茶百道

Sichuan Baicha Baidao Industrial Co., Ltd.

四川百茶百道實業股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(於中華人民共和國註冊成立的股份有限公司)

Stock code : 2555

股份代號 : 2555

2024 年度報告

ANNUAL REPORT

Contents

Definitions

Unless the context otherwise requires, the following expressions shall have the following meanings in this annual report:

"Articles of Association"	the articles of association of our Company, as amended, supplemented or otherwise modified from time to time
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of Directors of the Company
"Chengdu Jinbosen"	Chengdu Jinbosen Enterprise Management Co., Ltd.* (成都錦柏森企業管理有限公司), a limited liability company incorporated under the laws of the PRC on 17 October 2018, which is held as to 60% by Mr. Wang and 40% by Ms. Liu, respectively, and is one of our Controlling Shareholders
"China" or "PRC"	the People's Republic of China, which, for the purpose of this annual report and for geographical reference only, excludes the Hong Kong Special Administrative Region of the PRC, the Macao Special Administrative Region of the PRC and Taiwan Region
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company" or "our Company" or "ChaPanda"	Sichuan Baicha Baidao Industrial Co., Ltd. (四川百茶百道實業股份有限公司), a joint stock company incorporated under the laws of PRC with limited liability on 31 December 2020, the H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 2555)
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and unless the context otherwise requires, refers to Mr. Wang, Ms. Liu, Chengdu Jinbosen, Hengsheng Herui and Tongchuang Gongjin
"Corporate Governance Code"	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
"Director(s)"	the director(s) of our Company
"Global Offering"	has the meaning ascribed thereto under the Prospectus
"Group" or "our Group" or "we" or "us"	our Company and its subsidiaries (or our Company and any one or more of such subsidiaries and legal entities, as the context may require)
"H Share(s)"	overseas listed foreign share(s) in the share capital of our Company with a nominal value of RMB0.1 each, which is/are subscribed for and traded in HK dollars and listed on the Stock Exchange

"Hengsheng Herui"	Sichuan Hengsheng Herui Industrial Group Co., Ltd.* (四川恒盛合瑞實業集團有限公司), formerly known as Sichuan Hengsheng Herui Industrial Co., Ltd.* (四川恒盛合瑞實業有限公司), a limited liability company incorporated under the laws of PRC on 20 November 2018, a promoter of the Company, and one of our Controlling Shareholders
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Latest Practicable Date"	22 April 2025, being the latest practicable date for the purpose of ascertaining certain information contained in this annual report prior to its publication
"Listing Date"	23 April 2024
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 of the Listing Rules
"Mr. Wang"	Mr. Wang Xiaokun (王霄錕), our founder, the chairman of the Board, an executive Director, the spouse of Ms. Liu, a promoter of the Company and one of our Controlling Shareholders
"Ms. Liu"	Ms. Liu Weihong (劉洧宏), our founder, a Supervisor, the spouse of Mr. Wang and one of our Controlling Shareholders
"Pre-IPO Employee Incentive Platform" or "Tongchuang Gongjin"	Sichuan Tongchuang Gongjin Enterprise Management Partnership (Limited Partnership) (四川同創共進企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on 31 July 2023, the pre-IPO employee incentive platform of our Group of which Mr. Wang is the sole general partner and one of our Controlling Shareholders
"Pre-IPO Employee Incentive Scheme"	the pre-IPO employee incentive scheme of our Company approved and adopted on 27 June 2023, a summary of the principal terms of which is set forth in "Statutory and General Information – 5. Pre-IPO Employee Incentive Scheme" in Appendix VI to the Prospectus
"Prospectus"	the prospectus of the Company dated 15 April 2024
"Reporting Period"	year ended 31 December 2024

Definitions

"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Senmian New Materials"	Senmian New Materials Technology (Chengdu) Co., Ltd.* (森冕新材料科技(成都)有限公司), a limited liability company incorporated under the laws of the PRC on 6 May 2021 and was held by the Company as to 67% and by an independent third party (except for being a substantial shareholder thereof), Yibin Senqian Enterprise Management Co., Ltd. (宜賓森乾企業管理有限公司) as to 33%
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of our Company with a nominal value of RMB0.1 each
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Supervisor(s)"	member(s) of the Supervisory Committee
"Supervisory Committee"	the supervisory committee of our Company
"treasury shares"	has the meaning ascribed thereto under the Listing Rules
"%"	per cent

* English name is for identification purpose only.

Corporate Information

Company Name

Chinese name:
四川百茶百道實業股份有限公司
English name:
Sichuan Baicha Baidao Industrial Co., Ltd.

Directors

Executive Directors

Mr. Wang Xiaokun
Mr. Wang Hongxue
Ms. Dai Li
Mr. Chen Keyuan

Non-Executive Director

Dr. Chen Da

Independent Non-Executive Directors

Mr. Yeung Chi Tat
Dr. Tang Yong
Ms. Cheng Li

Supervisors

Ms. Liu Weihong
Mr. Zhu Mingxing
Mr. Zhang Yu

Audit Committee

Mr. Yeung Chi Tat
Ms. Cheng Li
Dr. Chen Da

Remuneration Committee

Ms. Cheng Li
Mr. Wang Xiaokun
Dr. Tang Yong

Nomination Committee

Mr. Wang Xiaokun
Ms. Cheng Li
Dr. Tang Yong

Registered Office

No. 1, 1/F, Building 1
No. 55 Liangshi Road, Mimou Town
Qingbaijiang District
Chengdu, Sichuan
PRC

Headquarters and Principal Place of Business in the PRC

10/F, Unit 1, Building 1, Jiayu Financial Technology Center
No. 166 Mingdu Road
Wuhou District
Chengdu, Sichuan
PRC

Principal Place of Business in Hong Kong

46/F, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Place of Listing and Stock Code

The Stock Exchange of Hong Kong Limited
Stock code: 2555

H Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Corporate Information

Company's Website

https://www.chabaidao.com

Legal Representative

Mr. Wang Xiaokun

Secretary to the Board of Directors

Mr. Xue Zenghui

Authorized Representatives

Mr. Chen Keyuan
Mr. Lee Chung Shing

Joint Company Secretaries

Mr. Xue Zenghui
Mr. Lee Chung Shing

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditor

Legal Advisor as to Hong Kong Law

Clifford Chance

Legal Advisor as to PRC Law

King & Wood Mallesons

Compliance Advisor

Guotai Junan Capital Limited

Principal Bank

China Construction Bank, Chengdu Jinhe Sub-branch

Financial Summary

A summary of the results and of the assets and liabilities of our Group for the last five financial years, is set out below:

	Year ended 31 December				
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**4,917,997**	5,704,307	4,231,670	3,644,209	1,080,095
Gross profit	**1,534,679**	1,963,782	1,456,189	1,301,040	396,726
Profit before taxation	**621,835**	1,365,848	1,150,745	921,668	320,112
Income tax expense	**(142,109)**	(215,068)	(185,986)	(143,151)	(81,968)
Profit for the year	**479,726**	1,150,780	964,759	778,517	238,144
Profit attributable to owners of the Company	**472,184**	1,139,211	954,316	755,816	200,576
Basic earnings per share	**0.336**	0.981	0.954	0.762	0.293
Non-IFRS measure					
Adjusted net profit (non-IFRS measure)	**644,970**	1,257,553	966,801	899,585	238,144

	Year ended 31 December				
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**5,493,977**	3,085,498	1,682,904	1,048,340	677,559
Total liabilities	**1,560,284**	2,238,852	1,020,288	747,315	533,483
Total equity	**3,933,693**	846,646	662,616	301,025	144,076
Cash and bank balances	**3,559,917**	945,989	226,031	128,138	128,238
Net off current assets	**265.2%**	116.2%	132.2%	113.5%	109.6%
Current assets	**4,137,706**	2,601,848	1,349,273	848,041	584,732

Chairman's Statement

Dear Shareholders,

In 2024, the freshly-made tea drinks industry experienced a booming in market size, yet an increasingly intense competition. Consumer habits have shifted in light of changes in the external environment, turning out consumers' demand for freshly-made tea drink products to be healthier and lower-sugar.

In 2024, the Group recorded total revenue of RMB4,918.0 million, representing a decrease of 13.8% compared to the same period in 2023; a gross profit of RMB1,534.7 million, representing a decrease of 21.9% compared to the same period in 2023; the adjusted net profit of the Group decreased from RMB1,257.6 million in 2023 to RMB645.0 million in 2024, representing a decrease of approximately 48.7%. The Group maintained a healthy working capital position, with a year-on-year increase of 397.2% in balance of cash and cash equivalents to RMB3,559.9 million in 2024 from 2023.

In 2024, we proactively responded to the highly competitive market environment and closely monitored the overall dynamics of the industry and changes in consumer demand.. We continuously promoted product innovation and consumer exchanges, to meet the consumption needs of various groups of consumers under different scenarios. In addition, we continued to pay attention to the soundness of stores in full support of smooth operation through a series of measures such as enhancing brand momentum, optimizing store building efficiency, applying digital tools and strengthening store support. We further strengthened supply chain development to ensure product quality and a stable supply of raw materials, so as to improve operational efficiency.

Looking back on the past year, ChaPanda has been committed to embracing changes. Attributed to our dedication to product offering, consumer service and franchisee empowerment, ChaPanda strived to provide products and services to satisfy consumer needs, and cultivated franchisees as our long-term business partners with ongoing supporting measures.

Finally, on behalf of ChaPanda, I would like to express gratitude to all employees for their dedication in 2024, and to all consumers, franchisees, suppliers and partners for their support and trust in ChaPanda. In 2025, upholding the corporate spirit of "innovation, win-win, integrity and responsibility", we will create values for society as always, and bring more substantial and long-term returns to our Shareholders.

Sichuan Baicha Baidao Industrial Co., Ltd.
Mr. Wang Xiaokun
Executive Director and Chairman of the Board
28 March 2025

Management Discussion and Analysis

Business Review

In 2024, the Group recorded revenue of RMB4,918.0 million, representing a decrease of 13.8% as compared with the corresponding period last year. Our revenue from our sale of goods and equipment decreased by 14.2% as compared with the corresponding period last year. Revenue from royalty and franchising decreased by 7.9% as compared with the corresponding period last year. Other revenue decreased by 1.0% as compared with the corresponding period last year. The following table sets out the breakdown of the Group's revenue by type and the percentage of our total revenue during the periods indicated:

	Year ended 31 December					
	2024		2023		Change	
	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)					
Sale of goods and equipment[1]	**4,652,382**	**94.6**	5,419,980	95.0	(767,598)	(14.2)
Royalty and franchising[2]	**213,404**	**4.3**	231,595	4.1	(18,191)	(7.9)
Others[3]	**52,211**	**1.1**	52,732	0.9	(521)	(1.0)
Total	**4,917,997**	**100.0**	5,704,307	100.0	(786,310)	(13.8)

Notes:

(1) Sale of goods and equipment: where the Group sells to franchised stores materials and ingredients for the production of tea drinks, such as dairy products, tea leaves and fruits, as well as packaging materials and store equipment. The Group also sells packaging materials to third-party purchasers that are manufactured by Senmian New Materials, such as biodegradable straws and cups.

(2) Royalty and franchising: including non-refundable upfront initial fees, royalty income and pre-opening training service fees paid by franchisees.

(3) Others: mainly consisted of (i) income from our design services to franchised stores; (ii) income from our online operation and management services in relation to the collaboration with third-party online delivery platforms; and (iii) income from our self-operated ChaPanda stores.

Taking into account the impact of consumer behavior shifts as affected by changes in the external environment, and the impact of changes in the market competition landscape, the Group provided more supportive policies and favourable prices of goods and equipment for franchisees and increased the overall expenses on market promotion and marketing efforts in 2024.

Management Discussion and Analysis

Store Network

Our ChaPanda store network in China comprises stores strategically dispersed across different tiers of cities. While maintaining our position in first-tier and new first-tier cities to enhance our brand identity and keep up with the ever-changing market trend, we have been penetrating and will continue to penetrate into lower-tier cities with promising potential for consumption growth. This deliberate distribution ensures that we reach a broad spectrum of consumers and establish brand visibility across all tiers of cities.

The following table sets forth a breakdown of the Group's store coverage by city tier in China as of 31 December 2024.

	As of 31 December			
	2024		2023	
	Number of stores	%	Number of stores	%
First-tier cities	**790**	**9.4**	827	10.6
New first-tier cities	**2,141**	**25.5**	2,098	26.9
Second-tier cities	**1,696**	**20.2**	1,628	20.9
Third-tier cities	**1,623**	**19.3**	1,516	19.4
Fourth-tier and below cities	**2,145**	**25.6**	1,732	22.2
Total	**8,395**	**100.0**	7,801	100.0

The number of our stores in China continued to increase from 7,801 as of 31 December 2023 to 8,395 as of 31 December 2024, representing a year-on-year increase of 7.6%.

We strategically maintained a limited number of self-operated stores in selected cities to create an immersive consumer experience and to serve as a prominent representation of our brand. As of 31 December 2024, we had thirteen self-operated stores, compared to six as of 31 December 2023.

We are advancing our overseas business as scheduled. As of 31 December 2024, we have opened seven stores in South Korea, two in Malaysia, two in Thailand, two in Australia and one in Hong Kong, China, respectively. To satisfy the demand in the overseas market, we are improving our capabilities to conduct supply chain business, product R&D and brand promotion, which adapt to the overseas business development.

Our Franchise Model

During the Reporting Period, our ChaPanda store network primarily consisted of franchised stores. We maintain strong oversight of franchised stores, ensuring that every aspect of store operation is properly managed and optimized for success. Our involvement throughout the operations of the franchised stores encompasses participation in planning and location selection and provision of in-depth training to franchisees and in-store staff on various aspects such as procurement, staff recruitment, quality control and daily management. Additionally, we supply raw materials and equipment, and provide logistics, operation and marketing services to support our franchisees in their pursuit of success. Franchisees primarily focus on the day-to-day operation and maintenance of their stores, on-site staff management and customer service. By dividing responsibilities in this manner, we ensure that our franchisees receive the necessary support and guidance while maintaining their autonomy in managing their stores. This approach fosters a strong partnership between us and the franchisees, contributing to the overall success and growth of ChaPanda brand. To unite our efforts, we held the nationwide franchisee conference in Chengdu, Sichuan on 30 March 2024.

The following table sets forth the movement of the number of our franchisees for the year indicated.

	Number of franchisees Year ended 31 December	
	2024	2023
At the beginning of the year	**5,538**	5,396
Enrolled during the year	**1,348**	805
Terminated during the year	**(1,144)**[(1)]	(663)
At the end of the year	**5,742**	5,538

The following table sets forth the movement of the number of franchised stores for the year indicated.

	Number of franchised stores Year ended 31 December	
	2024	2023
At the beginning of the year	**7,795**	6,352
Enrolled during the year	**1,477**	1,663
Terminated during the year	**(890)**[(2)]	(220)
At the end of the year	**8,382**	7,795

Notes:

(1) The 1,144 franchisees with whom the collaboration was terminated in 2024 include (i) 701 franchisees who departed though transfer of stores to other franchisees; (ii) 409 franchisees who terminated collaboration with us for their own reasons or did not renew collaboration with us upon agreement expiration; and (iii) 34 franchisees with whom the collaboration was terminated by us.

(2) The number of franchisees with whom the collaboration was terminated in 2024 is greater than the number of closed franchised stores during the same period, primarily because that for 701 franchisees with whom the collaboration was terminated in 2024, their stores were taken up by other franchisees for continuous operation. With respect to the 890 closed franchised stores during 2024, there were 453 closed franchised stores for which we also terminated relationships with the relevant franchisees, and there were 437 closed franchised stores for which we maintained relationships with the relevant franchisees as they have one or more stores under operation despite the store closure.

Product Development

Our product portfolio includes a wide range of classic tea drinks, seasonal tea drinks and regional tea drinks. In ChaPanda stores, our classic tea drinks are typically available throughout the year, whereas seasonal tea drinks and regional tea drinks are only sold in limited time periods or certain regions, primarily depending on accessibility of relevant seasonal fruits or local specialty fruits, consumer acceptance and sales and marketing considerations.

During the Reporting Period, we have launched 60 new products, upgraded 42 products, and developed 372 formulas of products stored in warehousing facilities, targeting the Chinese market, highlighting our proactive approach to product development and innovation.

In order to meet the demand of consumers for health, we launched products such as Qingti Wheatgrass (清體小麥草) and Qingchang Kale (輕暢羽衣甘藍) during the Reporting Period, which gained wide popularity among customers.

Supply Chain Management

The warehouse and distribution hubs in each region are responsible for serving the surrounding stores within an average distribution radius of 500 kilometers. Approximately 92% of stores can receive next-day delivery after placing an order, and approximately 95% of stores can receive delivery services twice or more times a week while there are 41 guaranteed overnight delivery routes in Beijing, Chengdu and Chongqing, etc. We set up temperature-controlled storage and delivery hubs to provide near-me delivery so that time, efficiency and frequency can be enhanced while the delivery of fresh and high-quality raw material to stores can be ensured.

As of 31 December 2024, the Group's unified delivery of fruits to ChaPanda stores has covered 71.7% of the total number of stores. The fruit supply chain has been optimized with the expansion of self-sourcing from production areas, as well as a combination of trunk line, city and express delivery.

On 27 May 2024, the production base for natural tea drinks of the Group was officially put into operation in Jin'an District, Fuzhou City, Fujian Province, further ensuring the quality of the Group's tea raw materials and the stable quality of tea beverages offered in ChaPanda stores.

To meet the needs of the overseas business development of the Company, the Group proactively engaged in import and export matters in various countries and regions, improved delivery management and promoted the application of information systems to fully support the Company's overseas business development.

Branding and Marketing

We reward our dedicated clients through loyalty programs and incentivized referrals, fostering brand advocacy and solidifying consumer relationships. As of 31 December 2024, we had 139.27 million registered members, representing an increase of 53.2% compared with the number of existing members as of 31 December 2023; and 59.29 million active members as of 31 December 2024, representing an increase of 17.3% compared with the number of active members as of 31 December 2023. We have continued to expand our brand voice and influence via digitalized marketing, IP marketing, crossover cooperation, celebrity product endorsement and brand anniversary campaigns. As of 31 December 2024, "ChaPanda" brand-related major topics were read/played 14.9 billion times on mainstream public information platforms, such as Weibo, Douyin, Xiaohongshu, etc., and 1.9 billion times via official matrix media on self-media platforms; and we received over 3 billion exposures through advertising and other means.

Digitalization

Growth through digital marketing and innovation. In 2024, we accessed four new platform sales channels, four equity cooperation channels and eight API service channels to further expand our market presence. We produced 207 creative marketing pages to introduce diverse interactive gameplay, thus delivering a flexible consumption experience for users. Takeout business through the WeChat/Alipay mini program was officially launched to refine and upgrade the experience of ordering. The online rate of stores reached 90%. The experience on the mini program tended to be diversified, and user interaction and consumption experience were significantly improved.

Operation empowered by digitalization, efficiency improvement promoted by intelligence. The security and stability of the core ordering system have been improved, while an ordering system adapted to overseas business has been developed for global expansion. Upgrade of the store automation construction system has enabled the opening of new stores within 30 days. AI self-checking and commenting, AI inspection and suggestions, AI intelligent summary and other functions have restructured the inspection and patrol system, which relies on AI large model to build a new supervision platform, thus contributing to significant improvement of the efficiency of store management. A unified store management platform for franchisees has been provided to empower them in all aspects of business management.

Product research and development enabled by digital intelligence, quality and efficiency facilitated by innovation. The research and development of intelligent milk tea machines and the implementation of store applications have been promoted to improve the efficiency and stability of serving the drinks in stores. Digital capabilities for new product development have been enhanced for continuously improving the capability of market insights through product creativity tools. The 2.0 version of the product value chain has been launched to optimize product costs. The construction of the middle platform of the supply chain has been strengthened to improve the efficiency of the ordering process, and enhance service experience in stores.

In 2024, the "ChaPanda's Super Automation System Development for Software Intelligence and Efficiency" (茶百道軟件智效超級自動化系統建設) of the Company was accredited as a "Typical Case of 2024 Software Intelligence and Efficiency Leader" (2024年軟件智效領航者典型案例) by the Cloud Computing and Big Data Research Institute of the China Academy of Information and Communications Technology.

Management Discussion and Analysis

Outlook

In 2025, following the Group's development strategy, we will continue to expand our store network to further penetrate the domestic market, meanwhile strengthening exploration of overseas markets. We will also continue to strengthen product R&D capabilities and expand the product matrix to develop more products to meet market demand and consumer needs. Moreover, we will further improve overall operational efficiency by enhancing our supply chain capabilities and technical investment. Thus, our brand perception and our connection with consumers will be strengthened. With the competitive advantages of the Group in product research and development capabilities, supply chain capabilities, operation management capabilities, brand influence and digitalization capabilities, as well as the joint efforts of all employees, the Board believes the Group can effectively respond to changes in the competitive market environment, seize market opportunities, and achieve a long-term development of high quality. The Board is full of confidence in the Group's development prospect in the future.

Finance Review

Revenue and gross profit

During the Reporting Period, the Group recorded revenue of RMB4,918.0 million, representing a decrease of 13.8% as compared to RMB5,704.3 million for the same period of last year; gross profit of RMB1,534.7 million, representing a decrease of 21.9% as compared to RMB1,963.8 million for the same period of last year. During the Reporting Period, taking into account the impact of consumer behavior shifts as affected by changes in the external environment, the Company has provided more supportive policies and favourable prices of goods and equipment for franchisees in 2024 and bore marketing expenses with franchisees by providing subsidies for material sales, and the Group's gross profit margin decreased by 3.2 percentage points to 31.2% from 34.4% for the same period of last year.

Other income

During the Reporting Period, the Group's other income amounted to RMB121.4 million, representing an increase of 85.4% as compared to RMB65.5 million for the same period of last year, mainly due to the significant increase in bank interest income resulting from the increase in the Company's idle funds upon the receipt of pre-IPO investments and proceeds from Global Offering.

Distribution and selling expenses

During the Reporting Period, the Group's distribution and selling expenses amounted to RMB395.1 million, representing an increase of 201.6% as compared to RMB131.0 million for the same period of last year, which was mainly due to the fact that: (i) in order to cope with market competition and further enhance brand awareness, the Group continued to expand its brand volume and influence through strategies such as digital marketing, IP marketing, crossover cooperation, celebrity endorsement and anniversary events; and (ii) to implement the brand building and marketing strategy, the distribution and sales departments employed more staff compared to the same period of last year.

Administrative expenses

During the Reporting Period, the administrative expenses of the Group amounted to RMB510.2 million, representing an increase of 21.4% as compared to RMB420.5 million for the same period of last year, mainly due to the increase in office expenses, such as employee salary and property leasing expense.

Research and development expenses

During the Reporting Period, the Group's research and development expenses amounted to RMB33.8 million, representing an increase of 105.7% as compared to RMB16.4 million for the same period of last year, mainly due to the further expansion of research and development personnel of the digital team arising from the Group's continued efforts in digital infrastructure construction and investment in research and development.

Other expenses

During the Reporting Period, the Group's other expenses amounted to RMB3.2 million, representing a decrease of 76.4% as compared to RMB13.6 million for the same period of last year, mainly due to the increase in the Group's donations to social welfare organizations last year.

Finance costs

During the Reporting Period, the Group's finance costs amounted to RMB4.3 million, representing an increase of 16.6% as compared to RMB3.7 million for the same period of last year, mainly due to the increase in lease interest expenses in line with the increased leased assets, resulting from the business expansion and growth of operation scale of the Group.

Income tax expense

During the Reporting Period, the Group's income tax expense was RMB142.1 million, representing a decrease of 33.9% as compared to RMB215.1 million for the same period of last year, mainly due to the decrease in taxable income.

Profit for the year

As a result of the aforementioned changes, the Group's profit for the Reporting Period decreased by 58.3% from RMB1,150.8 million in the same period of last year to RMB479.7 million.

Non-IFRS measures

To supplement our consolidated financial statements which are presented in accordance with IFRS, the Group also uses certain non-IFRS measures, namely, adjusted EBITDA, adjusted EBITDA margin, adjusted net profit and adjusted net profit margin, as additional financial metrics. These non-IFRS measures are not required by or presented in accordance with IFRS. The Group believes that non-IFRS measures facilitate comparisons of the Group's operating performance by eliminating potential impacts of certain items. The Group also believes that such non-IFRS measures present useful information in understanding and evaluating the Group's consolidated results of operations in the same manner as they help our management. However, the Group's presentation of such non-IFRS measures may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRS measures has limitations as an analytical tool, and Shareholders and potential investors should not consider it in isolation from, or as a substitute for analysis of, the Group's results of operations or financial condition as reported under IFRS.

Management Discussion and Analysis

The following table reconciles the Group's EBITDA (non-IFRS measure), adjusted EBITDA (non-IFRS measure) and adjusted net profit (non-IFRS measure) to our profit for the year presented in accordance with IFRS, for the year indicated.

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Profit for the year	**479,726**	1,150,780
Add:		
Income tax expense	**142,109**	215,068
Depreciation and amortization	**89,472**	67,007
Finance costs	**4,305**	3,692
Interest income	**(43,852)**	(6,954)
EBITDA (non-IFRS measure)	**671,760**	1,429,593
Add:		
Listing expenses charged in profit or loss(1)	**7,197**	30,935
Equity-settled share-based payment expenses(2)	**12,826**	–
Loss on fair value change of redeemable shares with other preferential rights(3)	**145,221**	75,838
Adjusted EBITDA (non-IFRS measure)	**837,004**	1,536,366
Adjusted EBITDA margin (non-IFRS measure)	**17.0%**	26.9%
Profit for the year	**479,726**	1,150,780
Add:		
Listing expenses charged in profit or loss(1)	**7,197**	30,935
Equity-settled share-based payment expenses(2)	**12,826**	–
Loss on fair value change of redeemable shares with other preferential rights(3)	**145,221**	75,838
Adjusted net profit (non-IFRS measure)	**644,970**	1,257,553
Adjusted net profit margin (non-IFRS measure)	**13.1%**	22.0%

Notes:

(1) Listing expenses charged in profit or loss are related to the Global Offering.

(2) Equity-settled share-based payment expenses represent the fair value of the shares granted at the date of grant taking into account the consideration for subscription of the equity interests. The item is adjusted as it is non-cash, and is not expected to result in our future cash payments.

(3) Loss on fair value change of redeemable shares with other preferential rights represents the fair value change of redeemable shares with other preferential rights. The redeemable shares with other preferential rights were redesignated from liability to equity as a result of the termination of special rights upon listing of the Company. The item is adjusted as it is non-cash and is not expected to result in our future cash payments.

Cash and cash equivalents

As at 31 December 2024, the total balance of cash and cash equivalents of the Group was RMB3,559.9 million, representing an increase of 397.2% as compared to RMB716.0 million as at 31 December 2023, mainly due to the receipt of proceeds from the Global Offering.

Inventories

During the Reporting Period, the Group focused on key items and improved operational efficiency. The Group's inventories increased from RMB201.2 million as at 31 December 2023 to RMB206.8 million as at 31 December 2024. Inventories turnover days increased from 19.2 days as at 31 December 2023 to 22.1 days as at 31 December 2024, which was because the production base for natural tea drinks of the Group was officially put into operation in May 2024, resulting an increase in the inventory balance of teas.

Trade and other receivables, deposits and prepayments

The Group's trade and other receivables, deposits and prepayments increased from RMB62.8 million as at 31 December 2023 to RMB228.5 million as at 31 December 2024. Trade receivables turnover days increased from 0.4 days as at 31 December 2023 to 0.6 days as at 31 December 2024, which was basically flat.

Trade and other payables

The Group's trade and other payables decreased from RMB770.6 million as at 31 December 2023 to RMB674.5 million as at 31 December 2024. Trade payables turnover days increased from 34.4 days as at 31 December 2023 to 35.1 days as at 31 December 2024, which was basically flat.

Bank borrowings

As of 31 December 2024, the Group did not have any bank borrowings.

Contract liabilities

The Group's contract liabilities decreased from RMB324.2 million as at 31 December 2023 to RMB219.3 million as at 31 December 2024, mainly due to the Group's granting of some concessions to franchisees for the sale of goods and equipment and deduction of franchise fees payable by new stores, which resulted in a decrease in prepayments from franchisees.

Lease liabilities

The Group's lease liabilities increased from RMB83.5 million as at 31 December 2023 to RMB105.5 million as at 31 December 2024, mainly due to the increase in lease, with the business expansion and growth of operation scale of the Group.

Property, plant and equipment

The Group's carrying amounts of property, plant and equipment decreased from RMB235.7 million as at 31 December 2023 to RMB216.5 million as at 31 December 2024, mainly due to the normal depreciation of property, plant and equipment.

Liquidity and capital resources

The Group has adopted a prudential liquidity management policy. The Group attached great importance to the supply and acquisition of capital at any time and had sufficient stand-by banking facilities to support daily operations and meet funding needs for future development, so as to maintain stable liquidity. During the Reporting Period, the Group's business was mainly funded by cash generated from operating activities. As of 31 December 2023 and 31 December 2024, the Group's cash and cash equivalents amounted to RMB716.0 million and RMB3,559.9 million, respectively. The Group's cash is mainly used for the fulfillment of its business operation requirements. The Group's capital needs are satisfied by cash generated from operating activities, the proceeds from the Global Offering and other future equity or debt financings.

Foreign exchange risk

The Group's principal place of business is in the PRC. The Group was mainly exposed to foreign exchange risk associated with proceeds from the Global Offering denominated in Hong Kong dollars and certain bank deposits denominated in U.S. dollars. During the Reporting Period, the Group did not conduct any foreign exchange hedging related activity. However, the Group's management, upon continuously supervising foreign exchange risk, will consider adopting appropriate hedging strategies when necessary.

Contingent liabilities

As of 31 December 2024, the Group had no significant contingent liabilities.

Capital commitments

As at 31 December 2024, the Group's capital commitments amounted to approximately RMB32.0 million, which mainly represents the capital expenditure in respect of the acquisition of property, plant and equipment and intangible assets contracted for but not provided in the historical financial information and commitments to investment in the joint venture.

Pledge of assets

As at 31 December 2024, no assets of the Group were pledged by the Group.

Gearing ratio

As of 31 December 2024, the Group did not have any bank borrowings. Accordingly, no gearing ratio is presented herein.

Significant investments, material acquisitions and disposals

As of 31 December 2024, the Group neither had any significant investments (including any investments in an investee with a value of 5% or more of the Group's total assets as of 31 December 2024), nor material acquisitions or disposals in relation to subsidiaries, associates and joint ventures. We subscribed for wealth management products from financial institutions for cash management. During the Reporting Period and as at the Latest Practicable Date, there was no information in respect of subscription for such wealth management products from a single financial institution required to be disclosed pursuant to Chapter 14, Chapter 14A or Appendix D2 of the Listing Rules. The subscription for such wealth management products did not utilize the Company's proceeds from Global Offering.

Future plans for material investments or capital assets

As at the Latest Practicable Date, the Group currently had no future plans for other material investments or capital assets other than the "Future Plans and Use of Proceeds" as disclosed in the Prospectus.

Employees and remuneration policies

As at 31 December 2024, the Group had 2,319 employees, and the total employee benefit expenses (including Directors' remuneration) during the Reporting Period was RMB432.1 million. The level of salaries and benefits was determined by the Group for its employees with reference to the market and their respective individual qualifications and abilities, and incentive mechanisms such as performance bonuses were established. The Group continued to improve employee promotion policy and career development channels, and provide staff with fair career development opportunities, to motivate internal driving force and accelerate talent growth.

The Company kept optimizing the talent development system, and adopted an online-offline combination mode, offering staff an online learning platform and rich, cutting-edge curriculum resources focusing on general, professional and talent development training topics, so as to meet the learning and development needs in different scenarios, thereby supporting staff career advancement.

For the purposes of rendering improvement to the Company's incentive mechanism, inspiring key employees to contribute their enthusiasm and creativity, facilitating sustainable growth of the Group's performance, and bringing value-added benefits to the eligible participants while enhancing the Group's value, so as to achieve the common development for both eligible participants and the Group, upon consideration and approval thereof at the extraordinary general meeting of the Company held on 27 June 2023, the Company adopted the Pre-IPO Employee Incentive Scheme, and established Tongchuang Gongjin, a limited partnership (serving as a Pre-IPO Employee Incentive Platform). 6,386,000 Shares were subscribed for by Tongchuang Gongjin, representing approximately 0.4322% of the total issued Shares of the Company at the date of this annual report. The awards of underlying Shares were granted to eligible participants on 10 August 2023, and all contribution payments have been fully paid. There will be no further Shares granted by the Company after the listing pursuant to the Pre-IPO Employee Incentive Scheme. For more details of the Pre-IPO Employee Incentive Scheme, please refer to "Statutory and General Information – 5. Pre-IPO Employee Incentive Scheme" in Appendix VI to the Prospectus.

Biographical Details of Directors, Supervisors and Senior Management

Directors

Executive Directors

Mr. Wang Xiaokun (王霄錕), aged 42, is our Founder, Chairman of the Board, executive Director and one of the Controlling Shareholders. Mr. Wang has been the Chairman of the Board and our Director since the establishment of our Company, and has been serving as the legal representative at certain of our subsidiaries. He is primarily responsible for formulating the overall development strategies and business plans of our Group and overseeing the management and strategic development of our Group. Mr. Wang launched our first ChaPanda store in Chengdu in 2008 and has been deeply involved in the freshly-made tea drink industry for over 15 years. Mr. Wang has been spearheading the Company's research and development efforts that have led to the launches of products such as Milk Herbal Jelly (牛奶燒仙草) and tiramisu milkshakes (提拉米蘇冰沙). With a thorough understanding of the industry trends, business cooperation and marketing of the brand, Mr. Wang, as a product perfectionist, has steered our growth into a distinguished freshly-made tea drinks operator in China. Mr. Wang was awarded an Outstanding Entrepreneur (優秀企業家) by the People's Government of Qingbaijiang District, Chengdu in January 2023. Mr. Wang was also named as the 2022 China Rural Revitalization and Enrichment Leader (2022 年度中國鄉村振興致富帶頭人) by the China Food Safety and Quality Committee (中國食品安全高質量組委會) in December 2022, and was elected as an evaluator by China Beverage Express (中國飲品快報) and Changjiang Press Media Group (長江報刊傳媒集團) in 2016.

Mr. Wang Hongxue (汪紅學), aged 33, is an executive Director and the general manager (president) of our Company. Mr. Wang Hongxue was appointed as our Director since the establishment of our Company, was re-designated as our executive Director and appointed as the general manager (president) of our Company in August 2023. He is primarily responsible for the overall management and operation of the operation centers of our Group at all levels, including the operation team construction, standardized internal management construction, investment expansion, franchisee training, delivery, and store supervision and management. Mr. Wang Hongxue has been serving as the legal representative, general manager, director or supervisor at certain of our subsidiaries. Mr. Wang Hongxue joined our Group in June 2016 and has been engaging in the management of our Group's business operations. He has successively served as an operation director, deputy general manager (operation center), and the general manager (president) of our Group. Mr. Wang Hongxue accumulated extensive experience in store operation and management from his working experience in the catering industry prior to joining the Group in 2016. Mr. Wang Hongxue is currently pursuing his diploma in business administration (long-distance learning courses) at The Open University of China (國家開放大學) in Beijing, PRC.

Ms. Dai Li (戴利), aged 38, is an executive Director and the deputy general manager (centralized management center) of our Company. She was appointed as our Director and a deputy general manager since the establishment of our Company and was re-designated as our executive Director and appointed as the deputy general manager of the centralized management center of our Company in August 2023. She is primarily responsible for the overall management and operation of the centralized management center of our Group including organizing administrative and logistical management, engineering and construction management. Ms. Dai has been serving as the legal representative, general manager, director or supervisor at certain of our subsidiaries. Ms. Dai joined our Group in April 2013, and she has successively served various roles in our Group, including as a manager of ChaPanda stores, the head of the supply chain and head of digitalization of our Group. Ms. Dai graduated from Chengdu Normal University (成都師範大學, formerly known as Sichuan College of Education, 四川教育學院) in the PRC, majoring in legal affairs in June 2008.

Mr. Chen Keyuan (陳克遠), aged 48, is an executive Director and head of the legal and internal control center of the Group. Mr. Chen was appointed as our Director since the establishment of our Company and was re-designated as our executive Director in August 2023. He is primarily responsible for the legal and internal control affairs of our Group. Mr. Chen has been serving as the legal representative, general manager, director or supervisor at certain of our subsidiaries. Mr. Chen joined our Group as the director of the financial center of our Group in July 2018. Prior to joining our Group, Mr. Chen served as a chief financial officer of Sichuan Huitian Industrial Group Co., Ltd.* (四川惠田實業集團有限公司) from May 2015 to June 2018 and served as a finance manager of Chengdu Asia Pacific Environmental Protection Technology Co., Ltd.* (成都亞太環保科技股份有限公司) from March 2012 to April 2015. Mr. Chen received his bachelor's degree in accounting in July 2018 (online education) from Cyber Educational College of Southwest Jiaotong University (西南交通大學) in the PRC. Mr. Chen also obtained a college's diploma in financial management and computer accounting from Sichuan University (四川大學) in the PRC in June 2001. Mr. Chen was accredited as a senior economist by the Department of Human Resources and Social Security of Sichuan Province (四川省人力資源和社會保障廳) in July 2021. Mr. Chen also obtained the International Certified Public Accountant (ICPA) certificate in February 2023 jointly accredited by the Enterprise Financial Management Association of China (中國企業財務管理協會) and International Association of Accounting Professionals (IAAP).

Non-executive Director

Dr. Chen Da (陳達), aged 42, is a non-executive Director. Dr. Chen was appointed as our Director in May 2023 and was re-designated as a non-executive Director in August 2023. He is primarily responsible for providing management and strategic advice to our Group. Dr. Chen has served as a managing director of Orchid Asia Group Management, Limited (蘭馨亞洲投資集團), a private equity investment firm, since November 2009, and was primarily responsible for conducting a feasibility study on potential private equity investment projects. He has also served as a general manager at Tianjin Orchid Investment Management Co., Ltd. (天津蘭馨投資管理有限公司), a company principally engaged in investment management and consulting, from October 2016 to March 2025. Dr. Chen had served as a director of Chahua Modern Housewares Co., Ltd. (茶花現代家居用品股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603615) until March 2019. Dr. Chen currently also serves as a director in the following companies: Colori Inc. (克勞麗化妝品股份有限公司) from March 2020 to March 2025; Weimeizi (Guangdong) Co., Ltd. (薇美姿實業(廣東)股份有限公司) from July 2016 to March 2025; Shenzhen Qianyu Technology Co., Ltd. (深圳市千譽科技有限公司) from June 2021 to March 2025; and Beijing QuestMobile Co., Ltd.* (北京貴士信息科技有限公司) from July 2020 to March 2025. Dr. Chen received his bachelor's degree in management, majoring in accounting and doctoral degree in accounting from Xiamen University (廈門大學) in the PRC in July 2004 and December 2009, respectively. In May 2017, he also obtained the qualification of practicing funds related business from the Asset Management Association of China (中國證券投資基金業協會).

Biographical Details of Directors, Supervisors and Senior Management

Independent non-executive Directors

Mr. Yeung Chi Tat (楊志達), aged 55, was appointed as an independent non-executive Director in August 2023 effective from the Listing Date. He is primarily responsible for providing independent advice on the operation and management of our Company. Mr. Yeung has over 30 years of experience in the audit, financing and accounting industries. He was the President (2022-2023) of the Hong Kong Independent Non-executive Director Association. He has been the chief financial officer and the company secretary at Solargiga Energy Holdings Limited (陽光能源控股有限公司), a company listed on the Stock Exchange (stock code: 757), since December 2021. Prior to joining our Group, Mr. Yeung had positions in various companies, including the Hong Kong office of KPMG as an audit manager, Dynasty Fine Wines Group Limited (王朝酒業集團有限公司), a company listed on the Stock Exchange (stock code: 828), as financial controller and the company secretary, and ANTA Sports Products Limited (安踏體育用品有限公司), a company listed on the Stock Exchange (stock code: 2020), as a vice president. Mr. Yeung also served as an independent director or an independent non-executive director of ANTA Sports Products Limited (安踏體育用品有限公司), a company listed on the Stock Exchange (stock code: 2020), Boer Power Holdings Limited (博耳電力控股有限公司), a company listed on the Stock Exchange (stock code: 1685), New Hope Dairy Holdings Co., Ltd. (新希望乳業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002946), Guodian Technology & Environment Group Corporation Limited (國電科技環保集團股份有限公司), a company formerly listed on the Stock Exchange (stock code: 1296), and Beijing Capital Grand Limited (首創鉅大有限公司), a company listed on the Stock Exchange (stock code: 1329) and delisted on 27 January 2025, from February 2007 to June 2018, from September 2010 to June 2020, from December 2016 to May 2023, from August 2017 to June 2022 and from May 2023 to February 2025, respectively. He has been serving as an independent non-executive director of Sitoy Group Holdings Limited (時代集團控股有限公司), a company listed on the Stock Exchange (stock code: 1023), ZO Future Group (大象未來集團) (formerly known as Birmingham Sports Holdings Limited (伯明翰體育控股有限公司)), a company listed on the Stock Exchange (stock code: 2309), ImmuneOnco Biopharmaceuticals (Shanghai) Inc. (宜明昂科生物醫藥技術(上海)股份有限公司), a company listed on the Stock Exchange (stock code: 1541), Shiyue Daotian Group Co., Ltd. (十月稻田集團股份有限公司), a company listed on the Stock Exchange (stock code: 9676) and Lingbao Gold Group Company Ltd. (靈寶黃金集團股份有限公司), a company listed on the Stock Exchange (stock code: 3330), since November 2011, November 2019, June 2022, October 2023 and May 2024, respectively. He obtained a bachelor's degree in business administration from the University of Hong Kong in November 1993 and a master's degree in professional accounting with distinction from Hong Kong Polytechnic University (香港理工大學) in August 2004. He has been a fellow member of the Institute of Chartered Accountants in England and Wales since October 2017, the Hong Kong Institute of Certified Public Accountants since December 2003 and the Association of Chartered Certified Accountants since September 2002.

Dr. Tang Yong (唐勇), aged 48, was appointed as an independent non-executive Director in August 2023 effective from the Listing Date. He is primarily responsible for providing independent advice on the operation and management of our Company. Dr. Tang has been serving as the director of the Food Industry Integration Innovation Center (食品產業融合創新中心) since May 2021 and a professor of School of Food and Bioengineering of Xihua University (西華大學) since December 2021. He has been a visiting scholar in University of Guelph in Canada from November 2015 to November 2016. He served as an assistant professor from 2002 to 2005, a lecturer from 2005 to 2011, and an associate professor from 2011 to 2014 in the Department of Nutrition and Food Hygiene of the Army Medical University (中國人民解放軍陸軍軍醫大學, formerly known as the Third Military Medical University (中國人民解放軍第三軍醫大學)). Dr. Tang received his bachelor's degree in engineering majoring in food science and engineering in July 1999 and his master's degree in engineering majoring in agricultural products processing and storage in June 2002 from Southwest University (西南大學, formerly known as Southwest Agricultural University (西南農業大學)) in the PRC. Dr. Tang received his doctoral degree in medicine majoring in nutrition and food hygiene in December 2008 from the Army Medical University (中國人民解放軍陸軍軍醫大學, formerly known as the Third Military Medical University (中國人民解放軍第三軍醫大學)) in the PRC. Dr. Tang was awarded as a

Stanford Innovation and Entrepreneurship Mentor certified by the Stanford Center for Professional Development (SCPD). He is also a national food safety forensic expert under the justice system, a key contact member of the Hong Kong, Macau, Taiwan and Foreign Affairs Committee of the Sichuan Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議四川省委員會港澳台僑及外事委員會), a special expert of the Sichuan Provincial Returned Overseas Chinese Federation (四川省歸國華僑聯合會), an expert member of the Sichuan Food Safety Commission Office (四川省食品安全委員會辦公室), a board member of the Sichuan Food Safety Association (四川省食品安全學會), a board member of the Sichuan Nutrition Association (四川省營養學會).

Ms. Cheng Li (程麗), aged 64, was appointed as an independent non-executive Director in August 2023 effective from the Listing Date. She is primarily responsible for providing independent advice on the operation and management of our Company. Ms. Cheng is a senior partner of Commerce & Finance Law Offices (通商律師事務所) and a practicing lawyer in the PRC. She joined Commerce & Finance Law Offices (通商律師事務所) in 1995 and was promoted as a partner in 2002. Ms. Cheng was an independent non-executive director in the following companies: Beijing Bashi Media Co., Ltd. (北京巴士傳媒股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600386), from June 2008 to July 2014; China Shineway Pharmaceutical Group Limited (中國神威藥業集團有限公司), a company listed on the Stock Exchange (stock code: 2877), from 2006 to April 2023; and SDIC Capital Co., Ltd. (國投資本股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600061), from July 2019 to April 2023; Shanghai General Healthy Information And Technology Co., Ltd. (上海健麾信息技術股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 605186) from February 2019 to April 2024; Thunder Software Technology Co., Ltd. (中科創達軟件股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300496) from July 2018 to June 2024. Ms. Cheng has been an independent non-executive director in the following companies: Limin Group Co., Ltd. (利民控股集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002734) since March 2021; and Beijing Bashi Media Co., Ltd. (北京巴士傳媒股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600386) since June 2020. Ms. Cheng received both her bachelor's degree and her master's degree in legal science from Japan Special Training University (日本專修大學) in Japan in March 1995 and March 1998, respectively. She obtained the 17th Qualification Certificate for Independent Directors of Listed Companies and the Follow-up Training Certificates (Second Session of 2013 and Fourth Session of 2021) for Independent Directors of Listed Companies issued by the Shanghai Stock Exchange in August 2011, May 2013 and December 2021, respectively. She was awarded the title of "Beijing Outstanding Lawyer Returned after Studying Abroad" by Beijing Lawyers Association in January 2012, and was selected as one of the Top 15 Female Lawyers in China by LegalBand Clients 2020 in March 2020.

Supervisors

Ms. Liu Weihong (劉洧宏), aged 44, is our Founder, Supervisor and one of the Controlling Shareholders. She has been a Supervisor and Chairwoman of the Supervisory Committee since May 2021. Ms. Liu is primarily responsible for the daily management of the Supervisory Committee and supervising the daily operation of the Group. Ms. Liu has been serving as the supervisor at certain of our subsidiaries. Ms. Liu, with her spouse, Mr. Wang launched our first ChaPanda store under the brand "ChaBaiDao (茶百道)" in 2008. Since then, leveraging her over 15 years of experience in the field of freshly-made tea drinks, Ms. Liu has played a vital role in the development of our Company as a leading freshly-made tea drink brand in China. Ms. Liu received her bachelor's degree in medicine majoring in clinical medicine of traditional Chinese and western medicine in July 2005 from Chengdu University of Traditional Chinese Medicine (成都中醫藥大學) in the PRC.

Biographical Details of Directors, Supervisors and Senior Management

Mr. Zhu Mingxing (朱明星), aged 43, has been a Supervisor of our Company since May 2021. In addition to a supervisorship held with our Company, he has been the director of R&D since January 2021. He is primarily responsible for the daily management of the Supervisory Committee and supervising the daily operation of the Group. Prior to joining our Group, Mr. Zhu was the founder of Morefree Heart Bakery in Jinjiang District (錦江區茉啡之心烘培店) from December 2019 to January 2021. He served as a product director of Guangzhou Biaoding Catering Management Co., Ltd.* (廣州市標頂餐飲管理有限公司) from March 2017 to December 2019, where he was responsible for research and development. Mr. Zhu graduated from Hubei Enshi Polytechnic (湖北恩施職業技術學院) majoring in financial and accounting in June 1999 in the PRC.

Mr. Zhang Yu (張禹), aged 30, has been an Employee Representative Supervisor of our Company since the establishment of our Company. In addition to a supervisorship held with our Company, he has been the senior R&D manager of the Group since January 2018, contributing to the successful launches of our several seasonal and regional tea drinks. Prior to joining the Group, Mr. Zhang was engaged in catering businesses in the PRC. He is primarily responsible for the daily management of the Supervisory Committee and supervising the daily operation of the Group. Mr. Zhang has been serving as the supervisor at certain of our subsidiaries.

Senior Management

For biographical details of Mr. Wang Hongxue (汪紅學) and Ms. Dai Li (戴利), see "Biographical Details of Directors, Supervisors and Senior Management – Directors – Executive Directors". The details of each of the other senior management members are set out below:

Dr. Zhang Rui (張睿), aged 46, joined our Group in March 2022 and was appointed as the deputy general manager (digitalization center) of our Company in August 2023. He is primarily responsible for the overall management and operation of the digitalization center of the Group. Prior to joining our Group, Dr. Zhang successively served as a partner, COO and CHO of China region business in Shanghai Lianshang Network Technology Co., Ltd. (上海連尚網絡科技有限公司) from September 2015 to April 2021. Dr. Zhang received his bachelor's degree in management engineering in July 2001, his master's degree in management science and engineering in April 2004 and his doctoral degree in technology economics and management in October 2008 from Dalian University of Technology (大連理工大學) in the PRC.

Mr. Jiang Neng (蔣能), aged 42, joined our Group in August 2024 and was appointed as the financial director of our Company in December 2024. Mr. Jiang started his own business from September 2021 to July 2024. He served as the chief financial officer and chief operating officer of Chengdu Shigo Symbole Industrial Co., Ltd. (成都希古尚博實業有限公司) from May 2019 to August 2021; the chief financial officer and secretary to the board of directors of Tap4fun Co., Ltd. (成都尼畢魯科技股份有限公司) from May 2015 to August 2018; an audit manager of Chengdu branch of KPMG Consulting (China) Co., Ltd. (畢馬威企業諮詢(中國)有限公司) from September 2006 to September 2014; and an auditor of PricewaterhouseCoopers Zhong Tian LLP from September 2004 to August 2006. Mr. Jiang received his bachelor's degree in computer science and technology in June 2004 from Sichuan University (四川大學) and obtained his CPA qualification in the PRC in June 2013.

Ms. Yi Rui (易瑞), aged 34, joined our Group in October 2022 and was appointed as the deputy general manager (brand marketing center) of our Company in August 2023. She is primarily responsible for the overall management and operation of the brand marketing center of the Group. Prior to joining our Group, Ms. Yi was the co-founder and the chief operating officer of Qingyan Biotechnology (Chengdu) Co., Ltd. (清研生物科技(成都)有限公司) until July 2022. She served as a user operations director of Beijing Lepur Food Technology Co., Ltd. (北京樂純悠品食品科技有限公司) until August 2021. Prior to that, she served as a marketing manager of Didi Chuxing Technology Co., Ltd. (滴滴出行科技有限公司) since June 2016. Ms. Yi was a brand building supervisor at Unilever from August 2015 to June 2016, and worked in Nestle (China) Ltd. Chengdu Branch (雀巢(中國)有限公司成都分公司) from June 2012 to August 2015. Ms. Yi received her bachelor's degree in human resource management in June 2012 from Southwestern University of Finance and Economics (西南財經大學) in the PRC.

Mr. Wang Feng (王峰), aged 45, joined our Group in May 2023 and was appointed as the deputy general manager (supply chain center) of our Company in August 2023. He is primarily responsible for the overall management of the supply chain center of the Group. Prior to joining our Group, Mr. Wang was a president assistant of Shanghai Laochenghuangmiao Food Co., Ltd. (上海老城隍廟食品(集團)有限公司) from March 2022 to December 2022. He served as the director of supply chain for China Mengniu Dairy Co., Ltd. (中國蒙牛乳業有限公司), a company listed on the Stock Exchange (stock code: 2319), from October 2019 to February 2022. Prior to that, he served in Coca-Cola Bottlers Management Service (SHANGHAI) Company Limited (可口可樂裝瓶商管理服務(上海)有限公司) since October 2009. Mr. Wang received his bachelor's degree in engineering majoring in computer science and technology in July 2006 from Wuhan University of Science and Technology (武漢科技大學) in the PRC.

Mr. Xue Zenghui (薛曾輝), aged 35, was appointed as the secretary of the Board in August 2023. He has been the manager of securities affairs of our Company since November 2021 and is primarily responsible for corporate governance, public disclosure, investor relationship management and investment and financing. Prior to joining our Group, Mr. Xue served as a manager of securities affairs in Sichuan Languang Justbon Services Group Co., Ltd. (四川藍光嘉寶服務集團股份有限公司), a company formerly listed on the Stock Exchange (stock code: 2606), from May 2017 to October 2020, where he was primarily responsible for investor relationship management, corporate compliance governance and investment and financing. Mr. Xue also served as a representative of securities affairs in Desun Real Estate Investment Services Group Co., Ltd. (德商產投服務集團有限公司), a company listed on the Stock Exchange (stock code: 2270), from November 2020 to October 2021, where he was primarily responsible for investor relationship management, corporate governance and financing. Mr. Xue received his bachelor's degree in science majoring in applied chemistry from Sichuan Agricultural University (四川農業大學) in June 2013 in the PRC.

Note:

Mr. Wang, our Chairman and executive Director, and Ms. Liu, our Supervisor, are spouses. Mr. Zhang Yu, our Supervisor, is a cousin of Mr. Wang. Save as disclosed above, each of our Directors had no relationship with other Directors, Supervisors or senior management members of our Company as of the end of the Reporting Period.

Changes in Information of Directors, Supervisors and Chief Executive

Save as disclosed in this annual report, since 30 June 2024 and up to the date of this annual report, there are no changes in the information relating to the Directors, Supervisors and chief executive of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Save as disclosed above in this annual report, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Corporate Governance Report

The Board hereby presents this Corporate Governance Report for the period from the Listing Date to 31 December 2024.

Corporate Culture

In 2008, we launched our first ChaPanda store in Chengdu. Since its establishment, we have been dedicated to exploring combinations of natural ingredients with Chinese tea. We have been continuously developing diversified tea drink products and focusing on enhancing the consumer experience. We have been dedicated to advancing tea drink consumption with continuous product development and striving to become everyone's everyday drink.

We are led by our guiding operation philosophy of unwavering dedication to product offering, consumer service and franchisee empowerment, which enables us to constantly deliver product offerings to the market and bring compelling value propositions to consumers and franchisees.

We believe in the value of "innovation, win-win, integrity and responsibility", take practical actions to mutually beneficial and win-win cooperation with franchisees, actively practice corporate social responsibility and public welfare, and continue to create value for Shareholders.

Compliance with Corporate Governance Code

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code as its own code of corporate governance. During the period from the Listing Date and up to 31 December 2024, to the best knowledge of the Directors, the Company has complied with all applicable code provisions in Part 2 of the Corporate Governance Code. The Board will continue to review and monitor the code of corporate governance practices of the Company with the aim of maintaining a high standard of corporate governance.

The Board

Composition of the Board

As of 31 December 2024 and the Latest Practicable Date, our Board consists of eight Directors, four of whom are executive Directors, one of whom is a non-executive Director, and three of whom are independent non-executive Directors. All Directors are elected by the general meeting for a term of three years and may be re-elected for successive reappointments. The current members of the Board of the Company are listed as follows:

Mr. Wang Xiaokun *(Chairman of the Board and executive Director)*
Mr. Wang Hongxue *(Executive Director)*
Ms. Dai Li *(Executive Director)*
Mr. Chen Keyuan *(Executive Director)*
Dr. Chen Da *(Non-executive Director)*
Mr. Yeung Chi Tat *(Independent non-executive Director)*
Dr. Tang Yong *(Independent non-executive Director)*
Ms. Cheng Li *(Independent non-executive Director)*

Biographical details of the Directors are set out in the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this report. Save as disclosed in the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this report, there are no financial, business, family, or other material/relevant relationships among members of the Board.

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on 4 August 2023, and (ii) understands his or her obligations as a director of a listed issuer on the Stock Exchange under the Listing Rules.

Major Responsibilities of the Board

The Board has the right and responsibility to lead and manage the Company, and is responsible for the Company's strategic planning and decision-making, corporate governance and supervision, resource management and operations. In accordance with the Articles of Association, the major functions and powers of the Board include, , but are not limited to, convening the General Meetings and reporting to the General Meetings; implementing resolutions of the General Meetings; deciding on the Company's business plans and investment plans; formulating the annual financial budgets and final accounts of the Company; formulating the Company's profit distribution plans and plans on making up losses; formulating the basic management system of the Company; formulating proposals to amend the Articles of Association; and other functions and powers stipulated by laws, regulations, the Listing Rules, and granted by the General Meeting.

The Board is also responsible for performing duties to develop and review the Company's policies and practices on corporate governance; to review and monitor the training and continuing professional development of Directors and senior management; to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; to develop, review and monitor the code of conduct applicable to employees and Directors; and to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report as included in the annual report.

Corporate Governance Report

In accordance with the corporate governance structure of the Company, the General Meeting, the Board, the Supervisory Committee and the senior management of the Company have their own well-defined functions and powers. The General Meeting is the highest authority of the Company, and the Board shall be accountable to the General Meeting. The Board has established three special committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee. Please see below for the composition and responsibilities of each committee. Each committee shall provide its recommendations to the Board based on its respective terms of reference. The decisions of the Board on such recommendations shall be final, unless otherwise clearly stated in the terms of reference of these committees. The senior management is responsible for managing the day-to-day management and operations of the Group, including but not limited to implementing strategic planning and decisions determined by the Board, and organizing and coordinating the work of various departments and teams of the Company to achieve the Company's operational objectives.

Chairman of the Board and General Manager

During the Reporting Period, the Chairman of the Board and the general manager of the Company were held by separate persons to ensure the independence of the decision-making of the Board and the daily operation of the management. The Chairman of the Board of the Company is Mr. Wang Xiaokun, who is responsible for formulating the overall development strategies and business plans of our Group, overseeing the management and strategic development of our Group and other duties. The general manager of the Company is Mr. Wang Hongxue, who is responsible for the overall management and operation of the operation centers of our Group at all levels and other duties. The Chairman of the Board is responsible for presiding over the daily operation of the Board and examining the execution of the Board resolutions. The general manager works under the leadership of the Board to conduct the Company's daily management and operations. They perform their roles with a clear division of responsibilities through full cooperation. During the period from the Listing Date and up to 31 December 2024, the Company has complied with the code provision C.2.1 of the Corporate Governance Code.

Board Independence Mechanism

The Company recognises that Board independence is crucial to good corporate governance and the effectiveness of the Board. The Board has established mechanisms to ensure independent views and input from any Director are conveyed to the Board for enhancing objective and effective decision making:

- The Board comprises four executive Directors, one non-executive Director and three independent non-executive Directors. The number of independent Directors is more than one-third of the Board, which therefore complies with the requirement that the number of independent non-executive Directors appointed by the issuer shall be no less than one-third of the Board under Rule 3.10A of the Listing Rules.

- The Board may, where appropriate, seek independent professional advice in performing its duties and may seek advice from intermediaries or professionals at the expense of the Company.

- During the period from the Listing Date and up to 31 December 2024, the Board has complied with the aforesaid relevant regulations, and the aforesaid mechanisms are effective to provide independent views and opinions to the Board. The Board will review the implementation and effectiveness of the aforesaid mechanisms annually.

Independence of Independent Non-executive Directors

The Company has received annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Training and Professional Development for Directors

Pursuant to the code provision C.1.4 of the Corporate Governance Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their unceasing contribution to the Board remains informed and relevant. During the Reporting Period, all Directors attended various trainings as summarised below:

	Attending training and/or seminars and/or conferences and/or forums	Reading or viewing materials or information on directors' responsibilities and/or corporate governance and other related topics, etc.
Executive Directors		
Wang Xiaokun	✓	✓
Wang Hongxue	✓	✓
Dai Li	✓	✓
Chen Keyuan	✓	✓
Non-executive Director		
Chen Da	✓	✓
Independent Non-executive Directors		
Yeung Chi Tat	✓	✓
Cheng Li	✓	✓
Tang Yong	✓	✓

Board Meetings, Board Committee Meetings and Shareholders' General Meetings

During the period from the Listing Date to 31 December 2024, the attendance records of each Director at the Board meetings, Board committee meetings and Shareholders' General Meetings are set out as follows:

	Board	Audit Committee	Remuneration Committee	Nomination Committee (note)	Shareholders' General Meeting
Executive Directors					
Wang Xiaokun	8/8	N/A	1/1	N/A	3/3
Wang Hongxue	8/8	N/A	N/A	N/A	3/3
Dai Li	8/8	N/A	N/A	N/A	3/3
Chen Keyuan	8/8	N/A	N/A	N/A	3/3
Non-executive Director					
Chen Da	8/8	2/2	N/A	N/A	3/3
Independent Non-executive Directors					
Yeung Chi Tat (appointed with effect from 23 April 2024)	6/6	2/2	N/A	N/A	3/3
Cheng Li (appointed with effect from 23 April 2024)	6/6	2/2	1/1	N/A	3/3
Tang Yong (appointed with effect from 23 April 2024)	6/6	N/A	1/1	N/A	3/3

Note : No Nomination Committee meeting was held during the period from the Listing Date and up to 31 December 2024 but a Nomination Committee meeting was held on 28 March 2025.

Board Committees

The Company has established three Board Committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee.

Audit Committee

The Audit Committee consists of one non-executive Director, namely Dr. Chen Da, and two independent non-executive Directors, namely Mr. Yeung Chi Tat and Ms. Cheng Li. Mr. Yeung Chi Tat serves as the Chairperson of the Audit Committee. The primary duties of the Audit Committee include, but are not limited to, the following:

- proposing the appointment or change of external auditors to our Board, monitoring the independence of external auditors and evaluating their performance;
- guiding internal audit work;
- examining the financial information of our Company, reviewing financial reports and statements of our Company and giving comments on relevant matters;
- assessing the effectiveness of internal control;
- coordinating the communication among management, internal audit department, related departments and external audit agency; and
- dealing with other matters that are authorized by the Board or involved in relevant laws and regulations.

During the period from the Listing Date to 31 December 2024, the Audit Committee held two meetings to discuss and review the following matters: Review of the Review Report from the External Auditor on the Unaudited Consolidated Financial Statements for the Six Months Ended 30 June 2024, Review of the Draft Unaudited Consolidated Financial Statements, the Draft Interim Results Announcement, the Draft Interim Report and the Draft Management's Representation Letters of the Group for the Six Months Ended 30 June 2024, Review of the Annual Audit Plan of the External Auditor for the Year Ended 31 December 2024 and Review of the Internal Control Inspection Plan of the Group for the Year Ended 31 December 2024.

Remuneration Committee

The Remuneration Committee consists of one executive Director, namely Mr. Wang Xiaokun, and two independent non-executive Directors, namely Dr. Tang Yong and Ms. Cheng Li. Ms. Cheng Li serves as the Chairperson of the Remuneration Committee. The primary duties of the Remuneration Committee include, but are not limited to, the following:

- formulating individual remuneration plans for Directors, Supervisors and members of the senior management in accordance with the terms of reference of the job responsibilities, the importance of their positions as well as the remuneration benchmarks for the relevant positions in other comparable companies;
- examining the criteria of performance evaluation of Directors and the senior management of our Company, and conducting annual performance evaluation;
- supervising the implementation of the remuneration plan of the Company;
- reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules; and
- dealing with other matters that are authorized by the Board.

During the period from the Listing Date to 31 December 2024, the Remuneration Committee held one meeting to discuss and review the following matters:

Review of the matter on the compensation of the Company's chief financial officer.

Nomination Committee

The Nomination Committee consists of one executive Director, namely Mr. Wang Xiaokun, and two independent non-executive Directors, namely Dr. Tang Yong and Ms. Cheng Li. Mr. Wang Xiaokun serves as the Chairperson of the Nomination Committee. The primary duties of the Nomination Committee include, but are not limited to, the following:

- making recommendations to our Board with regards to the size and composition of our Board based on our Company's business operation, asset scale and equity structure;
- researching and developing standards and procedures for the election of our Board members, general managers and members of the senior management, and making recommendations to our Board;
- conducting extensive search and providing our Board with suitable candidates for Directors, general managers and other members of the senior management;
- examining our Board candidates, general manager and members of the senior management and making recommendations to our Board;
- assessing and reviewing the independence of independent non-executive Directors; and
- dealing with other matters that are authorized by our Board.

During the period from the Listing Date to 31 December 2024, the Nomination Committee did not hold any meeting.

Nomination Policy

The Company has formulated its Director Nomination Policy.

Procedures for Nomination

The Nomination Committee is required to convene a meeting and invite nominations of candidates from Board members, if any, for consideration by the Nomination Committee prior to the meeting. The Nomination Committee may also nominate individuals who have not been nominated by Board members.

In respect of the appointment of any Director candidate, the Nomination Committee shall conduct sufficient due diligence on the candidate and make recommendations to the Board for its consideration.

For the re-appointment of any existing member of the Board, the Nomination Committee shall make a recommendation for the Board's consideration.

Please refer to the procedures for a Shareholder to nominate a Director candidate on the Company's website for procedures for Shareholders' nomination of any candidate for election as a director.

The Board shall have the final decision on all matters relating to candidates or re-appointed Directors to stand for election at a general meeting.

Criteria for Selection and Recommendation

The Nomination Committee should give consideration to the Listing Rules, the Articles of Association and applicable laws and regulations in identifying individuals suitably qualified to become Directors.

The Nomination Committee will consider the following factors in evaluating candidates: integrity, educational background, professional qualifications and working experience (including part-time jobs); the availability of appropriate skills and experience; whether they are able to devote sufficient time and attention to the affairs of the Company; the ability to promote diversity of the Board in all aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service; and whether the candidates for independent non-executive Directors meet the independence requirements under Rule 3.13 of the Listing Rules.

Board Diversity Policy

With a view to achieving sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. All Board appointments will be based on meritocracy and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board. We have strived to promote diversity to the extent practicable by taking into consideration a number of factors in our corporate governance structure.

We have adopted the board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. Pursuant to the Board Diversity Policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, race, cultural background, educational background, industry experience and professional experience. Our Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of business management, legal, economics, investment and accounting. Our current three independent non-executive Directors have different industry backgrounds, with solid experiences in the fields of accounting, legal and food science, representing more than one-third of the members of our Board. Our Board Diversity Policy is well implemented as evidenced by the fact that there are Directors ranging from 33 years old to 64 years old and comprises two female Directors and six male Directors. Pursuant to the Board Diversity Policy, we aim to maintain at least 10% female representation in the Board and the current composition of the Board satisfies this target gender ratio. We will implement policies to ensure gender diversity when recruiting staff to develop a pipeline of female senior management and potential successors to the Board. We will strive to enhance our female representation and achieve an appropriate balance of gender diversity with reference to the stakeholders' expectations and international and local recommended best practices. Furthermore, we will implement comprehensive programs aimed at identifying and training our female staff who display leadership and potential, with the goal of promoting them to the senior management or the Board.

Our Nomination Committee is responsible for ensuring the diversity of our Board members. After the Listing, our Nomination Committee will review the Board Diversity Policy from time to time, develop and review measurable objectives for implementing the policy, and monitor the progress on achieving these measurable objectives to ensure its continued effectiveness.

Compliance with the Model Code

The Company has adopted the Model Code as the code of conduct for securities transactions by Directors and Supervisors. As the Model Code is not applicable before the Listing Date, having made specific enquiries of all Directors and Supervisors, each of the Directors and Supervisors acknowledged that he/she had complied with the Model Code from the Listing Date and up to the end of the Reporting Period.

Directors' Responsibility in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2024. The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report.

The Directors are not aware of any material uncertainties or circumstances that may materially affect the Company's ability to continue as a going concern.

Auditor's Remuneration

The remuneration of the external auditor of the Company, Deloitte Touche Tohmatsu, in respect of audit services and non-audit services for the year ended 31 December 2024 is set out below:

Provided Service	Remuneration paid/ payable (RMB'000)
Audit services	1,930
Non-audit services	2,068

Non-audit services including: (1) interim review for the period ended 30 June 2024; (2) review internal control assessment of the Company; (3) tax consultation service; and (4) consultation service for Environment, Social and Governance.

Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company.

Contact Details

Shareholders may send the enquiries or requests as mentioned above to the following address:

Address: 10/F, Unit 1, Building 1, Jiayu Financial Technology Center
No. 166 Mingdu Road
Wuhou District
Chengdu, Sichuan
The People's Republic of China

Email: IR@chabaidao.com

Shareholders' Rights

Convening an Extraordinary General Meeting by Shareholders

Shareholders individually or collectively holding 10% or more of the Shares in the Company shall have the right to request the Board in writing to convene an Extraordinary General Meeting. The Board shall, in accordance with laws, administrative regulations and the Articles of Association, give a written reply on whether or not it agrees to convene such an Extraordinary General Meeting within ten days after receiving the proposal from the abovementioned Shareholders. If the Board agrees to convene such an Extraordinary General Meeting, a notice of such meeting shall be issued within five days after the resolution of the Board is passed. Any change made to the original request in the notice shall be approved by the relevant Shareholders. If the Board does not agree to convene such an Extraordinary General Meeting, or fails to make a reply within 10 days upon receipt of the request, the Shareholders individually or collectively holding 10% or more of the Shares of the Company shall have the right to propose that the Supervisory Committee convene an Extraordinary General Meeting. Such request shall be made to the Supervisory Committee in writing. If the Supervisory Committee agrees to convene such an Extraordinary General Meeting, a notice of such meeting shall be issued within five days upon receipt of the request. Any change made to the original request in the notice shall be approved by the relevant Shareholders. If the Supervisory Committee fails to issue the notice convening such a meeting within the period specified hereinabove, it shall be deemed to have failed to convene and preside over such meeting. Shareholders individually or collectively holding 10% or more of the Shares in the Company for 90 consecutive days or longer period may convene and preside over such meeting on their own.

Putting Forward Proposals at General Meetings

Shareholders individually or collectively holding 3% or more of the Shares in the Company shall have the right to submit proposals to the Company at the General Meeting. Shareholders individually or collectively holding 3% or more of the Shares in the Company may submit provisional proposals in writing to the convener ten days prior to the date of such meeting. The convener shall issue a supplementary notice of the General Meeting and announce the content of such provisional proposals within two days after receipt thereof. Except as provided by the preceding paragraph, the convener of the General Meeting shall not amend the proposals already specified in the notice of the General Meeting or add new proposals subsequent to the issue of the notice of the General Meeting.

Communications with Shareholders and Investors

The Company has established a Shareholder Communication Policy to promote and maintain effective communication with Shareholders with the objective of ensuring equal, timely, effective, transparent, accurate and open communications between the Company and its Shareholders.

The main channels through which the Company communicates information to Shareholders are: the Company's annual report, interim report, quarterly report (if prepared for publication), annual general meeting and other general meetings that may be convened, and all disclosures submitted to the Stock Exchange, as well as corporate communications and other corporate publications, posted on the websites of the Stock Exchange and the Company.

The Group will hold communication meetings each year after publishing interim and annual results announcements to discuss issues of common concern with investors and Shareholders, and communicate comprehensively with broad investors and analysts. In addition, we also maintain continuous and effective communication with Shareholders and investors by organizing roadshows and on-site research meetings and other means.

During the period from the Listing Date to 31 December 2024, the Company has reviewed the Shareholder Communication Policy, and has considered that such policy has been effectively implemented as the measures set out in the policy have been effectively implemented.

Amendment to the Articles of Association

The latest version of the Articles of Association is set out on the Company's website and the website of the Hong Kong Stock Exchange.

During the Reporting Period, pursuant to the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China and other relevant laws, regulations and normative documents, in accordance with requirements of the Listing Rules and with reference to the actual situation of the Company, the Company proposed to amend certain articles of the Articles of Association which was approved by the Shareholders on 25 June 2024. Please refer to the announcements dated 3 June 2024 and 25 June 2024 and the circular dated 4 June 2024 of the Company for the details of the relevant amendments.

Risk Management and Internal Control

The Board is responsible for maintaining sound and effective risk management and internal control systems in order to safeguard the Group's assets and Shareholders' interests and reviewing the effectiveness of the Group's risk management and internal control systems on an annual basis so as to ensure that risk management and internal control systems in place are adequate. We have developed and implemented risk management policies and internal control measures in relation to our business operations, financial reporting and general compliance. The Company has established an internal audit function. During the Reporting Period, the Board has conducted a review of the effectiveness of the risk management and internal control system of the Group, covering finance, operations and compliance, among others, and considers the existing risk management and internal control systems to be adequate and sufficient.

For our risk management, we design a comprehensive set of policies to identify, analyze, categorize, mitigate and monitor various risks. We periodically assess and update our risk management policies. Our risk management policies also set forth the reporting hierarchy of risks identified in our operations. Our Board is responsible for overseeing the overall risk management.

For our internal control system, we carry out regular internal evaluation and training to ensure that our employees are equipped with sufficient knowledge of our internal control measures and relevant laws and regulations.

The Board has established a risk management and internal control system as required by paragraph D.2 under Part 2 of the Corporate Governance Code to evaluate the nature and extent of the risks the Group is willing to take in achieving its strategic objectives, conduct an independent audit of the adequacy and effectiveness of the Group's risk management and internal control system, continuously monitor and review its operational effectiveness at least annually. In establishing the risk management and internal control system, the Group mainly adopted the risk management framework and the internal control integrated framework formulated by the COSO of the United States of America, the Basic Rules of Corporate Internal Control and its relevant accompanying guidelines, the ISO31000:2009 Risk Management – Principles and Guidelines and other relevant documents, to establish a risk management system covering design, implementation, monitoring, assessment and continuous improvement and an internal control system in relation to finance, operations and compliance.

The system is designed to manage risks and reduce them to an acceptable level, rather than completely eliminate the risk of failing to achieve business objectives, reasonably ensure that the financial reporting is reliable and complies with applicable laws and regulations, and protect the assets of the Group and the interests of Shareholders. The Board can only provide reasonable, but not absolute, assurance against material misstatements, losses, or fraud.

I. Risk Management and Internal Control Organization System

To ensure adequate resources for risk management and internal control, the Group has established a robust organizational system that includes relevant personnel and organizations such as the Board, the Supervisory Committee, the Audit Committee, the office of the Board, management, the Risk Management Center, and various business units. At the organizational level, the Group has set up "three lines of defense" for the effective operation of its risk management and internal control systems, focusing on pre-event, interim-event, and post-event risk control. In this framework, the various business units act as the first line of defense. The second line of defense comprises the internal control department, the legal department, management, and the office of the Board. The third line of defense includes the internal audit department, the inspection department, the Audit Committee, and the Supervisory Committee. The Board serves as the highest decision-making body for risk management and internal control.

II. Implementation of Risk Management and Internal Control

The Group conducts an annual evaluation of the design and operation effectiveness of its risk management and internal control systems. This evaluation focuses on five key aspects: the internal environment, risk assessment, control activities, information and communication, and internal supervision. Following the evaluation of key areas, an evaluation report will be issued for rectifications and optimizations. In the evaluation for the year 2024, no significant issues were found that would materially affect the Group's financial position or results of operations which would require further attention. Based on the evaluation, the Board believes that the Group's internal controls related to financial reporting were sound and effective as of 31 December 2024. Additionally, in response to the general risk issues identified during the evaluation process, the Group has established a rectification mechanism and will continue to refine it.

1. Business risks

The Group's main business risks include market risks, supply chain risks, food safety risks, reputation risks, corporate responsibility risks, and sustainable development risks. The Board regularly reviews the Group's expansion strategies, business plans, financial results and key performance indicators, identifies the potential risks of the Group, and adjusts response strategies and policies in a timely manner to ensure that business risks are controlled and managed.

2. Financial risks

The Group has adopted financial risk management policies to control its exposure to financial risks, such as tax risks, currency risks and financial reporting risks. In addition, the Board, with the assistance of the Group's Financial Shared Center, regularly monitors financial results and key operating statistics.

3. Legal and compliance risk

The Group has designed and adopted strict internal procedures, pursuant to which it provides its employees with specialized legal and compliance training through a combination of online and offline methods, including contract management and review, patent management, advertising compliance, etc., coupled with cultural advocacy, to ensure the compliance of its business operations with the relevant laws and regulations.

4. Information risk and data protection

The Group has set up a professional digital team for professional maintenance, storage and protection of user data and other related information, and internal and external audit teams regularly conduct information security reviews. We have implemented relevant internal procedures and control measures to ensure that user data is protected, and that leakage and loss of such data is avoided.

5. Human resource management risk

The Group has provided complete induction training and specialized training tailored to its employees and employees' needs. The Group has implemented multiple employee policies, including an Employee Manual and the code of conduct, approved by our management, which are distributed to all employees and strictly enforced.

III. Inside Information Policy

Internal policies have been put in place to ensure that inside information is adequately controlled. To ensure the confidentiality and the timely disclosure of inside information, key personnel have signed employee confidentiality agreements. IT system controls are implemented to ensure that access to sensitive data is restricted to authorized personnel only.

IV. Whistleblowing Policy

The Group has established a whistleblowing policy that includes a dedicated phone number and compliance email address for whistleblowers, and emphasizes the protection of whistleblowers by ensuring that their personal information and the information provided by them are kept strictly confidential. Any act of malicious retaliation against whistleblowers will be held accountable to relevant personnel. The Inspection Department under the Risk Management Center of the Group will independently investigate the reported clues to ensure the objectivity and impartiality of the process and results.

V. Anti-corruption Policy

The Group has attached great importance to the construction and implementation of its anti-corruption systems. Internally, the Group has adopted the Employee Manual, the Regulations on Anti-Fraud and Anti-Bribery, the Integrity and Honesty System, the Accountability System, the Letter of Commitment of Integrity and Self-discipline, the Employee Confidentiality Agreements, the Confidentiality, Non-competition and Intellectual Property Protection Agreements and other systems and related documents to clearly stipulate the illegal behaviors of employees such as fraud, corruption, etc. and the punishment standards, and the Group will terminate the labour contracts of employees with fraudulent behaviors and include them into the blacklist of the Enterprise Anti-Fraud Alliance and the Trust and Integrity Enterprise Alliance. Externally, through incorporating integrity clauses and anti-commercial bribery clauses into the purchase and sales contracts, and signing a separate Integrity Agreement, we define the bribery, fraud and other illegal behaviors of our partners and the liabilities for breach of a contract, and include the partners who violate the agreements into the cooperation blacklist.

Dividend Policy

The Board will consider the following factors before any dividend distribution is made by the Company:

- our actual and projected financial performance;
- our estimated working capital requirements, capital expenditure requirements and future business expansion plan;
- our present and future cash flow;
- other internal and external factors that may have an impact on our business operations or financial performance and position; and
- other factors that our Board deems relevant.

Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, including (where required) the approval of our Shareholders.

PRC laws require that dividends be paid only out of our distributable profits. Distributable profits are our after-tax profits, less appropriations to statutory and other reserves that we are required to make. Pursuant to our Articles of Association, subject to the approval of our Board and Shareholders, we may distribute dividends to our Shareholders when we have distributable profits and after ensuring sufficient working capital for the Company and making required statutory reserves until the aggregate amount of such reserves reach 50% of its registered capital, which are not available for distribution as cash dividends.

Joint Company Secretaries

Mr. Xue Zenghui (薛曾輝) and Mr. Lee Chung Shing (李忠成) have been appointed as the Joint Company Secretaries of the Company.

Mr. Xue Zenghui has been serving as the securities affairs manager of the Company since November 2021, and has been appointed as our joint company secretary in August 2023. For the biographical details of Mr. Xue Zenghui, see the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this annual report.

Mr. Lee Chung Shing was appointed as our joint company secretary in August 2023, with effect from the Listing Date. Mr. Lee has over 20 years of experience in auditing, financial management, company secretarial and investor relations in listed companies in Hong Kong. He is currently a vice president of Entity Solutions of Computershare Hong Kong Investor Services Limited and the joint company secretary/company secretary of various companies, whose shares are listed on the Stock Exchange. Mr. Lee was admitted as an associate of the Hong Kong Institute of Certified Public Accountants in March 1999 and a fellow member of the Association of Chartered Certified Accountants in July 2003. He obtained a bachelor's degree in accountancy from City University of Hong Kong in December 1994 and a master's degree in business administration (financial services) from The Hong Kong Polytechnic University in November 2002.

Mr. Xue Zenghui is the primary contact person of Mr. Lee Chung Shing in the Company, and cooperates and communicates with Mr. Lee Chung Shing on the Company's corporate governance matters.

During the year ended 31 December 2024, Mr. Xue Zenghui and Mr. Lee Chung Shing have undertaken not less than 15 hours of relevant professional training, respectively in compliance with Rule 3.29 of the Listing Rules.

Report of the Board of Directors

The Board is pleased to present this annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2024.

List of Directors

The list of Directors during the Reporting Period and up to the date of this annual report is as follows:

Mr. Wang Xiaokun *(Chairman of the Board and executive Director)*
Mr. Wang Hongxue *(Executive Director)*
Ms. Dai Li *(Executive Director)*
Mr. Chen Keyuan *(Executive Director)*
Dr. Chen Da *(Non-executive Director)*
Mr. Yeung Chi Tat *(Independent non-executive Director)*
Dr. Tang Yong *(Independent non-executive Director)*
Ms. Cheng Li *(Independent non-executive Director)*

Biographical details of the Directors are set out in the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this report.

Principal Activities

In 2008, we launched our first ChaPanda store in Chengdu. Since its establishment, we have been dedicated to exploring combinations of natural ingredients with Chinese tea. We have been continuously developing diversified tea drink products and focusing on enhancing the consumer experience. During the Reporting Period, our product portfolio includes classic tea drinks typically available throughout the year, and seasonal tea drinks and regional tea drinks only sold in limited time periods or certain regions. Through a franchise model that benefits our franchisees and ourselves, we have grown to be an established freshly-made tea drink company in China. Under the franchise model, we partner with qualified franchisees by participating in business planning and location selection, offering in-depth training and providing raw materials, equipment and services. Our franchisees primarily focus on the day-to-day operation and maintenance of their stores, on-site staff management and customer service. During the Reporting Period, we generated our revenue from (i) sale of goods and equipment to franchisees, (ii) royalty and franchising income from franchisees and (iii) others.

Please refer to the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Corporate Governance Report" of this annual report for a true and fair review of the Group's business and analysis using financial key performance indicators, the key risks and uncertainties faced by the Group and the discussion of potential future development of the Group's business.

Relationships with Employees, Franchisees and Suppliers

We maintain a good relationship with our employees, and design and offer various training programs for employees of different departments and positions, covering subjects from operation, digitalization, research and development, branding and marketing, career advancement, as well as general management, in order to enhance their professional skill sets and understanding of our Company and the industry. We have developed a performance evaluation system to assess the performance of our employees annually, which forms the basis for determining the salary levels, bonuses and promotions an employee may receive.

Our involvement in the franchised store process is comprehensive, encompassing participation in planning and location selection, providing in-depth training to franchisees and in-store staff on various aspects such as procurement, staff recruitment, quality control and daily management. Additionally, we supply raw materials and equipment, and provide logistics, operation and marketing services to support our franchisees in their pursuit of success. Franchisees primarily focus on the day-to-day operation and maintenance of their stores, on-site staff management and customer service. By dividing responsibilities in this manner, we ensure that our franchisees receive the necessary support and guidance while maintaining their autonomy in managing their stores. This approach fosters a strong partnership between us and the franchisees, contributing to the overall success and growth of our ChaPanda brand.

We maintain a good relationship with our suppliers, ensuring a long-term and stable supply of raw materials to maintain a differentiated product competitiveness. Our stringent supplier selection standards and comprehensive procurement system further reinforce our commitment to product quality and food safety.

During the Reporting Period, the Group's purchases from its five largest suppliers accounted for approximately 30.6% of total purchases of the Group, with the Group's purchases from its largest supplier accounting for approximately 11.4% of total purchases of the Group, and the Group's revenue from its five largest customers accounted for approximately 0.4% of total revenue of the Group.

During the Reporting Period, to the knowledge of the Directors, none of the Directors or their associates or any Shareholders (who, to the best knowledge of the Directors, own more than 5% of issued share capital of the Company (excluding treasury shares)) has any interest in any of the Group's five largest suppliers or five largest customers.

Segment Information

An analysis of the Group's performance by business segment for the year is set out in note 5 to the financial statements.

Results

The Group's operating results for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 63 of this annual report.

Issued Shares

Details of movements in the share capital of the Company during the year are set out in note 23 to the financial statements.

Dividends

Pursuant to the Company's profit distribution policy, it is proposed by the Board that a cash dividend of RMB0.20 (before tax) per Share for the 2024 final dividend to all Shareholders of the Company based on the total share capital of 1,477,634,250 Shares of the Company after the listing and issuance of its H Shares, of which H Shareholders holding the Company's H Shares pursuant to the H Share Full Circulation carried out by the Company shall be paid in RMB; other H Shareholders shall be paid in Hong Kong dollars. The exchange rate of HK$ will be calculated based on the average benchmark exchange rate of RMB to HK$ as announced by the People's Bank of China for three business days before and including the date on which the 2024 annual general meeting is held. The Company will distribute a total cash dividend of RMB295,526,850.00. The 2024 final dividend will be financed by the Company's own funds other than proceeds from the listing.

The proposed final dividend is subject to Shareholders' approval at the 2024 annual general meeting to be held on Wednesday, 21 May 2025, and is anticipated to be paid on or around Friday, 11 July 2025.

During the Reporting Period, to the knowledge of the Company, there was no arrangement under which a shareholder waived or agreed to waive any dividend.

CLOSURE OF REGISTER OF MEMBERS

Annual General Meeting

For the purpose of determining the Shareholders' rights to attend and vote at the 2024 annual general meeting, the record date will be fixed at Wednesday, 21 May 2025, and the register of members of the Company will be closed from Friday, 16 May 2025 to Wednesday, 21 May 2025 (both days inclusive), during which period no transfer of H Shares will be registered.

In order to be eligible to attend and vote at the 2024 annual general meeting, holders of H Shares shall lodge transfer documents with the Company's H Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 15 May 2025.

2024 Final Dividend

For the purpose of determining the entitlement to the proposed 2024 final dividend, the record date will be fixed at Friday, 30 May 2025, and the register of members of the Company will be closed from Wednesday, 28 May 2025 to Friday, 30 May 2025 (both days inclusive), during which period no transfer of H Shares will be registered.

In order to be entitled to the proposed 2024 final dividend (subject to the approval by the Shareholders at the 2024 annual general meeting), holders of H Shares of the Company shall lodge transfer documents with the Company's H Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 27 May 2025.

Reserves

Details of changes in reserves of the Group and the Company during the year ended 31 December 2024 are set out in the consolidated statement of changes in equity on page 67.

Distributable Reserves

As of 31 December 2024, the distributable reserves of the Group amounted to RMB382.1 million.

Property, Plant and Equipment

Details of changes in property, plant and equipment of the Company and the Group during the year ended 31 December 2024 are set out in note 13 to the financial statements.

Bank Loans and Other Borrowings

As of 31 December 2024, the Group did not have any bank borrowings.

Issued Debentures

During the year ended 31 December 2024, the Group did not issue any debentures.

Purchase, Sale and Redemption of the Listed Securities of the Company

During the period from the Listing Date to 31 December 2024, neither the Company nor any of its subsidiaries purchased, sold or redeemed any securities of the Company (including sale of treasury shares). As at 31 December 2024, the Company did not hold any treasury shares.

Report of the Board of Directors

Use of Proceeds from the Listing

The Company was listed on the Main Board of the Stock Exchange on 23 April 2024 and 147,763,400 new H Shares were issued at an offer price of HK$17.50 per Share. After deducting underwriting commissions, fees and other expenses in relation to the Global Offering, the net proceeds from the listing amounted to approximately HK$2,463.3 million. The proceeds from the listing were and will be utilized according to the plans disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus, with details as follows:

Item	Percentage	Proceeds allocated for related purpose (HK$ million)	Utilized proceeds during the Reporting Period (HK$ million)	Unutilized proceeds as of the end of the Reporting Period (HK$ million)	Expected timetable for the fully utilizing of unutilized proceeds
Improve our overall operation capabilities and strengthen our supply chain	51%	1,256.3	265.2	991.1	June 2027
Develop our digitalization capabilities, and engage and train professional talents	20%	492.7	93.1	399.6	June 2027
Branding and promoting activities	12%	295.6	288.4	7.2	June 2027
Promote our self-operated coffee brand and develop the coffee shop network across China	5%	123.1	1.4	121.7	June 2027
Product development and innovation, including recruiting, training and retaining in-house research and development personnel and building a research and development center at our headquarters equipped with advanced software and hardware to streamline and enhance our product development endeavors	2%	49.3	6.6	42.7	June 2027
Working capital and general corporate purposes	10%	246.3	128.2	118.1	June 2027
Total	**100%**	**2,463.3**	**782.9**	**1,680.4**	

We have placed the unutilized net proceeds in interest-bearing accounts of licensed commercial banks or financial institutions in China or Hong Kong. We will comply with the laws of China in relation to foreign exchange registration and remittance of the proceeds.

Pre-IPO Employee Incentive Scheme

The Group adopted the Pre-IPO Employee Incentive Scheme on 27 June 2023 and established a limited partnership, Sichuan Tongchuang Gongjin Enterprise Management Partnership (Limited Partnership) (四川同創共進企業管理合夥企業(有限合夥)), as the Pre-IPO Employee Incentive Platform, with a view to improving the enthusiasm and creativity of the eligible participants of the Pre-IPO Employee Incentive Scheme, promoting the sustainable growth of the performance of the Group, bringing value-added benefits to the eligible participants while enhancing the value of the Group, and thus realizing the common development of both the eligible participants and the Group. Since the Pre-IPO Employee Incentive Scheme will not involve the granting of new Shares or incentives after the listing of the Company, the provisions of the Pre-IPO Employee Incentive Scheme are not subject to the provisions of Chapter 17 of the Listing Rules.

As of the date of this annual report, the incentives corresponding to the total 6,386,000 Shares (accounted for approximately 0.4322% of the total issued Shares of the Company) under the Pre-IPO Employee Incentive Scheme have been granted to the eligible participants. No further Shares will be granted according to the Pre-IPO Employee Incentive Scheme after the listing. Please refer to the Prospectus for further details about the Pre-IPO Employee Incentive Scheme.

Interests and Short Positions of Directors, Supervisors and Chief Executive in the Shares, Underlying Shares and Debentures of the Company and Its Associated Corporations

As at 31 December 2024, the following Directors, Supervisors and chief executive had interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which will be required, pursuant to Divisions 7 and 8 of Part XV of the SFO, to be notified to the Company and the Hong Kong Stock Exchange, or entered in the register that shall be maintained by the Company pursuant to Section 352 of the SFO, or which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code:

(i) Interests in the Company

Name	Position	Nature of Interest	Class of Shares	Number of Shares held as at 31 December 2024	Approximate percentage of the number of Shares held as at 31 December 2024 to the total share capital of the Company
Mr. Wang	Chairman of the Board and executive Director	Beneficial owner	H Shares	239,598,750 (L)	16.2150%
		Interest of spouse	H Shares	76,399,250 (L)	5.1704%
		Interest in controlled corporations(2)	H Shares	906,386,000 (L)	61.3404%
Ms. Liu (the spouse of Mr. Wang)	Supervisor	Beneficial owner	H Shares	76,399,250 (L)	5.1704%
		Interest of spouse	H Shares	239,598,750 (L)	16.2150%
		Interest in controlled corporations(2)	H Shares	906,386,000 (L)	61.3404%
Ms. Dai Li	Executive Director and deputy general manager (centralized management center)	Beneficial owner	H Shares	17,505,000 (L)	1.1847%
Mr. Wang Hongxue	Executive Director and general manager (president)	Beneficial owner	H Shares	8,505,000 (L)	0.5756%
Mr. Chen Keyuan	Executive Director and head of the legal and internal control center of the Group	Beneficial owner	H Shares	2,992,500 (L)	0.2025%

Notes:

(1) The letter "L" stands for long position.

(2) Hengsheng Herui is indirectly controlled by Mr. Wang and Ms. Liu, through Chengdu Jinbosen. Chengdu Jinbosen is a limited liability company established in the PRC and owned as to 60% and 40% by Mr. Wang and Ms. Liu, respectively, and is interested in 84.888% equity interests of Hengsheng Herui. As of the end of the Reporting Period, Hengsheng Herui held 900,000,000 Shares of the Company, representing approximately 60.9082% of the issued share capital of the Company. By virtue of the SFO, each of Mr. Wang, Ms. Liu and Chengdu Jinbosen is deemed to be interested in the Shares held by Hengsheng Herui.

(3) Tongchuang Gongjin, our Pre-IPO Employee Incentive Platform established as a limited partnership, held 6,386,000 Shares directly, and is controlled by Mr. Wang as its sole general partner. Mr. Wang is therefore deemed to be interested in the Shares held by Tongchuang Gongjin under the SFO.

(ii) Interests in associated corporations of the Company

Name	Position in the Company	Nature of Interest	Name of associated corporation[3]	Approximate percentage of shareholding in the associated corporation
Mr. Wang[2]	Chairman of the Board and executive Director	Interest in controlled corporation (L)	Hengsheng Herui	84.8880%
		Interest of spouse (L)	Hengsheng Herui	84.8880%
Ms. Liu[2]	Supervisor	Interest in controlled corporation (L)	Hengsheng Herui	84.8880%
		Interest of spouse (L)	Hengsheng Herui	84.8880%
Ms. Dai Li[3]	Executive Director	Interest in controlled corporation (L)	Hengsheng Herui	7.7800%
Mr. Wang Hongxue[3]	Executive Director	Interest in controlled corporation (L)	Hengsheng Herui	3.7800%
Mr. Chen Keyuan[3]	Executive Director	Interest in controlled corporation (L)	Hengsheng Herui	1.3300%

Notes:

(1) The letter "L" stands for long position.

(2) Mr. Wang and Ms. Liu are spouses. As of the end of the Reporting Period, Chengdu Jinbosen was held as to 60% and 40% by Mr. Wang and Ms. Liu, respectively, and Chengdu Jinbosen holds 84.888% equity interests in Hengsheng Herui. Therefore, both Ms. Liu and Mr. Wang are deemed to be interested in the Shares held by Chengdu Jinbosen as the controlled corporation of Ms. Liu, and as the spouse interests.

(3) As of the end of the Reporting Period, Hengsheng Herui was held as to 84.888% by Chengdu Jinbosen, 7.78% by Ms. Dai Li, 3.78% by Mr. Wang Hongxue, 2.222% by Ms. Gu Jilin and 1.33% by Mr. Chen Keyuan, each through their respective wholly-owned investment vehicles.

Save as disclosed above, as at 31 December 2024, none of the Directors, Supervisors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which will be required, pursuant to Divisions 7 and 8 of Part XV of the SFO, to be notified to the Company and the Hong Kong Stock Exchange, or entered in the register that shall be maintained by the Company pursuant to Section 352 of the SFO, or which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

During the Reporting Period, the Company has not authorized the Directors, Supervisors and chief executive of the Company (including their spouses and children under the age of 18) to subscribe for the shares or debentures of the Company and its associated corporations.

Interests and short positions of the substantial Shareholders in the Shares and underlying Shares of the Company

As at 31 December 2024, so far as the Directors are aware, the following persons (not being Directors, Supervisors or chief executive of the Company) had interests or short positions in the Shares and underlying Shares of the Company which will be required, pursuant to Divisions 2 and 3 of Part XV of the SFO, to be notified to the Company and the Hong Kong Stock Exchange, or entered in the register that shall be maintained by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Nature of interest	Class of Shares	Number of Shares held as at 31 December 2024	Approximate percentage of the number of Shares held as at 31 December 2024 to the total share capital of the Company
Chengdu Jinbosen[2]	Interest in controlled corporation	H Shares	900,000,000 (L)	60.9082%
Hengsheng Herui[2]	Beneficial owner	H Shares	900,000,000 (L)	60.9082%

Notes:

(1) The letter "L" stands for long position.

(2) Hengsheng Herui is indirectly controlled by Mr. Wang and Ms. Liu, through Chengdu Jinbosen, which is wholly owned by Mr. Wang and Ms. Liu collectively. By virtue of the SFO, each of Mr. Wang, Ms. Liu and Chengdu Jinbosen is deemed to be interested in the Shares held by Hengsheng Herui.

Save as disclosed above, as at 31 December 2024, so far as the Directors were aware, there were no other persons (not being Directors, Supervisors or chief executive of the Company) who had interests or short positions in the Shares and underlying Shares of the Company which will be required, pursuant to Divisions 2 and 3 of Part XV of the SFO, to be notified to the Company and the Hong Kong Stock Exchange, or entered in the register that shall be maintained by the Company pursuant to Section 336 of the SFO.

Interests of Directors in Competing Business

During the year ended 31 December 2024, none of the Directors or their respective associates had an interest in any business which competes, or is likely to compete, either directly or indirectly, with the business of the Group which would require disclosure under Rule 8.10 of the Listing Rules.

Interests of Directors and Supervisors in Transaction, Arrangement or Contract

During the year ended 31 December 2024, none of Directors, Supervisors or any of their connected entity had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Company to which the Company, or any of its subsidiaries or fellow subsidiaries was a party.

Rights of Directors, Supervisors and Chief Executive to Acquire Shares or Debentures

No arrangements to which the Company, its holding company or any of its subsidiaries was a party at any time during the Reporting Period, to enable the Directors, Supervisors and chief executive to acquire benefits by means of the acquisition of shares in or debt securities (including debentures) of the Company or any other corporations.

Remunerations of Directors, Supervisors, Senior Management and Five Highest Paid Individuals

The remuneration committee of the Board of Directors of the Company shall formulate individual remuneration plans for Directors, Supervisors and members of the senior management in accordance with the terms of reference of the job responsibilities, the importance of their positions as well as the remuneration benchmarks for the relevant positions in other comparable companies. Details of remunerations of Directors, Supervisors, senior management and the five highest paid individuals are set out in note 10 and note 34 to the consolidated financial statements, respectively.

None of the Directors waived or agreed to waive any remuneration and there were no remunerations paid by the Group to any of the Directors or the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

Directors' and Supervisors' Service Contracts

None of the Directors or Supervisors entered into any directors' or supervisors' service contracts with any member of the Group (other than contracts expiring or determinable by the employer within one year without any payment of compensation (other than statutory compensation)).

Connected Transactions

During the period from the Listing Date to 31 December 2024, and up to the Latest Practicable Date, the Group did not enter into any connected transactions or continuing connected transactions which are subject to disclosure under the Listing Rules. Nor did any related party transactions or continuing related party transactions set out in note 34 to the consolidated financial statements constitute disclosable non-exempt connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

The Company has complied with the disclosure requirements under the Listing Rules from time to time in respect of the connected transactions and continuing connected transactions.

Report of the Board of Directors

Permitted Indemnity Provisions

The Company has maintained directors' liability insurance to protect the Directors of the Company against any potential losses arising from his/her actual or alleged misconduct.

During the year and up to the Latest Practicable Date, the permitted indemnity provision (as defined in section 9 of the Companies (Directors' Report) Regulation (Chapter 622D of the Laws of Hong Kong)) was and is being in force for the benefit of all Directors.

Pension Scheme

Details of the pension scheme are set out in note 29 to the financial statements.

Substantial Lawsuits and Arbitration Matters

During the Reporting Period, the Group had no lawsuit or arbitration matter which had a significant impact on the operating activities.

Public Float

Based on the publicly available information of the Company, so far as the Directors are aware, as at the date of this annual report, the public holds 15.31% of the issued Shares of the Company, which is in compliance with the requirements of the Listing Rules and waiver in relation to public float approved by the Stock Exchange. Please refer to "Waivers – Waiver in Relation to Public Float" in the Prospectus for details of the waiver in relation to public float.

Principal Subsidiaries

Details regarding the names, principal places of business, places of incorporation and issued share capital of principal subsidiaries of the Company are set out in note 35 to the financial statements.

Environment, Social and Governance

Environmental, social and governance ("ESG") matters are crucial for the sustainable and quality development of the Company, and we continue to practice the ESG governance requirements in all aspects throughout the development of our businesses. We establish an ESG management structure, set down ESG duties at each level of our Company, and enhance our ESG management level and execution capabilities on an ongoing basis. The Board is responsible for identifying, evaluating and supervising key ESG-related issues, as well as reviewing and assessing ESG reports. We also set up an ESG panel that acts as the decision maker for our ESG matters, and are devoted to promoting ESG in our decision-making and day-to-day operation. To further strengthen our ESG governance, we have engaged an independent ESG consultant to advise the Board and management to ensure that we are aware of and comply with the latest ESG requirements of the regulatory authorities and to meet our ESG-related responsibilities.

For details of the Group's environmental policies and performance, please refer to the Environmental, Social and Governance Report published together with this report.

Human Resources and Remuneration Policy

We always regard employees as our most valuable asset and are committed to creating a fair and inclusive development platform full of opportunities for our employees. In addition, we strive to stimulate every employee's potential and sense of belonging through comprehensive care and support.

Compensation and Benefits Policy

We recognise that a fair and reasonable compensation and benefits system is the key to attracting and retaining talent. Therefore, we have meticulously developed a scientifically grounded and transparent salary structure that fully covers various incentive programs, such as basic salary, post salary, performance-based salary and commissions, to ensure that each employee's earnings can accurately reflect their personal contributions. We optimize the complaint process and implement various measures, such as rigorous salary audit, to make every effort to uphold fairness and transparency in salary distribution, ensuring that every employees' efforts are rewarded.

In terms of benefits, we not only strictly comply with national laws regarding holidays and welfare policies to provide employees with a solid foundation of protection, but also offer a wide range of distinctive supplementary benefits to enhance this basic support.

Career Development Policy

We highly value talent development, and are dedicated to offering every employee a variety of job opportunities, and making every effort to promote comprehensive talent development. In parallel, we also meticulously design and regularly organize various recruitment campaigns, aiming to fully unlock the latent potential and energy of our employees, enabling all employees to outperform their best in an fair competition and maximize their personal value.

Employee Care Policy

We believe that health and happiness are essential, and always attach great importance to the physical and mental health of employees as well as their work experience, and protect their physical and mental health in all aspects.

Diversity and Inclusiveness Policy

We actively implement a diversity and inclusiveness policy, uphold the philosophy of equality and respect, and strive to stimulate the infinite vitality of our team. We firmly believe that diversity is a key driver of innovation. Our team consists of 19 ethnic minorities, with a 1:1 male to female ratio, reflecting not only our commitment to gender equality, but also our inclusiveness and respect for talents from different cultural backgrounds.

Report of the Board of Directors

Management Contract

Except for the Directors' service contracts, there was no contract concerning the management or administration of the whole or any substantial part of the business of the Company which was entered into or existed during the year ended 31 December 2024.

Tax Relief

The Company is not aware of any tax relief available to any holders of the securities of the Company by reason of their holding of such securities.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association and the laws of the PRC which oblige the Company to offer new Shares to existing Shareholders on their shareholding proportions.

Contract of Significance

During the Reporting Period, (i) no contract of significance was entered into by, and/or subsisted between the Company or any of its subsidiaries with the Controlling Shareholders or any of their subsidiaries; and (ii) there was no contract of significance in relation to the provision of services by the Controlling Shareholders or any of their subsidiaries to the Group.

Equity-Linked Agreements

No equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2024.

Auditors

For the year ended 31 December 2024, Deloitte Touche Tohmatsu assumed the office of the Company's reporting accountant and independent auditor. The financial statements contained in this annual report have been audited by Deloitte Touche Tohmatsu. There has been no change in the Company's auditor since the Listing Date and in any of the past three years.

Compliance with Laws and Regulations

The businesses operated by the Company are subject to the PRC laws. During the Reporting Period, the Company has complied with relevant laws and regulations that have a significant impact on the Company.

Subsequent Events

Save as disclosed herein, since 31 December 2024 and up to the Latest Practicable Date, the Group did not have any material events.

Sichuan Baicha Baidao Industrial Co., Ltd.
Mr. WANG Xiaokun
Executive Director and Chairman of the Board
28 March 2025

Report of the Supervisory Committee

During the Reporting Period, the election of the new session of the Supervisory Committee was successfully completed. All members of the Supervisory Committee legally and independently performed their supervisory functions by actively monitoring and continuously supervising the Company's business operations, financial condition, major decision-making, and the implementation of resolutions of the general meetings and the Board meetings, and supervising the legal compliance of the Company's operations and the performance of duties by the Directors and senior management in accordance with the Company Law of the People's Republic of China, the Articles of Association, the Rules of Procedure of the Supervisory Committee of Sichuan Baicha Baidao Industrial Co., Ltd. and other relevant regulations and requirements, to effectively safeguard the legitimate rights and interests of the Company and its Shareholders. The Report of the Supervisory Committee for 2024 is hereby presented as follows:

I. Work of the Supervisory Committee for 2024

In 2024, the Supervisory Committee held a total of four meetings. The convening and holding of such meetings complied with legal procedures, and major business decisions were made according to the relevant review processes as required, and therefore are legal and valid. The details of the meetings are as follows:

On 12 January 2024, the first meeting of the second session of the Supervisory Committee was held, at which the Resolution on the Election of the Chairwoman of the Supervisory Committee was considered and approved.

On 3 June 2024, the second meeting of the second session of the Supervisory Committee was held, at which the Resolution on the Report of the Supervisory Committee for 2023 of the Company, the Resolution on the Final Accounts Report for 2023, the Resolution on the Profit Distribution Plan for 2023 of the Company and the Resolution on the Re-appointment of Auditor for 2024 of the Company were considered and approved.

On 26 August 2024, the third meeting of the second session of the Supervisory Committee was held, at which the Resolution on the Annual Results Review Report for the Six Months ended 30 June 2024 of the Group, the Resolution on the Draft Unaudited Consolidated Financial Statements, Draft Annual Results Announcement, Draft Annual Report, and Draft Management Representation Letter for the Six Months Ended 30 June 2024 of the Group and the Resolution on Not Recommending the Declaration of the Interim Dividends for the Six Months Ended 30 June 2024 were considered and approved.

On 6 December 2024, the fourth meeting of the second session of the Supervisory Committee was held, at which the Resolution on the Proposed Distribution of Special Dividend was considered and approved.

II. Opinions of the Supervisory Committee on the Relevant Matters of the Company for 2024

In 2024, the Supervisory Committee diligently performed its duties by supervising and inspecting the legal compliance of the Company's operations and its financial condition, mainly in accordance with relevant laws, regulations, normative documents, and the Articles of Association. Based on the inspection results, the Supervisory Committee issued the following review opinions on the Company's relevant matters for 2024:

(I) Legal compliance of the Company's operations

In 2024, the members of the Supervisory Committee attended the Board meetings and the general meetings of the Company, and participated in the discussion of decisions on major operations of the Company, to supervise and inspect the Company's matters such as the decision-making procedures, resolutions, the implementation of the resolutions of the general meeting by the Board, and the performance of duties by the Directors and senior management. The Supervisory Committee is of the view that all the resolutions and decision-making procedures of the Board have complied with relevant provisions of laws, regulations, normative documents and the Articles of Association, and therefore are legal and valid. The Directors and senior management of the Company are able to carry out the work in accordance with relevant laws, regulations, normative documents and the Articles of Association. The Company attaches importance to system development and continuously improves internal control and management systems to enhance its standardized operation and management level.

(II) Inspection of the financial condition of the Company

The Supervisory Committee inspected and supervised the financial condition, financial management and results of operations of the Company for 2024. The Supervisory Committee is of the view that the Company has a sound financial system, a standardized financial operation and a healthy financial condition. All periodic reports for 2024 are able to give a true and objective picture of the financial condition and results of operations of the Company.

(III) Connected transactions

In 2024, there was no circumstance that the Company's profit was manipulated through connected transactions, and that the interests of the Company and other Shareholders were prejudiced.

(IV) External guarantee

In 2024, there were no illegal external guarantees, debt restructuring, non-monetary transactions or asset swaps. There was no other circumstance that damaged the interests of the Shareholders of the Company or caused a loss of assets of the Company.

(V) Acquisition and disposal of assets

The Company did not have any major asset acquisition in 2024.

The Company did not have any major asset disposal in 2024.

III. Work Plan of the Supervisory Committee for 2025

In 2025, the Supervisory Committee will continue to faithfully perform its duties, and further promote the improvement of the Company's corporate governance structure and the standardization of its operation and management, with the view to establishing a good corporate image.

(I) to supervise the legal compliance of the Company's operations by actively promoting the construction and effective operation of the internal control system.

(II) to examine the financial condition of the Company by regularly checking and reviewing financial reports to supervise the financial condition of the Company.

(III) to supervise the performance of duties by the Directors and senior management of the Company and maintain the interests and image of the Company.

Sichuan Baicha Baidao Industrial Co., Ltd.
Ms. Liu Weihong
Chairwoman of the Supervisory Committee
28 March 2025

Independent Auditor's Report

TO THE SHAREHOLDERS OF 四川百茶百道實業股份有限公司
SICHUAN BAICHA BAIDAO INDUSTRIAL CO., LTD.
(a joint stock company incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of 四川百茶百道實業股份有限公司 Sichuan Baicha Baidao Industrial Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 63 to 148, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition of sale of goods	
The Group earns revenue primarily from the sales of goods to a large number of franchised retail stores. Revenue from sale of goods to franchisees is recognised at the point in time when the franchisees accept the products and the control over those products is transferred to the franchisees. We have identified recognition of revenue generated from sale of goods as a key audit matter as we spent significant efforts on auditing the occurrence of the revenue due to the magnitude of the revenue amount and the significant volume of revenue transactions. As stated in Note 5 to the consolidated financial statements, the revenue of sale of goods amounted to RMB4,450,249,000 which represented 90.49% of the total revenues of the Group for the year ended 31 December 2024.	Our audit procedures in relation to the revenue recognition for sale of goods included the following: • Understanding the terms and arrangements of the sales contracts with franchisees and assessing the Group's revenue recognition policies with reference to the requirements of the prevailing accounting standards; • Understanding and evaluating the effectiveness of the key controls over revenue recognition relating to sales of goods; • Performing analytical procedures on the Group's sale of goods revenue by various dimensions, i.e. by characteristics of franchisees, by months and by product categories; • Testing the occurrence of revenue from sale of goods, on a sample basis, by tracing to the supporting documents i.e. sales order and delivery receipt records; and • When meeting certain risk-based criteria, further extending the testing on the relevant proportion of revenue from sale of goods, on a sample basis, by chasing to the settlement records and obtaining an understanding on the business rationale.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan, Benjie Pak Kin.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 March 2025

Consolidated Statement of Profit or Loss and other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2024

	NOTES	2024 RMB'000	2023 RMB'000
Revenue	5	4,917,997	5,704,307
Cost of sales		(3,383,318)	(3,740,525)
Gross profit		1,534,679	1,963,782
Other income	6a	121,424	65,495
Loss on fair value change of redeemable shares with other preferential rights		(145,221)	(75,838)
Other gains and losses, net	6b	82,404	28,483
Distribution and selling expenses		(395,139)	(130,996)
Administrative expenses		(510,245)	(420,454)
Research and development expenses		(33,764)	(16,417)
Other expenses		(3,210)	(13,580)
Listing expenses		(7,197)	(30,935)
Share of results of an associate and a joint venture		(17,591)	–
Finance costs	7	(4,305)	(3,692)
Profit before taxation		621,835	1,365,848
Income tax expense	8	(142,109)	(215,068)
Profit for the year	9	479,726	1,150,780
Other comprehensive expense			
Items that will not be reclassified to profit or loss:			
Fair value loss on investments in equity instruments at fair value through other comprehensive income ("FVTOCI")		(376,584)	–
Income tax relating to item that will not be reclassified to profit or loss		59,927	–
		(316,657)	–
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		6,628	–
Other comprehensive expense for the year, net of income tax		(310,029)	–
Total comprehensive income for the year		169,697	1,150,780

Consolidated Statement of Profit or Loss and other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2024

	NOTES	2024 RMB'000	2023 RMB'000
Profit for the year attributable to:			
– Owners of the Company		472,184	1,139,211
– Non-controlling interests		7,542	11,569
		479,726	1,150,780
Total comprehensive income for the year Attributable to:			
– Owners of the Company		162,155	1,139,211
– Non-controlling interests		7,542	11,569
		169,697	1,150,780
Earnings per share (in RMB)	*12*		
Basic		0.336	0.981
Diluted		0.335	0.981

Consolidated Statement of Financial Position

AT 31 DECEMBER 2024

	NOTES	2024 RMB'000	2023 RMB'000
Non-current assets			
Property, plant and equipment	13	216,485	235,712
Right-of-use assets	14	139,954	110,574
Intangible assets	15	98,833	51,197
Investments in an associate and a joint venture		36,909	2,500
Equity instruments at FVTOCI	16	466,978	–
Financial assets at fair value through profit or loss ("FVTPL")	19	217,000	–
Other receivables and prepayments	17	29,579	300
Deferred tax assets	24	150,533	83,367
		1,356,271	483,650
Current assets			
Inventories	18	206,824	201,171
Trade and other receivables, deposits and prepayments	17	198,893	62,519
Amounts due from related parties	27	607	607
Financial assets at FVTPL	19	171,465	1,391,562
Term deposits		–	230,000
Cash and cash equivalents	20	3,559,917	715,989
		4,137,706	2,601,848
Current liabilities			
Trade and other payables	21	674,522	770,619
Contract liabilities	22	136,886	176,680
Income tax payables		27,124	38,206
Lease liabilities	26	40,743	40,948
Dividend payable	11	531,948	–
		1,411,223	1,026,453
Net current assets		2,726,483	1,575,395
Total assets less current liabilities		4,082,754	2,059,045

Consolidated Statement of Financial Position

AT 31 DECEMBER 2024

	NOTES	2024 RMB'000	2023 RMB'000
Non-current liabilities			
Contract liabilities	*22*	82,423	147,530
Lease liabilities	*26*	64,766	42,576
Deferred tax liabilities	*24*	1,872	1,293
Redeemable shares with other preferential rights	*25*	–	1,021,000
		149,061	1,212,399
Net assets		3,933,693	846,646
Capital and reserves			
Share capital	*23*	147,763	125,639
Reserves		3,761,418	697,437
Equity attributable to owners of the Company		3,909,181	823,076
Non-controlling interests		24,512	23,570
Total Equity		3,933,693	846,646

The consolidated financial statements on pages 63 to 148 were approved and authorised for issue by the board of directors on 28 March 2025 and are signed on its behalf by:

Wang Xiaokun *Director*	Wang Hongxue *Director*

茶百道

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2024

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Statutory reserves RMB'000 *(Note i)*	Shares issued for Pre-IPO Employee Incentive Scheme RMB'000 *(Note iii)*	Other reserves RMB'000 *(Note ii)*	Equity instrument at FVTOCI revaluation reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2023	100,000	–	78,091	–	114,876	–	–	357,648	650,615	12,001	662,616
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	1,139,211	1,139,211	11,569	1,150,780
Dividends recognised as distribution (Note 11)	–	–	–	–	–	–	–	(1,021,183)	(1,021,183)	–	(1,021,183)
Issuance of shares pursuant to the 2023 Shareholding Restructuring (as defined and detailed in Note 23)	25,000	–	–	–	–	–	–	–	25,000	–	25,000
Transfer to statutory reserves	–	–	21,459	–	–	–	–	(21,459)	–	–	–
Issuance of shares pursuant to the Pre-IPO Employee Incentive Scheme (as defined and detailed in Note 28)	639	–	–	(639)	29,433	–	–	–	29,433	–	29,433
At 31 December 2023	125,639	–	99,550	(639)	144,309	–	–	454,217	823,076	23,570	846,646
Profit for the year	–	–	–	–	–	–	–	472,184	472,184	7,542	479,726
Other comprehensive (expense) income for the year	–	–	–	–	–	(316,657)	6,628	–	(310,029)	–	(310,029)
Total comprehensive (expense) income for the year	–	–	–	–	–	(316,657)	6,628	472,184	162,155	7,542	169,697
Recognition of share-based payment (Note 28)	–	–	–	–	12,826	–	–	–	12,826	–	12,826
Dividends paid to non-controlling Interests	–	–	–	–	–	–	–	–	–	(13,200)	(13,200)
Dividends recognised as distribution (Note 11)	–	–	–	–	–	–	–	(531,948)	(531,948)	–	(531,948)
Issue of new shares upon initial public offering (the "IPO") (Note 23)	14,776	2,330,262	–	–	–	–	–	–	2,345,038	–	2,345,038
Transaction costs attributable to issue of new shares	–	(68,187)	–	–	–	–	–	–	(68,187)	–	(68,187)
Conversion of redeemable shares with other preferential rights into ordinary shares upon IPO (Note 23)	7,348	1,158,873	–	–	–	–	–	–	1,166,221	–	1,166,221
Transfer to statutory reserves	–	–	12,372	–	–	–	–	(12,372)	–	–	–
Capital injection from non-controlling interests of a subsidiary (Note iv)	–	–	–	–	–	–	–	–	–	6,600	6,600
Forfeiture of Pre-IPO Employee Incentive Scheme (as defined and detailed in Note 28)	–	–	–	91	(91)	–	–	–	–	–	–
At 31 December 2024	147,763	3,420,948	111,922	(548)	157,044	(316,657)	6,628	382,081	3,909,181	24,512	3,933,693

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2024

Notes:

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

(ii) The other reserves as at 1 January 2023 represent the impact of equity-settled share-based payments to certain key management personnel amounted to RMB114,876,000.

In August 2023, the cash consideration received by the Company under the Pre-IPO Employee Incentive Scheme (defined and detailed in Note 28), amounted to RMB29,433,000, had been recognised in capital reserve included in other reserves, as the Company did not have any obligation to repurchase any granted shares if they were subsequently forfeited or not vested.

(iii) The shares issued to and held by Tongchuang Gongjin (defined in Note 28) under the Pre-IPO Employee Incentive Scheme were recognised as treasury shares by the Company and had been deducted from shareholders' equity as shown in equity under "Shares issued for Pre-IPO Employee Incentive Scheme reserve".

(iv) In January 2024, 福州市清口茶業有限公司(Fuzhou Qingkou Tea Industry Co., Ltd.*) ("Fuzhou Qingkou") was established in the PRC as an indirectly non-wholly owned subsidiary of the Company and held by the Group as to 67%. During the year ended 31 December 2024, the non-controlling interest made the capital injection at cash consideration of RMB6,600,000.

* *English name is for identification purpose only.*

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2024

	2024 RMB'000	2023 RMB'000
Operating activities		
Profit before taxation	621,835	1,365,848
Adjustments for:		
Depreciation of property, plant and equipment	21,237	16,183
Depreciation of right-of-use assets	48,458	47,225
Amortisation of intangible assets	19,777	3,599
Loss on disposal of property, plant and equipment	387	148
Interest income from banks	(43,852)	(6,954)
Finance costs	4,305	3,692
Share-based payments	12,826	–
Gain on fair value change of financial assets at FVTPL	(34,901)	(29,119)
Net foreign exchange (gain)/loss	(9,100)	75
Share of results of an associate and a joint venture	17,591	–
Loss on fair value change of redeemable shares with other preferential rights	145,221	75,838
Operating cash flows before movements in working capital	803,784	1,476,535
Increase in inventories	(5,653)	(8,692)
(Increase)/decrease in trade and other receivables, deposits and prepayments	(156,234)	5,193
(Decrease)/increase in contract liabilities	(104,901)	10,082
(Decrease)/increase in trade and other payables	(33,122)	126,156
Cash generated from operations	503,874	1,609,274
Income taxes paid	(159,851)	(221,309)
Net cash generated from operating activities	344,023	1,387,965
Investing activities		
Purchase of property, plant and equipment	(64,663)	(85,027)
Proceeds from disposal of property, plant and equipment	1,615	74
Purchase of intangible assets	(66,268)	(18,501)
Purchase of financial assets at FVTPL	(4,158,030)	(6,820,879)
Proceeds from redemption of financial assets at FVTPL	5,377,188	6,204,844
Purchase of equity instruments at FVTOCI	(1,053,562)	–
Placement of term deposits	(120,000)	(230,000)
Withdrawal of term deposits	350,000	–
Interest received from financial assets at FVTPL	30,615	26,396
Payment for rental deposits	(3,949)	(2,966)
Refund of rental deposits	3,059	4,117
Advances to related parties	–	(5,556)
Interest income from banks	42,867	6,954
Proceed from disposal of a subsidiary	–	500
Investments in an associate and a joint venture	(52,000)	(2,500)

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2024

	2024 RMB'000	2023 RMB'000
Net cash generated from (used in) investing activities	286,872	(922,544)
Financing activities		
Interest paid	(4,305)	(3,692)
Dividend paid	(13,200)	(949,496)
Capital injection from non-controlling interests	6,600	–
Repayments of lease liabilities	(55,828)	(45,220)
Payment for share issue costs	(65,272)	(1,488)
Proceeds from issuance of redeemable shares with other preferential rights	–	970,000
Proceeds from issuance of shares	2,345,038	54,433
Net cash generated from financing activities	2,213,033	24,537
Net increase in cash and cash equivalents	2,843,928	489,958
Cash and cash equivalents at beginning of the year	715,989	226,031
Cash and cash equivalents at end of the year	3,559,917	715,989

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2024

1. GENERAL INFORMATION

四川百茶百道實業股份有限公司(Sichuan Baicha Baidao Industrial Co., Ltd.) (the "Company") was incorporated in the PRC on 31 December 2020 as a joint stock company under the Company Law of the PRC. Its parent is 四川恒盛合瑞實業集團有限公司(Sichuan Hengsheng Herui Industrial Group Co., Ltd.*) ("Hengsheng Herui") (established in the PRC) and its ultimate parent is 成都錦柏森企業管理有限公司(Chengdu Jinbosen Enterprise Management Co., Ltd.*) ("Chengdu Jinbosen") (established in the PRC). Its ultimate controlling parties are Mr. Wang Xiaokun (王霄錕) and his spouse Ms. Liu Weihong (劉洧宏) (collectively the "Controlling Shareholders"), and Mr. Wang Xiaokun is also the chairman and an executive director of the Company. The shares of the Company had been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 23 April 2024 (the "Listing").

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

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

Amendments to IFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRS Accounting Standards issued by the International Accounting Standards Board ("IASB") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

The application of the amendments to IFRS Accounting Standards in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

* English name is for identification purpose only.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS (continued)

New and amendments to IFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following new and amendments to IFRS Accounting Standards that have been issued but are not yet effective:

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments[3]
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards - Volume 11[3]
Amendments to IAS 21	Lack of Exchangeability[2]
IFRS 18	Presentation and Disclosure in Financial Statements[4]

1 Effective for annual periods beginning on or after a date to be determined
2 Effective for annual periods beginning on or after 1 January 2025
3 Effective for annual periods beginning on or after 1 January 2026
4 Effective for annual periods beginning on or after 1 January 2027

Except for the new IFRS Accounting Standard mentioned below, the management of the Group considers that the application of all the amendments to IFRS Accounting Standards is unlikely to have a material impact on the Group's financial position and performance in foreseeable future.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 *Presentation of Financial Statements*. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit of loss, provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, and IFRS 7 *Financial Instruments: Disclosures*. Minor amendments to IAS 7 *Statements of Cash Flows* and IAS 33 *Earnings per Share* are also made.

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of IFRS 18 on the Group's consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

3.2 Material accounting policy information

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When an objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount of the investment. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

<u>Revenue from contracts with customers</u>

Information about the Group's accounting policies relating to revenue from contracts with customers is provided in Note 5.

<u>Leases</u>

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 *Leases* at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Group as a lessee

Short-term leases

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

Right-of-use assets

The cost of right-of-use asset includes:

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Leases (continued)

The Group as a lessee (continued)

Right-of-use assets (continued)

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

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities (continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- a lease contract is modified and the lease modification is not accounted for as a separate lease (see below for the accounting policy for "lease modifications").

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

Lease modifications

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Government grants

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Employee benefits

Retirement benefit costs

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

Short-term employee benefits

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

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

Share-based payments

Equity-settled share-based payments transactions

Shares granted to employees

For shares that are granted under the Pre-IPO Employee Incentive Scheme (as defined in Note 28), the amount of fair value of the equity-settled share-based payments determined at the grant date, which taking into account the consideration paid by the grantees but without taking into consideration all non-market vesting conditions, is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of the reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Taxation (continued)

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

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

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income, in which case, the current and deferred tax are also recognised in other comprehensive income.

Property, plant and equipment

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Property, plant and equipment (continued)

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

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

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

Intangible assets

Intangible assets acquired separately

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Intangible assets (continued)

Internally-generated intangible assets – research and development expenditure

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

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less). Cash equivalents are held for the purpose of meeting short-term commitments rather than for investment or other purposes.

Inventories

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

Financial instruments

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(i) Amortised cost and interest income

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

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the equity instrument at FVTOCI revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profit.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss include any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets subject to impairment assessment under IFRS 9

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

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

The Group always recognises lifetime ECL for trade receivables.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (continued)

(i) Significant increase in credit risk

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (continued)

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

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

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

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

(iv) Write-off policy

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (continued)

(v) Measurement and recognition of ECL

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

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at FVTPL

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities at FVTPL (Continued)

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

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

Financial liabilities at amortised cost

Financial liabilities including trade and other payables and dividend payables are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Revenue recognition from royalty and franchise business over time

During the year ended 31 December 2024, revenue from royalty and franchise business (excluding pre-opening training services and others) is recognised over time amounted to RMB199,837,000 (2023: RMB200,026,000). As at 31 December 2024, the balance of contract liabilities amounted to RMB164,841,000 (2023: RMB246,986,000) (details are set out in Notes 5 and 22).

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

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

Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward and deductible temporary differences are recognized and measured based on the expected manner of realization or settlement of the carrying amount of the relevant assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting date. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves several assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognized and hence the net profit in future years.

The information about the Group's deferred tax assets is disclosed in Note 24.

Fair value measurement of financial instruments

The Group has certain investments in unlisted entity classified as financial assets at FVTPL amounting to RMB217,000,000 as at 31 December 2024, and measured at fair value determined based on significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs. Changes in assumptions relating to these factors could result in material adjustments to financial assets at FVTPL. Details of the fair value measurement are set out in Note 32.

5. REVENUE AND SEGMENT INFORMATION

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

(i) Disaggregation of revenue from contracts with customers

Types of goods or service

	2024 RMB'000	2023 RMB'000
Sale of goods and equipment:		
– Goods	4,450,249	5,164,203
– Equipment	202,133	255,777
	4,652,382	5,419,980
Royalty and franchising income:		
– Non-refundable upfront initial fee	107,558	103,558
– Royalty income	92,279	96,468
– Pre-opening training services	13,567	31,569
	213,404	231,595
Others	52,211	52,732
Total	4,917,997	5,704,307

Timing of revenue recognition

	2024 RMB'000	2023 RMB'000
Timing:		
– A point in time	4,686,952	5,456,858
– Over time	231,045	247,449
Total	4,917,997	5,704,307

5. REVENUE AND SEGMENT INFORMATION (continued)

(ii) Segment information

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

Geographical information

During the year ended 31 December 2024, the Group operated within one (2023: one) geographical segment because almost all its revenue was generated in the PRC and all of its non-current assets other than financial instruments were located in the PRC. Accordingly, no geographical segment information is presented.

Information about major customers

No single customer contributes 10% or more of total revenue of the Group for both years.

(iii) Performance obligations for contracts with franchisees and revenue recognition policies

The Group principally generates its revenue from the following major sources:

(a) Sale of goods and equipment to franchisees

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

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

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

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

5. REVENUE AND SEGMENT INFORMATION (continued)

(iii) Performance obligations for contracts with franchisees and revenue recognition policies (continued)

(b) Royalty and franchising income

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

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

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

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

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

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

5. REVENUE AND SEGMENT INFORMATION (continued)

(iii) Performance obligations for contracts with franchisees and revenue recognition policies (continued)

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

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

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

Existence of significant financing component

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

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

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

5. REVENUE AND SEGMENT INFORMATION (continued)

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

The transaction price allocated to the remaining performance obligations for non-refundable upfront initial fee (unsatisfied or partially unsatisfied) at the end of the reporting period and the expected timing of recognising revenue are as follows:

	2024 RMB'000	2023 RMB'000
Within one year	53,756	69,664
More than one year but not more than two years	38,560	63,707
Two to five years	43,863	83,823
Total	136,179	217,194

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

6a. OTHER INCOME

	2024 RMB'000	2023 RMB'000
Government grant *(Note(i))*	71,999	54,603
Interest income on:		
– bank deposits and certificate of deposit	43,852	6,954
Compensations received *(Note(ii))*	4,248	2,565
Others	1,325	1,373
	121,424	65,495

Notes:

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

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

6b. OTHER GAINS AND LOSSES, NET

	2024 RMB'000	2023 RMB'000
Loss on disposal of property, plant and equipment	(387)	(148)
Gain on fair value change of financial assets at FVTPL	34,901	29,119
Net foreign exchange gain/(loss)	48,332	(75)
Others	(442)	(413)
	82,404	28,483

7. FINANCE COSTS

	2024 RMB'000	2023 RMB'000
Interest on:		
Lease liabilities	(4,305)	(3,692)

8. INCOME TAX EXPENSE

	2024 RMB'000	2023 RMB'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	148,769	231,218
Deferred tax (Note 24):		
Current year	(6,660)	(16,150)
	142,109	215,068

8. INCOME TAX EXPENSE (continued)

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

	2024 RMB'000	2023 RMB'000
Profit before taxation	621,835	1,365,848
Tax at PRC EIT rate of 25%	155,459	341,462
Tax effect of share of results of an associate and a joint venture	4,398	–
Tax effect of expenses not deductible for tax purposes	43,161	23,585
Tax effect of tax losses not recognised	1,037	512
Utilisation of tax losses previously not recognised	(2,088)	(4,681)
Effect of tax concessions *(Note)*	(59,858)	(145,810)
Taxation for the year	142,109	215,068

Note: Certain subsidiaries that are engaged in the "Encouraged Industries in the Western Region" are eligible for the preferential EIT rate at 15% for both years.

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

9. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2024 RMB'000	2023 RMB'000
Auditor's remuneration	2,530	–
Directors', supervisors' and chief executive's remuneration *(Note 10)*	16,536	8,789
Other staff costs		
– Salaries and other allowances	373,761	299,519
– Retirement benefit scheme contributions	32,965	26,198
– Equity-settled share-based expense	8,860	–
Total staff costs	432,122	334,506
Cost of inventories recognised as expenses	3,109,473	3,722,433
Depreciation of property, plant and equipment	21,237	16,183
Depreciation of right-of-use assets	48,458	47,225
Amortisation of intangible assets	19,777	3,599
Total depreciation and amortisation	89,472	67,007

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

Directors' and supervisors' emoluments

Directors and supervisors

Directors' and supervisors' remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

Year ended 31 December 2024

	Fees RMB'000	Salaries and allowances RMB'000	Contributions to retirement benefit scheme RMB'000	Equity-settled share-based expense *(Note 28)* RMB'000	Total RMB'000
Executive directors					
Mr. Wang Xiaokun	–	6,334	67	408	6,809
Mr. Wang Hongxue	–	1,337	66	–	1,403
Ms. Dai Li	–	1,185	67	–	1,252
Mr. Chen Keyuan	–	521	67	–	588
Supervisors					
Mr. Zhang Yu	–	274	47	152	473
Ms. Liu Weihong	–	972	48	–	1,020
Mr. Zhu Mingxing	–	953	68	3,406	4,427
Independent Non-Executive directors *(Note (i))*					
Mr. Yeung Chi Tat	188	–	–	–	188
Dr. Tang Yong	188	–	–	–	188
Ms. Cheng Li	188	–	–	–	188
	564	11,576	430	3,966	16,536

10. DIRECTORS', SUPERVISORS' EMOLUMENTS AND EMPLOYEES' REMUNERATION (continued)

Directors' and supervisors' emoluments (continued)

Directors and supervisors (continued)

Year ended 31 December 2023

	Fees RMB'000	Salaries and allowances RMB'000	Contributions to retirement benefit scheme RMB'000	Equity-settled share-based expense *(Note 28)* RMB'000	Total RMB'000
Executive directors					
Mr. Wang Xiaokun	–	3,269	63	–	3,332
Ms. Dai Li	–	1,006	63	–	1,069
Mr. Wang Hongxue	–	1,116	63	–	1,179
Mr. Chen Keyuan	–	515	63	–	578
Ms. Gu Jilin *(Note (ii))*		406	36	–	442
Supervisors					
Mr. Zhang Yu	–	251	45	–	296
Ms. Liu Weihong	–	1,086	48	–	1,134
Mr. Zhu Mingxing	–	696	63	–	759
	–	8,345	444	–	8,789

Notes:

(i) On 10 August 2023, Mr. Yeung Chi Tat (楊志達), Dr. Tang Yong (唐勇), and Ms. Cheng Li (程麗) were appointed as the independent non-executive directors of the Company, and the respective appointments became effective upon the Listing on 23 April 2024.

(ii) Ms. Gu Jilin resigned as the Company's executive director on 4 August 2023.

On 22 May 2023 Dr. Chen Da (陳達) was appointed as director and on 10 August 2023 was re-designated as a non-executive director of the Company. He has not received any remuneration during the years ended 31 December 2024 and 2023.

The executive directors' emoluments shown above were for their services in connection with management of the Group. The supervisors' emoluments shown above were for their services as supervisors of the Group. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

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

10. DIRECTORS', SUPERVISORS' EMOLUMENTS AND EMPLOYEES' REMUNERATION (continued)

Directors' and supervisors' emoluments (continued)

Five Highest Paid Employees

The five highest paid employees of the Group during the year included two (2023: four) directors and supervisors, details of whose remuneration are included in the disclosures above. Details of the remuneration for the year of the remaining three (2023: one) highest paid employees are as follows:

	2024 RMB'000	2023 RMB'000
Salaries and other benefit	2,966	1,744
Retirement benefit scheme contributions	244	103
Equity-settled share-based expense *(Note 28)*	4,575	–
	7,785	1,847

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

	Number of employees 2024	2023
Emolument bands		
HKD1,500,001 to HKD2,000,000	2	1
HKD4,500,001 to HKD5,000,000	1	–
	3	1

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

11. DIVIDENDS

	2024 RMB'000	2023 RMB'000
Dividends for equity shareholders of the Company recognised as distribution during the year	531,948	1,021,183

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2024 of RMB0.20 (before tax) per ordinary share, in an aggregate amount of RMB295,527,000, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

Year ended 31 December 2024

On 3 June 2024, the board of directors of the Company proposed 2023 annual dividend distribution of RMB413,738,000, representing HKD0.31 (equivalent to approximately RMB0.28) per share, which was approved by the shareholders of the Company on 25 June 2024.

Subsequently, on 29 July 2024, the board of directors of the Company proposed to withdraw the distribution, which was approved by the shareholders on 21 August 2024.

On 16 December 2024, the board of directors of the Company proposed special dividend distribution of RMB531,948,000, representing HKD0.39 (equivalent to approximately RMB0.36) per share, which was approved by the shareholders of the Company on 31 December 2024. The amount of RMB531,948,000 was recognised as dividend payables as at 31 December 2024 and was subsequently paid in January 2025.

Year ended 31 December 2023

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

In October 2023, the Company declared a dividend of RMB449,496,000 with RMB3.38 per share, with a total of 132,987,085 shares, in respect of the financial year. The full amount was paid during the same year. This declared dividend is calculated based on the Company's number of issued shares and redeemable shares with other preferential rights as at the date of declaration. The amount of RMB422,500,000 and RMB2,158,000 were recognised as dividend distributed to the holders of ordinary shares and the grantees of the Pre-IPO Employee Incentive Scheme (as defined and detailed in Note 28), respectively. The amount of RMB24,838,000 was recognised in profit or loss and included in the fair value change of the redeemable shares with other preferential rights.

12. EARNINGS PER SHARE

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

Earnings

	2024 RMB'000	2023 RMB'000
Earnings for the purpose of calculating basic and diluted earnings per share:		
Profit for the year attributable to owners of the Company	472,184	1,139,211

Number of shares:

	Number of ordinary shares 2024	2023
Weighted average number of ordinary shares for the purpose of basic earnings per share *(Note (i))*	1,403,529,370	1,160,958,904
Effect of dilutive potential ordinary shares:		
Dilutive effect of shares issued for Pre-IPO Employee Incentive Scheme (as defined in Note 28)	4,002,699	136,554
Weighted average number of ordinary shares for the purpose of diluted earnings per share *(Note (ii))*	1,407,532,069	1,161,095,458

Notes:

(i) For the years ended 31 December 2024 and 2023, the weighted average number of ordinary shares for the purpose of basic earnings per share is determined on the assumption that the Share Subdivision as described in Note 23 had been effective at the beginning of the year.

(ii) The computation of diluted earnings per share for the year ended 31 December 2024 does not assume the removal of other preferential rights (detail as set out in Note 25) attached on the Company's shares granted to the Pre-IPO Investors (the "Removal") and the exercise of over-allotment options as the Removal would result in an increase in earnings per share and the exercise price of those options was higher than the average market price of the shares over the over-allotment period.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Furniture and fixtures and office equipment RMB'000	Motor vehicles RMB'000	Plants and machineries RMB'000	Buildings RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2023	19,049	5,249	3,305	12,723	–	113,907	154,233
Additions	14,539	3,067	789	17,390	–	70,761	106,546
Reclassification	–	–	–	–	162,173	(162,173)	–
Disposals	–	(152)	(86)	(93)	–	–	(331)
At 31 December 2023	33,588	8,164	4,008	30,020	162,173	22,495	260,448
Additions	10,443	2,132	297	8,832	–	936	22,640
Reclassification	–	–	–	22,941	–	(22,941)	–
Other adjustments *(Note)*	–	–	–	–	(18,628)	–	(18,628)
Disposals	–	(404)	(486)	(1,933)	–	–	(2,823)
At 31 December 2024	44,031	9,892	3,819	59,860	143,545	490	261,637
ACCUMULATED DEPRECIATION							
At 1 January 2023	4,960	1,815	805	1,082	–	–	8,662
Charge for the year	8,342	1,753	677	1,801	3,610	–	16,183
Elimination on disposals	–	(15)	(44)	(50)	–	–	(109)
At 31 December 2023	13,302	3,553	1,438	2,833	3,610	–	24,736
Charge for the year	9,938	2,260	748	4,585	3,706	–	21,237
Elimination on disposals	–	(213)	(263)	(345)	–	–	(821)
At 31 December 2024	23,240	5,600	1,923	7,073	7,316	–	45,152
CARRYING VALUES							
At 31 December 2023	20,286	4,611	2,570	27,187	158,563	22,495	235,712
At 31 December 2024	20,791	4,292	1,896	52,787	136,229	490	216,485

Note: During the year ended 31 December 2024, the Group reached an agreement with the principal contractors in relation to the settlement amount of the finalised construction costs of a manufacturing plant, resulting in a decrease of RMB18,628,000.

13. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

14. RIGHT-OF-USE ASSETS

	Leased offices RMB'000	Leased warehouses RMB'000	Leasehold land RMB'000	Leased retail stores RMB'000	Leased workshop RMB'000	Total RMB'000
COST						
At 1 January 2023	55,308	47,167	30,143	11,766	–	144,384
Additions	41,889	3,084	–	3,608	–	48,581
Expiration of leases	(16,365)	(7,022)	–	(1,607)	–	(24,994)
Modification of leases	4,088	–	–	–	–	4,088
At 31 December 2023	84,920	43,229	30,143	13,767	–	172,059
Additions	36,594	116	–	35,320	6,997	79,027
Expiration of leases	(7,529)	(33,640)	–	(3,404)	–	(44,573)
Modification of leases	–	–	–	(1,000)	–	(1,000)
Termination of leases	(245)	–	–	(1,433)	–	(1,678)
At 31 December 2024	113,740	9,705	30,143	43,250	6,997	203,835
ACCUMULATED DEPRECIATION						
At 1 January 2023	23,146	13,183	251	2,674	–	39,254
Charge for the year	20,481	21,196	603	4,945	–	47,225
Expiration of leases	(16,365)	(7,022)	–	(1,607)	–	(24,994)
At 31 December 2023	27,262	27,357	854	6,012	–	61,485
Charge for the year	23,436	13,450	603	9,686	1,283	48,458
Expiration of leases	(7,529)	(33,640)	–	(3,404)	–	(44,573)
Modification of leases	–	–	–	(316)	–	(316)
Termination of leases	(122)	–	–	(1,051)	–	(1,173)
At 31 December 2024	43,047	7,167	1,457	10,927	1,283	63,881
CARRYING VALUES						
At 31 December 2023	57,658	15,872	29,289	7,755	–	110,574
At 31 December 2024	70,693	2,538	28,686	32,323	5,714	139,954

14. RIGHT-OF-USE ASSETS (Continued)

	2024 RMB'000	2023 RMB'000
Expense relating to short-term leases	1,845	654
Total cash outflow for leases	(61,978)	(49,566)
Additions to right-of-use assets	79,027	52,669

For the years ended 31 December 2024 and 2023, the Group leases various offices, warehouses and retail stores for its operations. Lease contracts are entered into for fixed term of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for offices and warehouses. As at 31 December 2024 and 2023, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

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

Restrictions or covenants on leases

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

Details of the lease maturity analysis of lease liabilities are set out in Note 26.

15. INTANGIBLE ASSETS

	Software under development RMB'000	Software RMB'000	Total RMB'000
COST			
At 1 January 2023	–	18,380	18,380
Additions	25,237	13,111	38,348
At 31 December 2023	25,237	31,491	56,728
Additions	46,715	20,698	67,413
Reclassification	(64,299)	64,299	–
At 31 December 2024	7,653	116,488	124,141
AMORTISATION			
At 1 January 2023	–	1,932	1,932
Charge for the year	–	3,599	3,599
At 31 December 2023	–	5,531	5,531
Charge for the year	–	19,777	19,777
At 31 December 2024	–	25,308	25,308
CARRYING VALUES			
At 31 December 2023	25,237	25,960	51,197
At 31 December 2024	7,653	91,180	98,833

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

16. EQUITY INSTRUMENTS AT FVTOCI

During the year ended 31 December 2024, the Group purchased equity instruments in certain listed entities through wholly owned funds at cash consideration of RMB511,700,000 (2023: Nil) and directly purchased equity instruments in certain listed entities at cash consideration of RMB331,862,000 (2023: Nil). These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

In addition, during the current year, the Group directly purchased equity instruments of an unlisted company at a cash consideration of RMB210,000,000 (2023: Nil) and derecognised these equity instruments at FVTOCI at their fair value of RMB210,000,000 following substantial modification of the rights attached to the instruments granted by the investee. Details are set out in Note 19.

As at 31 December 2024, the carrying amount of equity instruments at FVTOCI is RMB466,978,000 (2023: Nil), net of fair value loss recognised in the other comprehensive expense of RMB376,584,000 (2023: Nil).

Details of fair value measurement of equity instruments at FVTOCI are set out in Note 32.

17. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2024 RMB'000	2023 RMB'000
Current		
Trade receivables *(Note (i))*	9,274	7,191
Other receivables	10,555	6,947
Value-added tax recoverable	21,508	15,346
Lease deposits	1,182	6,339
Advances to staff	1,422	230
Deferred issue costs	–	3,907
Prepayments to third parties		
– raw materials and others	31,129	21,253
– advertising services *(Note (ii))*	123,823	1,306
	198,893	62,519
Non-current		
Lease deposits	6,047	–
Prepayments for construction in progress	1,111	300
Prepayments for advertising services *(Note (ii))*	22,421	–
	29,579	300
Total	228,472	62,819

17. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

Notes:

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

(ii) The amounts represent certain agreements entered between the Group and various third parties for future advertising services, of which amount of RMB22,421,000 (2023:Nil) are not expected to be utilized within twelve months from the end of the reporting period. Therefore, the corresponding portion of prepayments are classified as non-current assets.

As at 1 January 2023, trade receivables amounted to RMB6,199,000.

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

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

	2024 RMB'000	2023 RMB'000
Within 90 days	9,274	7,191

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

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

18. INVENTORIES

	2024 RMB'000	2023 RMB'000
Raw materials	6,499	4,188
Work in progress	42,896	–
Finished goods	157,429	196,983
	206,824	201,171

19. Financial assets at FVTPL

Financial assets mandatorily measured at FVTPL:

	2024 RMB'000	2023 RMB'000
Current		
Wealth management products	–	1,391,562
Unlisted funds *(Note (i))*	171,465	–
	171,465	1,391,562
Non-current		
Investment in ordinary shares with other preferential rights *(Note (ii))*	217,000	–
Total	388,465	1,391,562

Notes:

(i) Unlisted funds are classified as current as the management expects to realize these financial assets within twelve months after the reporting period.

(ii) During the year ended 31 December 2024, the Group entered into a capital increase agreement to purchase ordinary shares of an unlisted company at a consideration of RMB210,000,000("the Shares"). The Group did not obtain control, joint control nor have a significant influence over the unlisted company. The directors of the Company have elected to designate the Shares as equity instruments at FVTOCI at initial recognition.

Subsequently, in July 2024, the Group entered into a separate shareholders' agreement, which included a substantial modification on granting certain preferential rights unilaterally to all shareholders of the unlisted company. As a result of such modification, the Group derecognised the aforesaid equity instruments at FVTOCI amounting to RMB210,000,000 (as disclosed in Note 16) and recognised such instruments as financial assets at FVTPL upon the entitlement of those preferential rights.

20. Cash and cash equivalents

Cash and cash equivalents include demand deposits, short term deposits within three months original maturity amounted to RMB3,559,917,000 as at 31 December 2024 (2023: RMB715,989,000), for the purpose of meeting the Group's short term cash commitments, which carry interest at market rates range from 0.01% to 4.07% (2023: 0.20% to 1.70%) per annum.

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

21. TRADE AND OTHER PAYABLES

	2024 RMB'000	2023 RMB'000
Trade payables *(Note (i))*	295,017	354,672
Deposits *(Note (ii))*	116,337	145,046
Operational support service fees *(Note (iii))*	22,792	42,069
Other payables	115,654	96,981
Payroll payable	86,548	83,393
Other tax payable	38,174	39,655
Accrued share issue costs	–	992
Accrued listing expenses	–	7,811
	674,522	770,619

Notes:

(i) The outstanding payables mainly represent the amounts payable to suppliers of the finished goods and equipment as at 31 December 2024 and 2023.

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

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

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

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

	2024 RMB'000	2023 RMB'000
Within 90 days	275,361	354,003
91 to 365 days	19,373	218
Over 365 days	283	451
	295,017	354,672

22. CONTRACT LIABILITES

	2024 RMB'000	2023 RMB'000
Current		
Sale of goods and equipment	54,468	77,224
Royalty and franchising income	82,418	99,456
	136,886	176,680
Non-current		
Royalty and franchising income	82,423	147,530
	219,309	324,210

As at 1 January 2023, the Group had contract liabilities of RMB314,128,000, including contract liabilities for sale of goods and equipment amounting to RMB62,672,000 and royalty and franchising income amounting to RMB251,456,000.

22. CONTRACT LIABILITES (continued)

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

	2024 RMB'000	2023 RMB'000
Sale of goods and equipment		
Balance at the beginning of the year	77,224	62,672
Decrease in contract liabilities as a result of recognition of revenue during the year	(77,224)	(62,672)
Increase in contract liabilities as a result of receiving prepayments for sale of goods during the year	54,468	77,224
Balance at the end of the year	54,468	77,224
Royalty and franchising income		
Balance at the beginning of the year	246,986	251,456
Decrease in contract liabilities as a result of recognition of revenue during the year	(179,861)	(157,138)
Increase in contract liabilities as a result of receiving royalty and franchising fees during the year	97,716	152,668
Balance at the end of the year	164,841	246,986
	219,309	324,210

The significant decrease in contract liabilities in the current year was mainly due to franchisees termination and the related non-refundable upfront initial fee amounted to RMB43,888,000 were recognised to revenue.

23. SHARE CAPITAL

	Number of shares	Amount RMB'000
Ordinary shares of RMB1 each (before Share Subdivision) and RMB0.1 each (after Share Subdivision) *(Note (iii))*		
Authorised:		
At 1 January 2023	100,000,000	100,000
Increase on 2023 Shareholding Restructuring *(Note (i))*	25,000,000	25,000
Increase on Pre-IPO Investments *(Note 25)*	7,348,485	7,348#
Increase on Pre-IPO Employee Incentive Scheme *(Note (ii))*	638,600	639
At 31 December 2023	132,987,085	132,987
Increase on Share Subdivision *(Note (iii))*	1,196,883,765	–
Increase on issuance of new shares upon the IPO *(Note (iv))*	147,763,400	14,776
At 31 December 2024	1,477,634,250	147,763
Issued and fully paid:		
At 1 January 2023	100,000,000	100,000
Issuance of shares pursuant to the 2023 Shareholding Restructuring *(Note (i))*	25,000,000	25,000
Issuance of shares pursuant to the Pre-IPO Employee Incentive Scheme *(Note (ii))*	638,600	639
At 31 December 2023	125,638,600	125,639
Conversion of redeemable shares with other preferential rights upon the IPO *(Note 25)*	7,348,485	7,348
Share Subdivision *(Note (iii))*	1,196,883,765	–
Increase on issuance of new shares upon the IPO *(Note (iv))*	147,763,400	14,776
At 31 December 2024	1,477,634,250	147,763

The corresponding shares issued were reclassified to the redeemable shares with other preferential rights as detailed in Note 25.

23. SHARE CAPITAL (continued)

Notes:

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

(ii) On 10 August 2023, 638,600 shares under the Pre-IPO Employee Incentive Scheme (as defined in Note 28) have been allotted and issued to 四川同創共進企業管理合夥企業(有限合夥) (Sichuan Tongchuang Gongjin Enterprise Management Partnership (Limited Partnership)*) ("Tongchuang Gongjin"), represent treasury shares held by the Company. Details are set out in Note 28.

(iii) Pursuant to the resolutions of the shareholders dated 10 August 2023, the shares are split on a one-for-ten basis immediately prior to the Listing, and the nominal value of the shares is changed from RMB1.0 each to RMB0.1 each (the "Share Subdivision"). Immediately after the Share Subdivision, the authorised share capital of the Company is RMB132,987,000 with 1,329,870,850 shares in a nominal value of RMB0.1 each.

(iv) On 24 April 2024, the Company was successfully listed on the Main Board of the Stock Exchange following the completion of issuance of 147,763,400 new shares of RMB0.1 each issued at an offer price of HK$17.50 (equivalent to approximately RMB15.87) per share and the total proceed was HK$2,585,860,000 (equivalent to approximately RMB2,345,038,000).

* English name is for identification purpose only.

24. DEFERRED TAX ASSETS/LIABILITIES

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2024 RMB'000	2023 RMB'000
Deferred tax assets	150,533	83,367
Deferred tax liabilities	(1,872)	(1,293)
	148,661	82,074

The following are the major deferred tax assets/(liabilities) recognised and movements thereon during the current and prior years:

	Timing difference on revenue recognition RMB'000	Tax losses RMB'000	Equity instrument at FVTOCI revaluation RMB'000	Deferred deductible advertising expense RMB'000	Others* RMB'000	Total RMB'000
At 1 January 2023	62,865	2,930	–	–	129	65,924
(Charge) credit to profit or loss	(1,118)	10,262	–	6,804	202	16,150
At 31 December 2023	61,747	13,192	–	6,804	331	82,074
(Charge) credit to profit or loss	(20,536)	(7,420)	–	37,364	(2,748)	6,660
Credit to other comprehensive income	–	–	59,927	–	–	59,927
At 31 December 2024	41,211	5,772	59,927	44,168	(2,417)	148,661

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

At the end of the reporting period, the Group has unused tax losses of approximately RMB30,457,000 (2023: RMB64,343,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB23,086,000 (2023: RMB52,768,000) of such losses. No deferred tax asset has been recognised in respect of the remaining approximately RMB7,371,000 (2023: RMB11,575,000) due to the unpredictability of future profit streams. The losses as at 31 December 2024 will expire in various years before 2029 (2023: before 2028).

25. REDEEMABLE SHARES WITH OTHER PREFERENTIAL RIGHTS

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

* English name is for identification purpose only.

The significant terms of the Agreements are as follows:

(i) Liquidation preferences

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

(ii) Anti-dilution provision

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

25. REDEEMABLE SHARES WITH OTHER PREFERENTIAL RIGHTS (Continued)

(iii) Redemption

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

- at any time on or after 1 January 2026;
- any breach of the Agreements by any subsidiaries of the Group, the Controlling Shareholders and/or any beneficial owner, or any misrepresentation or misconduct by any subsidiaries of Group, the Controlling Shareholders and/or any beneficial owner, which materially and adversely affects Pre-IPO Investors; or
- any subsidiary of the Group violates the applicable laws and regulations, causing significant obstacles to the qualified listing of the Company, or causing significant adverse effects or losses to the Pre-IPO Investors or the Group.

The redeemable shares with other preferential rights were designated as financial liabilities at FVTPL on initial recognition. The redeemable shares with other preferential rights were measured at fair value with any changes in fair value arising on remeasurement recognised in the profit or loss except for the portion attributable to credit risk change which were charged/ credited to other comprehensive income, if any. The directors of the Company considered that there was no credit risk change that drove the fair value change of the redeemable shares with other preferential rights for both years.

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

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

25. REDEEMABLE SHARES WITH OTHER PREFERENTIAL RIGHTS (Continued)

(iii) Redemption (Continued)

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

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

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

Upon successful IPO, certain redemption and other preferential rights granted to Pre-IPO Investors were terminated and all redeemable shares with other preferential rights were converted into ordinary shares. The fair value of the redeemable shares with other preferential rights were measured at the IPO issue price of HKD17.50 (equivalent to approximately RMB15.87) per share. As a result, all redeemable shares with other preferential rights were reclassified to share capital and share premium of the Company amounting to RMB7,348,000 and RMB1,158,873,000, respectively.

	Redeemable shares with other preferential rights RMB'000
At 1 January 2023	–
Issuance of the redeemable shares with other preferential rights	970,000
Dividend paid	(24,838)
Changes in fair value	75,838
At 31 December 2023	1,021,000
Changes in fair value	145,221
Conversion to equity	(1,166,221)
At 31 December 2024	–

26. LEASE LIABILITIES

	2024 RMB'000	2023 RMB'000
Lease liabilities payable:		
Within one year	40,743	40,948
Within a period of more than one year but not exceeding two years	31,523	21,006
Within a period of more than two years but not exceeding five years	33,243	21,570
	105,509	83,524
Less: Amount due for settlement within 12 months shown under current liabilities	(40,743)	(40,948)
Amount due for settlement after 12 months shown under non-current liabilities	64,766	42,576

The weighted average incremental borrowing rate applied to lease liabilities is 3.95% (2023: 5.70%).

The amount of lease liabilities payable to related parties is RMB22,548,000 as at 31 December 2024 (2023: RMB22,961,000), and the details of lease rental payments to related parties are set out in Note 34.

27. AMOUNTS DUE FROM RELATED PARTIES

	Relationship	As at 1 January 2023 RMB'000	As at 31 December 2023 RMB'000	2024 RMB'000	Maximum amount outstanding during the year ended 31 December 2023 RMB'000	2024 RMB'000
Non-trade in nature						
成都和錕瑞商業管理有限公司 (Chengdu Hekunrui Commercial Management Co., Ltd.*) ("Chengdu Hekunrui")	Controlled by one of the Controlling Shareholders	176	176	176	176	176
成都錕麟商業管理有限公司 (Chengdu Kunlin Commercial Management Co., Ltd.*) ("Chengdu Kunlin")	Controlled by one of the Controlling Shareholders	202	202	202	202	202
四川臻森商業管理有限公司 (Sichuan Zhensen Commercial Management Co.,Ltd.*) ("Sichuan Zhensen")	Controlled by one of the Controlling Shareholders	229	229	229	229	229
		607	607	607		

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

* English name is for identification purpose only.

28. SHARE-BASED PAYMENT TRANSACTIONS

On 27 June 2023, the Group has adopted the pre-IPO employee incentive scheme (the "Pre-IPO Employee Incentive Scheme") and established a limited partnership, Tongchuang Gongjin, as the pre-IPO employee incentive platform, with a view to improve the enthusiasm and creativity of the eligible participants of the Pre-IPO Employee Incentive Scheme (the "Eligible Participants"), promoting the sustainable growth of the performance of the Group, bringing value-added benefits to the Eligible Participants while enhancing the value of the Group, and thus realising the common development of both the Eligible Participants and the Group. Tongchuang Gongjin had, in turn, subscribed for 638,600 shares, representing approximately 0.4802% of the total issued shares (as at the date of the adoption of the Pre-IPO Employee Incentive Scheme), including the redeemable shares with other preferential rights.

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

The corresponding interests in Tongchuang Gongjin were granted to Eligible Participants on 10 August 2023 and all contribution payments have been paid in full. The Eligible Participants made aggregate contribution payments of RMB29,433,000 into the pre-IPO employee incentive platform, which in turn subscribed for 638,600 shares of the Company. The subscription price per each corresponding share underlying the awards granted, after Share Subdivision, would be RMB4.609 per share.

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

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

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

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

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

28. SHARE-BASED PAYMENT TRANSACTIONS (continued)

The table below discloses movement of the Pre-IPO Employee Incentive Scheme during the year:

	Number of shares
Granted on 10 August 2023	638,600
Adjusted for the Share Subdivision	5,747,400
Outstanding as at 31 December 2023 and 1 January 2024	6,386,000
Forfeited during the year	(911,000)
Outstanding as at 31 December 2024	5,475,000

The shares outstanding at 31 December 2024 had a weighted average remaining contractual life of 1.41 years (2023: 2 years after the date of IPO).

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

The directors determined the fair value of shares granted under the Pre-IPO Employee Incentive Scheme at grant date, based on the equity value of the Company which was derived by calibrating the result of the valuation of the transaction price of the Pre-IPO investments in June 2023. The fair value amounted to RMB37,147,000 of the aforesaid granted shares at grant date, after net of the cash consideration received, would be recognised as expense on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

28. SHARE-BASED PAYMENT TRANSACTIONS (continued)

The transaction price of the Pre-IPO investments in June 2023 were valued at fair value by the management of the Company with reference to an independent valuation.

The Group adopted Black-Scholes option pricing model to determine the fair value of the transaction price of the Pre-IPO investments subject to redemption and other preferential rights.

Key valuation assumptions used to determine the fair value of the transaction price of the Pre-IPO investments were as follows:

Volatility	40%
Dividend yield	0%
Possibility under successful IPO scenario	55%
Possibility under redemption scenario	45%
Time to expiration	2.42 years

During the year ended 31 December 2024, the Group recognised total corresponding equity-settled share-based expense of RMB12,826,000 (2023: Nil).

29. RETIREMENT BENEFIT PLANS

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

The total expense recognised in profit or loss of RMB33,395,000 (2023: RMB26,642,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

30. CAPITAL COMMITMENTS

	2024 RMB'000	2023 RMB'000
Capital expenditure in respect of:		
the acquisition of property, plant and equipment and intangible assets contracted for but not provided in the consolidated financial statements	21,999	12,237

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

	2024 RMB'000	2023 RMB'000
Commitments to investment in the joint venture	10,000	10,000

31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes lease liabilities (Note 26), redeemable shares with other preferential rights (Note 25) and dividend payable (Note 11), net of cash and cash equivalents and equity of the Group, comprising issued share capital, retained profits, other reserves and non-controlling interests.

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

32. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2024 RMB'000	2023 RMB'000
Financial assets		
Financial assets measured at FVTPL	388,465	1,391,562
Equity instruments at FVTOCI	466,978	–
At amortised cost		
Term deposits	–	230,000
Cash and cash equivalents	3,559,917	715,989
Amounts due from related parties	607	607
Trade and other receivables*	27,058	20,477
	3,587,582	967,073
	4,443,025	2,358,635
Financial liabilities		
At FVTPL		
Redeemable shares with other preferential rights	–	1,021,000
At amortised cost		
Trade and other payables**	549,800	639,034
Dividend payable	531,948	–
	1,081,748	639,034
	1,081,748	1,660,034

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

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

32. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies

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

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency bank balances which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets	
	2024	2023
	RMB'000	RMB'000
US dollars ("USD")	569,806	–

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

32. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) *Currency risk* (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies. 5% is the sensitivity rate used when foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary item and adjusts their translation at the end of the reporting period for a 5% (2023: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit where RMB strengthen 5% (2023: 5%) against the relevant currency. For a 5% (2023: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit and other comprehensive income and the amounts below would be negative.

	USD Impact	
	2024	2023
	RMB'000	RMB'000
Profit or loss	(21,374)	–

(ii) *Interest rate risk*

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

The Group is also exposed to fair value interest rate risk in relation to lease liabilities (see Note 26 for details) and the Group consider that the exposure of such interest rate risk arising from fixed rate lease liabilities is insignificant.

32. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Other price risk

The Group is exposed to equity price risk through its investment in equity securities measured at FVTOCI. In addition, the Group also invested in unlisted funds and ordinary shares with other preferential rights measured at FVTPL. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date.

If the prices of the respective equity instruments had been 5% (2023: Nil) higher/lower, the other comprehensive income would increase/decrease by RMB17,512,000 (2023: Nil) as a result of the changes in fair value of equity instruments at FVTOCI categorised within Level 1.

The management of the Group considers the sensitivity analyses on financial assets measured at FVTPL is insignificant. Details of valuation techniques and key inputs are set out in Note 32c.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables, deposits, amounts due from related parties, cash and cash equivalents and term deposits.

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

32. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

(i) Trade receivables arising from contracts with franchisees

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

The Group performs impairment assessment under ECL model on trade receivables with credit-impaired individually. The trade receivables that are not credit-impaired are grouped based on shared credit risk characteristics by reference to the aging of outstanding balances. For the year ended 31 December 2024 and 2023, the Group assessed the ECL are insignificant.

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

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

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

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

32. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk

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

	Weighted average interest rate	On demand or within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
As at 31 December 2024						
Non-interest bearing						
Trade and other payables	N/A	549,800	–	–	549,800	549,800
Dividend payables	N/A	531,948	–	–	531,948	531,948
		1,081,748	–	–	1,081,748	1,081,748
Interest bearing						
Lease liabilities	3.95%	45,692	35,329	36,241	117,262	105,509
		1,127,440	35,329	36,241	1,199,010	1,187,257
As at 31 December 2023						
Non-interest bearing						
Trade and other payables	N/A	639,034	–	–	639,034	639,034
Interest bearing						
Lease liabilities	5.70%	44,900	24,273	26,510	95,683	83,524
Redeemable shares with other preferential rights	8.00%	–	–	1,100,787	1,100,787	1,021,000
		44,900	24,273	1,127,297	1,196,470	1,104,524
		683,934	24,273	1,127,297	1,835,504	1,743,558

32. FINANCIAL INSTRUMENTS (continued)

c. Fair value

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

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

The fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 inputs are based on quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 inputs are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 inputs are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

32. FINANCIAL INSTRUMENTS (continued)

c. Fair value (Continued)

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at	Fair value hierarchy	Valuation techniques and key inputs
Ordinary shares with other preferential rights at FVTPL	31 December 2024: RMB217,000,000 31 December 2023: Nil	Level 3	Market approach Key inputs: equity value; probability of conversion, redemption and liquidation *(Note (i))*
Unlisted funds at FVTPL	31 December 2024: RMB171,465,000 31 December 2023: Nil	Level 2	Quoted value provided by fund managers
Wealth management products	31 December 2024: Nil 31 December 2023: RMB1,391,562,000	Level 2	Quoted value provided by financial institutions
Listed equity instruments at FVTOCI	31 December 2024: RMB466,978,000 31 December 2023: Nil	Level 1	Quoted prices in active market
Redeemable shares with other preferential rights	31 December 2024: Nil 31 December 2023: RMB1,021,000,000	Level 3	Black-Scholes option pricing model Key inputs: volatility, discount rate, dividend yield, weighted average discount for lack of marketability, probability of successful IPO and redemption and time to expiration *(Note (ii))*

32. FINANCIAL INSTRUMENTS (continued)

c. Fair value (Continued)

Note:

(i) The management of the Group considers the sensitivity analyses on unobservable inputs are insignificant.

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

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

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

Except as disclosed in Note 25, the reconciliation of Level 3 fair value measurements are set out below:

	Financial assets at FVTPL RMB'000
As at 1 January 2023 and 31 December 2023	–
Addition *(Note 19)*	210,000
Unrealised gains in profit or loss	7,000
As at 31 December 2024	217,000

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Dividend payable RMB'000	Lease liabilities RMB'000	(Deferred)/ accrued share issue costs RMB'000	Redeemable shares with other preferential rights RMB'000	Total RMB'000
At 1 January 2023	–	76,075	(1,427)	–	74,648
Financing cash flows	(949,496)	(48,912)	(1,488)	970,000	(29,896)
Non-cash changes					
Dividends declared *(Note 11)*	1,046,021	–	–	(24,838)	1,021,183
Set off arrangement *(Note 11)*	(96,525)	–	–	–	(96,525)
New leases entered *(Note 14)*	–	48,581	–	–	48,581
Modification of leases *(Note 14)*	–	4,088	–	–	4,088
Interest expenses *(Note 7)*	–	3,692	–	–	3,692
Deferred issue costs *(Note 17)*	–	–	3,907	–	3,907
Fair value adjustment	–	–	–	75,838	75,838
As at 31 December 2023	–	83,524	992	1,021,000	1,105,516
Financing cash flows	(13,200)	(60,133)	(65,272)	–	(138,605)
Non-cash changes					
Dividends declared *(Note 11)*	545,148	–	–	–	545,148
New leases entered *(Note 14)*	–	79,027	–	–	79,027
Terminated of leases *(Note 14)*		(672)			(672)
Modification of leases *(Note 14)*	–	(542)	–	–	(542)
Interest expenses *(Note 7)*	–	4,305	–	–	4,305
Issue costs incurred *(Note 17)*	–	–	64,280	–	64,280
Fair value adjustment	–	–	–	145,221	145,221
Conversion of redeemable shares	–	–	–	(1,166,221)	(1,166,221)
As at 31 December 2024	531,948	105,509	–	–	637,457

34. RELATED PARTY TRANSACTIONS

Apart from disclosure in Notes 26 and 27 to the consolidated financial statements, the Group entered into the following transactions with related parties during the years ended 31 December 2024 and 2023:

i Transactions with related parties

Name of related parties	Relationship	Nature of transactions	2024 RMB'000	2023 RMB'000
Chengdu Jinbosen	Ultimate holding company	Interest expenses on lease liabilities *(Note (v))*	131	127
Transaction with franchised shops owned and controlled by Mr. Wang Hongxue	Executive director and chief executive of the Company	Sale of goods and equipment	–	125
Mr. Wang Xiaokun and Ms. Liu Weihong	Controlling Shareholders	Interest expenses on lease liabilities *(Note(i))*	130	140
Chengdu Hekunrui	Controlled by one of the Controlling Shareholders	Interest expenses on lease liabilities *(Note (ii))*	348	305
Chengdu Kunlin	Companies controlled by one of the Controlling Shareholders	Interest expenses on lease liabilities *(Note (iii))*	375	329
Sichuan Zhensen	Companies controlled by one of the Controlling Shareholders	Interest expenses on lease liabilities *(Note (iv))*	293	25

* English name is for identification purpose only.

Notes:

(i) During the year ended 31 December 2022, the Group entered into a 4-year lease agreement for the use of offices with Ms. Liu Weihong and Mr. Wang Xiaokun, with right-of-use assets and lease liabilities both amounted to RMB2,905,000 being recognised at inception.

During the year ended 31 December 2023, the Group modified certain terms of the original lease agreement with Ms. Liu Weihong and Mr. Wang Xiaokun, into a 5-year lease agreement for the use of offices. The amounts of lease liabilities as at 31 December 2024 are RMB2,044,000 (2023: RMB4,198,000).

(ii) During the year ended 31 December 2023, the Group entered into a 5-year lease agreement for the use of office with Chengdu Hekunrui, with right-of-use assets and lease liabilities both amounted to RMB9,400,000 being recognised at inception. The amounts of lease liabilities as 31 December 2024 are RMB5,736,000 (2023: RMB7,667,000).

34. RELATED PARTY TRANSACTIONS (Continued)

i Transactions with related parties (Continued)

Notes: (Continued)

(iii) During the year ended 31 December 2023, the Group entered into a 5-year lease agreement for the use of office with Chengdu Kunlin, with right-of-use assets and lease liabilities both amounted to RMB10,142,000 being recognised at inception. The amount of lease liabilities as at 31 December 2024 are RMB5,905,000 (2023: RMB7,965,000).

(iv) During the year ended 31 December 2024, the Group entered into a 4-year lease agreement for the use of office with Sichuan Zhensen, with right-of-use assets and lease liabilities both amounted to RMB8,634,000 being recognised at inception. The amounts of lease liabilities as at 31 December 2024 are RMB6,792,000 (2023: Nil).

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

During the year ended 31 December 2023, the Group modified certain terms of the original lease agreement with Chengdu Jinbosen, into a 5-year lease agreement for the use of office. The amounts of lease liabilities as at 31 December 2024 are RMB2,071,000 (2023: RMB3,131,000).

ii Compensation of key management personnel

The remuneration of executive directors, supervisors and other members of key management of the Group during the year ended 31 December 2024 and 2023 were as follows:

	2024 RMB'000	2023 RMB'000
Salaries and allowances	16,261	12,861
Retirement benefit scheme contributions	878	835
Equity-settled share-based expense	8,542	–
	25,681	13,696

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

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

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Company 2024	2023	Principal activities
Directly owned					
四川蜀味茶韻供應鏈有限公司 (Sichuan Shuwei Tea Rhyme Supply Chain Co., Ltd.*) ^	PRC 12 January 2021	Registered capital and paid-up capital RMB50,000,000	100%	100%	Supply chain management
四川蜀信致遠企業管理諮詢有限公司(Sichuan Shuxin Zhiyuan Enterprise Management Consulting Co., Ltd.*) ^	PRC 14 January 2021	Registered capital and paid-up capital RMB10,000,000	100%	100%	Franchise management, marketing campaigns and operation
森冕新材料科技(成都)有限公司 (Senmian New Materials Technology (Chengdu) Co., Ltd.*) ^	PRC 6 May 2021	Registered capital and paid-up capital RMB20,000,000	67%	67%	Production of biodegradable straws and packaging
四川蜀信安和食品科技開發有限公司(Sichuan Shuxin Anhe Food Technology Development Co. Ltd.*)^	PRC 28 May 2021	Registered capital and paid-up capital RMB50,000,000	100%	100%	Development of manufacturing facilities
四川蜀信雲茶信息科技有限公司(Sichuan Shuxin Yuncha Information Technology Co., Ltd.*) ^	PRC 10 August 2021	Registered capital and paid-up capital RMB10,000,000	100%	100%	IT services and maintenance

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

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

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Company 2024	Equity interest attributable to the Company 2023	Principal activities
Directly owned					
成都市茶百道職業技能培訓學校有限公司 (Chengdu Chabaidao Skills Training Co., Ltd.*) ^	PRC 18 September 2021	Registered capital and paid-up capital RMB5,000,000	100%	100%	Provision of trainings franchisees
海南咖弗瑞實業有限公司 (Hainan Cafurui Industrial Co., Ltd*) ^	PRC 24 April 2023	Registered capital and paid-up capital RMB300,000,000	100%	100%	Investment holding
四川蜀信同源企業管理諮詢有限公司 (Sichuan Shuxin Tongyuan Enterprise Management Consulting Co., Ltd*) ^	PRC 19 October 2023	Registered capital RMB200,000,000/ paid-up capital RMB32,500,000	100%	100%	Investment holding
北京蜀信同源企業管理有限公司 (Beijing Shuxin Tongyuan Enterprise Management Co., Ltd*) ^	PRC 15 November 2023	Registered capital and paid-up capital RMB100,000,000	100%	100%	Investment holding

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

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

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Company 2024	2023	Principal activities
Indirectly owned					
四川茶擔當物流配送有限公司 (Sichuan Tea Logistics Distribution Co., Ltd*) ^	PRC 26 January 2021	Registered capital and paid-up capital RMB1,000,000	100%	100%	Provision for logistics and distribution service
海南咖弗瑞企業管理諮詢有限公司 (Hainan Cafurui Enterprise Management Consulting Co., Ltd*) ^	PRC 12 May 2023	Registered capital and paid-up capital RMB6,000,000	100%	100%	Investment holding
Shuxin Dongfang Hong Kong Limited	Hong Kong 21 June 2024	USD2,000,000	100%	N/A	Investment holding
FRESH TEA EVERYDAY PTE. LTD.	Singapore 21 October 2024	SGD10,000	100%	N/A	Investment holding
Fuzhou Qingkou^	PRC 17 January 2024	Registered capital and paid-up capital RMB20,000,000	67%	N/A	Production of raw materials
Chazhiyun (Hong Kong) Limited	Hong Kong 6 September 2024	HKD50,000	100%	N/A	Investment holding

* English name is for identification purpose only.

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

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

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

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

As at 31 December 2024, the Company has 28 (2023: 16) subsidiaries that are not material to the Group. Most of these entities operate either as investment holding entities, trading entities, or management service entities with insignificant financial contributions.

36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2024 RMB'000	2023 RMB'000
Non-current assets		
Property, plant and equipment	544	1,168
Right-of-use assets	3,959	4,317
Intangible assets	6,672	7,963
Investments in subsidiaries	2,098,721	409,900
Equity instruments at FVTOCI	184,994	–
Amounts due from subsidiaries	594,452	111,873
Deferred tax assets	59,930	10,092
	2,949,272	545,313
Current assets		
Other receivables, deposits and prepayments	15,208	10,113
Amounts due from related parties	88	88
Amounts due from subsidiaries	494,376	100,509
Financial assets at FVTPL	–	341,794
Cash and cash equivalents	1,657,634	683,332
	2,167,306	1,135,836
Current liabilities		
Trade and other payables	10,400	17,346
Income tax payables	1,984	–
Lease liabilities	1,837	1,033
Amounts due to subsidiaries	503,591	132,243
Dividend payable	531,948	–
	1,049,760	150,622
Net current assets	1,117,546	985,214
Total assets less current liabilities	4,066,818	1,530,527
Non-current liabilities		
Lease liabilities	2,137	3,164
Redeemable shares with other preferential rights	–	1,021,000
	2,137	1,024,164
Net assets	4,064,681	506,363
Capital and reserves		
Share capital	147,763	125,639
Reserves	3,916,918	380,724
Total Equity	4,064,681	506,363

36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

	Share premium RMB'000	Statutory reserves RMB'000	Shares issued for Pre-IPO Employee Incentive Scheme RMB'000	Other reserves RMB'000	Equity instrument at FVTOCI revaluation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2023	–	50,000	–	114,876	–	7,057	171,933
Profit and total comprehensive income for the year	–	–	–	–	–	1,201,180	1,201,180
Dividends recognised as distribution (Note 11)	–	–	–	–	–	(1,021,183)	(1,021,183)
Transfer to statutory reserves	–	16,494	–	–	–	(16,494)	–
Issuance of shares pursuant to the Pre-IPO Employee Incentive Scheme (as defined and detailed in Note 28)	–	–	(639)	29,433	–	–	28,794
At 31 December 2023	–	66,494	(639)	144,309	–	170,560	380,724
Profit for the year	–	–	–	–	–	814,148	814,148
Other comprehensive expense for the year	–	–	–	–	(179,780)	–	(179,780)
Total comprehensive (expense) income for the year	–	–	–	–	(179,780)	814,148	634,368
Recognition of share-based payment (Note 28)	–	–	–	12,826	–	–	12,826
Dividends recognised as distribution (Note 11)	–	–	–	–	–	(531,948)	(531,948)
Issue of new shares upon IPO (Note 23)	2,330,262	–	–	–	–	–	2,330,262
Transaction costs attributable to issue of new shares	(68,187)	–	–	–	–	–	(68,187)
Conversion of redeemable shares with other preferential rights into ordinary shares upon IPO (as defined and detailed in Note 23)	1,158,873	–	–	–	–	–	1,158,873
Transfer to statutory reserves	–	7,388	–	–	–	(7,388)	–
Forfeiture of Pre-IPO Employee Incentive Scheme (as defined and detailed in Note 28)	–	–	91	(91)	–	–	–
At 31 December 2024	3,420,948	73,882	(548)	157,044	(179,780)	445,372	3,916,918

37. EVENTS AFTER REPORTING PERIOD

The Group has no significant event took place subsequent to 31 December 2024 that needs to be disclosed.

茶百道

Sichuan Baicha Baidao Industrial Co., Ltd.

四川百茶百道實業股份有限公司