The following is the text of a report set out on pages I-[●] to I-[●] received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this Document.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SICHUAN BAICHA BAIDAO INDUSTRIAL CO., LTD. AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of 四川百茶百道實業股份有限公司 (Sichuan Baicha Baidao Industrial Co., Ltd.) (the "Company") and its subsidiaries (together, the "Group") set out on pages I-[●] to I-[●] which comprises the consolidated statements of financial position of the Group as at 31 December 2021, 2022 and 2023, statements of financial position of the Company as at 31 December 2021, 2022 and 2023 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended 31 December 2023 (the "Track Record Period") and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-[●] to I-[●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "Document") in connection with the proposed [**REDACTED**] of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessment, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2021, 2022 and 2023, of the Company's financial position as of 31 December 2021, 2022 and 2023 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which contains information about dividends declared or paid by the Company and the group entities comprising the Group in respect of the Track Record Period.

[Deloitte Touche Tohmatsu]
Certified Public Accountants
Hong Kong
[Date]

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of the accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and were audited by us in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB"), which is also the functional currency of the Company, and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 31 December 2021 RMB'000	2022 RMB'000	2023 RMB'000
Revenue	6	3,644,209	4,231,670	5,704,307
Cost of sales		(2,343,169)	(2,775,481)	(3,740,525)
Gross profit		1,301,040	1,456,189	1,963,782
Other income	7a	3,587	39,221	65,495
Loss on fair value change of redeemable shares with other preferential rights		–	–	(75,838)
Other gains and losses, net	7b	10,897	19,380	28,483
Distribution and selling expenses		(19,125)	(60,684)	(130,996)
Administrative expenses		(358,435)	(291,846)	(420,454)
Research and development expenses		–	(3,581)	(16,417)
Other expenses	7c	(7,432)	(1,323)	(13,580)
[**REDACTED**] expenses		[REDACTED]	[REDACTED]	[REDACTED]
Finance costs	8	(2,672)	(4,569)	(3,692)
Profit before taxation		921,668	1,150,745	1,365,848
Income tax expense	9	(143,151)	(185,986)	(215,068)
Profit for the year	10	778,517	964,759	1,150,780
Profit and total comprehensive income for the year attributable to:				
– Owners of the Company		755,816	954,316	1,139,211
– Non-controlling interests		22,701	10,443	11,569
		778,517	964,759	1,150,780
Earnings per share (in RMB)	13			
Basic		0.762	0.954	0.981
Diluted		N/A	N/A	0.981

STATEMENTS OF FINANCIAL POSITION

		The Group			The Company		
		As at 31 December			As at 31 December		
	NOTES	**2021**	**2022**	**2023**	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets							
Property, plant and equipment	*14*	23,450	145,571	235,712	2,942	2,275	1,168
Right-of-use assets	*15*	52,670	105,130	110,574	1,183	237	4,317
Intangible assets	*16*	6,904	16,448	51,197	4,237	7,479	7,963
Investments in subsidiaries	*35*	–	–	–	133,400	134,400	409,900
Investment in a joint venture		–	–	2,500	–	–	–
Prepayments for construction in progress	*19*	42,410	–	300	–	–	–
Deferred tax assets	*17*	74,865	66,482	83,367	5,289	2,930	10,092
Amounts due from subsidiaries	*20c*	–	–	–	393	101,493	111,873
		200,299	333,631	483,650	147,444	248,814	545,313
Current assets							
Inventories	*18*	113,084	192,479	201,171	–	–	–
Trade and other receivables, deposits and prepayments	*19*	69,566	66,383	62,519	2,717	4,136	10,113
Amounts due from related parties	*20a*	149,525	91,576	607	148,069	91,057	88
Amounts due from subsidiaries	*20c*	–	–	–	5,000	5,596	100,509
Financial assets at fair value through profit or loss ("FVTPL")	*22*	387,728	772,804	1,391,562	–	–	341,794
Bank balances and cash	*21*	128,138	226,031	945,989	53,136	35,273	683,332
		848,041	1,349,273	2,601,848	208,922	136,062	1,135,836
Current liabilities							
Trade and other payables	*23*	349,365	605,588	770,619	600	5,200	17,346
Contract liabilities	*24*	116,779	160,857	176,680	–	–	–
Income tax payables		15,308	23,939	38,206	–	–	–
Lease liabilities	*25*	28,654	37,496	40,948	959	–	1,033
Amounts due to related parties	*20b*	21,838	–	–	384	–	–
Amounts due to subsidiaries	*20d*	–	–	–	–	107,743	132,243
		531,944	827,880	1,026,453	1,943	112,943	150,622
Net current assets		316,097	521,393	1,575,395	206,979	23,119	985,214
Total assets less current liabilities		516,396	855,024	2,059,045	354,423	271,933	1,530,527

		The Group			The Company		
		As at 31 December			As at 31 December		
	NOTES	**2021**	**2022**	**2023**	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities							
Contract liabilities	*24*	186,261	153,271	147,530	–	–	–
Lease liabilities	*25*	29,087	38,579	42,576	–	–	3,164
Deferred tax liabilities	*17*	23	558	1,293	–	–	–
Redeemable shares with other preferential rights	*26*	–	–	1,021,000	–	–	1,021,000
		215,371	192,408	1,212,399	–	–	1,024,164
Net assets		301,025	662,616	846,646	354,423	271,933	506,363
Capital and reserves							
Paid-up capital/share capital	*27*	100,000	100,000	125,639	100,000	100,000	125,639
Reserves	*27*	196,299	550,615	697,437	254,423	171,933	380,724
Equity attributable to owners of the Company		296,299	650,615	823,076	354,423	271,933	506,363
Non-controlling interests		4,726	12,001	23,570	–	–	–
		301,025	662,616	846,646	354,423	271,933	506,363

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Paid-up capital/share capital *RMB'000*	Statutory reserves *RMB'000* *(Note i)*	Shares issued for Pre-[REDACTED] Employee Incentive Scheme *RMB'000*	Other reserves *RMB'000* *(Note ii)*	Retained profits *RMB'000*	Sub-total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
As at 1 January 2021	12,530	13,955	–	41,383	70,984	138,852	5,224	144,076
Profit and total comprehensive income for the year	–	–	–	–	755,816	755,816	22,701	778,517
Capital injection to Operating Entities before Reorganisation (as defined and detailed in *Note 2*)	1,470	–	–	–	–	1,470	–	1,470
Capital injection to the Company	100,000	–	–	–	–	100,000	–	100,000
Capital contribution from non-controlling interests of a subsidiary	–	–	–	–	–	–	6,600	6,600
Recognition of equity-settled share-based payments	–	–	–	114,876	–	114,876	–	114,876
Transfer to statutory reserves	–	75,000	–	–	(75,000)	–	–	–
Effect of Reorganisation *(Note 2)*	(13,000)	(13,955)	–	(41,383)	(283,777)	(352,115)	(26,388)	(378,503)
Consideration paid for Assets Injection (as defined and detailed in *Note 2*)	–	–	–	–	(82,567)	(82,567)	–	(82,567)
Acquisition of subsidiaries	(1,000)	–	–	–	(2)	(1,002)	–	(1,002)
Dividends recognised as distribution *(Note 12)*	–	–	–	–	(379,031)	(379,031)	(3,411)	(382,442)

	Attributable to owners of the Company						Non-controlling interests	Total
	Paid-up capital/share capital	Statutory reserves	Shares issued for Pre-[REDACTED] Employee Incentive Scheme	Other reserves	Retained profits	Sub-total		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Note i)		*(Note ii)*				
As at 31 December 2021	100,000	75,000	–	114,876	6,423	296,299	4,726	301,025
Profit and total comprehensive income for the year	–	–	–	–	954,316	954,316	10,443	964,759
Transfer to statutory reserves	–	3,091	–	–	(3,091)	–	–	–
Dividends recognised as distribution *(Note 12)*	–	–	–	–	(600,000)	(600,000)	(3,168)	(603,168)
As at 31 December 2022	100,000	78,091	–	114,876	357,648	650,615	12,001	662,616
Profit and total comprehensive income for the year	–	–	–	–	1,139,211	1,139,211	11,569	1,150,780
Dividends recognised as distribution *(Note 12)*	–	–	–	–	(1,021,183)	(1,021,183)	–	(1,021,183)
Issuance of shares pursuant to the 2023 Shareholding Restructuring *(Note 27)*	25,000	–	–	–	–	25,000	–	25,000
Transfer to statutory reserves	–	21,459	–	–	(21,459)	–	–	–
Issuance of shares pursuant to the Pre-[**REDACTED**] Employee Incentive Scheme (as defined and detailed in *Note 31(ii)*)	639	–	(639)	29,433	–	29,433	–	29,433
As at 31 December 2023	125,639	99,550	(639)	144,309	454,217	823,076	23,570	846,646

Notes:

(i) Amount represented statutory reserves of the entities comprising the Group established in the People's Republic of China (the "PRC"). According to the relevant laws in the PRC, companies established in the PRC with limited liability are required to transfer at least 10% of their net profit after taxation, as determined under the PRC accounting regulations, to a non-distributable reserve fund until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before the distribution of a dividend to owners. Such reserve fund can be used to offset the previous years' losses, if any, and is non-distributable other than upon liquidation.

(ii) The other reserves as at 1 January 2021 mainly represents the impact of equity-settled share-based payments to certain key management personnel amounted to RMB41,483,000.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Operating activities			
Profit before taxation	921,668	1,150,745	1,365,848
Adjustments for:			
Depreciation of property, plant and equipment	3,600	6,245	16,183
Amortisation of right-of-use assets	22,071	39,883	47,225
Amortisation of intangible assets	177	1,755	3,599
Loss on disposal of property, plant and equipment	527	370	148
Gain on early termination of leases	(220)	(870)	–
Interest income from banks	(1,353)	(1,602)	(6,954)
Finance costs	2,672	4,569	3,692
Share-based payments	114,876	–	–
Gain on fair value change of financial assets at FVTPL	(11,418)	(18,790)	(29,119)
Net foreign exchange loss	172	33	75
Loss on fair value change of redeemable shares with other preferential rights	–	–	75,838
Operating cash flows before movements in working capital	1,052,772	1,182,338	1,476,535
Increase in inventories	(24,482)	(79,395)	(8,692)
(Increase) decrease in trade and other receivables, deposits and prepayments	(90,512)	8,038	5,193
Decrease in amounts due from related parties	15,956	949	–
Increase in contract liabilities	84,562	11,088	10,082
Increase in trade and other payables	455,100	233,327	126,156
Increase (decrease) in amounts due to a related party	382	(382)	–
Cash generated from operations	1,493,778	1,355,963	1,609,274
Income taxes paid	(223,685)	(170,024)	(221,309)
Net cash generated from operating activities	1,270,093	1,185,939	1,387,965

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Investing activities			
Purchase of property, plant and equipment	(64,847)	(64,255)	(85,027)
Proceeds from disposal of property, plant and equipment	8,527	777	74
Purchase of intangible assets	(7,081)	(11,299)	(18,501)
Addition to right-of-use assets	–	(30,143)	–
Purchase of financial assets at FVTPL	(1,478,020)	(4,925,141)	(6,820,879)
Proceeds from redemption of financial assets at FVTPL	1,259,932	4,541,405	6,204,844
Placement of term deposits	–	–	(230,000)
Interest received from financial assets at FVTPL	4,949	17,450	26,396
Payment for rental deposits	(4,109)	(6,103)	(2,966)
Refund of rental deposits	2,592	3,184	4,117
Advances to related parties	(444,904)	(141,180)	(5,556)
Repayments from related parties	30,467	198,180	–
Interest income from banks	1,353	1,602	6,954
Proceed from disposal of a subsidiary	–	–	500
Investment in a joint venture	–	–	(2,500)
Net cash used in investing activities	(691,141)	(415,523)	(922,544)
Financing activities			
Interest paid	(2,672)	(4,569)	(3,692)
Dividend paid	(408,355)	(603,168)	(949,496)
Capital injection	108,070	–	–
Advance from related parties	21,807	–	–
Repayment to related parties	(64)	(21,456)	–
Repayments of lease liabilities	(19,406)	(42,996)	(45,220)
Payment for accrued share issue costs	(1,093)	(334)	(1,488)
Net cash outflow on Reorganisation *(Notes 2 (ii) and (iii))*	(277,339)	–	–
Proceeds from issuance of redeemable shares with other preferential rights	–	–	970,000
Proceeds from issuance of shares	–	–	54,433
Net cash (used in) from financing activities	(579,052)	(672,523)	24,537

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Net (decrease) increase in cash and cash equivalents	(100)	97,893	489,958
Cash and cash equivalents at beginning of the year	128,238	128,138	226,031
Cash and cash equivalents at end of the year	128,138	226,031	715,989
Represented by			
Cash and cash equivalents	128,138	226,031	715,989
Term deposits	–	–	230,000
Total bank balances and cash	128,138	226,031	945,989

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in the PRC on 31 December 2020 as a joint stock company under the Company Law of the PRC. Its parent is 四川恒盛合瑞實業集團有限公司 (Sichuan Hengsheng Herui Industrial Group Co., Ltd.*) ("Hengsheng Herui") (established in the PRC) and its ultimate parent is 成都錦柏森企業管理有限公司 (Chengdu Jinbosen Enterprise Management Co., Ltd.*) ("Chengdu Jinbosen") (established in the PRC). Its ultimate controlling parties are Mr. Wang Xiao Kun (王霄錕) and his spouse Ms. Liu Wei Hong (劉洧宏) (collectively the "Founders" or the "Controlling Shareholders"), and Mr. Wang Xiao Kun is also the chairman and an executive director of the Company. The respective addresses of the registered office and the principal place of business of the Company are set out in the section headed "Corporate Information" to the Document.

The Company acts as an investment holding company and its subsidiaries are engaged in the business of sales of equipment and goods to franchisees, as well as provision of royalty and franchising services to franchisees (the "[**REDACTED**] Business"). The Group's principal operations and geographic markets are in the PRC.

The Historical Financial Information is presented in RMB, which is the currency of the primary economic environment in which most the Group entities operate.

* English name is for identification purpose only.

2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION

The Historical Financial Information has been prepared based on the accounting policies which conform with IFRSs issued by the IASB and the principle of merger accounting applicable to group reorganisation (details are set out below).

Prior to the establishment of the Company and the completion of Reorganisation (as defined below), the [**REDACTED**] Business was carried out through various operating entities, including non-wholly owned subsidiaries, that were controlled by Hengsheng Herui (as listed in Note 35), hereinafter collectively referred to as the "Operating Entities", which are ultimately owned and controlled by the Founders. To rationalise the corporate structure in preparation for the [**REDACTED**] of the Company's shares on the Stock Exchange, the Group underwent a corporate reorganisation (the "Reorganisation"), as summarised below and detailed in the section headed "History, Reorganization and Corporate Structure" in the Document.

The Reorganisation principally involved the following key steps:

(i) Incorporation of the Company

On 31 December 2020, Hengsheng Herui incorporated the Company with one of the Controlling Shareholders, Mr. Wang Xiao Kun. Upon incorporation, the Company authorised and issued 100,000,000 ordinary shares with a par value of RMB1 each. Hengsheng Herui holds 90% of the equity interests in the Company and Mr. Wang Xiao Kun holds 10% of the equity interests in the Company.

(ii) Business injection to the new structure

On 25 February 2021, the Company and Hengsheng Herui entered into a reorganisation agreement pursuant to which Hengsheng Herui agreed to transfer its [**REDACTED**] Business, contracts, agreements, assets and liabilities (except for those retained as detailed below) and personnel that were originally under the Operating Entities to the Company and its subsidiaries. The transfer became effective on 31 March 2021 (the "Business Reorganisation Date"). Contracts and agreements signed and executed in the name of Operating Entities as at Business Reorganisation Date would be renewed by the Company and its subsidiaries within one year thereafter. The operating related assets have been transferred (the "Assets Injection") on Business Reorganisation Date with total consideration of RMB82,567,000 which was settled and charged to equity as deemed distribution during the year ended 31 December 2021.

The following assets and liabilities of the Operating Entities were retained by Hengsheng Herui and its subsidiaries and not transferred to the Group. These assets and liabilities were derecognised at 31 March 2021 and accounted for as deemed distribution to the equity shareholders of the Group at the carrying amounts in the equity.

	As at 31 March 2021
	RMB'000
Current assets	
Trade and other receivables	47,598
Amounts due from related parties	274,644
Financial assets measured at FVTPL	68,829
Cash and cash equivalents	193,770
	584,841
Current liabilities	
Trade and other payables	106,196
Income tax payables	96,880
Dividend payables	2,906
Amounts due to related parties	356
	206,338
Net assets distributed in connection with the Reorganisation	378,503
Net cash outflow arising from the distribution	
Cash and cash equivalents	(193,770)

(iii) Equity transfers

On 2 November 2021, 四川蜀信致遠企業管理諮詢有限公司 (Sichuan Shuxin Zhiyuan Enterprise Management Consulting Co., Ltd.*) ("Shuxin Zhiyuan"), a wholly-owned subsidiary of the Company, entered into a share transfer agreement with Hengsheng Herui, pursuant to which Shuxin Zhiyuan agreed to acquire 100% equity interests of 成都茶百道餐飲管理有限公司 (Chengdu Chabaidao Catering Management Co., Ltd.*) ("ChaPanda Catering") from Hengsheng Herui at a consideration of RMB1,002,000. On 2 November 2021, the equity transfer was completed, and ChaPanda Catering became an indirectly owned subsidiary of the Company.

On 13 January 2022, Shuxin Zhiyuan entered into a share transfer agreement with 武漢合瑞健企業諮詢管理有限公司 (Wuhan Heruijian Enterprise Consulting Management Co., Ltd.*) ("Wuhan Consulting"), a subsidiary of Hengsheng Herui). Pursuant to the share transfer agreement, Shuxin Zhiyuan agreed to acquire 100% equity interests of 武漢茶馨飲品有限公司 (Wuhan Chaxin Beverage Co., Ltd*) ("Wuhan Chaxin") from Wuhan Consulting at a consideration of RMB50,000. On 13 January 2022, the equity transfer was completed, and Wuhan Chaxin became an indirectly owned subsidiary of the Company.

The transfers of control on the equity interests in ChaPanda Catering and Wuhan Chaxin above form part of the Reorganisation which was principally completed on 31 March 2021 while the transition period for necessary regulatory approvals was completed by the end of January 2022. For more details of equity transfers, please refer to the section headed "History, Reorganization and Corporate Structure—2021 Business Reorganization" in the Document.

Upon completion of the above steps (i) to (iii) of Reorganisation, the [**REDACTED**] Business are carried out by the Company and its subsidiaries. Since the Operating Entities and all companies now comprising the Group have been controlled by the Founders before and after the Reorganisation, and the control was not transitory and consequently, there was a continuation of the risks and benefits to the Founders. For the purpose of presenting the financial positions, financial results and cash flows of the Group in this report, the Operating Entities are deemed to be part of the Group throughout the Track Record Period. Accordingly, the Historical Financial Information of the Group has been prepared on the basis as if the Company had always been the holding company of the Group.

* English name is for identification purpose only.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the year ended 31 December 2021 include the results, changes in equity and cash flows of the Operating Entities and the entities now comprising the Group, on the basis as if the [**REDACTED**] Business, including that previously under the Operating Entities, had been operated under the Group throughout the Track Record Period or since the respective dates of establishment, which is a shorter period, with consideration of the controlling interest held by the Founders in the Operating Entities.

All the assets, liabilities, income, expenses and cash flows of the Operating Entities are attributable to the [**REDACTED**] Business and are included in the Historical Financial Information throughout the Track Record Period. Therefore, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the period from 1 January 2021 to the Business Reorganisation Date comprise all the financial information of the Operating Entities.

No statutory financial statements have been prepared for the Company since there are no statutory audit requirements in the jurisdiction where it was incorporated.

3. APPLICATION OF IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform the International Accounting Standards ("IASs"), IFRSs, amendments and the related interpretations issued by the IASB, which are effective for the Group's financial period beginning on 1 January 2023, throughout the Track Record Period.

Amendments to IFRSs in issue but not yet effective

At the date of this report, the Group has not early applied the following amendments to IFRSs that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[2]
Amendments to IAS 21	Lack of Exchangeability[3]

[1] Effective for annual periods beginning on or after a date to be determined

[2] Effective for annual periods beginning on or after 1 January 2024

[3] Effective for annual periods beginning on or after 1 January 2025

The management of the Group considers that the application of all the amendments to IFRSs is unlikely to have a material impact on the Group's financial position and performance in foreseeable future.

4. MATERIAL ACCOUNTING POLICY INFORMATION

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs issued by the IASB. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment that are within the scope of IFRS 2 "Share-based Payment", and leasing transactions that are accounted for in accordance with IFRS 16 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets".

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when a company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Track Record Period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Merger accounting for business combination involving business under common control

The Historical Financial Information incorporates the financial statements items of the combining businesses in which the common control combination occurs as if they had been consolidated from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statements of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

Revenue from contracts with customers

The Group recognises revenue when a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service that is distinct or a series of distinct goods or services that are substantially the same.

Except for granting of a license that is distinct from other promised goods or services, control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

For granting of a license that is distinct from other promised goods or services, the nature of the Group's promise in granting a license is a promise to provide a right to access the Group's intellectual property if all of the following criteria are met:

- the contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the intellectual property to which the customer has rights;
- the rights granted by the license directly expose the customer to any positive or negative effects of the Group's activities; and
- those activities do not result in the transfer of a good or a service to the customer as those activities occur.

If the criteria above are met, the Group accounts for the promise to grant a license as a performance obligation satisfied over time. Otherwise, the Group considers the grant of license as providing the franchisees the right to use the Group's intellectual property and the performance obligation is satisfied at a point in time at which the license is granted.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

The Group principally generates its revenue from the following major sources: 1) sales of goods and equipment to franchisees, and 2) royalty and franchising income. Further details of the Group's revenue recognition polices are as follows:

(i) Sale of goods and equipment to franchisees

The Group enters into a series of agreements with each franchisee, which mainly include a license agreement and a sales agreement (collectively "Franchise Agreements"), whereby the franchisees are licensed to operate the franchised stores and are authorised to sell, in their own stores, the freshly-made tea drinks made by certain equipment and raw materials purchased from the Group. Revenue from sale of equipment and raw materials to franchisees is recognised at the point in time when the franchisees accept the products and the control over those products is transferred to the franchisees.

For sales of goods and equipment to franchisees, the Group has determined that the franchisees are the customers of the Group. The franchisees operate retail stores at their own chosen locations under the framework set out under the Franchise Agreements. At inception of the Franchise Agreements, franchisees are required to place a deposit to the Group throughout the franchise period. The deposits are refundable upon the termination of the Franchise Agreements, provided that the franchisees settled all outstanding balances with the Group.

The franchisees employ and manage their own staffs to operate the stores and serve their customers (i.e. end consumers), and undertake the costs associated with the operations. The franchisees sell the freshly-made tea drinks based on the menu and recipe provided by the Group.

The franchisees are responsible for the placement, physical custody and condition of the equipment and raw materials after the deliveries are accepted in stores. In general, the Group does not have any obligation or historical practices to accept any return of unsold products, except for rare cases such as a latent defect subject to product recall.

(ii) Royalty and franchising income

As part of the Franchise Agreements, the franchise rights are granted for one year to franchisees upon payment of a non-refundable upfront initial payments and are subsequently renewable annually by the franchisees at no cost. Under the Franchise Agreements, franchisees pay a non-refundable upfront initial fee including the pre-opening training services fee upon entering into Franchise Agreements and monthly royalty fee.

The non-refundable upfront initial fee is charged for pre-opening support services provided to the franchisees, including market and location analysis, certain advisory services like license application and pre-opening marketing, etc. As these services are highly interrelated with the franchise right, they are not individually distinct from the ongoing franchising arrangement with the franchisees. As a result, initial franchise fees, which are considered as consideration for the Group to provide right to access the Group's intellectual property, are recognised on a straight-line basis over the expected franchise period, typically of 5 years. Unrecognised non-refundable upfront initial fee is recognised as contract liabilities in the consolidated statements of financial position.

Franchisees are also required to pay a monthly royalty fee, which is determined based on the higher of (1) a predetermined fixed amount, or (2) a fixed percentage of the applicable franchisee's stores gross revenue. Fixed amount royalty fees are recognised monthly. For fixed percentage royalty fees, the Group applies "sales-based royalty" under IFRS 15 "Revenue from Contracts with Customers" to recognise the royalty fees when the sales to end customers occurred or the performance obligation to which some or all of the sales-based royalty has been allocated has been satisfied (or partially satisfied), whichever is the later.

The pre-opening training services provided to the franchises are considered to be distinct as the training contents are largely unrelated to the Group's brand name and trademarks.

The non-refundable upfront initial fee and fixed royalty fee are recognised as a performance obligation satisfied over time by reference to time passage of service provided, when the customers simultaneously receive and consume the benefits from the Group's performance. The progress towards complete satisfaction of a performance obligation is measured based on output method.

Revenue from provision of pre-opening training services is recognised over the period in which the services are rendered. The progress towards complete satisfaction of a performance obligation in respect of pre-opening training services is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services.

Contracts with multiple performance obligations (including allocation of transaction price)

For Franchise Agreements that contain more than one performance obligations (including non-refundable upfront initial fee and pre-opening training services), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Except the non-refundable upfront initial fee exceeds one year, the Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. The Group determines that the payment terms for non-refundable upfront initial fee were structured primarily for reasons other than the provision of finance to the Group. As a consequence, no significant element of financing is present and the Group does not adjust any of the transaction prices for the time value of money.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the Historical Financial Information would not differ materially from individual leases within the portfolio.

The Group as a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 "Financial Instruments" and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Employee benefits

Retirement benefit costs

The Group participates in government-managed retirement benefit schemes, which are defined contribution schemes, pursuant to which the Group pays a fixed percentage of its staff's wages as contributions to the plans. Payments to such retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

Equity-settled share-based payments transactions

Shares granted to employees

For shares that are granted under the Pre-[**REDACTED**] Employee Incentive Scheme (as defined in Note 31(ii)), the amount of fair value of the equity-settled share-based payments determined at the grant date, which taking into account the consideration paid by the grantees but without taking into consideration all non-market vesting conditions, is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

At the same time, the Group recognises the cash received from the grantees as a capital contribution from the controlling shareholder(s) of the Company in capital reserve included in other reserves. When shares granted are vested, the amounts previously recognised in share-based payments reserve and capital reserve will be transferred to share premium. If the grantee leaves the Group before end of the vesting period, the amount previously recognised as capital contribution will remain in the same reserve.

For shares that are transferred from the shareholders to the grantees and vest immediately at the date of grant under the share award arrangements (as detailed in Note 31(i)), equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date, the difference between the fair value of the shares granted and nominal payment are recognised as employee expenses immediately to profit or loss and a capital contribution from shareholders in the other reserves.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 "Income Taxes" requirements to recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes to the same taxable entity levied by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below). Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statements of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than construction is progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed annually, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Impairment on property, plant and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sale of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sale of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets measured at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities measured at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the reporting period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of each reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, lease deposits, amounts due from related parties, amounts due from subsidiaries and bank balances) which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables.

For all other financial instruments which are subject to impairment under IFRS 9, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;

b) a breach of contract, such as a default or past due event;

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Repayment history; and
- Nature and size of debtors.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is designated as at FVTPL.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, dividend payables, amounts due to related parties and amounts due to subsidiaries are subsequently measured at amortised cost, using the effective interest method.

Redeemable shares with other preferential rights

At the date of issue, the redeemable shares with other preferential rights are designated as at FVTPL. In subsequent period, changes in fair value (including dividend and interest incurred) are recognised in profit or loss as fair value gain or loss except for changes in the fair value that is attributable to changes in the credit risk (excluding changes in fair value of the derivatives component) is recognised in other comprehensive income, unless the recognition of the effects of changes in the credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to the credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss, they are transferred to retained profits upon derecognition.

Transaction costs relating to the issue of the redeemable shares with other preferential rights are charged to profit or loss immediately.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised 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.

The following are the key sources of estimation uncertainty at the end of each reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Revenue recognition from royalty and franchise business over time

During the years ended 31 December 2021, 2022 and 2023, revenue from royalty and franchise business (excluding pre-opening training services and others) is recognised over time amounted to RMB97,426,000, RMB153,355,000 and RMB200,026,000, respectively. As at 31 December 2021, 2022 and 2023, the balance of contract liabilities amounted to RMB271,148,000, RMB251,456,000 and RMB246,986,000, respectively (details are set out in Notes 6 and 24).

Franchise rights, which represent primarily the right to access the Group's brand name and trademarks, are granted to franchisees upon upfront initial payments for the first year and are renewable annually by the franchisees at no cost, the control of services is transferred over time. Based on the historical franchise information of the franchised shops, the management of the Group determined that license fees from franchise business are recognised as contract liabilities upon receipt of the upfront initial payments and are released to the profit or loss as revenue over estimated franchise period of five years for each of the reporting period.

Actual franchise periods may differ from estimated franchise periods. The management of the Group would periodically review the estimated franchise periods of the franchisees and considers if any adjustment to the current estimation is needed.

Fair value measurement of redeemable shares with other preferential rights

As at 31 December 2023, the redeemable shares with other preferential rights amounting to RMB1,021,000,000 are measured at fair value being determined based on unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in the material adjustments to the fair value of the redeemable shares with other preferential rights. See Notes 26 and 32(c) for further disclosures.

6. REVENUE AND SEGMENT INFORMATION

The Group's revenue is primarily derived from the sales of goods and equipment to franchisees and royalty and franchising income from franchisees in the PRC. The franchisees of the Group would usually settle by prepayments, except for the royalty income which is usually granted to franchisees for a credit period of 30 days in accordance with the terms of the contract.

(i) Disaggregation of revenue from contracts with franchisees

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Sale of goods and equipment:			
– Goods	3,048,007	3,813,075	5,164,203
– Equipment	398,857	206,444	255,777
	3,446,864	4,019,519	5,419,980
Royalty and franchising income:			
– Non-refundable upfront initial fee	49,281	80,142	103,558
– Royalty income	48,145	73,213	96,468
– Pre-opening training services	61,309	18,287	31,569
	158,735	171,642	231,595
Others	38,610	40,509	52,732
	3,644,209	4,231,670	5,704,307

(ii) Timing of revenue recognition

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Timing:			
– A point in time	3,466,214	4,048,247	5,456,858
– Over time	177,995	183,423	247,449
	3,644,209	4,231,670	5,704,307

(iii) Transaction price allocated to the remaining performance obligation for contracts with franchisees

The transaction price allocated to the remaining performance obligations for non-refundable upfront initial fee (unsatisfied or partially unsatisfied) as at 31 December 2021, 2022 and 2023 and the expected timing of recognising revenue are as follows:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	60,298	71,000	69,664
More than one year but not more than two years	61,692	71,397	63,707
Two to five years	124,569	81,874	83,823
	246,559	224,271	217,194

Except for non-refundable upfront initial fee, sale of goods and equipment, royalty income and pre-opening training services are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(iv) Segment information

Information is reported to Mr. Wang Xiao Kun, who is one of the Controlling Shareholders and also an executive director of the Company, being the chief operating decision maker ("CODM") of the Group, for the purposes of resource allocation and performance assessment. The accounting policies are the same as the Group's accounting policies described in Note 4. No other analysis of the Group's results nor assets and liabilities is regularly provided to the CODM for review and the CODM reviews the overall results and financial position of the Group as a whole. Accordingly, the CODM has identified one operating segment and only entity-wide disclosures on revenue, major customers and geographical information are presented in accordance with IFRS 8 "Operating Segments".

(v) Geographical information

During the Track Record Period, the Group operated within one geographical segment because all of its revenue was generated in the PRC and all of its non-current assets were located in the PRC. Accordingly, no geographical segment information is presented.

(vi) Information about major customers

No single customer contributes 10% or more of total revenue of the Group during each reporting period.

7a. OTHER INCOME

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Government grant *(Note (i))*	39	34,689	54,603
Interest income on:			
– bank deposits	1,353	1,602	6,954
Compensations received *(Note (ii))*	1,683	1,376	2,565
Others	512	1,554	1,373
	3,587	39,221	65,495

Notes:

(i) The government grant recognised mainly represents subsidies granted by the local authorities in the PRC for a period of five years since 2022 to reward the Group's effort in supporting the local economy, in which no future related costs is expected to be incurred. The amount recognised for each reporting period represents amount received on which conditions imposed for the relevant year are fulfilled and the management of the Group considered the future conditions could be successfully fulfilled.

(ii) Compensations mainly represent payments from the Group's suppliers for providing substandard products.

7b. OTHER GAINS AND LOSSES, NET

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Loss on disposal of property, plant and equipment	(527)	(370)	(148)
Gain on fair value change of financial assets at FVTPL	11,418	18,790	29,119
Gain on early termination of leases	220	870	–
Net foreign exchange loss	(172)	(33)	(75)
Others	(42)	123	(413)
	10,897	19,380	28,483

7c. OTHER EXPENSES

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Surcharge for overdue tax payment *(Note)*	(4,732)	(323)	–
Donations	(2,700)	(1,000)	(13,580)
	(7,432)	(1,323)	(13,580)

Note: Surcharge for overdue tax payment during the Track Record Period primarily includes the overdue of value-added tax and Enterprise Income Tax ("EIT") for the operations in 2019 and 2020.

8. FINANCE COSTS

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Interest on:			
Lease liabilities	(2,672)	(4,569)	(3,692)

9. INCOME TAX EXPENSE

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Current tax:			
PRC EIT	178,025	177,068	231,218
Deferred tax *(Note 17)*:			
Current year	(34,874)	8,918	(16,150)
	143,151	185,986	215,068

The income tax expense for the Track Record Period can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Profit before taxation	921,668	1,150,745	1,365,848
Tax at PRC EIT rate of 25%	230,417	287,686	341,462
Tax effect of expenses not deductible for tax purposes	2,972	5,141	23,585
Tax effect of tax losses not recognised	803	6,218	512
Utilisation of tax losses previously not recognised	–	(38)	(4,681)
Effect of tax concessions *(Note)*	(91,041)	(113,021)	(145,810)
Taxation for the year	143,151	185,986	215,068

Note: Certain subsidiaries that are engaged in the "Encouraged Industries in the Western Region" are eligible for the preferential EIT rate at 15% for the years ended 31 December 2021, 2022 and 2023.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and implementation regulations of the EIT Law, the statutory EIT rate of the Operating Entities and the subsidiaries of the Company operating in the PRC is 25% for the three years ended 31 December 2023, unless otherwise specified above.

10. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Directors', supervisors' and chief executive's remuneration *(Note 11)*	121,807	11,662	8,789
Other staff costs			
– Salaries and other allowances	102,902	185,658	299,519
– Retirement benefit scheme contributions	12,061	18,631	26,198
Total staff costs	236,770	215,951	334,506
Cost of inventories recognised as expenses	2,331,384	2,762,534	3,722,433
Depreciation of property, plant and equipment	3,600	6,245	16,183
Amortisation of right-of-use assets	22,071	39,883	47,225
Amortisation of intangible assets	177	1,755	3,599
Total depreciation and amortisation	25,848	47,883	67,007

11. DIRECTORS', SUPERVISORS' EMOLUMENTS AND EMPLOYEES' REMUNERATION

Directors' and supervisors' emoluments

Directors and supervisors

Details of the executive directors and supervisors appointed by the Company during the Track Record Period and up to date of this report are as follows:

Names	Position	Date of appointment as the directors of the Company
Mr. Wang Xiao Kun	Chairman and executive director and former chief executive *(Note)*	31 December 2020
Ms. Dai Li (戴利)	Executive director	31 December 2020
Ms. Gu Ji Lin (古計林)	Executive director *(Note)*	12 May 2021
Mr. Wang Hong Xue (汪紅學)	Executive director and chief executive *(Note)*	31 December 2020
Mr. Chen Ke Yuan (陳克遠)	Executive director	31 December 2020
Mr. Zhang Yu (張禹)	Supervisor	31 December 2020
Ms. Liu Wei Hong	Supervisor	12 May 2021
Mr. Zhu Ming Xing (朱明星)	Supervisor	12 May 2021

Note: Mr. Wang Xiao Kun has resigned as the Company's chief executive on 4 August 2023. On the same day, Mr. Wang Hong Xue was appointed as the Company's chief executive. Also, Ms. Gu Ji Lin has resigned as the Company's executive director on 4 August 2023.

The executive directors' emoluments shown below were for their services in connection with management of the Group. The supervisors' emoluments shown below were for their services as supervisors of the Group.

Directors' and chief executive's remuneration for the Track Record Period including the emoluments for services as directors of the group entities prior to becoming the directors of the Company, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

Year ended 31 December 2021

	Salaries and allowances	**Contributions to retirement benefit scheme**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Executive directors			
Mr. Wang Xiao Kun	2,560	42	2,602
Ms. Dai Li	1,151	41	1,192
Mr. Wang Hong Xue	1,006	41	1,047
Mr. Chen Ke Yuan	544	41	585
Ms. Gu Ji Lin	495	34	529
Supervisors			
Mr. Zhang Yu	159	20	179
Ms. Liu Wei Hong	162	33	195
Mr. Zhu Ming Xing	570	32	602
	6,647	284	6,931

Year ended 31 December 2022

	Salaries and allowances	**Contributions to retirement benefit scheme**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Executive directors			
Mr. Wang Xiao Kun	4,314	60	4,374
Ms. Dai Li	1,762	60	1,822
Mr. Wang Hong Xue	1,554	60	1,614
Mr. Chen Ke Yuan	707	60	767
Ms. Gu Ji Lin	777	60	837
Supervisors			
Mr. Zhang Yu	240	33	273
Ms. Liu Wei Hong	1,078	48	1,126
Mr. Zhu Ming Xing	790	59	849
	11,222	440	11,662

Year ended 31 December 2023

	Salaries and allowances	Contributions to retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*
Executive directors			
Mr. Wang Xiao Kun	3,269	63	3,332
Ms. Dai Li	1,006	63	1,069
Mr. Wang Hong Xue	1,116	63	1,179
Mr. Chen Ke Yuan	515	63	578
Ms. Gu Ji Lin	406	36	442
Supervisors			
Mr. Zhang Yu	251	45	296
Ms. Liu Wei Hong	1,086	48	1,134
Mr. Zhu Ming Xing	696	63	759
	8,345	444	8,789

There was no arrangement under which a director or the supervisor waived or agreed to waive any remuneration during the reporting period.

On 22 May 2023, Dr. Chen Da (陳達) was appointed as the non-executive director of the Company. He has not received any remuneration during the year ended 31 December 2023.

On 10 August 2023, Mr. Yeung Chi Tat (楊志達), Dr. Tang Yong (唐勇), and Ms. Cheng Li (程麗) were appointed as the independent non-executive director of the Company, and the respective appointments will become effective upon the [**REDACTED**].

In addition, Ms. Gu Ji Lin received share-based payments amounted to approximately RMB114,876,000 during the year ended 31 December 2021, and her total emoluments amounted to RMB115,405,000 for 2021.

Except for the above, none of the directors, supervisors, or chief executive received any share-based compensation during the Track Record Period.

Five Highest Paid Employees

The five highest paid individuals of the Group included 4, 3 and 4 directors and supervisors for the years ended 31 December 2021, 2022 and 2023, respectively, whose emoluments are included in the disclosures above. The emoluments of the remaining 1, 2 and 1 individuals for the years ended 31 December 2021, 2022 and 2023, respectively, are as follows:

	Year ended 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other benefit	767	3,124	1,744
Retirement benefit scheme contributions	74	165	103
	841	3,289	1,847

The number of the highest paid employees who are not the directors or supervisors of the Group whose remuneration fell within the following bands is as follows:

	Number of employees Year ended 31 December		
	2021	**2022**	**2023**
Emolument bands			
Nil to Hong Kong dollar ("HK$") 1,000,000	–	–	–
HK$1,000,001 to HK$1,500,000	1	–	–
HK$1,500,001 to HK$2,000,000	–	2	1
	1	2	1

During the reporting period, no remuneration was paid by the Group to the directors or supervisors of the Group or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12. DIVIDENDS

The Group

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Dividends for equity shareholders of the Company recognised as distribution during the year	379,031	600,000	1,021,183
Dividends for non-controlling interests of Operating Entities and the Company's subsidiaries recognised as distribution during the year	3,411	3,168	–
	382,442	603,168	1,021,183

For the Operating Entities and the Company's subsidiaries, the rate of dividend and number of shares ranking for the above dividends are not presented as such information is not considered meaningful having regard to the purpose of the report.

The Company

For the year ended 31 December 2021

The Company declared a dividend of RMB379,031,000 with RMB3.79 per share in respect of the financial year. The amount of RMB379,031,000 was paid during the same year.

For the year ended 31 December 2022

The Company declared a dividend of RMB600,000,000 with RMB6.00 per share in respect of the financial year. The amount of RMB600,000,000 was paid during the same year.

For the year ended 31 December 2023

In February, March and April 2023, the Company declared three batches of dividend totaling RMB596,525,000 with RMB5.97 per share, with a total of 100,000,000 shares, in respect of the financial year. The amount of RMB500,000,000 was paid during the same year and RMB96,525,000 was netted-off against amounts due from shareholders (Hengsheng Herui and Mr. Wang Xiao Kun).

In October 2023, the Company declared a dividend of RMB449,496,000 with RMB3.38 per share, with a total of 132,987,085 shares, in respect of the financial year. The full amount was paid during the same year. This declared dividend is calculated based on the Company's number of issued shares and redeemable shares with other preferential rights as at the date of declaration. The amount of RMB422,500,000 and RMB2,158,000 were recognised as dividend distributed to the holders of ordinary shares and the grantees of the Pre-[**REDACTED**] Employee Incentive Scheme, respectively. The amount of RMB24,838,000 was recognised in profit or loss and included in the fair value change of the redeemable shares with other preferential rights.

13. EARNINGS PER SHARE

The calculation of the earnings per share attributable to owners of the Company is based on the following data:

Earnings

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the year attributable to owners of the Company)	755,816	954,316	1,139,211

Number of shares

	Number of ordinary shares Year ended 31 December		
	2021	**2022**	**2023**
Weighted average number of ordinary shares for the purpose of basic earnings per share *(Note (i))*	992,210,000	1,000,000,000	1,160,958,904
Effect of dilutive potential ordinary shares:			
Dilutive effect of Shares issued for Pre-[**REDACTED**] Employee Incentive Scheme	N/A	N/A	136,554
Weighted average number of ordinary shares for the purpose of diluted earnings per share *(Note (ii))*	N/A	N/A	1,161,095,458

Notes:

(i) For the year ended 31 December 2021, the weighted average number of ordinary shares for the purpose of basic earnings per share is determined on the assumption that the Reorganisation (including weighted effect of capital injection to Operating Entities) and the [**REDACTED**] as described in Note 36 had been effective at the beginning of the Track Record Period.

For the years ended 31 December 2022 and 2023, the weighted average number of ordinary shares for the purpose of basic earnings per share is determined on the assumption that the [**REDACTED**] had been effective at the beginning of the Track Record Period.

(ii) No diluted earnings per share for the years ended 31 December 2021 and 2022 were presented as there were no potential ordinary shares in issue for the respective years.

The computation of diluted earnings per share for the year ended 31 December 2023 does not assume the removal of other preferential rights (detail as set out in Note 26) attached on the Company's shares granted to the Pre-[**REDACTED**] Investors (the "Removal") since the Removal would result in an increase in earnings per share.

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold improvements	Furniture and fixtures and office equipment	Motor vehicles	Plants and machineries	Buildings	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST							
At 1 January 2021	4,508	827	14,177	301	–	–	19,813
Additions	7,571	3,394	1,126	5,623	–	4,723	22,437
Disposals/written off	(4,504)	(76)	(11,265)	(17)	–	–	(15,862)
At 31 December 2021	7,575	4,145	4,038	5,907	–	4,723	26,388
Additions	11,474	1,112	616	7,127	–	109,184	129,513
Disposals	–	(8)	(1,349)	(311)	–	–	(1,668)
At 31 December 2022	19,049	5,249	3,305	12,723	–	113,907	154,233
Additions	14,539	3,067	789	17,390	–	70,761	106,546
Reclassification	–	–	–	–	162,173	(162,173)	–
Disposals	–	(152)	(86)	(93)	–	–	(331)
At 31 December 2023	33,588	8,164	4,008	30,020	162,173	22,495	260,448
ACCUMULATED DEPRECIATION							
At 1 January 2021	1,124	150	1,473	9	–	–	2,756
Charge for the year	1,064	535	1,783	218	–	–	3,600
Elimination on disposals/written off	(1,114)	(60)	(2,242)	(2)	–	–	(3,418)
At 31 December 2021	1,074	625	1,014	225	–	–	2,938
Charge for the year	3,886	1,193	254	912	–	–	6,245
Elimination on disposals	–	(3)	(463)	(55)	–	–	(521)
At 31 December 2022	4,960	1,815	805	1,082	–	–	8,662
Charge for the year	8,342	1,753	677	1,801	3,610	–	16,183
Elimination on disposals	–	(15)	(44)	(50)	–	–	(109)
At 31 December 2023	13,302	3,553	1,438	2,833	3,610	–	24,736
CARRYING VALUES							
At 31 December 2021	6,501	3,520	3,024	5,682	–	4,723	23,450
At 31 December 2022	14,089	3,434	2,500	11,641	–	113,907	145,571
At 31 December 2023	20,286	4,611	2,570	27,187	158,563	22,495	235,712

The Company

	Leasehold improvements *RMB'000*	**Furniture and fixtures and office equipment** *RMB'000*	**Total** *RMB'000*
COST			
At 1 January 2021	–	–	–
Additions	1,140	2,103	3,243
At 31 December 2021	1,140	2,103	3,243
Additions	270	73	343
At 31 December 2022	1,410	2,176	3,586
Additions	–	118	118
At 31 December 2023	1,410	2,294	3,704
ACCUMULATED DEPRECIATION			
At 1 January 2021	–	–	–
Charge for the year	158	143	301
At 31 December 2021	158	143	301
Charge for the year	393	617	1,010
At 31 December 2022	551	760	1,311
Charge for the year	583	642	1,225
At 31 December 2023	1,134	1,402	2,536
CARRYING VALUES			
At 31 December 2021	982	1,960	2,942
At 31 December 2022	859	1,416	2,275
At 31 December 2023	276	892	1,168

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives, after taking into account the residual values, using the straight-line method and at the following rates per annum:

Leasehold improvements	3-5 years
Furniture and fixtures and office equipment	3-5 years
Motor vehicles	5 years
Plants and machineries	10 years
Buildings	30-40 years

15. RIGHT-OF-USE ASSETS

The Group

	Leased offices *RMB'000*	Leased warehouses *RMB'000*	Leasehold land *RMB'000*	Leased retail stores *RMB'000*	Leased motor vehicles *RMB'000*	Total *RMB'000*
COST						
At 1 January 2021	21,559	15,024	–	4,758	565	41,906
Additions	18,787	24,313	–	3,530	393	47,023
Expiration of leases	–	(646)	–	–	–	(646)
Termination of leases	(2,812)	(10,941)	–	(2,360)	(565)	(16,678)
At 31 December 2021	37,534	27,750	–	5,928	393	71,605
Additions	26,200	34,301	30,143	9,422	–	100,066
Expiration of leases	(1,521)	(6,627)	–	(3,584)	(85)	(11,817)
Termination of leases	(6,905)	(8,257)	–	–	(308)	(15,470)
At 31 December 2022	55,308	47,167	30,143	11,766	–	144,384
Additions	41,889	3,084	–	3,608	–	48,581
Expiration of leases	(16,365)	(7,022)	–	(1,607)	–	(24,994)
Modification of leases	4,088	–	–	–	–	4,088
At 31 December 2023	84,920	43,229	30,143	13,767	–	172,059
ACCUMULATED DEPRECIATION						
At 1 January 2021	3,451	2,436	–	426	133	6,446
Charge for the year	11,096	8,556	–	2,198	221	22,071
Expiration of leases	–	(646)	–	–	–	(646)
Termination of leases	(3,774)	(4,653)	–	(376)	(133)	(8,936)
At 31 December 2021	10,773	5,693	–	2,248	221	18,935
Charge for the year	18,160	17,348	251	4,010	114	39,883
Expiration of leases	(1,521)	(6,627)	–	(3,584)	(85)	(11,817)
Termination of leases	(4,266)	(3,231)	–	–	(250)	(7,747)
At 31 December 2022	23,146	13,183	251	2,674	–	39,254
Charge for the year	20,481	21,196	603	4,945	–	47,225
Expiration of leases	(16,365)	(7,022)	–	(1,607)	–	(24,994)
At 31 December 2023	27,262	27,357	854	6,012	–	61,485
CARRYING VALUES						
At 31 December 2021	26,761	22,057	–	3,680	172	52,670
At 31 December 2022	32,162	33,984	29,892	9,092	–	105,130
At 31 December 2023	57,658	15,872	29,289	7,755	–	110,574

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Expense relating to short-term leases	613	642	654
Variable lease payments not included in the measurement of lease liabilities	469	–	–
Total cash outflow for leases	(23,160)	(78,350)	(49,566)
Additions to right-of-use assets	47,023	100,066	52,669

For the Track Record Period, the Group leases various offices, warehouses, retail stores and motor vehicles for its operations. Lease contracts are entered into for fixed term of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The Group has obtained the land use right certificate for the leasehold land. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use the land use right.

During the years ended 31 December 2021 and 2022, certain leases related to office premises and warehouses were early terminated, respectively. The carrying values of the right-of-use assets were RMB7,742,000 and RMB7,723,000, associated with these leases liabilities were RMB7,962,000 and RMB8,593,000, and that resulted a gain on early termination of leases amounted to RMB220,000 and RMB870,000, respectively, being recognised in the profit or loss for the years ended 31 December 2021 and 2022, respectively. There was no early termination of leases during the year ended 31 December 2023.

Restrictions or covenants on leases

The lease agreements do not impose any covenants and the relevant leased assets may not be used as security for borrowing purposes.

Details of the lease maturity analysis of lease liabilities are set out in Note 25.

The Company

	Leased offices
	RMB'000
COST	
At 1 January 2021	–
Additions	1,893
At 31 December 2021 and 2022	1,893
Additions	4,981
Expiration of leases	(2,063)
At 31 December 2023	4,811
ACCUMULATED DEPRECIATION	
At 1 January 2021	–
Charge for the year	710
At 31 December 2021	710
Charge for the year	946

	Leased offices
	RMB'000
At 31 December 2022	1,656
Charge for the year	901
Expiration of leases	(2,063)
At 31 December 2023	494
CARRYING VALUES	
At 31 December 2021	1,183
At 31 December 2022	237
At 31 December 2023	4,317

16. INTANGIBLE ASSETS

	The Group			The Company
	Software under development	**Software**	**Total**	**Software**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
COST				
At 1 January 2021	–	–	–	–
Additions	–	7,081	7,081	4,322
At 31 December 2021	–	7,081	7,081	4,322
Additions	–	11,299	11,299	4,501
At 31 December 2022	–	18,380	18,380	8,823
Additions	25,237	13,111	38,348	2,090
At 31 December 2023	25,237	31,491	56,728	10,913
AMORTISATION				
At 1 January 2021	–	–	–	–
Charge for the year	–	177	177	85
At 31 December 2021	–	177	177	85
Charge for the year	–	1,755	1,755	1,259
At 31 December 2022	–	1,932	1,932	1,344
Charge for the year	–	3,599	3,599	1,606
At 31 December 2023	–	5,531	5,531	2,950

	The Group			The Company
	Software under development	**Software**	**Total**	**Software**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
CARRYING VALUES				
At 31 December 2021	–	6,904	6,904	4,237
At 31 December 2022	–	16,448	16,448	7,479
At 31 December 2023	25,237	25,960	51,197	7,963

All of the Group's and the Company's software were acquired from third parties and the amortisation of the Group's software under development will begin when it is available for use. Software were amortised on a straight-line basis over five years.

17. DEFERRED TAX

The following is the analysis of the deferred tax balances for financial reporting purposes:

The Group

	As at 31 December		As at 31 December
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax assets	74,865	66,482	83,367
Deferred tax liabilities	(23)	(558)	(1,293)
	74,842	65,924	82,074

	Timing difference on revenue recognition	**Tax losses**	**Others***	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	39,312	–	656	39,968
Credit to profit or loss	28,995	5,289	590	34,874
At 31 December 2021	68,307	5,289	1,246	74,842
Charge to profit or loss	(5,442)	(2,359)	(1,117)	(8,918)
At 31 December 2022	62,865	2,930	129	65,924
(Charge) credit to profit or loss	(1,118)	10,262	7,006	16,150
At 31 December 2023	61,747	13,192	7,135	82,074

* Others mainly represent the deferred tax assets and liabilities in relation to temporary differences arising from right-of-use assets and lease liabilities and other timing difference such as deferred deductible advertising expenses and unrealised gain on fair value change of financial assets at FVTPL, all of which are not material.

The Group has unused tax losses of RMB24,692,000, RMB39,976,000 and RMB64,343,000 available for offset against future profits as at 31 December 2021 and 2022 and 2023, respectively. A deferred tax asset has been recognised in respect of RMB21,156,000, RMB11,722,000 and RMB52,768,000 of such losses as at 31 December 2021, 2022 and 2023, respectively. No deferred tax asset has been recognised in respect of the remaining RMB3,536,000, RMB28,254,000 and RMB11,575,000 of such losses as at 31 December 2021, 2022 and 2023, respectively, due to the unpredictability of future profit streams. The losses as at 31 December 2021, 2022 and 2023 will expire in various years before 2026, 2027 and 2028, respectively.

The Company

	Tax losses
	RMB'000
At 1 January 2021	–
Credit to profit or loss	5,289
At 31 December 2021	5,289
Charge to profit or loss	(2,359)
At 31 December 2022	2,930
Credit to profit or loss	7,162
At 31 December 2023	10,092

18. INVENTORIES

		As at 31 December	
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	3,306	5,200	4,188
Finished goods	109,778	187,279	196,983
	113,084	192,479	201,171

19. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Group

		As at 31 December	
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Current			
Trade receivables *(Note (i))*	5,713	6,199	7,191
Other receivables	3,442	3,412	6,947
Value-added tax recoverable	1,644	14,478	15,346
Lease deposits	4,571	7,490	6,339
Advances to staff	198	1,140	230
Deferred issue costs	1,093	1,427	3,907
Prepayments to third parties *(Note (ii))*	52,905	32,237	22,559
	69,566	66,383	62,519
Non-current			
Prepayments for construction in progress	42,410	–	300
Total	111,976	66,383	62,819

Notes:

(i) The Group's trade receivables are mainly due from certain royalty and franchising business. These primarily relate to a number of independent shops for whom there is no significant financial difficulty and based on past experience and management's assessment, the overdue amounts can be recovered. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

(ii) The Group's prepayments are mainly arising from amounts paid to third parties in relation to the purchase of the Group's raw materials and equipment.

As at 1 January 2021, trade receivables amounted to RMB13,357,000.

Details of impairment assessment of trade and other receivables are set out in Note 32.

The following is an aged analysis of trade receivables, presented based on the dates of delivery of goods/rendering of franchising service at the end of each reporting period.

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 90 days	4,792	5,995	7,191
91 to 180 days	743	26	–
181 to 365 days	83	106	–
Over 365 days	95	72	–
	5,713	6,199	7,191

The management of the Group closely monitors the credit quality of trade and other receivables and consider the debts are of a good credit quality.

The Group allows a credit period of 30 days to its franchisees for the royalty and franchising business.

At the end of each of the reporting periods, the amount of debtors included in the Group's trade receivables balances that are past due as at the reporting date is insignificant and the Group is satisfied with the subsequent settlements and the credit quality of these customers had not seen deteriorated.

The Company

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Other receivables	120	192	855
Value-added tax recoverable	1,285	2,231	3,602
Lease deposits	38	98	–
Advances to staff	–	–	58
Deferred issue costs	1,093	1,427	3,907
Prepayments to third parties	181	188	1,691
	2,717	4,136	10,113

20. AMOUNTS DUE FROM (TO) RELATED PARTIES

a. Amounts due from related parties

The Group

	As at 1 January 2021	As at 31 December 2021	2022	2023	Maximum amount outstanding during the year ended 31 December 2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade in nature							
廣州隆盛和餐飲有限公司 (Guangzhou Longshenghe Catering Management Co., Ltd.*) *(Notes (i) & (ii))*	–	569	–	–	N/A	N/A	N/A
Ms. Liu Wei Hong (*Note (ii)*)	2,112	–	–	–	N/A	N/A	N/A
Mr. Wang Hong Xue (*Note (ii)*)	2,252	380	–	–	N/A	N/A	N/A
Ms. Dai Li (*Note (ii)*)	1,948	–	–	–	N/A	N/A	N/A
Mr. Zhang Yu (張禹) *(Note (iii))*	3,621	–	–	–	N/A	N/A	N/A
Ms. Liu Li (劉麗) *(Note (iii))*	3,527	–	–	–	N/A	N/A	N/A
Mr. Wang Zhi Yong (王志勇) *(Note (iii))*	2,412	–	–	–	N/A	N/A	N/A
Ms. Xu Xiang Lian (徐祥蓮) *(Note (iii))*	1,033	–	–	–	N/A	N/A	N/A
	16,905	949	–	–			
Non-trade in nature							
Hengsheng Herui *(Note (iv))*	54,538	133,172	81,873	–	238,172	187,973	86,873
成都和錕瑞商業管理有限公司 (Chengdu Hekunrui Commercial Management Co., Ltd.*) ("Chengdu Hekunrui") *(Note (vi))*	–	176	176	176	176	176	176
成都錕麟商業管理有限公司 (Chengdu Kunlin Commercial Management Co., Ltd.*) ("Chengdu Kunlin") *(Note (vi))*	–	202	202	202	202	202	202
四川臻森商業管理有限公司 (Sichuan Zhensen Commercial Management Co., Ltd.*) ("Sichuan Zhensen") *(Note (vi))*	–	229	229	229	229	229	229
Mr. Wang Xiao Kun *(Note (vii))*	–	14,797	9,096	–	14,797	14,797	9,652
Ms. Liu Wei Hong *(Note (vi))*	812	–	–	–	820	–	–
Chengdu Jinbosen *(Note (v))*	25,407	–	–	–	25,407	–	–
	80,757	148,576	91,576	607			
	97,662	149,525	91,576	607			

* English name is for identification purpose only.

Notes:

(i) The related party is controlled by the key management personnel of the Group. The amount are unsecured, interest-free and repayable on demand.

(ii) These amounts represent receivables from franchised freshly-made tea drink shops owned and operated by certain management or executive directors of the Company who were key management personnel of the Operating Entities/subsidiaries of the Company in relation to sale of goods and equipment and rendering of royalty and franchising services in accordance with the Franchise Agreements.

(iii) These amounts represent receivables from franchises freshly-made tea drink shops owned and operated by certain close family members of Mr. Wang Xiao Kun and Ms. Liu Wei Hong who are founders of the Company in relation to sale of goods and equipment and rendering of royalty and franchising services in accordance with the Franchise Agreements.

(iv) Hengsheng Herui is the immediate holding company of the Company. The amount was unsecured, interest-free and repayable on demand.

(v) Chengdu Jinbosen is the ultimate holding company of the Hengsheng Herui. The amount was unsecured, interest-free and repayable on demand.

(vi) For non-trade balances, they are unsecured, interest-free and repayable on demand.

(vii) The amount outstanding represents advance to one of the Controlling Shareholders which was unsecured, interest-free and repayable on demand.

The following is an aged analysis of amounts due from related parties which are trade in nature presented based on the dates of delivery of goods/dates of rendering of management services at the end of each reporting period.

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 90 days	940	–	–
91 to 180 days	9	–	–
	949	–	–

The Company

	As at 1 January	As at 31 December			Maximum amount outstanding during the year ended 31 December		
	2021	**2021**	**2022**	**2023**	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-trade in nature							
Hengsheng Herui *(Note (i))*	–	133,172	81,873	–	187,973	187,973	86,873
Mr. Wang Xiao Kun *(Note (i))*	–	14,797	9,096	–	14,797	14,797	9,652
Chengdu Hekunrui *(Note (i))*	–	88	88	88	88	88	88
四川合瑞天昊企業管理諮詢有限公司 (Sichuan Heruitianhao Enterprise Management Consulting Co., Ltd.*) ("Heruitianhao") *(Note (i))*	–	12	–	–	12	12	–
	–	148,069	91,057	88			

Note:

(i) The amounts were unsecured, interest-free and repayable on demand.

* English name is for identification purpose only.

b. Amounts due to related parties

The Group

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade in nature			
Chengdu Hekunrui *(Note (i))*	382	–	–
	382	–	–
Non-trade in nature			
成都茶億物流有限公司 *(Note (iii))* (Chengdu Chayi Logistics Co., Ltd.*) ("Chayi Logistics")	159	–	–
四川茶裕合瑞貿易有限公司 *(Note (iii))* (Sichuan Chayuherui Trading Co., Ltd.*) ("Sichuan Chayuherui")	1,160	–	–
Heruitianhao *(Note (iii))*	6,353	–	–
長沙茶瑞企業諮詢管理有限公司 *(Note (iii))* (Changsha Charui Enterprise Consulting Management Co., Ltd.*)	241	–	–
成都匯盟錦行貿易有限公司 *(Note (iii))* (Chengdu Huimengjinxing Trading Co., Ltd.*) ("Chengdu Huimengjinxing")	138	–	–
廣州合瑞德業貿易有限公司 *(Note (iii))* (Guangzhou Heruideye Trading Co., Ltd.*)	290	–	–
廣州合瑞樸薪企業諮詢有限公司 *(Note (iii))* (Guangzhou Heruipuxin Enterprise Consulting Co., Ltd.*)	652	–	–
杭州坤成合瑞商貿有限公司 *(Note (iii))* (Hangzhou Kunchengherui Trading Co., Ltd.*)	1,692	–	–
杭州鋭和深企業管理諮詢有限公司 *(Note (iii))* (Hangzhou Ruiheshen Enterprise Management Consulting Co., Ltd.*)	2,727	–	–
南京晟和方管理諮詢有限公司 *(Note (iii))* (Nanjing Shenghefang Management Consulting Co., Ltd.*)	691	–	–
南京佳潤琦貿易有限公司 *(Note (iii))* (Nanjing Jiarunqi Trading Co., Ltd.*)	593	–	–
上海古測企業管理諮詢有限公司 *(Note (iii))* (Shanghai Guce Enterprise Management Consulting Co., Ltd.*)	142	–	–
上海渲鉅賈貿有限公司 *(Note (iii))* (Shanghai Xuanju Trading Co., Ltd.*)	197	–	–
Wuhan Consulting *(Note (iii))*	663	–	–
武漢合瑞坤貿易有限公司 *(Note (iii))* (Wuhan Heruikun Trading Co., Ltd.*)	251	–	–
Hengsheng Herui *(Note (iv))*	5,000	–	–
Chengdu Jinbosen *(Note (v))*	475	–	–
四川合瑞新諮詢管理有限公司 (Sichuan Heruixin Consulting Management Co., Ltd*) ("Sichuan Heruixin") *(Note (iii))*	27	–	–
Mr. Wang Hong Xue *(Note (ii))*	5	–	–
	21,456	–	–
	21,838	–	–

* English name is for identification purpose only.

Notes:

(i) The related party is controlled by one of the Controlling Shareholders of the Group. The amount is unsecured, interest-free and repayable on demand.

(ii) These related parties are the directors of the Company. These amounts are unsecured, interest-free and repayable on demand.

(iii) These related parties are controlled by Hengsheng Herui, the immediate holding company of the Company. They were Operating Entities before Reorganisation and became related parties upon completion of Reorganisation. The amounts are unsecured, interest-free and repayable on demand.

(iv) Hengsheng Herui is the immediate holding company of the Company. The amount is unsecured, interest-free and repayable on demand.

(v) Chengdu Jinbosen is the ultimate holding company of the Hengsheng Herui. The amount is unsecured, interest-free and repayable on demand.

The following is an aged analysis of an amount due to a related party which is trade in nature presented based on the invoice date at the end of each reporting period.

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
91 to 365 days	382	–	–
	382	–	–

The Company

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade in nature			
Chengdu Hekunrui	382	–	–
	382	–	–
Non-trade in nature			
Sichuan Heruixin	2	–	–
	384	–	–

* English name is for identification purpose only.

The following is an aged analysis of an amount due to a related party which is trade in nature presented based on the invoice date at the end of each reporting period.

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
91 to 365 days	382	–	–
	382	–	–

c. Amounts due from subsidiaries

The Company

	As at 1 January	As at 31 December			Maximum amount outstanding during the year ended 31 December		
	2021	**2021**	**2022**	**2023**	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-trade in nature							
四川蜀信安和食品科技開發有限公司 (Sichuan Shuxin Anhe Food Technology Development Co. Ltd.*) ("Shuxin Anhe")	–	393	84,993	111,873	393	84,993	111,873
四川蜀味茶韻供應鏈有限公司(Sichuan Shuwei Tea Rhyme Supply Chain Co., Ltd.*) ("Shuwei Tea Rhyme")	–	–	5,556	100,000	–	5,556	106,000
四川蜀信雲茶信息科技有限公司 (Sichuan Shuxin Yuncha Information Technology Co., Ltd.*) ("Shuxin Yuncha")	–	–	16,500	–	–	16,500	42,960
四川茶百道電子商務有限公司 (Sichuan Chabaidao E-commerce Co., Ltd.*) ("ChaPanda E-commerce")	–	–	40	–	–	1,040	40
森冕新材料科技(成都)有限公司 (Senmian New Materials Technology (Chengdu) Co., Ltd.*) ("Senmian New Materials")	–	5,000	–	–	5,000	5,000	–
海南咖弗瑞實業有限公司 (Hainan Cafrui Industrial Co., Ltd.*) ("Cafrui Industrial")	–	–	–	504	–	–	504
四川蜀信同源企業管理諮詢有限公司 (Sichuan Shuxin Tongyuan Enterprise Management Consulting Co., Ltd.*) ("Sichuan Shuxin Tongyuan")	–	–	–	5	–	–	5
	–	5,393	107,089	212,382			
Analysed as:							
Current	–	5,000	5,596	100,509			
Non-current^	–	393	101,493	111,873			
	–	5,393	107,089	212,382			

^ The amounts are non-trade in nature, unsecured, interest-free and are expected to be repaid more than one year.

d. Amounts due to subsidiaries

The Company

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Non-trade in nature			
成都市茶百道職業技能培訓學校有限公司 (Chengdu Chabaidao Skills Training Co., Ltd.*) ("ChaPanda Training")	–	18,000	19,500
Shuxin Zhiyuan	–	33,400	30,400
Shuwei Tea Rhyme	–	56,343	82,343
	–	107,743	132,243

The amounts are non-trade in nature, unsecured, interest-free and repayable on demand.

* English name is for identification purpose only.

21. BANK BALANCES AND CASH

The Group

Bank balances and cash include demand deposits, short term deposits amounted to RMB128,138,000, RMB226,031,000 and RMB715,989,000 as at 31 December 2021, 2022 and 2023, respectively, for the purpose of meeting the Group's short term cash commitments, which carry interest at market rates range from 0.20% to 1.70% per annum as at 31 December 2021, 2022 and 2023. Besides, the Group holds term deposits with initial terms of over three months amounted to RMB230,000,000, as at 31 December 2023, which carry interest at market rate of 2.9% per annum.

The Company

Bank balances and cash include demand deposits, short term deposits amounted to RMB53,136,000, RMB35,273,000 and RMB553,332,000, respectively for the purpose of meeting the Company's short term cash commitments, which carry interest at market rates range from 0.20% to 1.65% per annum as at 31 December 2021, 2022 and 2023. Besides, the Company holds term deposits with initial terms of over three months amounted to RMB130,000,000, as at 31 December 2023, which carry interest at market rate of 2.9% per annum.

Details of impairment assessment of bank balances are set out in Note 32.

22. FINANCIAL ASSETS AT FVTPL

The balances represent wealth management products issued by financial institutions subscribed by the Group with no guaranteed principal and return, while the total expected return is up to 3.73% per annum for the years ended 31 December 2021, 2022 and 2023 depending on the performance of the underlying financial investments or the change in interest rates as specified in the relevant placements. These wealth management products can be redeemable on demand.

23. TRADE AND OTHER PAYABLES

The Group

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables *(Note (i))*	116,224	351,149	354,672
Deposits *(Note (ii))*	87,835	107,952	145,046
Operational support service fees *(Note (iii))*	59,909	41,359	42,069
Other payables	19,417	43,618	96,981
Payroll payable	28,502	54,281	83,393
Other tax payable	37,478	7,229	39,655
Accrued share issue costs	–	–	992
Accrued [**REDACTED**] expenses	–	–	7,811
	349,365	605,588	770,619

Notes:

(i) The outstanding payables mainly represent the amounts payable to suppliers of the finished goods and equipment as at 31 December 2021, 2022 and 2023.

(ii) These amounts represent deposits received from franchisees which will be refunded at the end of their respective franchise periods unless renewals were made.

(iii) The amounts mainly represent service fees paid to regional agents for assisting the Group to provide operational support services mainly in relation to the franchise network in newer regions and also managing and maintaining those corresponding franchisees based on the regional agency contracts.

The credit period of trade payables is generally from 30 to 90 days from the invoice date.

The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period.

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 90 days	65,001	348,927	354,003
91 to 365 days	51,223	1,300	218
Over 365 days	–	922	451
	116,224	351,149	354,672

The Company

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Other payables	152	1,779	2,185
Payroll payable	258	3,421	6,162
Other tax payable	190	–	196
Accrued share issue costs	–	–	992
Accrued [**REDACTED**] expenses	–	–	7,811
	600	5,200	17,346

24. CONTRACT LIABILITIES

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Current			
Sale of goods and equipment	31,892	62,672	77,224
Royalty and franchising income	84,887	98,185	99,456
	116,779	160,857	176,680
Non-current			
Royalty and franchising income	186,261	153,271	147,530
	303,040	314,128	324,210

As at 1 January 2021, the Group had contract liabilities of RMB218,478,000, including contract liabilities for sale of goods and equipment amounting to RMB61,231,000 and royalty and franchising income amounting to RMB157,247,000.

The following table shows the revenue recognised to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Sale of goods and equipment			
Balance at the beginning of the year	61,231	31,892	62,672
Decrease in contract liabilities as a result of recognition of revenue during the year	(61,231)	(31,892)	(62,672)
Increase in contract liabilities as a result of receiving prepayments for sale of goods during the year	31,892	62,672	77,224
Balance at the end of the year	31,892	62,672	77,224

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Royalty and franchising income			
Balance at the beginning of the year	157,247	271,148	251,456
Decrease in contract liabilities as a result of recognition of revenue during the year	(71,825)	(125,528)	(157,138)
Increase in contract liabilities as a result of receiving royalty and franchising fees during the year	185,726	105,836	152,668
Balance at the end of the year	271,148	251,456	246,986
	303,040	314,128	324,210

25. LEASE LIABILITIES

The Group

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Lease liabilities payable:			
Within one year	28,654	37,496	40,948
Within a period of more than one year but not exceeding two years	20,121	26,384	21,006
Within a period of more than two years but not exceeding five years	8,966	12,195	21,570
	57,741	76,075	83,524
Less: Amount due for settlement within 12 months shown under current liabilities	(28,654)	(37,496)	(40,948)
Amount due for settlement after 12 months shown under non-current liabilities	29,087	38,579	42,576

The weighted average incremental borrowing rates applied to lease liabilities are at range of 5.16% to 5.70% as at 31 December 2021, 2022 and 2023.

The amount of lease liabilities payable to related parties is RMB10,609,000, RMB6,342,000 and RMB22,961,000 as at 31 December 2021, 2022 and 2023, respectively, and the details of lease rental payments to related parties are set out in Note 33.

The Company

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Lease liabilities payable:			
Within one year	959	–	1,033
Within a period of more than one year but not exceeding two years	–	–	1,027
Within a period of more than two years but not exceeding five years	–	–	2,137
	959	–	4,197
Less: Amount due for settlement within 12 months shown under current liabilities	(959)	–	(1,033)
Amount due for settlement after 12 months shown under non-current liabilities	–	–	3,164

The weighted average incremental borrowing rates applied to lease liabilities is 5.70% as at 31 December 2021, 2022 and 2023.

26. REDEEMABLE SHARES WITH OTHER PREFERENTIAL RIGHTS

Pursuant to the capital increase and shareholders agreements entered into on 22 May 2023 and 19 June 2023, respectively (collectively, the "Agreements") as described in Note 27, the Company issued 7,348,485 shares of the Company attached with certain special rights to Tower Quality Limited (the "Leading Pre-[**REDACTED**] Investor"), 上海檀英投資合夥企業(有限合夥) (Shanghai Tanying Investment Partnership (Limited Partnership)*) ("LVC Tanying"), 蘇州悦享股權投資合夥企業(有限合夥) (Suzhou Yuexiang Equity Investment Partnership (Limited Partnership)*) ("Suzhou Yuexiang"), 成都新津昇望交子新消費股權投資基金合夥企業(有限合夥) (Chengdu Xinjin Shengwang Jiaozi New Consumer Equity Investment Fund Partnership (Limited Partnership)*) ("Xinjin Shengwang"), 南京黃番茄股權投資合夥企業(有限合夥) (Nanjing Yellow Tomato Equity Investment Partnership (Limited Partnership)*) ("Yellow Tomato LP") and 中金同富(泉州)消費產業創業投資基金合夥企業(有限合夥) (CICC Tongfu (Quanzhou) Consumer Industry Venture Capital Fund Partnership (Limited Partnership)*) ("CICC Tongfu"), (collectively with the Leading Pre-[**REDACTED**] Investor, the "Pre-[**REDACTED**] Investors") at RMB132 per share for a total net cash proceed of approximately RMB970,000,000. The aforesaid transaction ("Pre-[**REDACTED**] Investments") was completed on 27 June 2023. Certain redemption and other preferential rights, which are identified as the significant terms of the Agreements as described below under (i) to (iii), granted to Pre-[**REDACTED**] Investors would be terminated upon successful [**REDACTED**] (the "[**REDACTED**]").

The significant terms of the Agreements are as follows:

(i) Liquidation preferences

In the event of any liquidation, Leading Pre-[**REDACTED**] Investor shall be entitled to receive, prior and in preference to any distribution of the [**REDACTED**] of such liquidation event to the holders of ordinary shares. All of the remaining [**REDACTED**] available for distribution to shareholders shall be distributed pro rata among the holders of ordinary shares.

(ii) Anti-dilution provision

In the event that the Company introduce new investors by issuing additional shares (excluding the employee incentive plan permitted by the investor) before the completion of successful [**REDACTED**], the share issuance price paid by new investors shall be not lower than the price in this transaction. Otherwise, the Pre-[**REDACTED**] Investors have a right to require: (a) the Company to adjust the share capital of the Pre-[**REDACTED**] Investors based on the weighted average method in order to re-determine the amount of the Company's registered shares that should be received by the Pre-[**REDACTED**] Investors; (b) the Company to settle the difference in cash, so that the total amount paid by the Pre-[**REDACTED**] Investors divided by the total amount of share capital obtained is equal to the price per share in the new issuance.

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(iii) Redemption

Pre-[**REDACTED**] Investors are granted an option to demand the Company to repurchase its shares mainly under any one of following circumstances:

(i) at any time on or after 1 January 2026;

(ii) any breach of the Agreements by any subsidiaries of the Group, the Controlling Shareholders and/or any beneficial owner, or any misrepresentation or misconduct by any subsidiaries of Group, the Controlling Shareholders and/or any beneficial owner, which materially and adversely affects Pre-[**REDACTED**] Investors; or

(iii) any subsidiary of the Group violates the applicable laws and regulations, causing significant obstacles to the qualified [**REDACTED**] of the Company, or causing significant adverse effects or losses to the Pre-[**REDACTED**] Investors or the Group.

The repurchase price is calculated as follows, and the Company shall pay the investor in 60 working days after the investor issue the written repurchase request.

Repurchase price = Investment consideration * (1+8%/365 * the actual number of days between the injection of consideration to the designated account and investor received the total repurchase price) – the dividend that the Company paid to investor.

The redeemable shares with other preferential rights are designated as financial liabilities at FVTPL on initial recognition. The redeemable shares with other preferential rights are measured at fair value with any changes in fair value arising on remeasurement recognised in the profit or loss except for the portion attributable to credit risk change which shall be charged/credited to other comprehensive income, if any. The directors of the Company consider that there is no credit risk change that drives the fair value change of the redeemable shares with other preferential rights during the Track Record Period.

The redeemable shares with other preferential rights were valued at fair value by the management of the Company with reference to an independent valuation.

The Group adopted Black-Scholes option pricing model to determine the fair value of shares subject to redemption and other preferential rights as at 31 December 2023 while the discounted cash flow model ("DCF Model") was used to determine the underlying equity value of the Company.

Key valuation assumptions used to determine the fair value of redeemable shares with other preferential rights were as follows:

	As at 31 December 2023
Volatility	40%
Discount rate	11.6%
Weighted average discount for lack of marketability	13%
Dividend yield	0%
Possibility under successful [**REDACTED**] scenario	55%
Possibility under redemption scenario	45%
Time to expiration	2.01 years

Volatility was determined by reference to the comparable companies in the industry.

The movements of the redeemable shares with other preferential rights are set out below:

The Group and the Company	**Redeemable shares with other preferential rights** *RMB'000*
At 1 January 2021, 31 December 2021 and 2022	–
Issuance of the redeemable shares with other preferential rights	970,000
Dividend paid	(24,838)
Changes in fair value	75,838
At 31 December 2023	1,021,000

27. PAID-UP CAPITAL/SHARE CAPITAL AND RESERVES

The Group

For the purpose of the presentation of the consolidated statements of financial position, the balance of share capital as at 1 January 2021 represent the issued aggregate share capital of the ChaPanda Catering, Sichuan Heruixin, Sichuan Chayuherui, 四川錕榮合瑞企業管理有限公司 (Sichuan Kunrongherui Enterprise Management Co., Ltd.*), Heruitianhao, Chengdu Huimengjinxing, Chayi Logistics, which are the holding companies of the Operating Entities undertaking the [**REDACTED**] Business. Upon completion of the Reorganisation, the share capital as at 31 December 2021 and 2022 and 31 December 2023 represented the share capital of the Company.

The Company

	Number of shares	**Amount** *RMB'000*
Ordinary shares of RMB1 each		
Authorised:		
At 1 January 2021, 31 December 2021 and 2022	100,000,000	100,000
Increase on 2023 Shareholding Restructuring (as defined and detailed in *Note (i)*)	25,000,000	25,000
Increase on Pre-[**REDACTED**] Investments *(Note (ii))*	7,348,485	7,348#
Increase on Pre-[**REDACTED**] Employee Incentive Scheme *(Note (iii))*	638,600	639
At 31 December 2023	132,987,085	132,987
Issued and fully paid:		
At 1 January 2021	100,000,000	–
Capital injection	–	100,000
At 31 December 2021 and 2022	100,000,000	100,000
Issuance of shares pursuant to the 2023 Shareholding Restructuring *(Note (i))*	25,000,000	25,000
Issuance of shares pursuant to the Pre-[**REDACTED**] Employee Incentive Scheme (as defined and detailed in *Notes (iii)* and *31(ii)*)	638,600	639
At 31 December 2023	125,638,600	125,639

\# The corresponding shares issued were reclassified to the redeemable shares with other preferential rights as detailed in Note 26.

Notes:

(i) Prior to the 2023 Shareholding Restructuring (as defined below), the Company was owned directly 90% by Hengsheng Herui and 10% by Mr. Wang Xiao Kun. Hengsheng Herui was held as to 84.888% by Chengdu Jinbosen, 7.78% by Ms. Dai Li, 3.78% by Mr. Wang Hongxue, 2.222% by Ms. Gu Ji Lin and 1.33% by Mr. Cheng Keyuan, through their respective wholly-owned investment vehicles (together, the "Employee Shareholders"). On 5 May 2023, the Company passed a shareholders' resolution in relation to (i) the increase of the share capital of the Company from RMB100,000,000 to RMB125,000,000 and (ii) the subscription of the shares by Mr. Wang Xiao Kun, Ms. Liu Wei Hong, and the Employee Shareholders (the "2023 Shareholding Restructuring"). On 11 May 2023, the Company issued a total of 25,000,000 shares to Mr. Wang Xiao Kun, Ms. Liu Wei Hong and the Employee Shareholders in such proportions that correspond to the respective percentages of equity interests ultimately held by them in the Company, at an aggregate consideration of RMB25,000,000. The subscription price was determined at par value of the registered capital increased.

(ii) On 22 May 2023, the Company, Hengsheng Herui, Mr. Wang Xiao Kun, Tower Quality Limited, LVC Tanying, Suzhou Yuexiang, Xinjin Shengwang, Yellow Tomato LP, Shuwei Tea Rhyme, and Shuxin Zhiyuan entered into capital increase and shareholders agreement, pursuant to which, each of Tower Quality Limited, LVC Tanying, Suzhou Yuexiang, Xinjin Shengwang and Yellow Tomato LP agreed to subscribe for RMB6,060,606, RMB227,273, RMB303,030, RMB378,788 and RMB227,273 increased registered capital of the Company, at cash considerations of RMB800,000,000, RMB30,000,000, RMB40,000,000,RMB50,000,000 and RMB30,000,000, respectively.

On 19 June 2023, the Company, Hengsheng Herui, Mr. Wang Xiao Kun, CICC Tongfu, Shuwei Tea Rhyme and Shuxin Zhiyuan entered into capital increase and shareholders agreement, pursuant to which, CICC Tongfu agreed to subscribe for RMB151,515 increased registered capital of the Company, at a cash consideration of RMB20,000,000.

The Pre-[**REDACTED**] Investments were completed on 27 June 2023, being the date of payment of full considerations and the completion of share registrations. As the Pre-[**REDACTED**] Investments contain certain special rights, including redemption rights, that are granted to the investors which are outside the control of the Company, the Pre-[**REDACTED**] Investments are accounted for as financial liabilities at FVTPL and the shares held by the Pre-[**REDACTED**] Investments are not considered as ordinary shares. Details are set out in Note 26.

(iii) On 10 August 2023, 638,600 shares under the Pre-[**REDACTED**] Employee Incentive Scheme (as defined in Note 31(ii)) have been allotted and issued to 四川同創共進企業管理合夥企業(有限合夥) (Sichuan Tongchuang Gongjin Enterprise Management Partnership (Limited Partnership)*) ("Tongchuang Gongjin"), represent treasury shares held by the Company. Details are set out in Note 31.

* English name is for identification purpose only.

Reserves of the Company:

Below table sets out the details of the reserves of the Company:

	Statutory reserves *RMB'000*	Shares issued for Pre-[REDACTED] Employee Incentive shares *RMB'000*	Other reserves *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
At 1 January 2021	–	–	–	–	–
Profit and total comprehensive income for the year	–	–	–	518,578	518,578
Recognition of equity-settled share-based payments	–	–	114,876	–	114,876
Transfer to statutory reserves	50,000	–	–	(50,000)	–
Dividends recognised as distribution	–	–	–	(379,031)	(379,031)
At 31 December 2021	50,000	–	114,876	89,547	254,423
Profit and total comprehensive income for the year	–	–	–	517,510	517,510
Dividends recognised as distribution	–	–	–	(600,000)	(600,000)
At 31 December 2022	50,000	–	114,876	7,057	171,933
Profit and total comprehensive income for the year	–	–	–	1,201,180	1,201,180
Dividends recognised as distribution	–	–	–	(1,021,183)	(1,021,183)
Issuance of shares pursuant to the Pre-[**REDACTED**] Employee Incentive Scheme *(Note 31(ii))*	–	(639)	29,433	–	28,794
Transfer to statutory reserves	16,494	–	–	(16,494)	–
At 31 December 2023	66,494	(639)	144,309	170,560	380,724

28. RETIREMENT BENEFIT PLANS

The employees of the Group in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

The amounts of contributions made by the Group in respect of the retirement benefits scheme amounting to approximately RMB12,345,000, RMB19,071,000 and RMB26,642,000 for each of the three years ended 31 December 2021, 2022 and 2023, respectively.

29. CAPITAL COMMITMENTS

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Capital expenditure in respect of: the acquisition of property, plant and equipment and intangible assets contracted for but not provided in the Historical Financial Information	102,081	83,416	12,237

The Group's share of the capital commitments made jointly with other joint venture parties relating to its joint venture, but not recognised at the end of each reporting period is as follows:

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Commitments to investment in the joint venture	–	–	10,000

30. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of debt, which includes amounts due to related parties (Note 20), lease liabilities (Note 25) and redeemable shares with other preferential rights (Note 26), net of cash and equity attributable to owners of the Group, comprising share capital and retained profits.

The management of the Group reviews the capital structure from time to time. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares and new debts.

31. SHARE-BASED PAYMENTS

(i) Share award arrangements

On 10 October 2019, the Founders entered into share award agreements with Ms. Dai Li, Mr. Wang Hong Xue and Mr. Chen Ke Yuan, who are key management personnel of the Operating Entities, to recognise their contributions to the [**REDACTED**] Business and in order to motivate them to strive for the future development of the Group. Pursuant to the respective agreements, the Founders committed to award their 8%, 4% and 2% equity interests in Hengsheng Herui to Ms. Dai Li, Mr. Wang Hong Xue and Mr. Chen Ke Yuan at cash considerations of RMB4,000,000, RMB2,000,000 and RMB1,000,000, respectively. The fair value of the shares granted as at 10 October 2019 amounted to approximately RMB27,704,000, RMB13,852,000 and RMB6,927,000, respectively.

On 8 February 2021, the Founders entered into a share award agreement with Ms. Gu Ji Lin, in order to motivate her to strive for the future development of the Group (the "Share Award 1"). Pursuant to the agreement, the Founders committed to award their 1.112% equity interests in Hengsheng Herui to Ms. Gu Ji Lin. The fair value of the shares granted as at 8 February 2021 amounted to RMB20,804,000.

On 12 October 2021, Ms. Dai Li, Mr. Wang Hong Xue and Mr. Chen Ke Yuan entered into share award agreements with Ms. Gu Ji Lin in order to motivate her to strive for the future development of Hengsheng Herui (the "Share Award 2"). Pursuant to the agreements, Ms. Dai Li, Mr. Wang Hong Xue and Mr. Chen Ke Yuan committed to award their 0.22%, 0.22% and 0.67% equity interests in the Hengsheng Herui to Ms. Gu Ji Lin. The fair value of the shares granted as at 12 October 2021 amounted to RMB18,865,000, RMB18,865,000 and RMB57,453,000, respectively.

All awarded shares above were immediately vested on the grant date and the fair values were determined by the directors of the Company with reference to valuations carried out by an independent qualified professional valuer not connected to the Group. The awarded shares are vested immediately at the date of grant and the fair values at the respective dates of grant were determined using discounted cash flow model, the key inputs used in the model includes growth rates of revenue and pre-tax discount rate. For Share Award 1, the calculation uses discounted cash flow model based on financial forecasts in which the growth rates of revenue are between 2% to 12%, and the pre-tax discount rate is 18% at 8 February 2021. For Share Award 2, the calculation uses discounted cash flow model based on financial forecasts in which the growth rates of revenue are between 2% to 16%, and the pre-tax discount rate is 16.7% at 12 October 2021.

For Share Award 1 and Share Award 2, share-based payments of RMB20,248,000 and RMB94,628,000 after taking into account the consideration for subscription of the equity interests, have been recognised in profit or loss for the year ended 31 December 2021 which is included in "administrative expenses", respectively.

(ii) Pre-[REDACTED] Employee Incentive Scheme

On 27 June 2023, the Group has adopted the pre-[**REDACTED**] employee incentive scheme (the "Pre-[**REDACTED**] Employee Incentive Scheme") and established a limited partnership, Tongchuang Gongjin, as the pre-[**REDACTED**] employee incentive platform, with a view to improve the enthusiasm and creativity of the eligible participants of the Pre-[**REDACTED**] Employee Incentive Scheme (the "Eligible Participants"), promoting the sustainable growth of the performance of the Group, bringing value-added benefits to the Eligible Participants while enhancing the value of the Group, and thus realising the common development of both the Eligible Participants and the Group. Tongchuang Gongjin had, in turn, subscribed for 638,600 shares, representing approximately 0.4802% of the total issued shares (as at the date of the adoption of the Pre-[**REDACTED**] Employee Incentive Scheme), including the redeemable shares with other preferential rights but without taking into account the [**REDACTED**] (as described in Note 36).

The Eligible Participants, as limited partners of the pre-[**REDACTED**] employee incentive platform, shall subscribe for partnership interest therein according to the amount approved by the board of directors of the Company, and make the corresponding contribution in accordance with the arrangement of the board of directors of the Company, thereby holding indirect interest in the shares of the Company.

The corresponding interests in Tongchuang Gongjin were granted to Eligible Participants on 10 August 2023 and all contribution payments have been paid in full. The Eligible Participants made aggregate contribution payments of RMB29,433,000 into the pre-[**REDACTED**] employee incentive platform, which in turn subscribed for 638,600 shares of the Company without taking into the [**REDACTED**]. Assuming the [**REDACTED**] is completed, the subscription price per each corresponding share underlying the awards granted would be RMB4.609 per share.

The shares of the Company shall subject to transfer restrictions and such restrictions shall be released in the following manner:

- 30% of the total number of shares shall be released from transfer restrictions from the business day following the first anniversary of the date of [**REDACTED**] to the last business day right before the second anniversary of the date of [**REDACTED**];

- 30% of the total number of shares shall be released from transfer restrictions from the business day following the second anniversary of the date of [**REDACTED**] to the last business day before the third anniversary of the date of [**REDACTED**]; and

- 40% of the total number of shares shall be released from transfer restrictions from the business day following the third anniversary of the date of [**REDACTED**] to the last business day before the fourth anniversary of the date of [**REDACTED**].

In addition to the timetable sets forth above, the release of the shares shall be further subject to the achievement of the certain performance targets of the Company and the grantee respectively (individually and collectively, the "Performance Target(s)"). The remuneration committee of the board of directors of the Company shall review and determine the fulfilment of the Performance Target(s), and report to the board of directors of the Company accordingly.

Details of the Eligible Participants, representing directors, supervisors and senior management of the Company under the Pre-[**REDACTED**] Employee Incentive Scheme are set out in Appendix VI Statutory and General Information of the Document.

The shares issued to and held by Tongchuang Gongjin under the Pre-[**REDACTED**] Employee Incentive Scheme were recognised as treasury shares by the Company and had been deducted from shareholders' equity as shown in the consolidated statements of changes in equity under "Shares issued for Pre-[**REDACTED**] Employee Incentive Scheme" reserve. The cash consideration received by the Company amounted to RMB29,433,000 has been recognised in capital reserve included in other reserves of equity, as the Company does not have any obligation to repurchase any granted shares if they were subsequently forfeited or not vested.

The directors determined the fair value of shares granted under the Pre-[**REDACTED**] Employee Incentive Scheme at grant date, based on the equity value of the Company which was derived by calibrating the result of the valuation of latest transaction price. The fair value amounted to RMB37,147,000 of the aforesaid granted shares at grant date, after net of the cash consideration received would be recognised as expense on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. The corresponding share-based payment expense has not been recognised in profit or loss for the year ended 31 December 2023 as vesting period has yet to commenced.

32. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

The Group

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Financial assets measured at FVTPL	387,728	772,804	1,391,562
At amortised cost			
Bank balances and cash	128,138	226,031	945,989
Amounts due from related parties	149,525	91,576	607
Trade and other receivables*	13,726	17,101	20,477
	291,389	334,708	967,073
	679,117	1,107,512	2,358,635
Financial liabilities			
At FVTPL			
Redeemable shares with other preferential rights	–	–	1,021,000
At amortised cost			
Trade and other payables**	281,411	537,293	639,034
Amounts due to related parties	21,838	–	–
	303,249	537,293	639,034
	303,249	537,293	1,660,034

* Value-added tax recoverable, advances to staff, deferred issue costs and prepayments are excluded.

** Certain other payables, payroll payable and other tax payable are excluded.

The Company

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Financial assets measured at FVTPL	–	–	341,794
At amortised cost			
Bank balances and cash	53,136	35,273	683,332
Amounts due from related parties	148,069	91,057	88
Amounts due from subsidiaries	5,393	107,089	212,382
Other receivables*	158	290	855
	206,756	233,709	896,657
	206,756	233,709	1,238,451
Financial liabilities			
At FVTPL			
Redeemable shares with other preferential rights	–	–	1,021,000
At amortised cost			
Other payables**	152	1,779	10,988
Amounts due to related parties	384	–	–
Amounts due to subsidiaries	–	107,743	132,243
	536	109,522	143,231
	536	109,522	1,164,231

* Value-added tax recoverable, advances to staff, deferred issue costs and prepayments are excluded.

** Payroll payable and other tax payable are excluded.

b. Financial risk management objectives and policies

The Group's and Company's major financial instruments include trade and other receivables, financial assets measured at FVTPL, amounts due from/to related parties/subsidiaries, bank balances and trade and other payables, dividend payables and redeemable shares with other preferential rights. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group and the Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group's businesses are principally conducted in RMB and all of the Group's monetary assets and liabilities are denominated in RMB. The only scenario in which the Group uses foreign currency is to purchase coconut milk from the South East Asia using United States Dollars, but the related purchases are less than 2% of the total purchases for each reporting period and the impact of exchange rate fluctuations on inventory costs is insignificant. There are no or immaterial foreign currency bank balances or transaction balances at the end of each reporting periods. The management considers the Group's exposure to foreign currency risk is not significant.

On the other hand, RMB is not a freely convertible currency and the PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent the Group from satisfying foreign currency demand in the future.

The Company has no significant foreign currency risk as the operation of the Company is denominated in RMB, which is also the functional currency of the Company.

(ii) Interest rate risk

The Group and the Company consider that the overall interest rate risk is not significant and no sensitivity analysis is presented for the Group and the Company.

The fair value interest rate risk on the other financial assets at FVTPL is limited because the periods of these investment products are short.

The Group and the Company are also exposed to fair value interest rate risk in relation to lease liabilities (see Note 25 for details) and the Group and the Company consider that the exposure of such interest rate risk arising from fixed rate lease liabilities is insignificant.

(iii) Other price risk

The Group and the Company are exposed to equity price risk through its redeemable shares with other preferential rights.

The sensitivity analysis of the redeemable shares with other preferential rights has been disclosed in Note 32c.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's and the Company's counterparties default on their contractual obligations resulting in financial losses to the Group and the Company. The Group's and the Company's credit risk exposures are primarily attributable to trade and other receivables, bank balances, amounts due from related parties/subsidiaries, and wealth management products issued by banks.

In determining the ECL for trade and other receivables, amounts due from related parties and amounts due from subsidiaries, the management of the Group and the Company have taken into account the historical default experience and forward-looking information, as appropriate. At the end of each reporting period, the carrying amount of the respective recognised financial assets of the Group and the Company as stated in the statements of financial position best represents the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and Company and due to failure to discharge an obligation by the counterparties. The average loss rates for majority of the financial assets measured at amortised cost are assessed to be less than 1%.

(i) Trade receivables arising from contracts with franchisees

The franchisees of the Group would usually settle by prepayments, except for the royalty income, so trade receivables mainly comprise of receivables from franchisees to whom calculation of royalty income based on operating gross receipts is applied. Management has assessed that trade debtors have not had a significant increase in credit risk since initial recognition and risk of default is insignificant.

The Group performs impairment assessment under ECL model on trade receivables with credit-impaired individually. The trade receivables that are not credit-impaired are grouped based on shared credit risk characteristics by reference to the aging of outstanding balances. For each of the three years ended 31 December 2023, the Group assessed the ECL are insignificant.

(ii) Impairment assessments on bank balances/other receivables/amounts due from related parties/amounts due from subsidiaries

The Group and the Company assessed the loss allowances for bank balances, other receivables and amounts due from related parties and amounts due from subsidiaries on 12m ECL basis.

In determining the ECL for other receivables, amounts due from related parties and amounts due from subsidiaries, the management of the Group and the Company have taken into account the forward-looking information as appropriate. There had been no significant increase in credit risk since initial recognition. The management of the Group and the Company have considered the consistently low historical default rate in connection with payments, management's expectation on the timing for repayment from related parties and concluded that credit risk inherent in the Group's and the Company's outstanding balances of other receivables, amounts due from related parties and amounts due from subsidiaries is insignificant.

The management of the Group and the Company consider the bank balances that are deposited with the financial institutions with high credit rating to be low credit risk financial assets. The management of the Group and the Company consider these bank balances are short-term in nature and the probability of default is negligible on the basis of high-credit-rating issuers, and accordingly, loss allowance was considered as insignificant.

Liquidity risk

The management of the Group and the Company are satisfied that the Group and Company will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future by taking into account the Group's and the Company's cash flow projection, repayment from related parties, and the Group's and the Company's future capital expenditure in respect of its non-cancellable capital commitments, the management considers that the Group and the Company has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of each reporting period.

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows. The table includes both interest and principal cash flows, where applicable.

The Group

	Weighted average interest rate	**On demand or within 1 year**	**1 to 2 years**	**2 to 5 years**	**Total undiscounted cash flows**	**Total carrying amount**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2021						
Non-interest bearing						
Trade and other payables	N/A	281,411	–	–	281,411	281,411
Amounts due to related parties	N/A	21,838	–	–	21,838	21,838
		303,249	–	–	303,249	303,249
Interest bearing						
Lease liabilities	5.16-5.70%	30,268	22,096	10,842	63,206	57,741
		333,517	22,096	10,842	366,455	360,990
As at 31 December 2022						
Non-interest bearing						
Trade and other payables	N/A	537,293	–	–	537,293	537,293
Interest bearing						
Lease liabilities	5.16-5.70%	39,899	29,067	14,708	83,674	76,075
		577,192	29,067	14,708	620,967	613,368

	Weighted average interest rate	On demand or within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
As at 31 December 2023						
Non-interest bearing						
Trade and other payables	N/A	639,034	–	–	639,034	639,034
Interest bearing						
Lease liabilities	5.16-5.70%	44,900	24,273	26,510	95,683	83,524
Redeemable shares with other preferential rights	8.00%	–	–	1,100,787	1,100,787	1,021,000
		44,900	24,273	1,127,297	1,196,470	1,104,524
		683,934	24,273	1,127,297	1,835,504	1,743,558

The Company

	Weighted average interest rate	On demand or within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
As at 31 December 2021						
Non-interest bearing						
Other payables	N/A	152	–	–	152	152
Amounts due to related parties	N/A	384	–	–	384	384
		536	–	–	536	536
Interest bearing						
Lease liabilities	5.70%	973	–	–	973	959
		1,509	–	–	1,509	1,495
As at 31 December 2022						
Non-interest bearing						
Other payables	N/A	1,779	–	–	1,779	1,779
Amounts due to subsidiaries	N/A	107,743	–	–	107,743	107,743
		109,522	–	–	109,522	109,522

	Weighted average interest rate	On demand or within 1 year	1 to 2 years	2 to 5 years	Total undiscounted cash flows	Total carrying amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2023						
Non-interest bearing						
Other payables	N/A	10,988	–	–	10,988	10,988
Amounts due to subsidiaries	N/A	132,243	–	–	132,243	132,243
		143,231	–	–	143,231	143,231
Interest bearing						
Lease liabilities	5.70%	1,100	1,155	2,630	4,885	4,197
Redeemable shares with other preferential rights	8.00%	–	–	1,100,787	1,100,787	1,021,000
		1,100	1,155	1,103,417	1,105,672	1,025,197
		144,331	1,155	1,103,417	1,248,903	1,168,428

Note: The timing of the cash outflow for the redeemable shares with other preferential rights as disclosed in Note 26 is determined based on the term that the Pre-[**REDACTED**] Investors may request the Company to redeem if there is no successful [**REDACTED**] by 1 January 2026.

c. Fair value

The management of the Group have closely monitored and determined the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of financial instruments, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under level 3, the Group establish the appropriate valuation techniques and inputs to the model.

Of the financial assets and liabilities held by the Group, wealth management products and redeemable shares with other preferential rights are measured through fair value in the Historical Financial Information are disclosed in Note 22 and Note 26.

The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at	Fair value hierarchy	Valuation techniques and key inputs
Wealth management products	31 December 2021: RMB387,728,000 31 December 2022: RMB772,804,000 31 December 2023: RMB1,391,562,000	Level 2	Quoted value provided by financial institutions
Financial liabilities			
Redeemable shares with other preferential rights	31 December 2021: Nil 31 December 2022: Nil 31 December 2023: RMB1,021,000,000	Level 3	Black-Scholes option pricing model: Key inputs: volatility, discount rate, dividend yield, weighted average discount for lack of marketability, probability of successful [**REDACTED**] and redemption and time to expiration *(Note (i))*

Note:

(i) Except for discount rate as detailed below, the sensitivity analyses on other unobservable inputs are not significant. A slight increase in the discount rate used in isolation would result in a significant decrease in the fair value measurement of the redeemable shares with other preferential rights, and vice versa. An 1% increase or decrease in the discount rate holding all other variables constant will decrease or increase the fair value of redeemable shares with other preferential rights as follows:

	As at 31 December 2023 *RMB'000*
Discount rate:	
– increase by 1%	(52,000)
– decrease by 1%	89,000

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate to their fair values.

33. RELATED PARTY TRANSACTIONS

Apart from disclosed in Notes 20a, 20b and 25 to the Historical Financial Information, the Group entered into the following transactions with related parties during the Track Record Period:

i. Transactions with related parties

Name of related parties	Relationship	Nature of transactions	Year ended 31 December 2021 *RMB'000*	2022 *RMB'000*	2023 *RMB'000*
Chengdu Jinbosen	Ultimate holding company	Interest expenses on lease liabilities *(Note (v))*	62	105	127
		Disposals of property, plant and equipment	5,005	–	–
Transaction with franchised shops owned and controlled by Ms. Dai Li	Executive director of the Company	Sale of goods and equipment	836	–	–
Transaction with franchised shops owned and controlled by Mr. Wang Hong Xue	Executive director and chief executive of the Company	Sale of goods and equipment	3,628	740	125
Transaction with franchised shops owned and controlled by Ms. Liu Wei Hong	Controlling Shareholder	Sale of goods and equipment	1,111	–	–
Mr. Wang Xiao Kun and Ms. Liu Wei Hong	Controlling Shareholders	Interest expenses on lease liabilities *(Note (i))*	27	174	140
		Short-term leases payment	532	–	–
Chengdu Hekunrui	Controlled by one of the Controlling Shareholders	Interest expenses on lease liabilities *(Note (ii))*	169	119	305
Chengdu Kunlin	Companies controlled by one of the Controlling Shareholders	Interest expenses on lease liabilities *(Note (iii))*	185	130	329
Sichuan Zhensen	Companies controlled by one of the Controlling Shareholders	Interest expenses on lease liabilities *(Note (iv))*	417	267	25
成都市麗蓉錦盛企業管理有限公司 (Chengdu Lirong Jinsheng Enterprise Management Co., Ltd.*)	Company controlled by the key management personnel of the Group	Disposals of property, plant and equipment	885	–	–

Name of related parties	Relationship	Nature of transactions	Year ended 31 December 2021	2022	2023
			RMB'000	*RMB'000*	*RMB'000*
成都晶辰企業管理有限公司 (Chengdu Jingchen Enterprise Management Co.*)	Company controlled by the key management personnel of the Group	Disposals of property, plant and equipment	2,635	–	–
Transaction with franchised shops owned and controlled by Ms. Liu Li	A close family member of Mr. Wang Xiao Kun	Sale of goods and equipment	2,648	–	–
Transaction with franchised shops owned and controlled by Mr. Wang Zhi Yong	A close family member of Mr. Wang Xiao Kun	Sale of goods and equipment	1,543	–	–
Transaction with franchised shops owned and controlled by Ms. Xu Xiang Lian	A close family member of Ms. Liu Wei Hong	Sale of goods and equipment	237	–	–
Transaction with franchised shops owned and controlled by Mr. Zhang Yu	A close family member of Mr. Wang Xiao Kun	Sale of goods and equipment	1,515	–	–

* English name is for identification purpose only.

Notes:

(i) In 2020, the Group entered into a 24-month and a 25-month lease agreement for the use of offices with Ms. Liu Wei Hong and Mr. Wang Xiao Kun, respectively. Right-of-use assets and lease liabilities both amounted to RMB1,696,000 were recognised at inception. The amounts of lease liabilities as at 1 January 2021 are RMB1,438,000 and the two agreements were early terminated on 30 April 2021.

In May 2021, the Group entered into a short-term lease agreement for the use of offices and expense relating to the short-term lease amounted to RMB532,000, which was recognised during 2021.

During the year ended 31 December 2022, the Group entered into a 4-year lease agreement for the use of offices with Ms. Liu Wei Hong and Mr. Wang Xiao Kun, with right-of-use assets and lease liabilities both amounted to RMB2,905,000 being recognised at inception. The amounts of lease liabilities as at 31 December 2022 are RMB2,117,000.

During the year ended 31 December 2023, the Group modified certain terms of the original lease agreement with Ms. Liu Wei Hong and Mr. Wang Xiao Kun, into a 5-year lease agreement for the use of offices. The amounts of lease liabilities as at 31 December 2023 are RMB4,198,000.

(ii) During the year ended 31 December 2021, the Group entered into 3-year lease agreements for the use of office with Chengdu Hekunrui, with right-of-use assets and lease liabilities both amounted to RMB3,696,000 being recognised at inception. The amounts of lease liabilities as at 31 December 2021 and 2022 are RMB2,262,000 and RMB440,000, respectively and the agreement was expired on 31 March 2023.

During the year ended 31 December 2023, the Group entered into a 5-year lease agreement for the use of office with Chengdu Hekunrui, with right-of-use assets and lease liabilities both amounted to RMB9,400,000 being recognised at inception. The amounts of lease liabilities as 31 December 2023 are RMB7,667,000.

(iii) During the year ended 31 December 2021, the Group entered into a 2-year lease agreement for the use of office with Chengdu Kunlin, with right-of-use assets and lease liabilities both amounted to RMB4,237,000 being recognised at inception. The amounts of lease liabilities as at 31 December 2021 and 31 December 2022 are RMB2,593,000 and RMB504,000, respectively.

During the year ended 31 December 2023, the Group entered into a 5-year lease agreement for the use of office with Chengdu Kunlin, with right-of-use assets and lease liabilities both amounted to RMB10,142,000 being recognised at inception. The amount of lease liabilities as at 31 December 2023 is RMB7,965,000.

(iv) During the year ended 31 December 2021, the Group entered into two three-year lease agreements for the use of office with Sichuan Zhensen, with right-of-use assets and lease liabilities both amounted to RMB6,735,000 being recognised at inception. The amounts of lease liabilities as at 31 December 2021, 2022 and 2023 are RMB3,971,000, RMB415,000 and nil, respectively.

During the year ended 31 December 2022, the Group entered into a 15-month lease agreement for the use of office with Sichuan Zhensen, with right-of-use assets and lease liabilities both amounted to RMB2,299,000 being recognised at inception. The amounts of lease liabilities as at 31 December 2022 and 2023 are RMB1,826,000 and nil, respectively.

(v) During the year ended 31 December 2021, the Group entered into a 3-year lease agreement for the use of office with Chengdu Jinbosen, with right-of-use assets and lease liabilities both amounted to RMB2,170,000 being recognised at inception. The amounts of lease liabilities as at 31 December 2021 and 2022 are RMB1,783,000 and RMB1,040,000.

During the year ended 31 December 2023, the Group modified certain terms of the original lease agreement with Chengdu Jinbosen, into a 5-year lease agreement for the use of office. The amount of lease liabilities as at 31 December 2023 is RMB3,131,000.

ii. Compensation of key management personnel

The remuneration of directors, supervisors and other members of key management of the Group during the Track Record Period were as follows:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and allowances	7,191	14,000	12,861
Retirement benefit scheme contributions	316	571	835
Share-based payments	114,876	–	–
	122,383	14,571	13,696

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Dividend payables	**Lease liabilities**	**Non-trade amounts due to related parties**	**(Deferred)/ accrued share issue costs**	**Redeemable shares with other preferential rights**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	28,819	38,086	69	–	–	66,974
Financing cash flows	(408,355)	(22,078)	21,743	(1,093)	–	(409,783)
Non-cash changes						
Dividends declared *(Note 12)*	382,442	–	–	–	–	382,442
Set off arrangement *(Note 2)*	(2,906)	–	(356)	–	–	(3,262)
New leases entered *(Note 15)*	–	47,023	–	–	–	47,023
Leases early terminated *(Note 15)*	–	(7,962)	–	–	–	(7,962)
Interest expenses *(Note 8)*	–	2,672	–	–	–	2,672
As at 31 December 2021	–	57,741	21,456	(1,093)	–	78,104
Financing cash flows	(603,168)	(47,565)	(21,456)	(334)	–	(672,523)
Non-cash changes						
Dividends declared *(Note 12)*	603,168	–	–	–	–	603,168
New leases entered *(Note 15)*	–	69,923	–	–	–	69,923
Leases early terminated *(Note 15)*	–	(8,593)	–	–	–	(8,593)
Interest expenses *(Note 8)*	–	4,569	–	–	–	4,569
As at 31 December 2022	–	76,075	–	(1,427)	–	74,648
Financing cash flows	(949,496)	(48,912)	–	(1,488)	970,000	(29,896)
Non-cash changes						
Dividends declared *(Note 12)*	1,046,021	–	–	–	(24,838)	1,021,183
Set off arrangement *(Note 12)*	(96,525)	–	–	–	–	(96,525)
New leases entered *(Note 15)*	–	48,581	–	–	–	48,581
Modification of leases *(Note 15)*	–	4,088	–	–	–	4,088
Interest expenses *(Note 8)*	–	3,692	–	–	–	3,692
Deferred issue costs *(Note 19)*	–	–	–	3,907	–	3,907
Fair value adjustment	–	–	–	–	75,838	75,838
As at 31 December 2023	–	83,524	–	992	1,021,000	1,105,516

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The Company

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Unlisted investments, at cost			
– Shuwei Tea Rhyme	50,000	50,000	220,000
– Shuxin Anhe	50,000	50,000	100,000
– Shuxin Zhiyuan	5,000	5,000	5,000
– ChaPanda E-commerce *(Note (i))*	N/A	1,000	1,000
– Senmian New Materials	13,400	13,400	13,400
– Shuxin Yuncha	10,000	10,000	60,000
– ChaPanda Training	5,000	5,000	5,000
– Sichuan Shuxin Tongyuan *(Note (i))*	N/A	N/A	2,500
– Cafrui Industrial *(Note (i))*	N/A	N/A	3,000
	133,400	134,400	409,900

Note:

(i) The Company established ChaPanda E-commerce, Sichuan Shuxin Tongyuan and Cafrui Industrial with equity interest of 100% in February 2022, April 2023 and October 2023, respectively. All of which are not the principal subsidiaries of the Company, and therefore not disclosed in the table below.

The Company has following principal subsidiaries either control through direct and indirect equity interests:

Name of subsidiaries/ Operating Entities	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Company At 31 December 2021	At 31 December 2022	At 31 December 2023	At date of this report	Principal activities
Directly owned							
Shuwei Tea Rhyme^	PRC 12 January 2021	Paid-up capital RMB50,000,000/ registered capital RMB50,000,000	100%	100%	100%	[100%]	Supply chain management
Shuxin Zhiyuan^	PRC 14 January 2021	Paid-up capital RMB5,000,000/ registered capital RMB5,000,000	100%	100%	100%	[100%]	Franchise management, marketing campaigns and operation
Senmian New Materials^	PRC 6 May 2021	Paid-up capital RMB20,000,000/ registered capital RMB20,000,000	67%	67%	67%	[67%]	Production of biodegradable straws and packaging
Shuxin Anhe^	PRC 28 May 2021	Paid-up capital RMB50,000,000/ registered capital RMB50,000,000	100%	100%	100%	[100%]	Development of manufacturing facilities

Name of subsidiaries/ Operating Entities	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Company At 31 December 2021	At 31 December 2022	At 31 December 2023	At date of this report	Principal activities
Shuxin Yuncha^	PRC 10 August 2021	Paid-up capital RMB10,000,000/ registered capital RMB10,000,000	100%	100%	100%	[100%]	IT services and maintenance
ChaPanda Training^	PRC 18 September 2021	Paid-up capital RMB5,000,000/ registered capital RMB5,000,000	100%	100%	100%	[100%]	Provision of trainings franchisees
Indirectly owned							
四川茶擔當物流配送有限公司^ (Sichuan Tea Logistics Distribution Co., Ltd.*)	PRC 26 January 2021	Paid-up capital RMB1,000,000/ registered capital RMB1,000,000	100%	100%	100%	[100%]	Provision for logistics and distribution service

* English name is for identification purpose only.

^ These entities were incorporated or established in the PRC as companies with limited liability under the Company Law of the PRC.

No statutory financial statements have been prepared for the above subsidiaries and the Operating Entities since there are no statutory audit requirements in the jurisdiction where they were established/incorporated.

None of the subsidiaries had issued any debt securities at the end of each reporting period.

The above table lists the subsidiaries of the Company which, in the opinion of the management, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

As at 31 December 2021, 2022 and 2023, the Company has 8, 11, and 16 subsidiaries that are not material to the Group. Most of these entities operate either as investment holding entities, trading entities, or management service entities with insignificant financial contributions.

36. EVENTS AFTER REPORTING PERIOD

The other events and transactions took place subsequent to 31 December 2023 are detailed as below.

a. [REDACTED]

[REDACTED]

37. SUBSEQUENT FINANCIAL STATEMENTS

[No audited financial statements of the Company, any of its subsidiaries or the Group have been prepared in respect of any period subsequent to 31 December 2023.]