as compared with Type-II Teahouses. Except for the above, there is no systematic difference between the Type-I Teahouses and the Type-II 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 Teahouses will be higher than that of Type-II Teahouses.

Certain additional key performance indicator data of our *Nayuki* teahouses by market and by nature of 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 six month ended June 30, 2022		
	Number of store[1] *(#)*	**Average daily sales per teahouse** *(RMB'000)*	**Store-level operating profit margin[2]** *(%)*
***Nayuki* teahouses**			
Shenzhen	**125**	**17.6**	**17.1**
Shanghai	**64**	**11.3**	**-16.2**
Guangzhou	**61**	**13.0**	**11.9**
Wuhan	**48**	**11.1**	**8.5**
Xi'an	**33**	**14.7**	**19.8**
Beijing	**48**	**12.2**	**1.1**

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

	For the six months ended June 30,				
		2022	2021	**2022**	2021
	Number of same stores[3] *(#)*	Average daily sales per teahouse *(RMB'000)*		Store-level operating profit margin[2] *(%)*	
***Nayuki* teahouses**					
Shenzhen	88	**18.8**	25.4	**17.2**	25.5
Shanghai	34	**11.9**	20.2	**-22.1**	15.5
Guangzhou	27	**15.9**	23.1	**12.7**	22.0
Wuhan	24	**13.8**	24.0	**9.9**	21.1
Xi'an	20	**17.2**	21.6	**20.1**	21.1
Beijing	21	**13.5**	24.5	**1.7**	14.3

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 Type-I Teahouses and Type-II Teahouses.

	As of and for the six months ended June 30, 2022		
	Number of stores[(1)] ***(#)***	**Average daily sales per teahouse** ***(RMB'000)***	**Store-level operating profit margin[(2)]** ***(%)***
Type-I Teahouses	**733**	**13.2**	**11.5**
Type-II Teahouses	**128**	**9.6**	**10.5**

Notes:

(1) Only including stores that opened for at least 60 days as of June 30, 2022 and did not cease operations as of June 30, 2022. We are of view that stores opened for less than 60 days may be significantly affected by opening promotions, "opening customer traffic" and other factors, which may lead to the overall data being unrepresentative and misleading to investors. Therefore, we have excluded those stores.

(2) Since there are one-off opening expenses, including but are not limited to, 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, it will be not meaningful for reference due to the fact that the store-level profit margin of such teahouses to be significantly affected by the opening expenses. To facilitate investors to have a better understand of and 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 the first half of 2021 and the first half of 2022 and did not cease operations as of June 30, 2022.

Unit economic model – *Nayuki* teahouses

Since the listing of the Group in June 2021, the unit economic model of *Nayuki* teahouses has undergone significant changes. On the one hand, the impact of COVID-19 that began in the second half of 2021 and the changes in consumer psychology and habits caused by the macro economy have affected the Group's revenue, which in turn pushed up various costs of stores through operating leverage. On the other hand, the Group tried its best to restore and improve the profitability of stores through digital/automatic transformation measures, labor optimization measures and rent negotiation as well as continuous optimization in supply chain. The following table sets forth the changes in the unit economic model of the stores of *Nayuki* teahouses based on the unaudited consolidated management accounts of the Group in June 2021 and June 2022, respectively:

	June 2022(1)	June 2021(1)	**Notes**
Revenue (RMB ten thousand yuan/day)	**1.3**	2.1	The main determinant of store revenue is the flow of people of its location; the relationship between store type and revenue is not significant
Raw material (%)	**34.5**	35.1	Through supply chain optimization, the Group's raw material cost maintained at no higher than 35%, and there is room for continuous optimization
Labour (%)	**18.9**	23.7	In the first half of 2022, through continuous optimization, the Group basically reduced the labor cost of stores to the level of the same period of 2021
Rent (%)	**15.7**	13.9	Through the renegotiation and adjustment of some existing stores and stricter rent requirements for newly opened stores, the Group has not been greatly affected by the minimum rent of existing stores. Rental cost remained relatively stable and have room for decline
Delivery order fee (%)	**9.2**	6.2	Affected by factors such as the recurring outbreak of COVID-19, the proportion of the Group's delivery order business has increased significantly, resulting in an increase in delivery order fee
Utilities expenses (%)	**2.9**	2.0	/
Other depreciation and amortization (%)	**5.6**	4.1	/

Note:

(1) Given the inherent seasonal effects in the Group's business, the unit economic model may vary significantly from month to month.

3. OUTLOOK

Since the second half of 2021, affected by factors like COVID-19, the uncertainty of the external environment has increased significantly. We expect that the second half of 2022 would remain challenging. In the past period, the Group has continued to reduce costs and increase efficiency, reduce operating leverage and improve resilience, which have achieved initial results. In the future, the Group will continue to promote optimization. In addition, we will continue to improve the communication with capital market to help investors find certainty amid uncertainty.

In terms of profitability improvement, the Group will continue to focus on optimizing labour and rental costs. The Group is optimizing labor costs through technological innovation initiatives. The automatic shift scheduling system launched in March 2022 helped the Group to identify the way to improve human efficiency at the store level and adopt optimization measures. In the second quarter of 2022, the labor cost of the stores decreased significantly. Before the end of the third quarter of 2022, the promotion of automatic tea-making equipment will be completed in *Nayuki* teahouses across the country as scheduled, which can greatly reduce the reliance on training and improve the flexibility of the use of manpower of stores. The Group aims to reduce and stabilize the labor cost at the store level of *Nayuki* teahouses in unaudited consolidated management account within 20% in the short to medium term, which is better than the level in the first half of 2021. In terms of rent, the Group has reevaluated some of the existing stores with relatively high actual rental cost starting from early 2022, and sought to renegotiate leases and/or initiate other adjustment measures for some of these stores to reduce rental cost rigidity. The Group aims to maintain the actual rental cost at the store level of *Nayuki* teahouses within 15% in the short term, and expects a small room for decline in the future.

In terms of retail business, the Group has already launched a variety of bottled pure tea, fruit tea and sparkling water products, which are sold in offline channels like chain shopping malls, online channels and *Nayuki* teahouses. The Group expects that the revenue of retail business will gradually increase. Due to the costs of channel deployment and other expenses during the early stage, the business is expected to record a certain amount of loss this year. In the short term, the retail business will begin to help the Group increase its contacts with potential consumers and help build brand recognition. In the long run, it will hopefully become another driving force for the Group's continued growth. We expect retail business performance to be presented separately in the 2022 annual results announcement at the earliest. We plan to provide the market with more quantitative information on this business line after it is being presented separately.

FINANCIAL REVIEW

Revenue

The Group generates substantially all of its revenue from sales of products offered by *Nayuki* teahouses. For the Reporting Period and for the six months ended June 30, 2021, *Nayuki* contributed approximately 91.8% and approximately 94.4% of the total revenue, respectively. The remaining small portion of revenue was mainly derived from teahouses operated under the Group's sub-brand *Tai Gai* and the sales of bottled tea drinks.

The Group recorded revenue of approximately RMB2,044.9 million for the Reporting Period (for the six months ended June 30, 2021: approximately RMB2,125.9 million), representing an decrease of approximately 3.8% as compared with the same period in 2021, which was mainly attributable to the sustained resurgence of COVID-19 across the regions in the mainland China in the first half of 2022, resulting in the weakened spending across the regions in the mainland China and the pressure on the income of stores of the Group.

Other income

Other income of the Group consists primarily of (i) interest income on bank deposits, rental deposits and other financial assets; and (ii) government grants, primarily representing subsidies and unconditional cash awards granted by local governments. Other income of the Group amounted to approximately RMB64.1 million for the Reporting Period (for the six months ended June 30, 2021: approximately RMB8.8 million). The increase in the Group's other income was primarily due to the increase in the subsidy from government and interest income on bank deposits.

Expenses

Cost of materials

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

Cost of materials of the Group amounted to approximately RMB648.4 million, representing approximately 31.7% of the total revenue for the Reporting Period, compared to RMB668.9 million, or 31.5% of the total revenue for the six months ended June 30, 2021. During the Reporting Period, our cost of materials decreased by 3.1% as compared with the same period in 2021. The proportion of cost of materials over total revenue remained generally stable during the Reporting Period as compared with the same period in 2021.

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 approximately RMB711.8 million, representing approximately 34.8% of the total revenue for the Reporting Period, compared to approximately RMB669.8 million, or approximately 31.5% of the total revenue for the six months ended June 30, 2021. The proportion of staff costs over total revenue increased for the Reporting Period, primarily due to the increase in the number of stores of the Group in the first half of 2022 and the increase in labour costs. However, there was a decrease in store revenue across the regions in the mainland China due to the resurgence of the COVID-19. During the Reporting Period, staff costs classified by brands included: (i) store-level staff costs for *Nayuki*, which amounted to approximately RMB487.9 million, representing approximately 26.0% of revenue for *Nayuki*, (ii) store-level staff costs for *Tai Gai*, which amounted to approximately RMB15.3 million, representing approximately 35.1% of revenue for *Tai Gai*, and (iii) staff costs for headquarters and others, which amounted to approximately RMB208.6 million, representing approximately 10.2% of the total revenue.

Depreciation of right-of-use assets

Depreciation of right-of-use assets represents depreciation charges for the Group's leases. The Group had adopted IFRS 16 throughout the Reporting Period, under which the Group recognized right-of-use asset and lease liability accordingly. 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 approximately RMB221.4 million for the Reporting Period (for the six months ended June 30, 2021: approximately RMB201.9 million), representing approximately 10.8% of the Group's total revenue during such period.

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 approximately RMB102.4 million for the Reporting Period (for the six months ended June 30, 2021: approximately RMB94.0 million), representing approximately 5.0% of the Group's total revenue during such period.

Depreciation and amortization of other assets

Depreciation and amortization of other assets represent depreciation charges for property and equipment and depreciation expense for leasehold improvements. Depreciation and amortization of other assets of the Group amounted to approximately RMB126.2 million for the Reporting Period (for the six months ended June 30, 2021: approximately RMB95.2 million), representing approximately 6.2% of the Group's total revenue during such period.

Advertising and promotion expenses

Advertising and promotion expenses primarily represent expenses incurred in connection with our marketing, branding and promotion activities. Advertising and promotion expenses of the Group amounted to approximately RMB75.2 million for the Reporting Period (for the six months ended June 30, 2021: approximately RMB37.5 million), representing approximately 3.7% of the Group's total revenue during such period.

Delivery services fees

Delivery service fees represent fees paid by the Group to third-party delivery service providers. Delivery service fees of the Group amounted to approximately RMB163.1 million for the Reporting Period (for the six months ended June 30, 2021: approximately RMB111.6 million), representing approximately 8.0% of the Group's total revenue during the Reporting Period.

Utilities expenses

Utilities expenses consist primarily of expenses in relation to electricity utilities, and to a lesser extent, gas and water utilities that are attributable to the operation of the Group's teahouses. Utilities expenses of the Group amounted to approximately RMB53.2 million for the Reporting Period (for the six months ended June 30, 2021: approximately RMB39.3 million), representing approximately 2.6% of the Group's total revenue during such period.

Logistic and storage fees

Logistic and storage fees represent fees paid by the Group to third-party service providers for raw materials transportation and warehousing services. Logistic and storage fees of the Group amounted to approximately RMB58.7 million for the Reporting Period (for the six months ended June 30, 2021: approximately RMB41.6 million), representing approximately 2.9% of the Group's total revenue during such period.

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 approximately RMB44.3 million for the Reporting Period (for the six months ended June 30, 2021: approximately RMB46.4 million), representing approximately 2.2% of the Group's total revenue during such period. 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 six months ended June 30,			
	2022		2021	
	RMB	***%***	*RMB*	*%*
	(in thousands, except percentages)			
Interest on bank loans	**–**	**–**	2,168	0.1
Interest on redeemable capital contributions	**–**	**–**	866	0.0
Interest on lease liabilities	**43,671**	**2.2**	42,885	2.0
Interest on provisions	**631**	**0.0**	488	0.0
	44,302	**2.2**	46,407	2.1

Other expenses

Other expenses consist primarily of (i) administrative expenses incurred during our ordinary course of business, such as telecommunication expenses and maintenance expenses; (ii) travelling and business development expenses incurred by our employees; (iii) other-party service fees representing costs associated with third-party management consulting and other professional services; (iv) impairment losses; (v) listing expenses; and (vi) others, such as insurance fees and other tax and surcharges. Other expenses of the Group amounted to approximately RMB104.1 million for the Reporting Period (for the six months ended June 30, 2021: approximately RMB83.6 million), representing approximately 5.1% of the Group's total revenue during such period. The following table sets forth the components of our other expenses in absolute amounts and as percentages of total revenue for the periods indicated.

	For the six months ended June 30,			
	2022		2021	
	RMB	*%*	*RMB*	*%*
	(in thousands, except percentages)			
Administrative expenses	**50,954**	**2.5**	27,046	1.3
Travelling and business development expenses	**14,523**	**0.7**	12,681	0.6
Other-party service fees	**9,775**	**0.5**	11,558	0.5
Impairment losses	**6,662**	**0.3**	539	0.0
Listing expenses	**–**	**0.0**	14,735	0.7
Others	**22,158**	**1.1**	17,041	0.8
	104,072	**5.1**	83,600	3.9

Income Tax

The income tax expenses of the Group amounted to approximately RMB2.9 million for the Reporting Period. The income tax expenses of the Group for the six months ended June 30, 2021 amounted to approximately RMB25.7 million.

Non-IFRS Measures

To supplement the Group's combined 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 combined 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.

	For the six months ended June 30,	
	2022	2021
	(RMB in thousands)	
Reconciliation of net loss and adjusted net (loss)/profit (non-IFRS measure)		
Net loss for the period	**(256,875)**	(4,321,233)
Add:		
Fair value changes of financial liabilities at fair value through profit or loss[(1)]	**–**	2,874
Fair value changes of convertible redeemable preferred shares[(2)]	**–**	4,329,052
Listing expenses[(3)]	**–**	14,735
Equity-settled share-based payment expenses[(4)]	**7,866**	21,874
Interest on redeemable capital contributions[(5)]	**–**	866
Adjusted net (loss)/profit (non-IFRS measure)	**(249,009)**	48,168
Adjusted net (loss)/profit margin (non-IFRS measure)[(6)]	**(12.2)%**	2.3%

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 our 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 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 item (i), it is adjusted for as these items are non-cash and non-operational in nature; and for item (ii), it is adjusted for as the transaction is irregular to the operation of the business. In addition, both items (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. Upon completion of the Global Offering, the redeemable capital contribution in connection with such Pre-IPO Investments has been converted into equity of the Company 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 correlated with the Group's business performance in a particular period.

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

Cash and Borrowings

As of June 30, 2022, the total cash and bank balances of the Group amounted to approximately RMB3,721.6 million (as of December 31, 2021: approximately RMB4,052.8 million). As of June 30, 2022, the Group did not have any interest-bearing borrowings (as of December 31, 2021: approximately RMB0.4 million).

Right-of-Use Assets

The Group's right-of-use assets primarily represent the leases for our teahouses, office at headquarters and warehouses. As of June 30, 2022, the right-of-use assets of the Group amounted to approximately RMB1,301.2 million (as of December 31, 2021: approximately RMB1,313.3 million). The balance of the Group's right-of-use assets remained stable.

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 June 30, 2022, the property and equipment of the Group amounted to approximately RMB953.3 million (as of December 31, 2021: approximately RMB801.4 million). The increase in the Group's property and equipment was primarily due to the increase in the number of stores.

Inventories

The Group's inventories consist primarily of raw materials and packaging materials. As of June 30, 2022, the inventories of the Group amounted to approximately RMB148.9 million (as of December 31, 2021: approximately RMB174.1 million).

The Group's inventories turnover days increased from 29.7 days for six months ended June 30, 2021 to 45.1 days for the Reporting Period due to the recurrences of the COVID-19 during the first half of 2022.

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, prepaid rents and property management fees, rental deposits within one year and prepayments to suppliers. Trade and other receivables of the Group decreased from approximately RMB346.1 million as of December 31, 2021 to approximately RMB316.3 million as of June 30, 2022, primarily due to the decrease in the prepayments to suppliers.

Trade and Other Payables

The Group's trade payables consist primarily of trade payables to the Group's raw materials suppliers. The Group also recorded other payables and accrued charges in connection with various aspects of its operations, including (i) payroll and welfare payables to employees; (ii) payables for purchase of property and equipment; (iii) accrued charges, which are mainly utilities; and (iv) others. Trade and other payables of the Group decreased from approximately RMB654.2 million as of December 31, 2021 to approximately RMB475.2 million as of June 30, 2022, primarily due to the decrease in the payables for procurement of raw materials and property and equipment.

Gearing Ratio

As of June 30, 2022, our gearing ratio, which is calculated as total debt divided by total assets, was 31.3%, as compared with 32.5% as of December 31, 2021.

Treasury Policy

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

Liquidity and Financial Resources

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

As of June 30, 2022, the Group had total cash and cash equivalent of approximately RMB3,721.6 million (as of December 31, 2021: approximately RMB4,052.8 million), the decrease of the Group's total cash and cash equivalent was primarily due to the negative impacts from the increase in the number of stores and the resurgence of the COVID-19 on the cash from operations.

As of June 30, 2022, the Group did not have any interest-bearing borrowings (as of December 31, 2021: approximately RMB0.4 million). The current ratio as of June 30, 2022 was approximately 3.62 times (as of December 31, 2021: approximately 3.51 times). As of June 30, 2022, the Group has RMB665.3 million available credit facilities comprising of revolving loans, term loan, trade loan, tax loan and bank guarantee.

FOREIGN CURRENCY RISK

For the Reporting Period, the Group mainly operated in China and the majority of the transactions were settled in RMB. As of June 30, 2022, apart from bank deposits denominated in foreign currency, the Group did not have any significant foreign exchange risk in its business operations. During the Reporting Period, the Group had entered into several forward foreign exchange contracts to manage foreign exchange fluctuations. Apart from the aforementioned instruments, the Group currently does not engage in other foreign exchange hedging activities. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

CONTINGENT LIABILITIES

As of June 30, 2022, the Group did not have any significant contingent liabilities.

CAPITAL EXPENDITURES

Our capital expenditures amounted to approximately RMB239.1 million for the Reporting Period, which were incurred primarily in connection with payment for purchase of equipment and leasehold improvements.

CHARGE ON ASSETS

As of June 30, 2022, the Group did not pledge any group assets.

SIGNIFICANT INVESTMENT

As of June 30, 2022, there was no significant investment held by the Group.

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of June 30, 2022, save for the "Future Plans and Use of Proceeds" disclosed in the Prospectus, the Group did not have any future plan for 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 June 30, 2022, the Group had a total of 8,257 full-time employees, among which 1,627 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.

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 the date of this announcement, 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.

The following table sets forth a summary of the utilization of the net proceeds from the Global Offering as of June 30, 2022:

Purpose	**Percentage to total amount**	**Net proceeds incurred from the Global Offering**	**Actual use of proceeds up to June 30 2022**	**Unutilized amount as of June 30 2022**	**Expected timeline of full utilization of the remaining proceeds**
		HK$ (million)	*HK$ (million)*	*HK$ (million)*	
Expand the Group's teahouse network and deepen the Group's market penetration	70.0%	3,389.8	695.8	2,694.0	June 2024
Further improve the Group's overall operations	10.0%	484.2	145.3	338.9	June 2024
Strengthen the Group's supply chain and product distribution capabilities	10.0%	484.2	147.2	337.0	June 2024
Fund the Group's working capital and general corporate purposes	10.0%	484.2	133.6	350.6	June 2024
Total	**100.0%**	**4,842.4**	**1,121.9**	**3,720.5**	

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 17 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

for the six months ended June 30, 2022 – unaudited
(Expressed in Renminbi)

	Note	Six months ended June 30, 2022 RMB'000	2021 RMB'000
Revenue	*3*	**2,044,947**	2,125,927
Other income	*5*	**64,064**	8,814
Cost of materials		**(648,365)**	(668,860)
Staff costs		**(711,758)**	(669,757)
Depreciation of right-of-use assets	*6(b)*	**(221,371)**	(201,859)
Other rentals and related expenses	*6(b)*	**(102,380)**	(93,985)
Depreciation and amortization of other assets	*6(b)*	**(126,155)**	(95,183)
Advertising and promotion expenses		**(75,197)**	(37,484)
Delivery service fees		**(163,115)**	(111,649)
Utilities expenses		**(53,186)**	(39,299)
Logistic and storage fees		**(58,656)**	(41,585)
Other expenses		**(104,073)**	(83,600)
Other net losses	*6(c)*	**(38,080)**	(8,670)
Finance costs	*6(a)*	**(44,302)**	(46,407)
Fair value changes of financial assets at fair value through profit or loss ("**FVTPL**")		**(527)**	–
Fair value changes of financial liabilities at FVTPL		**(15,862)**	(2,874)
Fair value changes of convertible redeemable preferred shares		**–**	(4,329,052)
Loss before taxation		**(254,016)**	(4,295,523)
Income tax	*7*	**(2,859)**	(25,710)
Loss for the period		**(256,875)**	(4,321,233)
Attributable to:			
Equity shareholders of the Company		**(254,215)**	(4,321,233)
Non-controlling interests		**(2,660)**	–
Loss for the period		**(256,875)**	(4,321,233)
Loss per share			
Basic and diluted	*8*	**(0.15)**	(3.90)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended June 30, 2022 – unaudited
(Expressed in Renminbi)

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
Loss for the period	**(256,875)**	(4,321,233)
Other comprehensive income for the period (after tax and reclassification adjustments)		
Item that will not be reclassified to profit or loss:		
Exchange differences on translation of:		
– currency translation differences	**173,157**	–
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of:		
– currency translation differences	**(7,358)**	14,840
Other comprehensive income for the period	**165,799**	14,840
Total comprehensive income for the period	**(91,076)**	(4,306,393)
Attributable to:		
Equity shareholders of the Company	**(88,416)**	(4,306,393)
Non-controlling interests	**(2,660)**	–
Total comprehensive income for the period	**(91,076)**	(4,306,393)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at June 30, 2022 – unaudited
(Expressed in Renminbi)

	Note	At June 30, 2022 RMB'000	At December 31, 2021 RMB'000
Non-current assets			
Property and equipment	9	**953,342**	801,363
Right-of-use assets	9	**1,301,188**	1,313,334
Intangible assets		**374**	457
Deferred tax assets		**43,376**	44,238
Rental deposits		**165,489**	159,755
Other non-current assets		**275,220**	338,383
		2,738,989	2,657,530
Current assets			
Financial assets at FVTPL		**135,113**	46,200
Inventories	10	**148,865**	174,089
Trade and other receivables	11	**197,742**	176,963
Prepayments	11	**118,525**	169,109
Restricted bank deposits	12	**9,591**	51,749
Cash and cash equivalents	12	**3,721,623**	4,052,806
		4,331,459	4,670,916
Current liabilities			
Trade and other payables	13	**475,248**	654,208
Contract liabilities		**196,895**	218,054
Bank loans		**–**	428
Financial liabilities at FVTPL	14	**25,068**	8,376
Lease liabilities		**465,108**	421,153
Current taxation		**34,212**	27,951
		1,196,531	1,330,170
Net current assets		**3,134,928**	3,340,746
Total assets less current liabilities		**5,873,917**	5,998,276

	Note	At June 30, 2022 RMB'000	At December 31, 2021 RMB'000
Non-current liabilities			
Lease liabilities		**992,606**	1,031,885
Provisions		**18,987**	17,934
Deferred tax liabilities		**2,104**	5,027
		1,013,697	1,054,846
NET ASSETS		**4,860,220**	4,943,430
CAPITAL AND RESERVES			
Share capital	*16(b)*	**558**	558
Reserves		**4,863,340**	4,943,890
Total equity attributable to equity shareholders of the Company		**4,863,898**	4,944,448
Non-controlling interests		**(3,678)**	(1,018)
TOTAL EQUITY		**4,860,220**	4,943,430

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), including compliance with International Accounting Standard ("**IAS**") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("**IASB**"). It was authorized for issue on August 31, 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

2 CHANGES IN ACCOUNTING POLICIES

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

- Amendment to IAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to IAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

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 IASs are discussed below:

Amendment to IAS 16, *Property, plant and equipment: Proceeds before intended use*

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss. The amendments do not have a material impact on these financial statements as the group does not sell items produced before an item of property, plant and equipment is available for use.

Amendments to IAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Previously, the group included only incremental costs when determining whether a contract was onerous. In accordance with the transitional provisions, the group has applied the new accounting policy to contracts for which it has not yet fulfilled all its obligations at 1 January 2022, and has concluded that none of them is onerous.

3 REVENUE AND SEGMENT REPORTING

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.

(a) Disaggregation of revenue

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

	Six months ended June 30,	
	2022	2021
	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	**1,472,141**	1,587,444
– Sales of baked goods and other products	**572,806**	538,483
	2,044,947	2,125,927
Disaggregated by timing of revenue recognition		
– A point in time	**2,040,504**	2,122,175
– Over time *(note(i))*	**4,443**	3,752
	2,044,947	2,125,927

Note (i): Service income from contracts with portable mobile phone charger's provider and trademark licensing income from granting permission to the collaborated party were recognized as revenue over time during the contracts' period.

For the six months ended June 30, 2022, the Group did not have any customer of which transactions reach 10% of the Group's total revenue (six months ended June 30, 2021: nil).

(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 SEASONALITY OF OPERATIONS

The Group's teahouses business operations are subject to seasonal factors. The Group generally experience fewer purchase orders during cold seasons in the beginning and end of the first and fourth quarters of the year, respectively. The Group achieve higher purchase orders during the warm seasons in the second and third quarters of the year from time to time and during public holidays such as the national day celebration holidays in the PRC. The fluctuation in customer traffic resulted from these seasonal factors during these periods may have an impact on the Group's revenue. For the twelve months ended June 30, 2022, the Group reported revenue of RMB4,215,638,000 (twelve months ended June 30, 2021: RMB4,003,603,000).

5 OTHER INCOME

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
Interest income on:		
– bank deposits	**15,249**	1,693
– rental deposits	**3,428**	3,212
– other financial assets	**–**	441
Government grants *(note (i))*	**45,387**	3,468
	64,064	8,814

Note (i): Government grants mainly represented unconditional cash awards granted by the government authorities in the PRC. During the six months ended June 30, 2022, government grants received by certain subsidiaries were mainly related to foreign investment incentives.

6 LOSS BEFORE TAXATION

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

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
(a) Finance costs		
Interest on bank loans	**–**	2,168
Interest on redeemable capital contributions	**–**	866
Interest on lease liabilities	**43,671**	42,885
Interest on provisions	**631**	488
	44,302	46,407

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
(b) Other items		
Amortization	**84**	71
Depreciation		
– property and equipment	**126,071**	95,112
– right-of-use assets	**221,371**	201,859
	347,442	296,971
Impairment losses on non-financial assets		
– property and equipment	**2,920**	–
– right-of-use assets	**2,919**	–
	5,839	–
Other rentals and related expenses	**102,380**	93,985
Listing expenses	**–**	14,735
Cost of inventories *(note (i))*	**648,365**	668,860
Write-down of inventories	**823**	539

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.

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
(c) Other net losses		
Losses on disposal of non-current assets	**13,539**	9,857
Losses on stores closures	**2,109**	812
Gains on reassessment of right-of-use assets and lease liabilities	**(139)**	(3,586)
Loss on foreign currency exchange	**21,402**	1,095
Others	**1,169**	492
	38,080	8,670

7 INCOME TAX

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
Current tax	**4,920**	12,656
Deferred tax	**(2,061)**	13,054
	2,859	25,710

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("**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 HKD2 million and 16.5% for any assessable profits in excess of HKD2 million. The Group's subsidiaries in Hong Kong did not have any assessable profits for all the reporting periods presented.

(iii) Taxable income for the Group's subsidiaries in the PRC is subject to PRC income tax rate of 25% for all the reporting periods presented, unless otherwise specified below.

Certain subsidiaries of the Group 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 all the reporting periods presented.

(iv) The subsidiaries in the United States of America and Japan of the Group did not have any assessable profits for all the reporting periods presented.

8 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the parent of RMB254,215,000 (six months ended June 30, 2021: RMB4,321,233,000) and the weighted average of 1,715,126,147 ordinary shares (2021: 1,107,280,954 shares) in issue during the interim period.

	Six months ended June 30,	
	2022	2021
	Number of shares	*Number of shares*
Issued shares at January 1	**1,715,126,147**	1,108,137,839
Effect of share issuance	**–**	(856,885)
Weighted average number of shares at June 30	**1,715,126,147**	1,107,280,954

(b) Diluted loss per share

As the Group incurred loss for the six months ended June 30, 2021, 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 period ended June 30, 2021 was the same as basic loss per share.

There were no diluted potential ordinary shares for the six months ended June 30, 2022.

9 PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS

(a) Right-of-use assets

During the six months ended June 30, 2022, the Group entered into a number of lease agreements for use of teahouses and offices, and therefore recognized the additions to right-of-use assets of RMB239,289,000 (six months ended June 30, 2021: RMB224,156,000).

The leases of teahouses contain variable lease payment terms that are based on sales generated from the teahouses and minimum monthly lease payment terms that are fixed. These payment terms are common in PRC where the Group operates. During the six months ended June 30, 2022, the Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19. The amount of fixed and variable lease payments for the interim reporting period is summarized below:

	Six months ended June 30, 2022			
	Fixed payments	**Variable payments**	**COVID-19 rent concessions**	**Total payments**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Leased assets	247,660	94,589	(3,221)	339,028

	Six months ended June 30, 2021			
	Fixed payments	Variable payments	COVID-19 rent concessions	Total payments
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Leased assets	223,783	100,660	(1,460)	322,983

The Group early adopted the Amendment to IFRS 16, *Leases*, *Covid-19-related rent concessions beyond June 30, 2022* in the financial statements for the year ended December 31, 2021 and applies the practical expedient to all eligible rent concessions received by the Group.

(b) Acquisitions and disposals of owned assets

During the six months ended June 30, 2022, the Group acquired items of self-owned office, leasehold improvements and other equipment with a cost of RMB331,673,000 (six months ended June 30, 2021: RMB145,943,000). Items of leasehold improvements and other equipment with a net book value of RMB30,111,000 were disposed of during the six months ended June 30, 2022 (six months ended June 30, 2021: RMB10,151,000), resulting in a loss on disposal of RMB13,539,000 (six months ended June 30, 2021: RMB9,857,000).

(c) Impairment loss

The recoverable amount of each teahouse (cash generating unit ("**CGU**")) with indication of impairment is estimated at the end of each reporting period. As at the end of each reporting period, in view of the unfavorable future prospects and poor performance of certain teahouses, there were indications that the CGUs may suffer an impairment loss. The management of the Group has conducted impairment testing for teahouses with impairment indications. The recoverable amount of each CGU is determined based on value-in-use calculations by preparing cash flow projections of the relevant CGU derived from the most recent financial forecast approved by the management covering the remaining lease term. An impairment loss of RMB5,839,000 was recognized in "Other expenses".

10 INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	At June 30, 2022 *RMB'000*	At December 31, 2021 *RMB'000*
Raw materials	**97,605**	121,383
Packaging supplies and others	**51,260**	52,706
	148,865	174,089

11 TRADE AND OTHER RECEIVABLES, AND PREPAYMENTS

	At June 30, 2022 *RMB'000*	At December 31, 2021 *RMB'000*
Trade and other receivables		
– Trade receivables	**4,392**	2,756
– Input valued-added tax recoverable	**152,072**	146,449
– Income tax recoverable	**1,092**	893
– Amounts due from related parties	**192**	2,464
– Other receivables	**39,994**	24,401
	197,742	176,963
Prepayments	**118,525**	169,109

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

Ageing analysis

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

	At June 30, 2022 *RMB'000*	At December 31, 2021 *RMB'000*
Within 1 month	**2,042**	443
1 to 3 months	**1,536**	2,132
3 to 6 months	**777**	129
Over 6 months	**37**	52
	4,392	2,756

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

12 CASH AND CASH EQUIVALENTS

	At June 30, 2022 *RMB'000*	At December 31, 2021 *RMB'000*
Cash at bank and in hand		
Cash and cash equivalents *(note (i))*	**3,731,214**	4,104,555
Less: restricted bank deposits *(note (ii))*	**(9,591)**	(51,749)
Cash and cash equivalents	**3,721,623**	4,052,806

Notes:

(i) As at June 30, 2022, cash and cash equivalents placed with banks in Mainland China amounted to RMB2,897,167,000 (December 31, 2021: RMB3,313,347,000). Remittance of funds out of Mainland China is subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

(ii) Restricted bank deposits are marginal deposits required by the banks for miscellaneous purposes as follow:

	At June 30, 2022 *RMB'000*	At December 31, 2021 *RMB'000*
Guarantee deposits for performance guarantees	**374**	42,166
Guarantee deposits for forward foreign exchange contracts	**9,203**	9,201
Others	**14**	382
	9,591	51,749

13 TRADE AND OTHER PAYABLES

	At June 30, 2022 *RMB'000*	At December 31, 2021 *RMB'000*
Trade payables	**195,547**	289,213
Other payables and accrued charges	**278,103**	362,509
Amounts due to related parties	**1,598**	2,486
	475,248	654,208

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

	At June 30, 2022 *RMB'000*	At December 31, 2021 *RMB'000*
Within 1 year	**193,638**	287,942
More than 1 year	**1,909**	1,271
	195,547	289,213

14 FINANCIAL LIABILITIES AT FVTPL

	At June 30, 2022 RMB'000	At December 31, 2021 RMB'000
Forward foreign exchange contracts	**25,068**	8,376

The Group has entered into forward foreign exchange contracts with banks in mainland China to manage its exposure to foreign currency risk arising from cash and cash equivalents denominated HKD or RMB.

15 EQUITY-SETTLED SHARE-BASED PAYMENTS

The table below sets forth share-based payments expenses for share options and RSUs during the reporting period:

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
Share Option Plan (a)	**4,278**	8,385
RSUs (b)	**3,588**	5,997
Re-designation of ordinary shares to preferred shares	**–**	7,492
	7,866	21,874

The Group has the following share-based payment arrangements:

(a) Share Option Plan (equity-settled)

The Group granted share-based awards to qualified directors and employees pursuant to the Share Option Plan, which was adopted in May 2020 and governed by the contractual terms of the awards. The qualified participants of the Share Option Plan are required to satisfy certain vesting service and non-market performance conditions for the entitlements. In accordance with the Share Option Plan agreements, the holders of vested options are entitled to purchase the Company's shares at fixed prices predetermined as at each vesting date.

The Group recognizes share-based payment expenses in its consolidated statement of profit or loss based on awards ultimately expected to vest.

Options granted typically expire in 10 years from the respective grant dates. The options may be exercised at any time after they have vested subject to the terms of the award agreement and are exercisable for a maximum period of 10 years after the date of grant.

901,240 of share options were exercised during the six months ended June 30, 2022 (2021: nil).

A summary of activities of the service-based share options is presented as follows:

	Number of share options	Weighted average exercise price	Weighted average remaining contractual term
		RMB	*Year*
Outstanding as at January 1, 2021	29,915,062	0.73	9.6
Forfeited during the period	(1,498,100)	0.73	–
Outstanding as at June 30, 2021	28,416,962	0.73	9.1
Exercisable as at June 30, 2021	–	–	–
Forfeited during the period	(1,098,280)	0.73	–
Outstanding as at December 31, 2021	27,318,682	0.73	8.6
Exercisable as at December 31, 2021	5,660,282	–	–
Exercised during the period	(901,240)	0.73	–
Forfeited during the period	(474,960)	0.73	–
Outstanding as at June 30, 2022	25,942,482	0.73	8.1
Exercisable as at June 30, 2022	4,284,082		

(b) RSUs (equity-settled)

The RSUs granted would vest in tranches from the grant date over a certain service period, on specific service condition that the employees remain in service and scheduled to be vested over one to four years without any performance condition requirements. Based on the vesting schedules of the Group's plan, the first tranche shall be vested upon the first anniversary dates of the grants, and the remaining of the awards shall be vested on straight-line basis at the anniversary years over a period of the remaining three years.

Movements in the number of RSUs granted and the respective weighted average grant date fair value are as follows:

	Number of RSUs	**Weighted average grant date fair value per RSU**	**Weighted average remaining vesting periods**
		RMB	*Year*
Outstanding as at January 1, 2021	6,565,400	2.74	3.6
Granted during the period	1,135,700	5.49	–
Exercised during the period	(923,125)	2.04	–
Forfeited during the period	(30,700)	5.49	–
Outstanding as at June 30, 2021	6,747,275	3.28	3.2
Granted during the period	1,211,000	11.56	–
Exercised during the period	(718,225)	3.63	–
Forfeited during the period	(828,750)	5.49	–
Outstanding as at December 31, 2021	6,411,300	4.52	3.0
Exercised during the period	(1,199,375)	2.84	–
Forfeited during the period	(310,250)	14.34	–
Outstanding as at June 30, 2022	4,901,675	4.31	2.5

As at June 30, 2022, a total of 36 employees of the Group have been granted with a total of 4,901,675 RSUs.

16 CAPITAL, RESERVES, DIVIDENDS AND NON-CONTROLLING INTERESTS

(a) Dividends

No dividends have been declared or paid by the Company during the six months ended June 30, 2022 (six months ended June 30, 2021: nil).

(b) Share capital

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

17 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group had invested RMB 10 million in a private company in exchange for 19.9% of its equity interest. The private company is incorporated in the PRC and principally engaged in the sales of milk tea and other tea-drinks-related products.

OTHER INFORMATION

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended June 30, 2022 (for the six months ended June 30, 2021: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities.

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 Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "**CG Code**"). During the Reporting Period, save as disclosed below, the Company has complied with all the applicable code provisions as set out in the CG Code.

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

Mr. Zhao has served as a director of Shenzhen Pindao Food & Beverage Management Co., Ltd. (深圳市品道餐飲管理有限公司) from February 2017 to October 2020 and Director of our Company since June 2020. He is the founder of the 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 of the Board and the Chief Executive Officer of the Company. 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.

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

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. Upon specific enquiry, all Directors confirmed that they had complied with the requirements as set out in the Model Code during the Reporting Period.

AUDIT COMMITTEE

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

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

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

DEFINITIONS

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

"2020 Share Incentive Plan"	the share incentive plan of the Company approved and adopted on May 15, 2020
"2020 Share Option Plan"	the share option plan of the Company approved and adopted on May 15, 2020
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of Directors of the Company
"Company"	Nayuki Holdings Limited (奈雪的茶控股有限公司) (formerly known as Pindao Holdings Limited (品道控股有限公司)), an exempted company with limited liability incorporated in the Cayman Islands on September 5, 2019, whose Shares were listed and traded on the Stock Exchange (Stock code: 2150)
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and, in the context of this results announcement, means Mr. Zhao, Ms. Peng Xin, Linxin Group Limited, Linxin International Limited, Linxin Holdings Limited 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 "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
"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
"Mr. Zhao"	Zhao Lin, the Chairman of the Board and the Chief Executive Officer of the Company
"Option(s)"	share option(s) granted pursuant to the 2020 Share Option Plan
"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, Macau Special Administrative Region and Taiwan Province
"Reporting Period"	the six months ended June 30, 2022
"RMB"	Renminbi, the lawful currency of the PRC
"RSU(s)"	restricted share unit(s) granted pursuant to the 2020 Share Incentive Plan

"Shares"	shares of the Company of nominal value of US$0.00005 each
"Shareholders"	holders of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US$" 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, China, August 31, 2022

As at the date of this announcement, the Board 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.