NAYUKI

Nayuki Holdings Limited
奈雪的茶控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2150)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2021

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2021, the Group's revenue increased by 80.2% from RMB1,179.5 million for the six months ended June 30, 2020 to RMB2,125.9 million for the same period in 2021, and the adjusted net profit/(loss) turned from loss of RMB63.5 million for the six months ended June 30, 2020 to profit of RMB48.2 million for the same period in 2021, with a continuous improvement in profitability.

In the first half of 2021, we recorded store-level operating profit of RMB385.2 million for *Nayuki* teahouses, representing an increase of 497.2% compared to RMB64.5 million for the same period in 2020. The store-level operating profit margin of *Nayuki* teahouses was 19.2% in the first half of 2021, representing an overall increase of 7 and 3 percentage points compared to the full year of 2020 and 2019 respectively. Net cash generated from operating activities of the Group increased by 18.4% from RMB319.1 million for the six months ended June 30, 2020 to RMB377.9 million for the same period in 2021, with a continuous increase in operating cash flow.

Performance by sub-brands

For the Reporting Period, *Nayuki* teahouses contributed a vast majority of our revenues. For the foreseeable future, we expect that *Nayuki* teahouses will continue to be our key business. For the development plans of our sub-brand *Tai Gai*, please see the section headed "Outlook" below. The following table sets out our performance by our sub-brands.

	For the six months ended June 30,					
	2021		2020		Change	
	RMB	*%*	*RMB*	*%*	*RMB*	*Percentage point(s)*
			(in thousands, except percentages)			
Revenue						
Nayuki	**2,006,509**	**94.4**	1,108,110	94.0	898,399	+0.4
Tai Gai	**77,528**	**3.6**	63,029	5.3	14,499	-1.7
Others(1)	**41,890**	**2.0**	8,366	0.7	33,524	+1.3
Total	**2,125,927**	**100.0**	1,179,505	100.0	946,422	N/A

	For the six months ended June 30, 2021		For the year ended December 31, 2020		For the year ended December 31, 2019	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except percentages)					
Store-level Operating Profit[2]						
Nayuki	**385,177**	**19.2**	351,233	12.2	373,929	16.3
Tai Gai	**12,039**	**15.5**	23,633	15.4	28,966	15.6

Notes:

(1) Including revenues derived from our headquarters and others. Revenues derived from headquarters consist primarily of sales of gift tea boxes, seasonal gift sets and other gifts and retail products.

(2) We define store-level operating profit as revenues deducting operational costs, comprising costs of materials, staff costs, depreciation of right-of-use assets, other rentals and related expenses, depreciation and amortization of other assets, utilities expenses and delivery service fees, incurred at the store level under each teahouse brand, while store-level operating profit margin is calculated by dividing store operating profit by revenues for the corresponding period.

Performance by business lines

We intend to modernize China's long-lived tea-drinking culture and spread it to more customers by offering freshly-made tea drinks and baked goods coupled with enjoyable customer experience. Moreover, in order to cater to the diversified demands of our customers, we have launched various retail products such as sparkling water and snacks. Although the retail business currently made small contribution to our revenue, we expect it will have a promising prospect in the future. For the development plan of the retail business, please refer to the "Outlook" section below. The following table sets out our performance by business lines.

	For the six months ended June 30,					
	2021		2020		Change	
	RMB	*%*	*RMB*	*%*	*RMB*	*Percentage point(s)*
	(in thousands, except for percentage)					
Revenue						
Freshly-made tea drinks	**1,587,444**	**74.7**	915,315	77.6	672,129	-3.0
Baked goods	**468,754**	**22.0**	248,694	21.1	220,060	+1.0
Other products[1]	**69,729**	**3.3**	15,496	1.3	54,233	+2.0
Total	**2,125,927**	**100.0**	1,179,505	100.0	946,422	N/A

Note:

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

Performance by income sources – *Nayuki* teahouses

The share of the Group's revenue from online orders increased significantly, which was attributable to the Group's continuous efforts in expanding online channels and strengthening online strategies, as well as the changes in consumers' consumption habits after the COVID-19 outbreak. We expect that the proportion of our revenue from delivery orders will remain relatively stable for some time to come. The following table sets out the performance of *Nayuki* teahouses by income sources.

	For the six months ended June 30,					
	2021		2020		Change	
	RMB	***%***	*RMB*	*%*	*RMB*	*Percentage point(s)*
	(in thousands, except for percentage)					
***Nayuki* teahouses**						
In-store cashier[1]	**557,564**	**27.8**	311,247	28.1	246,317	-0.3
Pickup by mini programs[2]	**761,115**	**37.9**	400,691	36.1	360,424	+1.8
Delivery orders[3]	**687,830**	**34.3**	396,172	35.8	291,658	-1.5
Total	**2,006,509**	**100.0**	1,108,110	100.0	898,399	N/A

Notes:

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

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

(3) representing revenue generated from delivery orders requiring delivery services. For the Reporting Period, out of the revenue of the Group's *Nayuki* teahouses, approximately 29.1% was derived from revenue generated from delivery orders placed by third-party platforms and approximately 5.2% was derived from revenue generated from delivery orders placed by the Group's self-operated platform.

Nayuki Membership Program

Since we introduced the *Nayuki* Membership Program in 2019, the number of our members experienced continuous increasing. As of June 30, 2021, the Company had registered members of approximately 36.5 million. Among which, the active members(1) amounted to approximately 7.4 million with a repurchase rate(2) of approximately 30.3% for the three months ended June 30, 2021.

Notes:

(1) Representing the members who placed an order for our products at least once in a given period.

(2) Representing the proportion of active members who placed orders for our products at least twice in a given period.

PERFORMANCE ANALYSIS OF STORES

Differences in nature of *Nayuki* PRO teahouses

We launched a new store type, namely *Nayuki* PRO teahouse, at the end of 2020. *Nayuki* PRO teahouses have fewer restrictions when choosing available locations, and could meet the daily needs of customers better in diverse consumption scenarios. While maintaining our commitment to provide high-standard customer experience, the *Nayuki* PRO teahouses model will help downsize staff to improve efficiency so that we can expand rapidly with less upfront costs and in a cost-effective manner. We estimate that the income level of *Nayuki* PRO teahouses opened in shopping malls ("**Type-I PRO Teahouses**") is similar to those of regular *Nayuki* teahouses in a similar location, however, the store-level operating profit margin is expected to increase slightly.

Since the size and staffing of *Nayuki* PRO teahouses are more flexible and no dedicated exhaust pipes are required, *Nayuki* PRO teahouses are not only allowed to enter shopping malls, but also the high-end office buildings, residential neighborhoods and other premium locations that are in line with high-end lifestyle brand positioning but inaccessible to by our regular *Nayuki* teahouses. We expect that the average income per store of *Nayuki* PRO teahouses opened in such locations ("**Type-II PRO Teahouses**") will be lower than that of the regular *Nayuki* teahouses or *Nayuki* PRO teahouses located in shopping malls as the traffic in these locations is less than that of shopping malls; nevertheless, Type-II PRO Teahouses will be able to obtain far better rental conditions than that offered by shopping malls due to our strong brand power, and labor costs may have room to be further reduced compared with Type-I PRO Teahouses. Given the abovementioned, we expect that the profitability of Type-II PRO Teahouses will have further room for improvement compared with that of Type-I PRO Teahouses.

Note: According to the report of our development department on potential store locations, we classify the PRO teahouses located in shopping mall chains of higher level as Type-I PRO Teahouses, and classify PRO teahouses located in other locations as Type-II PRO Teahouses. This does not mean that there must be a clear distinction between the Type-I PRO Teahouses and the Type-II PRO Teahouses. Also, we will not set the number of stores for the two in advance when formulating our opening plans, and instead will consider the location of new stores based on a series of factors. We expect that in the short to medium term, the number of Type-I PRO Teahouses will be higher than that of Type-II PRO Teahouses.

Number and distribution of stores – *Nayuki* teahouses

As of June 30, 2021, the Group has 578 self-owned *Nayuki* teahouses in 74 cities. In the first half of 2021, we newly opened 93 *Nayuki* teahouses and closed 6 *Nayuki* teahouses, and we opened 61 *Nayuki* teahouses in Tier 1 and New Tier 1 cities, accounting for 65.6% of the total number of new teahouses opened in the first half of the year. We insist on further expanding our teahouse network and increasing market penetration mainly in Tier 1 cities, New Tier 1 cities and key Tier 2 cities, so as to cultivate and consolidate consumers' habits for high-end freshly-made tea drinks. The following table sets out the breakdown of the number of our *Nayuki* teahouses by geographic location.

	As of June 30, 2021	As of December 31, 2020	Change
Number of regular *Nayuki* teahouses			
Tier 1 cities	**167**	166	+1
New Tier 1 cities	**172**	168	+4
Tier 2 cities	**124**	122	+2
Other cities[1]	**31**	29	+2
Total	**494**	485	+9

	As of June 30, 2021	As of December 31, 2020	Change
Number of Type-I PRO Teahouses			
Tier 1 cities	**15**	–	+15
New Tier 1 cities	**17**	1	+16
Tier 2 cities	**11**	–	+11
Other cities[1]	**7**	–	+7
Total	**50**	1	+49

	As of June 30, 2021	As of December 31, 2020	Change
Number of Type-II PRO Teahouses			
Tier 1 cities	**14**	4	+10
New Tier 1 cities	**12**	1	+11
Tier 2 cities	**3**	–	+3
Other cities[1]	**5**	–	+5
Total	**34**	5	+29

Note:

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

As the global COVID-19 outbreak has not yet ended, there is no concrete plan to expand our network of teahouses outside mainland China. As the outbreak draws to a close, we will resume our overseas expansion plan as soon as possible, provided that the supply chain and manpower resources can support it.

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

Performance by market – *Nayuki* teahouses

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

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

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

	As of and for the six months ended June 30, 2021		
	Number of stores[1]	**Average daily sales per teahouse** ***(RMB'000)***	**Store-level operating profit margin[2]** ***(%)***
Nayuki **teahouses**			
Shenzhen	**95**	**26.5**	**24.7**
Shanghai	**35**	**19.9**	**15.3**
Guangzhou	**28**	**23.8**	**21.1**
Wuhan	**27**	**24.2**	**20.8**
Xi'an	**23**	**21.3**	**20.3**
Beijing	**22**	**27.0**	**14.5**

Based on the above judgment, we are of the view that since we are at different stages of development in different markets, even stores that opened at the same time may have completely different performance trajectories in different markets. Therefore, at this stage, the national same-store performance cannot truthfully and accurately reflect our actual operating conditions and we need to analyze the same-store performance in the same market.

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

		For the six months ended June 30,			
		2021	2020	**2021**	2020
	Number of same stores[3]	Average daily sales per teahouse *(RMB'000)*		Store-level operating profit margin[2] *(%)*	
Nayuki **teahouses**					
Shenzhen	75	**27.5**	20.1	**25.3**	10.3
Shanghai	23	**22.1**	19.9	**16.3**	6.6
Guangzhou	21	**25.9**	16.6	**22.4**	7.7
Wuhan	19	**26.6**	20.8	**22.7**	1.8
Xi'an	19	**22.3**	15.1	**20.6**	2.8
Beijing	16	**29.9**	18.6	**14.7**	0.0

Performance by store nature – *Nayuki* teahouses

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

	As of and for the six months ended June 30, 2021		
	Number of stores[(1)]	**Average daily sales per teahouse** ***(RMB'000)***	**Store-level operating profit margin**[(2)] ***(%)***
Regular *Nayuki* teahouse	**492**	**21.9**	**19.9**
Type-I PRO Teahouse	**20**	**21.1**	**21.7**
Type-II PRO Teahouse	**12**	**11.9**	**15.3**

Notes:

(1) Only including stores that opened for at least 60 days as of June 30, 2021 and did not cease operations as of June 30, 2021. We are of view that stores opened for less than 60 days may be significantly affected by opening promotions, "opening customer traffic" and other factors, which may lead to the overall data being unrepresentative and misleading to investors. Therefore, we have excluded those stores.

(2) There are one-off opening expenses, amongst others, including but are not limited to, pre-operating labor costs for the teahouse and other expenses, to be included in the profit and loss for the month that the teahouse commences operation. Since majority of PRO teahouses opened in 2021, it will be not meaningful for reference due to the fact the store-level operating profit margin of such teahouses to be significantly affected by the opening expenses. To facilitate investors to have a better understand of and compare the daily profitability of teahouses in different types, the store-level operating profit margin listed in the table has excluded the impact of the one-off opening expenses mentioned above.

(3) Only including stores that operated for at least 60 days in the first half of 2020 and the first half of 2021 and did not cease operations as of June 30, 2021.

Due to the relatively short operating history of PRO teahouses, the current sample quantity of PRO teahouses is insufficient, resulting in a large data variance. We believe that with the gradual increase in the number of PRO teahouses in the future, the data variance will decrease gradually.

OUTLOOK

Going forward, we will continue to implement our strategy of increasing store density, focusing on Tier 1 cities, new Tier 1 cities and key Tier 2 cities to enhance brand profile.

In terms of profitability improvement,

1. we have made appropriate personnel reserve for the development in the next 2-3 years, and we expect the proportion of the labor costs at the headquarters to be gradually diluted;

2. as the regional markets gradually mature in the future, the proportion of existing stores will increase year by year, so that the pressure on existing stores to recruit and train staff in advance for new stores will be gradually reduced, and the labor costs of existing stores will be on a downward trend;

3. as the rental cost from Type-II PRO Teahouses considerably declined as compared with the regular *Nayuki* teahouse and the Type-I PRO Teahouses that located in upscale shopping malls, the overall rental costs of *Nayuki* teahouses will be on a declining trend along with the gradual increase in the proportion of Type-II PRO Teahouses in the future; and

4. in the medium term, with the implementation of technological means such as equipment and intelligent systems, store operational efficiency and profitability are expected to be further enhanced.

In terms of resources alignment, we will continue to invest in technology, supply chain, marketing, etc. to support the long-term development of the Group. For the Reporting Period, the Group incurred approximately RMB48.3 million, RMB60.2 million and RMB50.2 million in technological capacity building, supply chain as well as brand promotion and marketing, respectively.

In terms of the technological innovation, we believe that, as a premium modern teahouse chain, enhancing operational efficiency through comprehensive digitalization is critical to the Group's sound growth and continuously create value for our shareholders. Our technology team is committed to developing and researching standardized and automated equipment to streamline our tea drinks preparing process and enhance the experience of our customers and store partners. In addition, the integration of various business systems and the establishment of an intelligent operational decision-making system, including a sales forecast model, will help the teahouses to make more accurate production and sales plans. At present, some of the above-mentioned initiatives have entered the testing stage, and we expect that such initiatives will be gradually extended to teahouses nationwide in the first quarter of next year, and will therefore gradually enhance the Company's overall operational capabilities in the future.

In terms of retail business, we expect to launch retail products to offline shopping mall and other channels in the second half of this year. In the future, we expect the retail business will be gradually become a material component of the Group's income.

In terms of the future development of *Tai Gai*, we believe that although all *Tai Gai* stores are currently self-operated, we may consider gradually accept the *Tai Gai* franchised stores in due course if we can fully reduce the risks arising from the misconduct of individual franchisees and compensate for the lack of production and management experience of some franchisees through standardized and automated initiatives. For the avoidance of doubt, the Group currently does not have any plans to make franchise to any *Nayuki* teahouses and we expect that all *Nayuki* teahouses will remain self-operated in the foreseeable future.

FINANCIAL REVIEW

Revenues

The Group generates substantially all of its revenues from sales of products offered by *Nayuki* teahouses. For the Reporting Period and six months ended June 30, 2020, *Nayuki* contributed 94.4% and 93.9% of the total revenues, respectively. The remaining small portion of revenues was mainly derived from teahouses operated under our sub-brand *Tai Gai*.

The Group recorded revenues of RMB2,125.9 million for the Reporting Period (for the six months ended June 30, 2020: RMB1,179.5 million), representing an increase of 80.2% as compared with the same period in 2020, which was mainly attributable to the number of stores continued to increase and the more serious impact of the COVID-19 outbreak during the same period in 2020.

Other income

Other income of the Group consists primarily of (i) interest income on bank deposits, rental deposits and other financial assets, (ii) government grants, primarily representing subsidies and unconditional cash awards granted by local governments. Other income of the Group amounted to RMB8.8 million for the Reporting Period (for the six months ended June 30, 2020: RMB75.9 million). The decrease in the Group's other income was primarily due to the policy that the output value-added tax exemption granted by the local governments in response to the COVID-19 outbreak which benefited us in 2020 was no longer applicable in 2021.

Expenses

Cost of materials

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

Cost of materials of the Group amounted to RMB668.9 million, representing 31.5% of the total revenues for the Reporting Period, compared to RMB465.8 million, or 39.5% of the total revenues for the six months ended June 30, 2020. The 43.6% increase in our cost of materials over the same period in 2020 was generally in line with our overall business growth trend. The proportion of cost of materials over total revenues decreased, primarily due to (i) the policy that the output value-added tax exemption granted by the local governments in response to the COVID-19 outbreak which benefited us in 2020 was no longer applicable in 2021; and (ii) the supply chain system of the Group had been gradually improved.

Staff costs

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

Staff costs of the Group amounted to RMB669.8 million, representing 31.5% of the total revenues for the Reporting Period, compared to RMB367.5 million, or 31.2% of the total revenues for the six months ended June 30, 2020. The proportion of staff costs over total revenues slightly increased, primarily due to the social insurance reduction or exemption received for the policy against COVID-19 outbreak for the same period in 2020. During the Reporting Period, staff costs classified by brands included: (i) store-level staff costs for *Nayuki*, which amounted to RMB487.7 million, representing 24.3% of revenues for *Nayuki*, (ii) store-level staff costs for *Tai Gai*, which amounted to RMB20.5 million, representing 26.5% of revenues for *Tai Gai*, and (iii) headquarters staff costs, which amounted to RMB161.6 million, representing 7.6% of the total revenues.

Depreciation of right-of-use assets

Depreciation of right-of-use assets represents depreciation charges for the Group's leases. The Group had adopted IFRS 16 throughout the Reporting Period, under which the Group recognized right-of-use asset and lease liability accordingly. Depreciation of right-of-use assets is recognized using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use assets or the end of the lease term.

Depreciation of right-of-use assets of the Group amounted to RMB201.9 million for the Reporting Period (for the six months ended June 30, 2020: RMB166.2 million), representing 9.5% of the Group's total revenues during such period.

Other rentals and related expenses

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

Other rentals and related expenses of the Group amounted to RMB94.0 million for the Reporting Period (for the six months ended June 30, 2020: RMB26.4 million), representing 4.4% of the Group's total revenues during such period.

Depreciation and amortization of other assets

Depreciation and amortization of other assets represent depreciation charges for property and equipment and depreciation expense for leasehold improvements. Depreciation and amortization of other assets of the Group amounted to RMB95.2 million for the Reporting Period (for the six months ended June 30, 2020: RMB70.2 million), representing 4.5% of the Group's total revenues during such period.

Advertising and promotion expenses

Advertising and promotion expenses primarily represent expenses incurred in connection with our marketing, branding and promotion activities. Advertising and promotion expenses of the Group amounted to RMB37.5 million for the Reporting Period (for the six months ended June 30, 2020: RMB22.4 million), representing 1.8% of the Group's total revenues during such period.

Delivery services fees

Delivery service fees represent fees paid by the Group to third-party delivery service providers. Delivery service fees of the Group amounted to RMB111.6 million for the Reporting Period (for the six months ended June 30, 2020: RMB65.3 million), representing 5.2% of the Group's total revenues during such period.

Utilities expenses

Utilities expenses consist primarily of expenses in relation to electricity utilities, and to a lesser extent, gas and water utilities that are attributable to the operation of the Group's teahouses. Utilities expenses of the Group amounted to RMB39.3 million for the Reporting Period (for the six months ended June 30, 2020: RMB27.1 million), representing 1.8% of the Group's total revenues during such period.

Logistic and storage fees

Logistic and storage fees represent fees paid by the Group to third-party service providers for raw materials transportation and warehousing services. Logistic and storage fees of the Group amounted to RMB41.6 million for the Reporting Period (for the six months ended June 30, 2020: RMB23.0 million), representing 2.0% of the Group's total revenues during such period.

Finance costs

Finance costs consist primarily of interests on bank loans, redeemable capital contributions, lease liabilities and provisions. Finance costs of the Group amounted to RMB46.4 million for the Reporting Period (for the six months ended June 30, 2020: RMB59.7 million), representing 2.2% of the Group's total revenues during such period. The following table sets forth the components of our finance costs for the period indicated, both in absolute amount and as a percentage of total revenue.

	For the six months ended June 30,			
	2021		2020	
	RMB	***%***	*RMB*	*%*
	(in thousands, except percentages)			
Interest on bank loans	**2,168**	**0.1**	4,264	0.4
Interest on redeemable capital contributions	**866**	**0.0**	14,700	1.2
Interest on lease liabilities	**42,885**	**2.0**	40,332	3.4
Interest on provisions	**488**	**0.0**	402	0.0
	46,407	**2.2**	59,698	5.1

Other expenses

Other expenses consist primarily of (i) administrative expenses incurred during our ordinary course of business, such as telecommunication expenses and maintenance expenses, (ii) travelling and business development expenses incurred by our employees, (iii) other-party service fees representing costs associated with third-party management consulting and other professional services, (iv) impairment losses, (v) listing expenses, and (vi) others, such as insurance fees and other tax and surcharges. Other expenses of the Group amounted to RMB83.6 million for the Reporting Period (for the six months ended June 30, 2020: RMB47.2 million), representing 3.9% of the Group's total revenues during such period. The following table sets forth the components of our other expenses in absolute amounts and as percentages of total revenues for the periods indicated.

	For the six months ended June 30,			
	2021		2020	
	RMB	*%*	*RMB*	*%*
	(in thousands, except percentages)			
Administrative expenses	**27,046**	**1.3**	14,609	1.2
Travelling and business development expenses	**12,681**	**0.6**	5,736	0.5
Other-party service fees	**11,558**	**0.5**	12,333	1.0
Impairment losses	**539**	**0.0**	4,358	0.4
Listing expenses	**14,735**	**0.7**	–	0.0
Others	**17,041**	**0.8**	10,165	0.9
	83,600	**3.9**	47,201	4.0

Income Tax

The income tax expenses of the Group amounted to RMB25.7 million for the Reporting Period. The income tax benefits of the Group for the six months ended June 30, 2020 amounted to RMB13.1 million.

Non-IFRS Measures

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

	Six Months Ended June 30,	
	2021	2020
	(RMB in thousands)	
Reconciliation of net loss and adjusted net profit/(loss) (non-IFRS measure)		
Net loss for the period	**(4,321,233)**	(75,905)
Add:		
Fair value changes of financial liabilities at fair value through profit or loss[1]	**2,874**	–
Fair value changes of convertible redeemable preferred shares[2]	**4,329,052**	–
Listing expenses[3]	**14,735**	–
Equity-settled share-based payment expenses[4]	**21,874**	3,844
Interest on redeemable capital contributions[5]	**866**	14,700
Income from output value-added tax exemption[6]	**–**	(71,430)
Uncreditable input value-added tax[7]	**–**	65,297
Adjusted net profit/(loss) (non-IFRS measure)	**48,168**	(63,494)
Adjusted net profit/(loss) margin (non-IFRS measure)[8]	**2.3%**	(5.4)%

Notes:

(1) Fair value changes of financial liabilities at fair value through profit or loss represent the gains or losses arising from change in fair value of our warrants, onshore loans and convertible note with conversion rights in connection with the Series B-2 investments. Such changes are one-off and non-cash in nature and are not directly related to the Group's operating activities.

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

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

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

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

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

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

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

Cash and Borrowings

As of June 30, 2021, the total cash and bank balances of the Group amounted to RMB4,808.7 million (as of December 31, 2020: RMB501.8 million). As of June 30, 2021, the total interest-bearing borrowings (including bank overdrafts and other borrowings) of the Group amounted to RMB0.4 million (as of December 31, 2020: RMB283.5 million). All of the borrowings are denominated in RMB.

Right-of-Use Assets

The Group's right-of-use assets primarily represent the leases for our teahouses, office at headquarters and warehouses. As of June 30, 2021, the right-of-use assets of the Group amounted to RMB1,242.4 million (as of December 31, 2020: RMB1,240.1 million). The balance of the Group's right-of-use assets remained stable.

Property and Equipment

The Group's property and equipment consist primarily of leasehold improvements, kitchen equipment, furniture equipment, electronic equipment and others and construction in progress. As of June 30, 2021, the property and equipment of the Group amounted to RMB627.7 million (as of December 31, 2020: RMB587.1 million). The increase in the Group's property and equipment was primarily due to business growth and increase in number of stores.

Inventories

The Group's inventories consist primarily of raw materials and packaging materials. As of June 30, 2021, the inventories of the Group amounted to RMB116.4 million (as of December 31, 2020: RMB103.1 million). The increase in the Group's inventories was primarily due to business growth.

The Group's inventories turnover days remained relatively stable at 29.7 days and 29.6 days for the Reporting Period and six months ended June 30, 2020.

Trade and Other Receivables

The Group's trade receivables consist primarily of receivables due from third parties in connection with the sales of products. The Group's other receivables consist primarily of input valued-added tax recoverable in connection with purchase of raw materials, prepaid rents and property management fees, rental deposits within one year, advances to suppliers, and advances to employees consisting primarily of petty cash advanced to our teahouses and various internal corporate functions. Trade and other receivables of the Group decreased from RMB725.0 million as of December 31, 2020 to RMB296.3 million as of June 30, 2021, primarily because the receivable from Series C preferred shares Pre-IPO investors of RMB522.0 million as at December 31, 2020 was actually received in January 2021.

Trade and Other Payables

The Group's trade payables consist primarily of trade payables to the Group's raw materials suppliers. The Group also recorded other payables and accrued charges in connection with various aspects of its operations, including (i) payroll and welfare payables to employees, (ii) payables for purchase of property and equipment, (iii) accrued charges, which are mainly utilities, and (iv) others, for the Reporting Period. Trade and other payables of the Group increased from RMB500.7 million as of December 31, 2020 to RMB505.3 million as of June 30, 2021 and the balance remained stable.

Gearing Ratio

As of June 30, 2021, our gearing ratio, which is calculated as total debt divided by total assets, was 28.7%, as compared with 112.8% as of December 31, 2020.

Treasury Policy

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

Liquidity and Financial Resources

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

As of June 30, 2021, the Group had total cash and cash equivalent of approximately RMB4,808.7 million (as of December 31, 2020: approximately RMB501.8 million), the increase of the Group's total cash and cash equivalent was primarily due to the receiving of proceeds from the Global Offering.

Total bank loans and interest-bearing borrowings of the Group as of June 30, 2021 were approximately RMB0.4 million (as of December 31, 2020: approximately RMB283.5 million), and current ratio as of June 30, 2021 was approximately 4.7 times (as of December 31, 2020: approximately 0.5 times). These bank borrowings were denominated in RMB, and the interest rates applied were primarily charged at fixed rates/subject to floating rate terms. As of June 30, 2021, the Group has RMB50.0 million available credit facilities comprising of revolving loans, term loan, trade loan, tax loan and bank guarantee.

FOREIGN CURRENCY RISK

For the Reporting Period, the Group mainly operated in China and the majority of the transactions were settled in RMB. As of June 30, 2021, apart from bank deposits denominated in foreign currency, the Group did not have any significant foreign exchange risk in its business operations. The Group currently does not engage in hedging activities designed or intended to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

CONTINGENT LIABILITY

As of June 30, 2021, the Group did not have any significant contingent liabilities.

CAPITAL EXPENDITURES

Our capital expenditures amounted to approximately RMB134.5 million for the Reporting Period, which were incurred primarily in connection with payment for purchase of equipment and leasehold improvements.

CHARGE ON ASSETS

As of June 30, 2021, the Group did not pledge any group assets.

SIGNIFICANT INVESTMENT

As of June 30, 2021, there was no significant investment held by the Group or future plans for significant investments or capital assets.

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of June 30, 2021, save for the "Future Plans and Use of Proceeds" disclosed in the Prospectus, the Group did not have any existing plan for acquiring other material investments or capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND AFFILIATED COMPANIES

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

EMPLOYEES AND REMUNERATION POLICIES

As of June 30, 2021, the Group had a total of 9,959 full-time employees, among which 1,078 employees work in the Group's headquarters and regional offices, and the remaining employees are in-store staff. The Group values its employees and is committed to growing with employees. The Group has launched an employee retention initiative, under which the Group incorporates employee retention rate as one of the key criteria that used to assess its teahouse performance. The Group is also committed to establishing a competitive and fair remuneration and benefits environment for its employees. Remuneration is determined with reference to the qualification, experience and work performance, whereas the payment of discretionary bonus is generally subject to work performance, the financial performance of the Group in that particular year and general market conditions. To effectively motivate the Group's business development team through remuneration incentives and ensure that our employees receive competitive remuneration packages, the Group continually refine its remuneration and incentive policies through market research and comparisons with its competitors. As required by the PRC laws and regulations, the Group participates in various employee social security plans for its employees that are organized by municipal and provincial governments, including basic pension, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing fund.

The Group also share its success with employees by offering them a variety of incentives and financial rewards to keep them motivated. To recognize and reward, among others, the Group's employees, directors and senior management for their contributions to the Group, to attract suitable personnel and to provide incentives to them to remain with and further contribute to the Group, the Group has adopted the 2020 Share Option Plan and the 2020 Share Incentive Plan by way of resolutions of the Board on May 15, 2020.

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

USE OF NET PROCEEDS FROM GLOBAL OFFERING

The Shares were listed on the Stock Exchange on June 30, 2021. The net proceeds raised from the Company's global offering (the "**Global Offering**"), after deduction of the underwriting fees and commissions and other estimated expenses payable by the Company in connection with the Global Offering, were approximately HK$4,842.4 million. As of the date of this announcement, there was no change in the intended use of net proceeds and the expected timeline as previously disclosed in the section headed "Future Plans and Use of proceeds" in the Prospectus. The net proceeds received by the Company from the Global Offering will be used for the following purposes:

- approximately 70.0%, or HK$3,389.8 million, will be used over the next three years to expand the Group's teahouse network and deepen the Group's market penetration;

- approximately 10.0%, or HK$484.2 million, will be used over the next three years to further improve the Group's overall operations through enhancing technology capabilities, with a goal to improve operational efficiency;

- approximately 10.0%, or HK$484.2 million, will be used over the next three years to strengthen the Group's supply chain and product distribution capabilities, with a goal to support our expanding scale; and

- the remaining approximately 10.0%, or HK$484.2 million, will be used for working capital and general corporate purposes.

The following table sets forth a summary of the utilization of the net proceeds from the Global Offering as of June 30, 2021:

Purpose	Percentage to total amount	Net proceeds incurred from the Global Offering	Actual use of proceeds up to June 30, 2021	Unutilized amount as of June 30, 2021	Expected timeline of full utilization of the remaining proceeds
		HK$ (million)	*HK$ (million)*	*HK$ (million)*	
expand the Group's teahouse network and deepen the Group's market penetration	70.0%	3,389.8	–	3,389.8	June 2024
further improve the Group's overall operations	10.0%	484.2	–	484.2	June 2024
strengthen the Group's supply chain and product distribution capabilities	10.0%	484.2	–	484.2	June 2024
fund the Group's working capital and general corporate purposes	10.0%	484.2	–	484.2	June 2024
Total	**100.0%**	**4,842.4**	**–**	**4,842.4**	

EVENTS AFTER THE REPORTING PERIOD

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended June 30, 2021 – unaudited
(Expressed in Renminbi)

	Note	Six months ended June 30, 2021 RMB'000	2020 RMB'000
Revenue	*3*	**2,125,927**	1,179,505
Other income	*5*	**8,814**	75,907
Cost of materials		**(668,860)**	(465,835)
Staff costs		**(669,757)**	(367,511)
Depreciation of right-of-use assets	*6(b)*	**(201,859)**	(166,162)
Other rentals and related expenses	*6(b)*	**(93,985)**	(26,395)
Depreciation and amortization of other assets	*6(b)*	**(95,183)**	(70,203)
Advertising and promotion expenses		**(37,484)**	(22,352)
Delivery service fees		**(111,649)**	(65,289)
Utilities expenses		**(39,299)**	(27,144)
Logistic and storage fees		**(41,585)**	(23,042)
Other expenses		**(83,600)**	(47,201)
Other net losses	*6(c)*	**(8,670)**	(3,545)
Finance costs	*6(a)*	**(46,407)**	(59,698)
Fair value changes of financial liabilities at fair value through profit or loss ("**FVTPL**")		**(2,874)**	–
Fair value changes of convertible redeemable preferred shares	*16*	**(4,329,052)**	–
Loss before taxation		**(4,295,523)**	(88,965)
Income tax	*7*	**(25,710)**	13,060
Loss for the period		**(4,321,233)**	(75,905)
Attributable to:			
Equity shareholders of the Company		**(4,321,233)**	(74,475)
Non-controlling interests		**–**	(1,430)
Loss for the period		**(4,321,233)**	(75,905)
Loss per share			
Basic and diluted	*8*	**(3.90)**	(0.07)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended June 30, 2021 – unaudited
(Expressed in Renminbi)

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
Loss for the period	**(4,321,233)**	(75,905)
Other comprehensive income for the period (after tax and reclassification adjustments)		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of:		
– financial statements of overseas subsidiaries	**14,840**	(1,967)
Total comprehensive income for the period	**(4,306,393)**	(77,872)
Attributable to:		
Equity shareholders of the Company	**(4,306,393)**	(76,442)
Non-controlling interests	**–**	(1,430)
Total comprehensive income for the period	**(4,306,393)**	(77,872)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at June 30, 2021 – unaudited
(Expressed in Renminbi)

	Note	At June 30, 2021 RMB'000	At December 31, 2020 RMB'000
Non-current assets			
Property and equipment	9	**627,725**	587,116
Right-of-use assets	9	**1,242,357**	1,240,066
Intangible assets		**980**	1,051
Investment in an associate		**–**	–
Deferred tax assets		**26,603**	27,596
Rental deposits		**160,304**	126,695
Prepayments	11	**6,570**	1,667
		2,064,539	1,984,191
Current assets			
Inventories	10	**116,420**	103,061
Trade and other receivables	11	**296,298**	725,004
Restricted bank deposits	12	**100**	100
Cash and cash equivalents	12	**4,808,714**	501,753
		5,221,532	1,329,918
Current liabilities			
Trade and other payables	13	**505,254**	500,676
Contract liabilities		**153,855**	78,551
Bank loans		**–**	283,120
Redeemable capital contributions	14	**–**	465,309
Financial liabilities at FVTPL	15	**–**	361,881
Convertible redeemable preferred shares	16	**–**	652,490
Lease liabilities		**412,655**	364,733
Current taxation		**30,576**	21,431
		1,102,340	2,728,191
Net current assets/(liabilities)		**4,119,192**	(1,398,273)
Total assets less current liabilities		**6,183,731**	585,918

	Note	At June 30, 2021 RMB'000	At December 31, 2020 RMB'000
Non-current liabilities			
Interest-bearing borrowing		**433**	438
Lease liabilities		**959,944**	991,993
Provisions		**15,154**	13,858
Deferred tax liabilities		**16,110**	4,046
		991,641	1,010,335
NET ASSETS/(LIABILITIES)		**5,192,090**	(424,417)
CAPITAL AND RESERVES	*18*		
Share capital	*18(a)*	**518**	422
Reserves	*18(b)*	**5,191,572**	(424,839)
Total equity/(deficit) attributable to equity shareholders of the Company		**5,192,090**	(424,417)
TOTAL EQUITY/(DEFICIT)		**5,192,090**	(424,417)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION AND PRESENTATION

The unaudited interim financial information was extracted from the interim financial report of Nayuki Holdings Limited (the "**Company**") (formerly known as Pindao Holdings Limited) and its subsidiaries (the "**Group**") for the six months ended 30 June 2021.

1.1 General information

The Company was incorporated in the Cayman Islands on September 5, 2019 as an exempted company with limited liability under the Company Laws of the Cayman Islands.

The Company is an investment holding company and has not carried on any business since the date of its incorporation save for the Group reorganization below. The Group are principally engaged in the sales of freshly-made tea drinks, baked goods and other products ("**the Business**") in the People's Republic of China (the "**PRC**").

1.2 Reorganization and basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), including compliance with International Accounting Standard (IAS) 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("**IASB**"). It was authorized for issue on August 25, 2021.

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

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

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

The consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the condensed consolidated statement of cash flows of the Group for the interim period include the financial performance and cash flows of the companies now comprising the Group (or where the companies were incorporated at a date later than January 1, 2020, for the period from the date of incorporation to June 30, 2021). The statement of financial position of the Group as at December 31, 2020 have been prepared to present the financial position of the companies now comprising the Group as at those dates, taking into account the respective dates of incorporation, establishment or acquisition, where applicable.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

2 CHANGES IN ACCOUNTING POLICIES

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

- Amendment to IFRS 16, *Covid-19-related rent concessions beyond June 30, 2021*
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest Rate Benchmark Reform – Phase 2*

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

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

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

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

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

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

3 REVENUE AND SEGMENT REPORTING

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

(a) Disaggregation of revenue

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

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products		
– Sales of freshly-made tea drinks	**1,587,444**	915,315
– Sales of baked goods and other products	**538,483**	264,190
	2,125,927	1,179,505
Disaggregated by timing of revenue recognition		
– A point in time	**2,122,175**	1,179,505
– Over time *(note)*	**3,752**	–
	2,125,927	1,179,505

Note: Service income from contracts with portable mobile phone charger's provider and royalty fee income from co-branding partner were recognized as revenue over time during the contracts period.

The Group did not have any customer with revenue from the individual customer exceeded 10% of the Group's total revenue for all the reporting periods presented.

(b) Segment reporting

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

Accordingly, no reportable segment information is presented.

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

4 SEASONALITY OF OPERATIONS

The Group's teahouses business operations are subject to seasonal factors. The Group generally experience fewer purchase orders during cold seasons in the beginning and end of the first and fourth quarters of the year, respectively. The Group achieve higher purchase orders during the warm seasons in the second and third quarters of the year from time to time and during public holidays such as the national day celebration holidays in the PRC. The fluctuation in customer traffic resulted from these seasonal factors during these periods may have an impact on the Group's revenue. For the twelve months ended June 30, 2021, the Group reported revenue of RMB4,003,603,000 (twelve months ended June 30, 2020: RMB 2,596,207,000).

5 OTHER INCOME

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
Interest income on:		
– bank deposits	**1,693**	420
– rental deposits	**3,212**	3,151
– other financial assets	**441**	–
Government grants *(note (i))*	**3,468**	906
Income from output VAT exemption *(note (ii))*	**–**	71,430
	8,814	75,907

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

(ii) The amount represents the Group's entitlement to VAT exemption in accordance with the Announcement on Relevant Tax Policies Supporting the Prevention and Control of the Outbreak of COVID-19 (《關於支持新型冠狀病毒感染的肺炎疫情防控有關稅收政策的公告》) issued by the Ministry of Finance and the State Taxation Administration. There were no unfulfilled conditions or other contingencies attached to the entitlements of such VAT exemption. The Group had chosen not to apply such VAT exemption from January 1, 2021.

6 LOSS BEFORE TAXATION

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

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
(a) Finance costs		
Interest on bank loans	**2,168**	4,264
Interest on redeemable capital contributions *(note 14)*	**866**	14,700
Interest on lease liabilities	**42,885**	40,332
Interest on provisions	**488**	402
	46,407	59,698

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
(b) Other items		
Amortization	**71**	68
Depreciation		
– property and equipment	**95,112**	70,135
– right-of-use assets	**201,859**	166,162
	296,971	236,297
Impairment losses on non-financial assets		
– property and equipment	**–**	1,008
– right-of-use assets	**–**	1,801
	–	2,809
Other rentals and related expenses	**93,985**	26,395
Listing expenses	**14,735**	–
Cost of inventories#	**668,860**	465,835
Write-down of inventories	**539**	1,549

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

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
(c) Other net losses		
Losses on disposal of non-current assets	**(9,857)**	(2,600)
Losses on stores closures	**(812)**	(1,415)
Gains on reassessment of right-of-use assets and lease liabilities	**3,586**	1,170
Others	**(1,587)**	(700)
	(8,670)	(3,545)

7 INCOME TAX

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
Current tax		
Provision for the period	**12,656**	537
Deferred tax		
Origination/(reversal) of temporary differences	**13,054**	(13,597)
	25,710	(13,060)

Notes:

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

(ii) The provision for Hong Kong Profits Tax is subject to Hong Kong's two-tiered profits tax regime, under which the tax rate is 8.25% for assessable profits on the first HKD2 million and 16.5% for any assessable profits in excess of HKD2 million. The Group's subsidiaries in Hong Kong did not have any assessable profits for all the reporting periods presented.

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

Certain subsidiaries of the Group fulfilled the criteria required for preferential income tax rate granted to small and low profit-making enterprise in the PRC, and were entitled to a preferential income tax rate of 5% and 10% on taxable income for the first RMB1,000,000 and the subsequent RMB1,000,000 to RMB3,000,000 respectively, for all the reporting periods presented.

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

8 LOSSES PER SHARE

(a) Basic losses per share

The calculation of basic losses per share is based on the loss attributable to ordinary equity shareholders of the parent of RMB4,321,233,000 (six months ended June 30, 2020: RMB 74,475,000) and the weighted average of 1,107,280,954 ordinary shares (2020: 1,000,000,000 shares) in issue during the interim period.

	Six months ended June 30,	
	2021	2020
	Number of shares	*Number of shares*
Issued shares at January 1	**1,108,137,839**	1,000,000,000
Effect of share issuance	**(856,885)**	–
Weighted average number of shares at June 30	**1,107,280,954**	1,000,000,000

The weighted average number of ordinary shares for the purpose of calculating basic losses per share has been determined on the assumption that the Reorganization and the capitalization issue as referred in note 1.2 had been effective since January 1, 2020.

(b) Diluted losses per share

As the Group incurred losses for the six months ended June 30, 2021 and 2020, the potential ordinary shares were not included in the calculation of diluted losses per share, as their inclusion would be anti-dilutive. Accordingly, diluted losses per share for the period ended June 30, 2021 and 2020 are same as basic losses per share.

9 PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS

(a) Right-of-use assets

During the six months ended June 30, 2021, the Group entered into a number of lease agreements for use of teahouses and offices, and therefore recognized the additions to right-of-use assets of RMB224,156,000 (six months ended June 30, 2020: RMB214,479,000).

The leases of teahouses contain variable lease payment terms that are based on sales generated from the teahouses and minimum monthly lease payment terms that are fixed. These payment terms are common in PRC where the Group operates. During the six months ended June 30, 2021, the Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19 outbreak. The amount of fixed and variable lease payments for the interim reporting period is summarized below:

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

	Six months ended June 30, 2020			
	Fixed payments	Variable payments	COVID-19 rent concessions	Total payments
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Leased assets	181,248	68,807	(39,287)	210,768

As disclosed in note 2, the Group has early adopted the Amendment to IFRS 16, *Leases, Covid-19-related rent concessions beyond June 30, 2021*, and applies the practical expedient to all eligible rent concessions received by the Group during the period.

(b) Acquisitions and disposals of owned assets

During the six months ended June 30, 2021, the Group acquired items of leasehold improvements and other equipment with a cost of RMB145,943,000 (six months ended June 30, 2020: RMB120,734,000). Items of leasehold improvements and other equipment with a net book value of RMB10,151,000 were disposed of during the six months ended June 30, 2021 (six months ended June 30, 2020: RMB2,756,000), resulting in a loss on disposal of RMB9,857,000 (six months ended June 30, 2020: RMB2,600,000).

10 INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	As at June 30, 2021 *RMB'000*	As at December 31, 2020 *RMB'000*
Raw materials	**83,050**	74,224
Packaging supplies and others	**33,370**	28,837
	116,420	103,061

11 TRADE AND OTHER RECEIVABLES

	As at June 30, 2021 *RMB'000*	As at December 31, 2020 *RMB'000*
Current		
Trade receivables	**3,536**	816
Input valued-added tax recoverable	**100,684**	99,612
Income tax recoverable	**749**	606
Prepayments	**96,447**	66,832
Amounts due from related parties	**4,118**	306
Receivable from Series C Preferred Shares holder *(note (i))*	**–**	521,992
Short-term investments	**70,000**	–
Other receivables	**20,764**	34,840
	296,298	725,004
Non-current		
Prepayments for purchase of property and equipment	**6,570**	1,667

Note (i): On December 15, 2020, pursuant to a share purchase agreement entered into between the Company and PAGAC Nebula Holdings Limited ("**PAGAC Nebula**"), PAGAC Nebula agreed to subscribe for 72,497,876 Series C Preferred Shares of the Company at a price of USD1.1035 per share, for a total purchase consideration of USD80 million. The subscription was completed on December 31, 2020 and the total consideration are receivable from PAGAC Nebula due to time lags in the banking transaction processing as at December 31, 2020. The total consideration had been received in January 2021.

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

Ageing analysis

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

	As at June 30, 2021	As at December 31, 2020
	RMB'000	*RMB'000*
Within 1 month	**3,364**	616
1 to 3 months	**69**	32
3 to 6 months	**–**	122
Over 6 months but within 1 year	**103**	–
More than 1 year	**–**	46
	3,536	816

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

12 CASH AND CASH EQUIVALENTS

	As at June 30, 2021	As at December 31, 2020
	RMB'000	*RMB'000*
Cash at bank and on hand	**4,808,814**	501,853
Less: restricted bank deposits	**(100)**	(100)
Cash and cash equivalents	**4,808,714**	501,753

As at June 30, 2021, restricted bank deposits of RMB100,000 was pledged as securities for a performance guarantee amounting to RMB100,000 and will be released upon completion of the contract.

13 TRADE AND OTHER PAYABLES

	As at June 30, 2021 *RMB'000*	As at December 31, 2020 *RMB'000*
Trade payables	**246,035**	226,146
Other payables and accrued charges	**257,738**	257,711
Amounts due to related parties	**1,481**	16,819
	505,254	500,676

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

	As at June 30, 2021 *RMB'000*	As at December 31, 2020 *RMB'000*
Within 1 year	**245,963**	225,067
More than 1 year	**72**	1,079
	246,035	226,146

14 REDEEMABLE CAPITAL CONTRIBUTIONS

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

	As at June 30, 2021 *RMB'000*	As at December 31, 2020 *RMB'000*
Redeemable capital contributions	**–**	465,309

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

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

In December 2020 and January 2021, Shenzhen Pindao Management had repaid the aggregate principal amount of RMB392 million to the redeemable capital contributions investors as part of the Reorganization. Pursuant to the share subscription agreement, the repayments were utilized by the redeemable capital contributions investors to subscribe for certain number of Series A, Series A+ and Series B-1 Preferred Shares of the Company (note 16).

15 FINANCIAL LIABILITIES AT FVTPL

	As at June 30, 2021 *RMB'000*	As at December 31, 2020 *RMB'000*
Warrants	–	114,254
Onshore loans	–	197,126
Convertible note	–	50,501
	–	361,881

During the year ended December 31, 2020, the Group completed B-2 round financing by issuing warrants together with onshore loans to SCGC Capital Holding Company Limited and its affiliates (collectively known as "**SCGC**") and a convertible note to Court Card HK Limited ("**CCHK**").

In January 2021, upon the completion of the Reorganization, Shenzhen Pindao Management had repaid the principal amount of RMB200 million to SCGC to exercise and convert the warrants and onshore loans into certain number of Series B-2 Preferred Shares of the Company. Furthermore, during the same period, the CCHK had also exercised and converted the convertible note into certain number of Series B-2 Preferred Shares upon completion of the Reorganization (note 16).

16 CONVERTIBLE REDEEMABLE PREFERRED SHARES

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

(a) Issue of Series A, Series A+ and Series B-1 Preferred Shares

As set out in note 14, upon the completion of Reorganization in January 2021, the Company issued 111,110,000, 12,620,749 and 66,453,748 Series A, Series A+ and Series B-1 Preferred Shares of the Company to redeemable capital contributions investors, respectively.

(b) Issue of Series B-2 Preferred Shares

As set out in note 15, upon the completion of Reorganization in January 2021, the Company issued 7,854,226 and 48,428,221 Series B-2 Preferred Shares of the Company to the convertible note, warrants and onshore loans investors, respectively.

(c) Issue of Series C Preferred Shares and Re-designation of ordinary shares to Series C Preferred Shares

In December 2020 and January 2021, the Company issued 95,153,462 Series C Preferred Shares, including 22,655,586 shares re-designated from existing issued ordinary shares (the "**Transferred Shares**"), at a price of USD1.1035 per share. Pursuant to the Series C Preferred Shares Purchase Agreement and the Secondary Series C Preferred Shares Purchase Agreement, respectively (collectively as the "**Agreement**"), the total consideration by the investor is USD105 million in which USD80 million is for the 72,497,876 newly issued Series C Preferred Shares and the remaining USD25 million for the Transferred Shares.

Pursuant to the Agreement entered among the Company, the investors and the ordinary shareholders, the ordinary shareholders in respect of the Transferred Shares transferred 22,655,586 Series C Preferred Shares to the investors, at a price of USD1.1035 per share for a total consideration of USD25 million.

The re-designation of ordinary shares held by certain employees to Series C preferred shares was accounted for as deemed repurchase of ordinary shares and deemed issuance of Series C Preferred Shares. The deemed repurchase of ordinary shares is measured at fair value of ordinary shares and debited to share capital and capital reserves accordingly, and the deemed issuance of Series C preferred shares is measured at fair value of the preferred shares issued. The difference between fair value of ordinary shares and Preferred Shares is recognized as share-based compensation expenses according to IFRS 2 since the holders of ordinary shares deemed to be repurchased are directors of the Group.

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

Dividend rights

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

Conversion rights

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

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

Redemption feature

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

Voting rights

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

Liquidation preferences

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

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

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

	Convertible redeemable preferred shares
	RMB'000
As at January 1, 2021	652,490
Issuance of Series A, Series A+ and Series B-1 Preferred Shares	477,174
Issuance of Series B-2 Preferred Shares	363,128
Re-designation of ordinary shares to Series C Preferred Shares	32,303
Fair value changes of convertible redeemable preferred shares	4,329,052
Automatic conversion of all classes preferred shares upon listing *(note 18)*	(5,836,481)
Exchange reserve	(17,666)
As at June 30, 2021	–

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

17 EQUITY SETTLED SHARE-BASED PAYMENTS

The table below sets forth share-based payments expenses for share options, RSUs and re-designation of ordinary shares to preferred shares during the reporting period:

	Six months ended June 30,	
	2021	2020
	RMB'000	*RMB'000*
Share Option Plan (a)	**8,385**	3,844
RSUs (b)	**5,997**	–
Re-designation of ordinary shares to preferred shares (c)	**7,492**	–
	21,874	3,844

During the reporting period, the Group has the following share-based payment arrangements:

(a) Share Option Plan (equity settled)

The Group granted share-based awards to qualified directors and employees pursuant to the Share Option Plan, which was adopted in May 2020 and governed by the contractual terms of the awards. The qualified participants of the Share Option Plan are required to satisfy certain vesting service and non-market performance conditions for the entitlements. In accordance with the Share Option Plan agreements, the holders of vested options are entitled to purchase the Company's shares at fixed prices predetermined as at each vesting date. Prior to the completion of the listing of the Company's shares on the Stock Exchange, the Company has the option to repurchase the vested option upon the occurrence of certain events at the fixed prices predetermined. Such option to repurchase will be extinguished upon the completion of the listing process and the holders of the shares may freely exercise control over the shares.

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

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

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

	Number of share options	**Weighted average exercise price** *RMB*	**Weighted average remaining contractual term** *Year*
Outstanding as at January 1, 2020	–	–	–
Granted during the period	5,035,756	2.17	–
Outstanding as at June 30, 2020	5,035,756	2.17	–
Exercisable as at June 30, 2020	5,035,756		
Granted during the period	29,915,062	0.73	
Exercised	(5,035,756)	2.17	
Outstanding as at December 31, 2020	29,915,062	0.73	9.6
Exercisable as at December 31, 2020	–		
Forfeited during the period	(1,498,100)	0.73	
Outstanding as at June 30, 2021	28,416,962	0.73	9.1
Exercisable as at June 30, 2021	–	–	–

Fair value of share options

The fair value of share options was estimated using the trinomial option-pricing model. The determination of estimated fair value of share-based payment awards on the grant date is affected by the fair value of the Company's ordinary shares as well as assumptions regarding a number of complex and subjective variables. These variables include the expected volatility of the shares of the Company over the expected term of the awards, actual and projected employee share option exercise behaviors, a risk-free interest rate and expected dividends, if any.

Based on fair value of the underlying ordinary shares, the Group has used trinomial option-pricing model to determine the fair value of the share option as at the grant date. Key assumptions are set as below:

	As at grant dates
Risk-free interest rates	0.34% – 0.53%
Expected term - years	10
Expected volatility	30.97% – 36.58%
Exercise multiple	2.86x – 3.34x
Fair value of ordinary shares *(RMB)*	1.97 – 5.78
Exercise price *(RMB)*	0.71 – 2.17
Dividend yield	0.00%

(b) RSUs (equity settled)

The RSUs granted would vest in tranches from the grant date over a certain service period, on specific service condition that the employees remain in service and scheduled to be vested over one to four years without any performance condition requirements. Based on the vesting schedules of the Group's plan, the first tranche shall be vested upon the first anniversary dates of the grants, and the remaining of the awards shall be vested on straight-line basis at the anniversary years over a period of the remaining three years. Once the vesting conditions underlying the respective RSUs are met, the RSUs are considered duly and validly issued to the holder, with restrictions on transfer of such entitlements at any time during a period of six months commencing on the date on which the shares of the Company are publicly listed (the "**Lock-up Period**").

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

	Number of RSUs	Weighted average grant date fair value per RSU *RMB*	Weighted average remaining vesting periods *Year*
Outstanding as at January 1, 2020	–	–	–
Granted during the period	3,692,500		
Unvested as at June 30, 2020	3,692,500	2.04	4.0
Granted during the period	2,872,900	3.63	
Unvested as at December 31, 2020	6,565,400	2.74	3.6
Granted during the period	1,135,700	5.49	
Vested during the period	(923,125)	2.04	
Forfeited during the period	(30,700)	5.49	
Unvested as at June 30, 2021	6,747,275	3.28	3.2

As at June 30, 2021, a total of 32 employees of the Group have been granted with a total of 6,747,275 RSUs.

Share-based payment expense relating to awards granted to employees is based on the grant date fair value of the RSUs is recognized, on a straight-line basis over the entire vesting period. The fair value of each RSU at the grant dates are determined by reference to the fair value of the underlying ordinary shares of the Company on the date of grant. The grant date fair value of the underlying ordinary shares was determined with the assistance of an independent third-party valuation firm, Jones Lang LaSalle Corporate Appraisal and Advisory Limited. The fair value of the ordinary shares was principally developed through the application of the option pricing method ("**OPM**"). The OPM treats the ordinary shares as call options on the enterprise's equity value. The OPM frequently relies on the Black-Scholes option pricing model to price the call option.

RSUs were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. No dividends have been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the RSUs.

(c) Re-designation of ordinary shares to preferred shares

In January 2021, pursuant to a shares purchase agreement entered between the Company, the Controlling Shareholders of the Company and a Pre-IPO investor, namely Court Card HK Limited ("**CCHK**"), CCHK purchased 4,531,117 ordinary shares for an aggregate purchase price of USD5 million from the Controlling Shareholders, and the aforementioned shares were immediately re-designated as Series C preferred shares. The difference between the transaction price and fair value of the ordinary shares were recognized as share-based compensation expense in the consolidated statement of profit or loss.

Total expense recognized related to re-designation of ordinary shares to Series C Preferred Shares was RMB7,492,000 for the period ended June 30, 2021.

18 CAPITAL, RESERVES, DIVIDENDS AND NON-CONTROLLING INTERESTS

(a) Share capital

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

For the purpose of the presentation of the consolidated statements of financial position, the share capital of the Group represents the paid-in capital of Shenzhen Pindao Group and the share capital of the Company as at December 31, 2020. Upon the completion of the Reorganization, the Company became the holding company of the Group and share capital as at June 30, 2021 represented solely the share capital of the Company.

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

On June 30, 2021, the Company had newly issued 257,269,000 shares at HKD19.8 per share with a par value of USD0.00005 each. The total gross proceeds from the new shares issued were approximately RMB4,238,554,000 (equivalent to HKD5,093,926,000). The respective share capital amount was RMB83,000 (equivalent to USD13,000), and share premium was approximately RMB4,096,877,000, net of issuance costs. The issuance costs paid mainly include share underwriting fees and commissions and professional fees paid to legal, accounting, other advisors and other related cost for their services rendered, which are incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB141,594,000 were treated as a deduction against the share premium arising from the issuance.

(b) Nature and purposes of reserves

(i) Capital reserve

Acquisition of non-controlling interests

During the period ended June 30, 2020, the Group acquired an additional 5% equity interest of Shanghai Nayuki, Hangzhou Nayuki, Nanjing Manyida and Nanjing Nayuki from their non-controlling shareholders at consideration of nil in aggregate, the differences between the consideration paid and acquired proportionate interest in identifiable net assets of Shanghai Nayuki, Hangzhou Nayuki, Nanjing Manyida and Nanjing Nayuki of RMB4,738,000 was recognized as a deduction from capital reserve.

Re-designation of ordinary shares to preferred shares

During the period ended June 30, 2021, the Group recognized the difference between the fair value and par value of ordinary shares resulted from the re-designation of ordinary shares to preferred shares to CCHK amounted to RMB24,822,000.

Automatic conversion of all classes of preferred shares upon listing

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

(ii) Share-based payments reserve

The share-based payments reserve represents the portion of the grant date fair value of share options and RSUs granted to the directors and employees of the Group.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statement for operations outside of mainland China.

(c) Dividends

No interim dividends were proposed to equity shareholders of the Company attributable to the interim period after the end of the reporting period.

No final dividends were proposed to equity shareholders of the Company attributable to the year ended December 31, 2020.

OTHER INFORMATION

DIVIDEND

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Since the Listing Date and up to the date of this announcement, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Since the Listing Date and up to the date of this announcement, save as disclosed below, the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

Pursuant to A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual.

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

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

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

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

AUDIT COMMITTEE

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

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

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE WEBSITE

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

DEFINITIONS

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

"2020 Share Incentive Plan"	the share incentive plan of the Company approved and adopted on May 15, 2020
"2020 Share Option Plan"	the share option plan of the Company approved and adopted on May 15, 2020
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Company
"Board" or "Board of Directors"	the board of Directors
"Company"	Nayuki Holdings Limited (奈雪的茶控股有限公司) (formerly known as Pindao Holdings Limited (品道控股有限公司)), an exempted company with limited liability incorporated in the Cayman Islands on September 5, 2019, whose were listed and traded on the Stock Exchange (Stock code: 2150)
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and, in the context of this results announcement, means Mr. Zhao, Ms. Peng Xin, Linxin Group Limited, Linxin International Limited, Linxin Holdings Limited, Forth Wisdom Limited and Crystal Tide Profits Limited
"Director(s)"	member(s) of the board of directors of the Company, including all executive, non-executive and independent non-executive directors
"Group," "our Group," "we" or "us"	the Company and our subsidiaries (or the Company and any one or more of our subsidiaries, as the context may require)

"HK$" or "HK dollars" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Listing Date"	June 30, 2021
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Mr. Zhao"	Zhao Lin, the Chairman of the Board and the Chief Executive Officer of the Company
"Option(s)"	share option(s) granted pursuant to the 2020 Share Option Plan
"Prospectus"	the prospectus of the Company dated June 18, 2021
"PRC" or "China" or the "People's Republic of China"	the People's Republic of China and, except where the context otherwise requires, references in this announcement to the PRC or China do not apply to Hong Kong, Macau Special Administrative Region and Taiwan Province
"Reporting Period"	the six months ended June 30, 2021
"RMB"	Renminbi, the lawful currency of the PRC
"RSU(s)"	restricted share unit(s) granted pursuant to the 2020 Share Incentive Plan
"Shares"	shares of the Company of nominal value of US$0.00005 each
"Shareholders"	holders of the Shares

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder"	has the meaning ascribed to it in the Listing Rules
"US$" or "U.S. dollars"	United States dollars, the lawful currency for the time being of the United States
"%"	per cent

By order of the Board
Nayuki Holdings Limited
ZHAO Lin
Chairman

Shenzhen, China, August 25, 2021

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