



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

2025 ANNUAL REPORT 年度報告



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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”	21 April 2026, being the latest practicable date for the purpose of ascertaining certain information contained in this 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 (王霄鋸), 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 (劉滄宏), 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 2025

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%, respectively
“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

Ms. Chan Ching Nga (*appointed on 27 March 2026*)

Mr. Chow Shing Lung (*resigned on 27 March 2026*)

Joint Company Secretaries

Mr. Xue Zenghui

Ms. Chan Ching Nga (*appointed on 27 March 2026*)

Mr. Chow Shing Lung (*resigned on 27 March 2026*)

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				
	2025	2024	2023	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	5,395,068	4,917,997	5,704,307	4,231,670	3,644,209
Gross profit	1,753,839	1,534,679	1,963,782	1,456,189	1,301,040
Profit before taxation	997,318	621,835	1,365,848	1,150,745	921,668
Income tax expense	(175,963)	(142,109)	(215,068)	(185,986)	(143,151)
Profit for the year	821,355	479,726	1,150,780	964,759	778,517
Profit attributable to owners of the Company	804,897	472,184	1,139,211	954,316	755,816
Basic earnings per share	0.547	0.336	0.981	0.954	0.762
Non-IFRS measure					
Adjusted net profit (non-IFRS measure)	833,337	644,970	1,257,553	966,801	899,585

	Year ended 31 December				
	2025	2024	2023	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	4,829,587	5,493,977	3,085,498	1,682,904	1,048,340
Total liabilities	810,763	1,560,284	2,238,852	1,020,288	747,315
Total equity	4,018,824	3,933,693	846,646	662,616	301,025
Cash and bank balances	3,071,435	3,559,917	945,989	226,031	128,138
Net off current assets	431.5%	265.2%	116.2%	132.2%	113.5%
Current assets	3,498,096	4,137,706	2,601,848	1,349,273	848,041

Chairman's Statement

Dear Shareholders,

In 2025, freshly-made tea drink industry has entered a phase of deep differentiation and structured adjust. Top-tier tea drink brands have successively entered the capital market, and product development capabilities, supply chain scale advantages, and brand recognition are further reshaping the competitive landscape of the freshly-made tea drink industry.

In 2025, the Group recorded total revenue of RMB5,395.1 million, representing an increase of 9.7% compared to the same period in 2024; a gross profit of RMB1,753.8 million, representing an increase of 14.3% compared to the same period in 2024; the adjusted net profit of the Group increased from RMB645.0 million in 2024 to RMB833.3 million in 2025, representing an increase of approximately 29.2%. The Group maintained a healthy working capital position, with the balance of cash and cash equivalents amounting to RMB3,071.4 million in 2025.

In 2025, we continued to adjust our store operation models, and store operations continued to improve. We persistently deepened our product capabilities: through big data insights into consumer demands and preferences, we established a user feedback loop, enabling consumers to directly participate in product iteration and launching multiple customized hit products; by iterating and upgrading existing popular classic products, we revitalized category vitality. We unwaveringly continued to strengthen our supply chain: we consistently increased investment in upstream raw material production areas, warehousing and logistics, and digital quality control. Through scaled and refined management, while ensuring product freshness and stability, we built a core barrier against market fluctuations. We actively embraced globalization opportunities: while intensively cultivating the domestic market, we are gradually accelerating our expansion in overseas markets; we will steadily explore overseas markets with Chinese tea culture and innovative product capabilities, striving to tell the story of China's new tea drinks in the broader international market.

Upholding our mission of "One Good Tea Drink, Making Happiness Simpler", we continuously dedicate better products to consumers. Attributed to our dedication to product offering, consumer service and franchisee empowerment, ChaPanda will strive to provide products and services to satisfy consumer needs, and cultivated franchisees with ongoing supporting measures, to achieve long-term mutual success.

Finally, on behalf of ChaPanda, I would like to express gratitude to all employees for their dedication in 2025, and to all consumers, franchisees, suppliers and partners for their support and trust in ChaPanda. In 2026, we will continue to uphold our mission by dedicating more and better products to consumers, creating value for society as always, and consistently generating value for all our shareholders.

Sichuan Baicha Baidao Industrial Co., Ltd.

Mr. Wang Xiaokun

Executive Director and Chairman of the Board

27 March 2026

Management Discussion and Analysis

Business Review

In 2025, the Group recorded revenue of RMB5,395.1 million, representing an increase of 9.7% as compared with the corresponding period last year. Our revenue from our sale of goods and equipment increased by 10.1% as compared with the corresponding period last year. Revenue from royalty and franchising decreased by 10.2% as compared with the corresponding period last year. Other revenue increased by 58.3% 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:

	2025		Year ended 31 December 2024		Change	
	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)					
Sale of goods and equipment ⁽¹⁾	5,120,753	94.9	4,652,382	94.6	468,371	10.1
Royalty and franchising ⁽²⁾	191,651	3.6	213,404	4.3	(21,753)	(10.2)
Others ⁽³⁾	82,664	1.5	52,211	1.1	30,453	58.3
Total	<u>5,395,068</u>	<u>100</u>	<u>4,917,997</u>	<u>100</u>	<u>477,071</u>	<u>9.7</u>

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.

During the Reporting Period, the Group continued to advance product development and innovation and the expansion of multiple product categories. Coupled with the optimization of store network quality, this drove an increase in user stickiness and transaction frequency, achieving growth in per-store sales and a steady expansion of the store network. Meanwhile, the Group further promoted the optimization of its supply chain system and store management support, continuously improving its operations and support mechanisms to solidify the foundation for the long-term deepening and expansion of its store network.

Management Discussion and Analysis

Store Network

Our ChaPanda store network in China comprises stores strategically dispersed across different tiers of cities. While continuously consolidating its market foundation in first-tier and new first-tier cities, enhancing brand awareness, and staying attuned to market trends, the Group regards lower-tier cities as important areas for store network expansion and consumption growth, continuously deepening penetration and expanding coverage. This arrangement helps us more effectively reach a broad customer base with long-term consumption potential and establish stable brand recognition across different city tiers, laying the foundation for the long-term development of our store network.

The following table sets forth a breakdown of the Group's store coverage by city tier in China as of 31 December 2025:

	As of 31 December			
	2025		2024	
	Number of stores	%	Number of stores	%
First-tier cities	779	9.0	790	9.4
New first-tier cities	2,163	25.1	2,141	25.5
Second-tier cities	1,701	19.7	1,696	20.2
Third-tier cities	1,682	19.5	1,623	19.3
Fourth-tier and below cities	2,296	26.7	2,145	25.6
Total	8,621	100.0	8,395	100.0

During the Reporting Period, we continued to optimize the operational quality of our store terminals. The number of our stores in China steadily increased from 8,395 as of 31 December 2024 to 8,621 as of 31 December 2025, representing a year-on-year increase of 2.7%. Among them, the store layout in lower-tier cities was further deepened, with the number of stores in fourth-tier and below cities increasing to 2,296, a 7.0% increase from 2,145 as of 31 December 2024.

We strategically maintained a limited number of self-operated stores in core cities to create an immersive consumer experience, serving as a platform for brand image presentation and innovative scenarios. As of 31 December 2025, we had thirteen self-operated stores, among which the Chengdu flagship store located in Kuanzhai Alley, which opened in May 2025, undertook spatial design incorporating local cultural characteristics and incorporated elements of handmade tea beverages experiences with scene presentation, and interacting with cultural tourism consumption scenarios, further enhancing the brand's cultural connotation and consumer experience.

We regard overseas businesses as a significant component of our long-term development, continuously advancing the store network expansion and refining the relevant operating systems in overseas market with consumption potential and brand suitability. As of 31 December 2025, the Group had a total of 38 overseas stores, with 18 stores in South Korea, 5 stores in Malaysia, 3 stores in Singapore, 3 stores in Thailand, 2 stores in Australia, 1 store in Hong Kong, China, 2 stores in Macau, China, 2 stores in France, 1 store in Spain, and 1 store in the United States. While advancing store expansion, the Group simultaneously improves supply chain support, localized product development, and brand promotion systems in overseas markets, continuously enhancing the operational alignment and implementation capabilities of its overseas business, laying the foundation for long-term development in international markets.

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.

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

	Number of franchisees Year ended 31 December	
	2025	2024
At the beginning of the period	5,742	5,538
Enrolled during the period	1,399	1,348
Terminated during the period	(1,218)⁽¹⁾	(1,144)
At the end of the period	5,923	5,742

Management Discussion and Analysis

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

	Number of franchised stores	
	Year ended 31 December	
	2025	2024
At the beginning of the period	8,382	7,795
Enrolled during the period	1,159	1,477
Terminated during the period	(933)⁽²⁾	(890)
At the end of the period	8,608	8,382

Notes:

- (1) The 1,218 franchisees with whom the collaboration was terminated as of 31 December 2025 include (i) 735 franchisees who departed through transfer of stores to other franchisees; (ii) 460 franchisees who terminated collaboration with us for their own reasons or did not renew collaboration with us upon agreement expiration; and (iii) 23 franchisees with whom the collaboration was terminated by us.
- (2) The number of franchisees with whom the collaboration was terminated as of 31 December 2025 is greater than the number of closed franchised stores during the same period, primarily because that for 735 franchisees with whom the collaboration was terminated as of 31 December 2025, their stores were taken up by other franchisees for continuous operation. With respect to the 933 closed franchised stores as of 31 December 2025, there were 467 closed franchised stores for which we also terminated relationships with the relevant franchisees, and there were 466 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 is centered around freshly-made tea drink, including 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.

The Group always maintains strict control over the quality of raw materials. While preserving heritage flavors, it balances product stability with product innovation, continuously deepening its understanding of consumer demands. During the Reporting Period, the Group launched 117 new tea beverage products for the domestic market, completed the upgrade and iteration of 25 products, and added 520 new product formulas to its library. During the period, the Group further focused on consumer demands and market trends, continuously expanding the product categories available in stores, such as launching the series represented by the Solid Mango Pomelo Sago (楊枝甘露) product. Simultaneously, during the Reporting Period, the Group initiated a freshly brewed coffee beverage business in some stores and launched 17 new coffee products for the domestic market, continuously advancing store coverage and product optimization in this area.

Supply Chain Management

During the Reporting Period, the Group continuously optimized the operation of its supply chain system, enhancing overall operational efficiency and optimizing the cost structure by focusing on core areas such as raw material procurement, warehousing and distribution coordination, and delivery management. As of 31 December 2025, the Group had established a total of 26 warehousing and distribution centers nationwide, with the addition of the Qingdao Warehousing and Distribution Center. This not only improved distribution coverage in the East China region but also further optimized the regional warehousing and distribution layout and resource allocation efficiency.

The warehouse and distribution hubs in each region are responsible for serving the surrounding stores within an average distribution radius of 500 kilometers. Approximately 93.7% of stores can receive next day delivery after placing an order and approximately 94.3% of stores can receive delivery services twice or more times a week. The Group has also implemented overnight delivery routes service in Beijing, Shanghai, Chengdu and Chongqing, etc., covering over 500 stores, further enhancing the utilization efficiency of warehousing and distribution resources. Through a multi-temperature warehousing and distribution system and a regionalized layout, the Group continuously improves delivery efficiency and operational stability, ensuring the freshness and quality consistency of raw materials in stores.

As of 31 December 2025, the Group has achieved the store coverage of 80.4% for the centralized delivery of fruits to ChaPanda stores. By expanding origin procurement, and leveraging a coordinated model of trunk line transportation, urban distribution and express delivery, the Group continues to optimize the fruit supply chain. We have established a full-chain, high-frequency and cold-chain supply network, enabling efficient supply and rapid turnover of delicate fruits such as cherries, mulberries, bayberries and litchis from the production areas to the stores.

In terms of upstream raw materials layout, the Group's production base for whole leaf tea in Fuzhou, Fujian Province, and the production base for packaging materials in Chengdu, Sichuan Province, continued to carry out technological upgrading for production equipment, further improving the quality of raw materials, ensuring stable supply of tea leaves and packaging materials, and guaranteeing the quality of beverages in 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.

Management Discussion and Analysis

Branding and Marketing

The Group advances brand building with a product-centric approach, focusing on consumers' attention to product quality, taste performance, and consumption experience. It continuously improves the interaction mechanism between the brand and users, and enhances user stickiness through membership loyalty programs and incentivized referrals mechanisms, thereby optimizing the member experience and consolidating our core consumer base. As of 31 December 2025, the Group's registered members exceeded 182.7 million, with active members reaching 56.3 million.

During the Reporting Period, the Group leveraged key occasions such as new product launches, based on different consumption scenarios and user needs, to employ digital marketing and cross-industry collaborations. These efforts continuously enriched user interaction formats and brand touchpoints, driving the synergistic enhancement of product experience and brand recognition.

As of 31 December 2025, "ChaPanda" brand-related major topics were read/played 24.4 billion times on mainstream social media and public information platforms, such as Weibo, Douyin, Red Note, Kuaishou, etc., and 1.8 billion times via official matrix media on self-media platforms; and we received over 1.86 billion exposures through advertising and other means. Brand visibility and user interaction remained consistently active.

Digitalization

The Group continues to deepen its digital and intelligent marketing efforts, perfecting its omnichannel ecosystem layout. Focusing on platforms such as WeChat, Douyin, and Alipay, the Group strengthened the integration of platform capabilities and expanded transaction scenarios. This has optimized the online transaction experience and enhanced the ability to bridge public and private domain traffic. The membership marketing system was continuously optimized, and user tags were further enriched, providing data support for precision marketing. The Group persistently refined its user-friendly marketing tools, launching nine innovative interactive features and membership services for consumers. While continuing to provide marketing support to the headquarters, the Group enhanced the autonomous marketing capabilities of regional branches and stores by establishing regional marketing workstations and in-store marketing tool system.

Focusing on improving store operation quality and efficiency, the Group continuously introduced artificial intelligence technologies and integrated third-party capabilities. By enhancing the data service capabilities of our site selection system, the Group optimized the investment attraction system, providing richer customer profiling tags and data tools for store evaluations. With the store as the core operational priority, the Group provided operational management with tools including store profitability models, store evaluations and store health management systems, thereby enhancing the effectiveness of supervision and store management. Building on this foundation, the Group improved supervisory efficiency through an AI-driven automated inspection function. Simultaneously, the intelligent replenishment and smart preparation systems have been implemented in over 8,000 stores, mitigating the risk of stock-outs and reducing wastage, thereby further elevating the level of refined store operations.

OUTLOOK

In 2026, the Group will continue to advance its initiatives in line with its overall development strategy. With products serving as the core foundation of our business operations, we will persistently strengthen our product research and development capabilities, enrich our category matrix and consumption scenario coverage, and deepen interaction and connection with consumers. This will further enhance product appeal and brand competitiveness, drive steady improvement in store operating performance, and expand our store network. We aim to further penetrate the domestic market while prudently expanding into overseas markets, taking into account the characteristics of each regional market. In supporting store development, the Group will continuously enhance supply chain coordination and delivery capabilities, optimize procurement and logistics efficiency, and strengthen the support provided by our digital and operational systems. This will ensure stable, long-term support for store operations and network expansion. Facing changes in the competitive landscape and market uncertainties, the Group will proactively seize structural growth opportunities, continuously strengthen cost control and risk management, improve resource allocation efficiency and operational resilience, and prudently address various challenges to promote sustainable business development.

FINANCE REVIEW

Revenue and gross profit

During the Reporting Period, the Group recorded revenue of RMB5,395.1 million, representing an increase of 9.7% as compared to RMB4,918.0 million for the same period of last year; gross profit of RMB1,753.8 million, representing an increase of 14.3% as compared to RMB1,534.7 million for the same period of last year. During the Reporting Period, the Group's gross profit margin increased by 1.3 percentage points to 32.5% from 31.2% for the same period of last year, which was mainly attributable to the Group's enhanced cost control and improved warehouse logistics management.

Other income

During the Reporting Period, the Group's other income amounted to RMB97.1 million, representing a decrease of 20.0% as compared to RMB121.4 million for the same period of last year, mainly due to the reduction in government grants and bank interest income.

Gain on fair value change of financial assets at FVTPL

During the Reporting Period, the Group's gain on fair value change of financial assets at FVTPL amounted to RMB69.3 million, representing an increase of 98.6% from RMB34.9 million in the corresponding period of last year, primarily attributable to the increase in income from wealth management products subscribed by the Group during the Reporting Period.

Distribution and selling expenses

During the Reporting Period, the Group's distribution and selling expenses amounted to RMB365.4 million, representing a decrease of 7.5% as compared to RMB395.1 million for the same period of last year, mainly due to the optimisation of our expense control and management.

Management Discussion and Analysis

Administrative expenses

During the Reporting Period, the Group's administrative expenses amounted to RMB482.1 million, representing a decrease of 5.5% as compared to RMB510.2 million for the same period of last year, mainly due to the optimisation of our expense control and management.

Research and development expenses

During the Reporting Period, the Group's research and development expenses amounted to RMB31.6 million, representing a decrease of 6.5% as compared to RMB33.8 million for the same period of last year, mainly due to the optimisation of our expense control and management.

Other expenses

During the Reporting Period, the Group's other expenses amounted to RMB8.6 million, representing an increase of 168.8% as compared to RMB3.2 million for the same period of last year, mainly due to the donations to social welfare organizations.

Finance costs

During the Reporting Period, the Group's finance costs amounted to RMB3.6 million, representing a decrease of 16.3% as compared to RMB4.3 million for the same period of last year, mainly due to the reduction in the balance of lease liabilities, leading to a corresponding decline in capital occupation costs.

Income tax expense

During the Reporting Period, the Group's income tax expense amounted to RMB176.0 million, representing an increase of 23.9% as compared to RMB142.1 million for the same period of last year, mainly due to an increase in taxable income.

Profit for the year

As a result of the aforementioned changes, the Group's profit for the Reporting Period increased by 71.2% from RMB479.7 million in the same period of last year to RMB821.4 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	
	2025	2024
	RMB'000	RMB'000
Profit for the year	821,355	479,726
Add:		
Income tax expense	175,963	142,109
Depreciation and amortization	101,649	89,472
Finance costs	3,635	4,305
Interest income	(34,938)	(43,852)
	<hr/>	<hr/>
EBITDA (non-IFRS measure)	1,067,664	671,760
Add:		
Listing expenses charged in profit or loss ⁽¹⁾	–	7,197
Equity-settled share-based payment expenses ⁽²⁾	11,982	12,826
Loss on fair value change of redeemable shares with other preferential rights ⁽³⁾	–	145,221
	<hr/>	<hr/>
Adjusted EBITDA (non-IFRS measure)	1,079,646	837,004
	<hr/>	<hr/>
Adjusted EBITDA margin (non-IFRS measure)	20.0%	17.0%
	<hr/>	<hr/>
Profit for the year	821,355	479,726
Add:		
Listing expenses charged in profit or loss ⁽¹⁾	–	7,197
Equity-settled share-based payment expenses ⁽²⁾	11,982	12,826
Loss on fair value change of redeemable shares with other preferential rights ⁽³⁾	–	145,221
	<hr/>	<hr/>
Adjusted net profit (non-IFRS measure)	833,337	644,970
	<hr/>	<hr/>
Adjusted net profit margin (non-IFRS measure)	15.4%	13.1%
	<hr/>	<hr/>

Management Discussion and Analysis

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 2025, the total balance of cash and cash equivalents of the Group was RMB3,071.4 million, representing a decrease of 13.7% as compared to RMB3,559.9 million as at 31 December 2024, mainly due to the payment of dividends to shareholders.

Inventories

As at 31 December 2025, the Group's total inventories was RMB223.3 million, representing an increase of 8.0% as compared to RMB206.8 million as at 31 December 2024. Inventories turnover days decreased from 22.1 days as of 31 December 2024 to 21.9 days as of 31 December 2025, which was basically flat.

Trade and other receivables, deposits and prepayments

The Group's trade and other receivables, deposits and prepayments decreased from RMB198.9 million as of 31 December 2024 to RMB174.1 million as of 31 December 2025. Trade receivables turnover days increased from 0.6 days as of 31 December 2024 to 1.9 days as of 31 December 2025, which was because the increase in installment payments for equipment.

Trade and other payables

The Group's trade and other payables decreased from RMB674.5 million as of 31 December 2024 to RMB551.6 million as of 31 December 2025. Trade payables turnover days decreased from 35.1 days as of 31 December 2024 to 27.7 days as of 31 December 2025, due to a reduction in payables for goods purchases from suppliers.

Bank borrowings

As of 31 December 2025, the Group did not have any bank borrowings.

Contract liabilities

The Group's contract liabilities decreased from RMB219.3 million as of 31 December 2024 to RMB135.9 million as of 31 December 2025, mainly due to the Group's enhanced support for franchisees through the introduction of an installment collection policy, which resulted in a reduction in advance payments received from franchisees.

Lease liabilities

The Group's lease liabilities decreased from RMB105.5 million as of 31 December 2024 to RMB81.0 million as of 31 December 2025, mainly due to the duly performance of lease payment obligations arising from the Company's ordinary course of operations.

Property, plant and equipment

The Group's carrying amounts of property, plant and equipment decreased from RMB216.5 million as of 31 December 2024 to RMB210.4 million as of 31 December 2025, 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 2024 and 31 December 2025, the Group's cash and cash equivalents amounted to RMB3,559.9 million and RMB3,071.4 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 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 2025, the Group had no significant contingent liabilities.

Capital commitments

As at 31 December 2025, the Group's capital commitments amounted to approximately RMB10.8 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.

Pledge of assets

As at 31 December 2025, no assets of the Group were pledged by the Group.

Management Discussion and Analysis

Gearing ratio

As of 31 December 2025, 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 2025, 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 2025), 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 2025, the Group had 2,096 employees, and the total employee benefit expenses (including Directors' remuneration) during the Reporting Period was RMB469.4 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.

Pre-IPO Employee Incentive Scheme

The Pre-IPO Employee Incentive Scheme was adopted by the Company and became effective on 27 June 2023. The Pre-IPO Employee Incentive Scheme does not involve the grant of new shares or awards or the issue of new shares by the Company after the Listing. Accordingly, the number of shares issuable in respect of awards to be granted under all schemes of the Company during the Reporting Period divided by the weighted average number of relevant class of issued shares (excluding treasury shares) during the Reporting Period is not applicable to the Company.

Pursuant to the Pre-IPO Employee Incentive Scheme, Eligible Participants were granted partnership interests in Tongchuang Gongjin, the employee incentive platform of the Company. The participants have made a total capital contribution of RMB29,433,074 to Tongchuang Gongjin. Tongchuang Gongjin has subscribed for 6,386,000 Shares (being the total number of shares under the Pre-IPO Employee Incentive Scheme), representing approximately 0.43% of the total number of issued Shares (excluding treasury shares) of the Company as at the date of this annual report. As limited partners of Tongchuang Gongjin, the participants are required to subscribe for their partnership interests in accordance with the quotas approved by the Board and make capital contributions accordingly as arranged by the Board, thereby holding interests in the Shares indirectly.

Purpose

The purpose of the Pre-IPO Employee Incentive Scheme is to improve the enthusiasm and creativity of the Eligible Participants, promote the sustainable growth of the performance of the Group, bring value-added benefits to the Eligible Participants while enhancing the value of the Group, and thus realize the common development of both the Eligible Participants and the Group.

Eligible Participants

Persons eligible to participate in the Pre-IPO Employee Incentive Scheme are the employees of our Group who have made contribution to the development of the Group. The Board shall make decisions on the list of participants and the allocation of the Awards after considering, among other things, the employees' years of service, on-boarding terms, annual performance, job nature, seniority, and recognition with the Group's corporate identity.

Maximum Entitlement of Each Participant

Under the Pre-IPO Employee Incentive Scheme, there is no cap on the awards that may be granted to each participant thereunder. The maximum award actually granted to a single participant under the Pre-IPO Employee Incentive Scheme is equivalent to 1,454,000 Shares, representing approximately 0.10% of the total issued Shares (excluding treasury shares) of the Company as at the date of this annual report.

Management Discussion and Analysis

Vesting Period

The Awards shall subject to transfer restrictions and such restrictions shall be released in the following manner:

- 30% of the total number of Awards 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 Awards 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 Awards 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

(together, the “**Time-Based Release Schedule**”).

In addition to the Time-Based Release Schedule sets forth above, the release of the Awards shall be further subject to the achievement of the certain performance targets of the Company and participants respectively (individually and collectively, the “**Performance Target(s)**”). The remuneration committee of the Board shall review and determine the fulfillment of the Performance Target(s), and report to the Board accordingly.

Subscription Price of the Granted Shares and the Basis for Its Determination

The participants have made a total capital contribution of RMB29,433,074 to Tongchuang Gongjin, and Tongchuang Gongjin has subscribed for 6,386,000 Shares. The subscription price per Share in respect of the granted awards is RMB4.609, which was determined by reference to the financing valuation before our listing. Participants must subscribe for the partnership interests in cash and shall ensure that their funding sources are genuine and legal. All capital contributions subscribed have been paid in full and in a timely manner on 8 August 2023.

The Term of the Pre-IPO Employee Incentive Scheme

The Pre-IPO Employee Incentive Scheme shall take effective from the date of being approved at the Shareholders’ general meeting, and terminate upon the occurrence of the following events: change of control of the Company; merger and demerger of the Company; or issuance of an adverse opinion or failure to deliver an opinion on the financial report of the Company’s most recent fiscal year by a certified public accountant. The Pre-IPO Employee Incentive Scheme does not have a validity period or remaining validity period as required under Chapter 17 of the Listing Rules.

Management Discussion and Analysis

Details of the awards granted under the Pre-IPO Employee Incentive Scheme are set out below:

Name	Position	Approximate partnership interests in Tongchuang Gongjin as of 31 December 2025	Approximate number of Shares corresponding to awards held by Tongchuang Gongjin	Approximate percentage of the total number of issued Shares (excluding treasury shares) of the Company as at the Latest Practicable Date
Director				
Mr. Wang Xiaokun	Chairman of the Board and executive Director	2.72%	174,000	0.01%
Supervisors				
Mr. Zhu Mingxing	Supervisor	22.77%	1,454,000	0.10%
Mr. Zhang Yu	Supervisor	1.02%	65,000	0.004%
Senior Management				
Dr. Zhang Rui	Deputy general manager (digitalization center)	16.99%	1,085,000	0.07%
Mr. Zhou Dapeng ⁽¹⁾	Financial director	1.36%	87,000	0.01%
Ms. Yi Rui	Deputy general manager (brand marketing center)	6.80%	434,000	0.03%
Other employee participants				
Other 20 employees ⁽²⁾	–	48.34%	3,087,000	0.21%
Total	–	100%	6,386,000	0.43%

The awards corresponding to the relevant Shares mentioned above were granted to Eligible Participants on 10 August 2023. All granted awards had fully vested prior to the Listing Date (23 April 2024). All partnership interests in Tongchuang Gongjin had been subscribed for and fully paid up by the participants, and the relevant registration procedures had been completed. In August 2025, the first phase of the release of transfer restrictions was completed, involving an aggregate of 1,153,400 shares subject to the release.

As all awards granted had been vested prior to the Listing Date, during the Reporting Period, the Company did not grant any awards under the Pre-IPO Employee Incentive Scheme, and no awards were vested, cancelled or lapsed.

To the best knowledge of the Directors, save as disclosed above, none of the participants is (i) a Director, supervisor, chief executive or substantial shareholder, or an associate of any of them; (ii) a participant who has been granted awards exceeding the individual limit of 1% under the Listing Rules; or (iii) an associate entity participant or service provider. The Company has not provided any financial assistance to participants in connection with the Pre-IPO Employee Incentive Scheme.

Notes:

- (1) He has resigned in August 2024.
- (2) Three of the employees resigned in June 2024.

Biographical Details of Directors, Supervisors and Senior Management

Directors

Executive Directors

Mr. Wang Xiaokun (王霄鋸), aged 43, 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 34, 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 39, 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 (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.

Biographical Details of Directors, Supervisors and Senior Management

Mr. Chen Keyuan (陳克遠), aged 49, 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 43, 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 director of Wilderness (Beijing) Private Equity Fund Management Co., Ltd. (曠野(北京)私募基金管理有限公司) since May 2025. 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, from November 2009 to April 2025, 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. In addition, 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 56, 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 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 49, 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

Biographical Details of Directors, Supervisors and Senior Management

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 65, 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 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; 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; and Beijing Jingneng Thermal Co., Ltd. (北京京能熱力股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002893) since March 2025. 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 45, 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 44, 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 (錦江區茉啡之心烘焙店) 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 31, 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 47, 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. Yu Jianbo (余建波), aged 38, joined our Group in January 2026 and was appointed as the financial controller of our Company in March 2026. He served as the chief financial officer of Chengdu Yupao Technology Co., Ltd. (成都魚泡科技有限公司) from October 2023 to January 2026. He served as the financial controller of Chengdu Mengxiang Technology Co., Ltd. (成都萌想科技有限責任公司) from April 2021 to October 2023. He served as the financial manager of Beijing Didi Infinity Technology and Development Co., Ltd. (北京滴滴無限科技發展有限公司) from August 2018 to April 2021. He served as the financial controller of Chengdu Zhengheng Power Co., Ltd. (成都正恆動力股份有限公司) from August 2017 to August 2018. He served as an audit manager in KPMG Huazhen LLP Chengdu branch from September 2011 to August 2017. Mr. Yu obtained a bachelor’s degree in finance from Tongji University in July 2011 and obtained the Certified Public Accountant certificate of China in July 2013.

Biographical Details of Directors, Supervisors and Senior Management

Ms. Yi Rui (易瑞), aged 35, 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 46, 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 36, 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 2025 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 year ended December 31, 2025.

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. For the year ended 31 December 2025, 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 2025 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 (including the relationship between the chairman of the Board and the general manager).

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 the Company.

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. For the year ended 31 December 2025, 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.
- For the year ended 31 December 2025, 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. Based on these confirmations and the relevant information available to the Company, the Company is of the view that all independent non-executive Directors are independent.

Continuous Professional Development for Directors

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	✓	✓

Corporate Governance Report

Board Meetings, Board Committee Meetings and Shareholders' General Meetings

During the Reporting Period, 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	Shareholders' General Meetings
Executive Directors					
Wang Xiaokun	5/5	N/A	2/2	1/1	2/2
Wang Hongxue	5/5	N/A	N/A	N/A	2/2
Dai Li	5/5	N/A	N/A	N/A	2/2
Chen Keyuan	5/5	N/A	N/A	N/A	2/2
Non-executive Director					
Chen Da	5/5	3/3	N/A	N/A	2/2
Independent Non-executive Directors					
Yeung Chi Tat	5/5	3/3	N/A	N/A	2/2
Cheng Li	5/5	3/3	2/2	1/1	2/2
Tang Yong	5/5	N/A	2/2	1/1	2/2

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 Reporting Period, the Audit Committee held three meetings to discuss and review the following matters: Review of the Audit Report Issued by the External Auditors on the Audited Consolidated Financial Statements for the Year Ended 31 December 2024; Review of the Group's Internal Control Report for 2024; Review of the Draft Audited Consolidated Financial Statements, Draft Annual Results Announcement, Draft Annual Report, and Draft Management Representation Letter for the Year Ended 31 December 2024; Review of the Proposal on the Reappointment of the Auditors for 2025; Review of the Proposal to Establish A Risk Management Working Group and the "Rules of Procedure for the Risk Management Working Group"; Review of the Interim Results Review Report of the Group for the Six Months Ended 30 June 2025; Review of the Review Report Issued by the External Auditors on the Unaudited Consolidated Financial Statements for the Six Months Ended 30 June 2025; Review of the Draft Unaudited Consolidated Financial Statements, Draft Interim Results Announcement, Draft Interim Report, and Draft Management Representation Letter for the Six Months Ended 30 June 2025; Receiving the Interim Work Report on Internal Control for 2025; Receiving the Interim Work Report on Risk Management for 2025; Review of the Audit Plan of the External Auditor for the Year Ended 31 December 2025; Review of the Internal Control Inspection Plan for the Year Ended 31 December 2025; Review of the Risk Management Assessment Plan for the Year Ended 31 December 2025.

Corporate Governance Report

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;
- making recommendations to the Board on the remuneration packages of individual executive Directors and senior management;
- 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 Reporting Period, the Remuneration Committee held two meetings to discuss and review the following matters: Resolution on the Execution of Remuneration for Directors and Senior Management for 2024; Resolution on the Implementation of Performance Appraisals for Directors and Senior Management for 2024; Resolution on the Unlocking of the First Tranche of the 2023 Equity Incentive.

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 Reporting Period, the Nomination Committee held one meeting to discuss and review the following matters: Resolution on the Review of the Board Composition for 2024; Resolution on the Assessment of the Independence of Independent Non-executive Directors for 2024.

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 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.

Corporate Governance Report

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 34 years old to 65 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 shareholders’ 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. 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.

The Nomination Committee considered that the composition of the Board during the Reporting Period complied with the requirements of the Board Diversity Policy and the provisions of the Listing Rules regarding Board diversity. As the Board currently has two female members, its composition meets the Listing Rules requirements concerning gender diversity of Board members and is also consistent with the Company’s Board Diversity Policy. The Company recognizes the importance and benefits of gender diversity among Board members, and its Board Diversity Policy ensures that the Board will have potential successors to maintain the existing gender diversity of the Board.

Employee Diversity

As of 31 December 2025, the ratio of male employees to female employees (including senior management) among the employees of the Company was 49.5% and 50.5% respectively. The Company fully respects the individual differences of talents, creates a professional, inclusive and diverse working environment in the workplace, and is committed to providing equal opportunities for employees. The Company believes that the current gender ratio of employees (including senior management) is relatively balanced, and therefore has not set any measurable targets for gender diversity among employees. The Company expects to continue to maintain a reasonable level of gender diversity at the employee (including senior management) level.

Compliance with the Model Code

The Company has adopted the Model Code as the code of conduct for securities transactions by Directors and Supervisors. 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 during 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 2025. The statement of the independent auditor of the Company about its 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 2025 is set out below:

Provided Service	Remuneration paid/ payable (RMB'000)
Audit services	1,260
Non-audit services	2,038

Non-audit services including: (1) interim review for the period ended 30 June 2025; (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. The Company will not normally deal with verbal or anonymous enquiries.

Corporate Governance Report

Contact Details

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

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 10 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 5 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 ten 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 5 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 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 10 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 2 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 Reporting Period, 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, the Company did not make any amendments to the Articles of Association.

Corporate Governance Report

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 ISO31000:2018 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 2025, 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 2025. 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. During the Reporting Period, the Group did not make any significant changes to its risk management and internal control systems.

1. Business risks

The Group’s 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.

Corporate Governance Report

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 certain 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 Sunshine 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.

Corporate Governance Report

Joint Company Secretaries

Mr. Xue Zenghui (薛曾輝) has been appointed as a joint company secretary of the Company (the “**Joint Company Secretary**”). He has been serving as the securities affairs manager of the Company since November 2021 and was appointed as a Joint Company Secretary in August 2023. For the biographical details of Mr. Xue Zenghui, please refer to the section headed “Biographical Details of Directors, Supervisors and Senior Management” of this annual report.

Mr. Lee Chung Shing (李忠成) was appointed as the Joint Company Secretary in August 2023 and resigned as the Joint Company Secretary with effect from 23 September 2025. Following his resignation, Mr. Chow Shing Lung (鄒醒龍) was appointed as the Joint Company Secretary on 23 September 2025 and resigned as the Joint Company Secretary with effect from 27 March 2026. Ms. Chan Ching Nga (陳靜雅) was appointed as the Joint Company Secretary in replacement of Mr. Chow Shing Lung with effect from 27 March 2026. Please refer to the Company’s announcements dated 23 September 2025 and 27 March 2026, respectively, for further details.

Ms. Chan Ching Nga has over 20 years of experience in the company secretarial and corporate governance fields. She is currently a senior manager of Entity Solutions of Computershare Hong Kong Investor Services Limited. She obtained a master’s degree in corporate governance from The Hong Kong Polytechnic University in October 2012. Ms. Chan is a member of The Hong Kong Chartered Governance Institute and a member of The Chartered Governance Institute in the United Kingdom.

During the Reporting Period and up to the date of this annual report, Mr. Xue Zenghui was the primary contact person for Mr. Lee Chung Shing, Mr. Chow Shing Lung and Ms. Chan Ching Nga, respectively, in the Company and cooperated and communicated with Mr. Lee Chung Shing, Mr. Chow Shing Lung and Ms. Chan Ching Nga, in the respective period, on the Company’s corporate governance matters.

During the Reporting Period, each of Mr. Xue Zenghui and Mr. Chow Shing Lung has undertaken not less than 15 hours of relevant professional training 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 2025. The Directors acknowledge their responsibility for the preparation of the consolidated financial statements.

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 cooperate 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.

Report of the Board of Directors

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 stores 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 28.85% of total purchases of the Group, with the Group's purchases from its largest supplier accounting for approximately 11.47% of total purchases of the Group, and the Group's revenue from its five largest customers accounted for approximately 0.21% 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 69 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 RMB0.18 (before tax) per Share for the 2025 final dividend to all Shareholders based on the total share capital of 1,477,634,250 Shares as at the Latest Practicable Date, 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 2025 annual general meeting is held. The Company will distribute a total cash dividend of RMB265,974,165.00, representing 33.04% of the profit attributable to owners of the Company for the year. The 2025 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 2025 annual general meeting of the Company (the "**2025 Annual General Meeting**") to be held on Thursday, 21 May 2026, and is anticipated to be paid on or around Tuesday, 30 June 2026.

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 2025 Annual General Meeting, the record date will be fixed at Thursday, 21 May 2026, and the register of members of the Company will be closed from Monday, 18 May 2026 to Thursday, 21 May 2026 (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 2025 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 Friday, 15 May 2026.

Report of the Board of Directors

2025 Final Dividend

For the purpose of determining the entitlement to the proposed 2025 final dividend, the record date will be fixed at Monday, 1 June 2026, and the register of members of the Company will be closed from Thursday, 28 May 2026 to Monday, 1 June 2026 (both days inclusive), during which period no transfer of H Shares will be registered.

In order to be entitled to the proposed 2025 final dividend (subject to the approval by the Shareholders at the 2025 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 Wednesday, 27 May 2026.

Reserves

Details of changes in reserves of the Group and the Company during the year ended 31 December 2025 are set out in the consolidated statement of changes in equity on page 73.

Distributable Reserves

As of 31 December 2025, the distributable reserves of the Group amounted to RMB482.9 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 2025 are set out in note 13 to the financial statements.

Bank Loans and Other Borrowings

As of 31 December 2025, the Group did not have any bank borrowings.

Issued Debentures

During the year ended 31 December 2025, the Group did not issue any debentures.

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

During the Reporting Period, 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 2025, the Company did not hold any treasury shares.

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 at 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	313.7	677.4	June 2027
Develop our digitalization capabilities, and engage and train professional talents	20%	492.7	158.3	241.3	June 2027
Branding and promoting activities	12%	295.6	7.2	–	
Promote our self-operated coffee brand and develop the coffee shop network across China	5%	123.1	24.2	97.5	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	12.3	30.4	June 2027
Working capital and general corporate purposes	10%	246.3	118.1	–	
Total	100%	2,463.3	633.8	1,046.6	

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.

Report of the Board of Directors

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.

As of the date of this annual report, the incentives corresponding to the total 6,386,000 Shares (representing approximately 0.43% of the total issued Shares (excluding treasury shares) of the Company as at the date of this annual report) 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. Further details about the Pre-IPO Employee Incentive Scheme are set out in the “Management Discussion and Analysis” section of this annual report.

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 2025, 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 2025	Approximate percentage of the number of Shares held as at 31 December 2025 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.

Report of the Board of Directors

(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%
Ms. Liu ⁽²⁾	Supervisor	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 of spouse (L)	Hengsheng Herui	84.8880%
Mr. Chen Keyuan ⁽³⁾	Executive Director	Interest in controlled corporation (L)	Hengsheng Herui	3.7800%
		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 2025, 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 eighteen) 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 2025, 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 2025	Approximate percentage of the number of Shares held as at 31 December 2025 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 2025, 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.

Report of the Board of Directors

Interests of Directors in Competing Business

During the year ended 31 December 2025, 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 2025, none of Directors, Supervisors or any of their connected entities 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, the five highest paid individuals and senior management are set out in note 10 and note 33 to the consolidated financial statements, respectively.

The remuneration of the senior management (excluding the Directors) for the year ended December 31, 2025 by remuneration bands is set out below:

Remuneration Band	Number of individuals
RMB0 to RMB1,000,000	2
RMB1,000,001 to RMB2,000,000	2
RMB2,000,001 to RMB3,000,000	0
RMB3,000,001 to RMB4,000,000	0
RMB4,000,001 to RMB5,000,000	1

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)).

Charitable Donations

During the Reporting Period, the Company's charitable donations amounted to RMB8.6097 million.

Connected Transactions

During the Reporting Period, 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 33 to the consolidated financial statements constitute disclosable non-exempt connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

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

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 28 to the financial statements. As stated in paragraph 26(2) of Appendix D2 to the Listing Rules, there are no matters in respect of which the Group may use forfeited contributions to reduce the level of existing contributions.

Material 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.

Report of the Board of Directors

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 34 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, define ESG responsibilities 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 Committee 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 remuneration review, 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 a 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 includes employees from 21 ethnic minority groups, 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.

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 2025.

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 2025.

Report of the Board of Directors

Auditors

For the year ended 31 December 2025, 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 2025 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

27 March 2026

Report of the Supervisory Committee

During the Reporting Period, 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 2025 is hereby presented as follows:

I. Work of the Supervisory Committee for 2025

In 2025, the Supervisory Committee held a total of 2 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 28 March 2025, the fifth meeting of the second session of the Supervisory Committee was held, at which the Resolution on the Annual Results Review Report for the year ended 31 December 2024 of the Company and its subsidiaries (the "Group"), the Resolution on the Internal Control Report for 2024 of the Group, the Resolution on the Draft Audited Consolidated Financial Statements, Draft Annual Results Announcement, Draft Annual Report, and Draft Management Representation Letter for the year ended 31 December 2024 of the Group, the Resolution on the Draft Environmental, Social and Governance Report for 2024 of the Group, the Resolution on the Report of the Supervisory Committee for 2024 of the Company, the Resolution on the Final Accounts Report for 2024 of the Company, the Resolution on the Re-appointment of Auditor for 2025 of the Company, the Resolution on the Proposed Distribution of Dividends for 2024, the Resolution on the Proposed Granting of the General Mandate to Issue New Shares and Repurchase Shares, and the Resolution on the Establishment of the Risk Management Working Group and the Rules of Procedure of the Risk Management Working Group were considered and approved.

On 29 August 2025, the sixth meeting of the second session of the Supervisory Committee was held, at which the Resolution on the Interim Results Review Report for the Six Months ended 30 June 2025 of the Company and its subsidiaries (the "Group"), the Resolution on the Draft Unaudited Consolidated Financial Statements, Draft Interim Results Announcement, Draft Interim Report, and Draft Management Representation Letter for the Six Months Ended 30 June 2025 of the Group, the Resolution on the Interim Report on Internal Control for 2025 of the Group, the Resolution on the Interim Report on Risk Management for 2025 of the Group, and the Resolution on the Proposed Distribution of Interim Dividends for 2025 were considered and approved.

Report of the Supervisory Committee

II. Opinions of the Supervisory Committee on the Relevant Matters of the Company for 2025

In 2025, 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 2025:

(I) Legal compliance of the Company's operations

In 2025, 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 2025. 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 2025 are able to give a true and objective picture of the financial condition and results of operations of the Company.

(III) Connected transactions

In 2025, 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.

Report of the Supervisory Committee

(IV) External guarantees

In 2025, 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 2025.

The Company did not have any major asset disposal in 2025.

Sichuan Baicha Baidao Industrial Co., Ltd.

Ms. Liu Weihong

Chairwoman of the Supervisory Committee

27 March 2026

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 69 to 148, which comprise the consolidated statement of financial position as at 31 December 2025, 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 2025, 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) (the "IESBA Code"), as applicable to audits of the financial statements of public interest entities. We have also 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 RMB4,970,974,000 which represented 92.14% of the total revenues of the Group for the year ended 31 December 2025.

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/bill of lading, as appropriate.

Independent Auditor's Report

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 be 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

27 March 2026

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2025

	NOTES	2025 RMB'000	2024 RMB'000
Revenue	5	5,395,068	4,917,997
Cost of sales		<u>(3,641,229)</u>	<u>(3,383,318)</u>
Gross profit		1,753,839	1,534,679
Other income	6a	97,074	121,424
Loss on fair value change of redeemable shares with other preferential rights		–	(145,221)
Other gains and losses, net	6b	52,845	82,404
Distribution and selling expenses		(365,398)	(395,139)
Administrative expenses		(482,132)	(510,245)
Research and development expenses		(31,570)	(33,764)
Other expenses		(8,610)	(3,210)
Listing expenses		–	(7,197)
Share of results of an associate and a joint venture		(15,095)	(17,591)
Finance costs	7	<u>(3,635)</u>	<u>(4,305)</u>
Profit before taxation		997,318	621,835
Income tax expense	8	<u>(175,963)</u>	<u>(142,109)</u>
Profit for the year	9	<u>821,355</u>	<u>479,726</u>
Other comprehensive expense			
Items that will not be reclassified subsequently to profit or loss:			
Fair value loss on investments in equity instruments at fair value through other comprehensive income (“FVTOCI”)		(192,020)	(376,584)
Income tax relating to item that will not be reclassified subsequently to profit or loss		<u>8,813</u>	<u>59,927</u>
		<u>(183,207)</u>	<u>(316,657)</u>
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		<u>(5,656)</u>	<u>6,628</u>
Other comprehensive expense for the year, net of income tax		<u>(188,863)</u>	<u>(310,029)</u>
Total comprehensive income for the year		<u>632,492</u>	<u>169,697</u>

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2025

	<i>NOTES</i>	2025 RMB'000	2024 RMB'000
Profit for the year attributable to:			
– Owners of the Company		804,897	472,184
– Non-controlling interests		<u>16,458</u>	<u>7,542</u>
		<u>821,355</u>	<u>479,726</u>
Total comprehensive income for the year Attributable to:			
– Owners of the Company		616,034	162,155
– Non-controlling interests		<u>16,458</u>	<u>7,542</u>
		<u>632,492</u>	<u>169,697</u>
Earnings per share (in RMB)	12		
Basic		<u>0.547</u>	<u>0.336</u>
Diluted		<u>0.545</u>	<u>0.335</u>

Consolidated Statement of Financial Position

AT 31 DECEMBER 2025

	NOTES	2025 RMB'000	2024 RMB'000
Non-current assets			
Property, plant and equipment	13	210,426	216,485
Right-of-use assets	14	117,048	139,954
Intangible assets	15	109,252	98,833
Investments in an associate and a joint venture		19,111	36,909
Equity instruments at FVTOCI	16	276,564	466,978
Financial assets at fair value through profit or loss ("FVTPL")	19	407,279	217,000
Other receivables and prepayments	17	32,420	29,579
Deferred tax assets	24	159,391	150,533
		<u>1,331,491</u>	<u>1,356,271</u>
Current assets			
Inventories	18	223,346	206,824
Trade and other receivables, deposits and prepayments	17	174,074	198,893
Amounts due from related parties	26	607	607
Financial assets at FVTPL	19	28,634	171,465
Cash and cash equivalents	20	3,071,435	3,559,917
		<u>3,498,096</u>	<u>4,137,706</u>
Current liabilities			
Trade and other payables	21	551,562	674,522
Contract liabilities	22	93,610	136,886
Income tax payables		29,667	27,124
Lease liabilities	25	39,628	40,743
Dividend payable	11	–	531,948
		<u>714,467</u>	<u>1,411,223</u>
Net current assets		<u>2,783,629</u>	<u>2,726,483</u>
Total assets less current liabilities		<u>4,115,120</u>	<u>4,082,754</u>

Consolidated Statement of Financial Position

AT 31 DECEMBER 2025

	NOTES	2025 RMB'000	2024 RMB'000
Non-current liabilities			
Contract liabilities	22	42,282	82,423
Lease liabilities	25	41,412	64,766
Deferred tax liabilities	24	12,602	1,872
		<u>96,296</u>	<u>149,061</u>
Net assets		<u>4,018,824</u>	<u>3,933,693</u>
Capital and reserves			
Share capital	23	147,763	147,763
Reserves		<u>3,827,933</u>	<u>3,761,418</u>
Equity attributable to owners of the Company		3,975,696	3,909,181
Non-controlling interests		<u>43,128</u>	<u>24,512</u>
Total Equity		<u>4,018,824</u>	<u>3,933,693</u>

The consolidated financial statements on pages 69 to 148 were approved and authorised for issue by the board of directors on 27 March 2026 and are signed on its behalf by:

Wang Xiaokun
Director

Wang Hongxue
Director

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2025

	Attributable to owners of the Company										
	Share capital	Share premium	Statutory reserves	Shares issued for Pre-IPO Employee Incentive Scheme	Other reserves	Equity instrument revaluation reserve	Translation reserve	Retained profits	Sub-total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(Note i)	(Note iii)	(Note ii)						
At 1 January 2024	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 27)	-	-	-	-	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 27)	-	-	-	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
Profit for the year	-	-	-	-	-	-	-	804,897	804,897	16,458	821,355
Other comprehensive expense for the year	-	-	-	-	-	(183,207)	(5,656)	-	(188,863)	-	(188,863)
Total comprehensive (expense) income for the year	-	-	-	-	-	(183,207)	(5,656)	804,897	616,034	16,458	632,492
Recognition of share-based payment (Note 27)	-	-	-	-	11,982	-	-	-	11,982	-	11,982
Dividends recognised as distribution (Note 11)	-	-	-	-	-	-	-	(561,501)	(561,501)	-	(561,501)
Transfer to statutory reserves	-	-	8,276	-	-	-	-	(8,276)	-	-	-
Share-based payment transaction (Note 27)	-	10,952	-	116	(11,068)	-	-	-	-	-	-
Capital contribution from non-controlling interests of a subsidiary (Note v)	-	-	-	-	-	-	-	-	-	2,158	2,158
Disposal of FVTOCI (Note 16)	-	-	-	-	-	134,348	-	(134,348)	-	-	-
At 31 December 2025	147,763	3,431,900	120,198	(432)	157,958	(365,516)	972	482,853	3,975,696	43,128	4,018,824

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2025

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 represent: a) the accumulative impact of equity-settled share-based payments to certain key management personnel amounted to RMB114,876,000 as at 1 January 2024, and b) in August 2023, the cash consideration received by the Company under the Pre-IPO Employee Incentive Scheme (defined and detailed in Note 27), amounted to RMB29,433,000, 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 27) 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.
- (v) In January 2025, ChaPanda Korea Co., Ltd. was incorporated in South Korea as an indirect non-wholly owned subsidiary of the Company and held by the Group as to 55%. During the current year, the non-controlling interest paid the capital contribution at cash consideration of Korean Won 427,500,000 (equivalent to approximately RMB2,158,000).

* English name is for identification purpose only.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2025

	2025 RMB'000	2024 RMB'000
Operating activities		
Profit before taxation	997,318	621,835
Adjustments for:		
Depreciation of property, plant and equipment	25,268	21,237
Depreciation of right-of-use assets	46,729	48,458
Amortisation of intangible assets	29,652	19,777
Loss on disposal of property, plant and equipment	145	387
Interest income from banks	(34,938)	(43,852)
Finance costs	3,635	4,305
Share-based payments	11,982	12,826
Gain on fair value change of financial assets at FVTPL	(69,283)	(34,901)
Net foreign exchange loss/(gain)	15,206	(9,100)
Share of results of an associate and a joint venture	15,095	17,591
Loss on fair value change of redeemable shares with other preferential rights	–	145,221
Operating cash flows before movements in working capital	1,040,809	803,784
Increase in inventories	(16,522)	(5,653)
Increase in trade and other receivables, deposits and prepayments	(1,264)	(156,234)
Decrease in contract liabilities	(83,417)	(104,901)
Decrease in trade and other payables	(96,464)	(33,122)
Cash generated from operations	843,142	503,874
Income taxes paid	(162,735)	(159,851)
Net cash from operating activities	680,407	344,023
Investing activities		
Purchase of property, plant and equipment	(23,957)	(64,663)
Proceeds from disposal of property, plant and equipment	1,439	1,615
Purchase of intangible assets	(61,063)	(66,268)
Purchase of financial assets at FVTPL	(9,048,899)	(4,158,030)
Proceeds from redemption of financial assets at FVTPL	9,065,927	5,377,188
Purchase of equity instruments at FVTOCI	(104,997)	(1,053,562)
Proceeds from disposal of equity instruments at FVTOCI	103,391	–
Proceeds from disposal of an interest in a joint venture	2,703	–
Placement of term deposits	–	(120,000)
Withdrawal of term deposits	–	350,000
Interest received from financial assets at FVTPL	13,969	30,615
Payment for rental deposits	(6,186)	(3,949)
Refund of rental deposits	2,912	3,059
Interest income from banks	36,301	42,867
Investments in an associate and a joint venture	–	(52,000)

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2025

	2025 RMB'000	2024 RMB'000
Net cash (used in)/from investing activities	<u>(18,460)</u>	<u>286,872</u>
Financing activities		
Interest paid	(3,635)	(4,305)
Dividend paid	(1,093,449)	(13,200)
Capital injection from non-controlling interests	2,158	6,600
Repayments of lease liabilities	(45,886)	(55,828)
Payment for share issue costs	–	(65,272)
Proceeds from issuance of shares	<u>–</u>	<u>2,345,038</u>
Net cash (used in)/from financing activities	<u>(1,140,812)</u>	<u>2,213,033</u>
Net (decrease)/increase in cash and cash equivalents	(478,865)	2,843,928
Cash and cash equivalents at beginning of the year	3,559,917	715,989
Effect of foreign exchange rate changes	<u>(9,617)</u>	<u>–</u>
Cash and cash equivalents at end of the year	<u>3,071,435</u>	<u>3,559,917</u>

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2025

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 (王霄鋸) and his spouse Ms. Liu Weihong (劉洵宏) (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.

* English name is for identification purpose only.

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 as 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 2025 for the preparation of the consolidated financial statements:

Amendments to IAS 21	Lack of Exchangeability
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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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2025

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:

IFRS 18	Presentation and Disclosure in Financial Statements ³
Amendments to IAS 21	Translation to a Hyperinflationary Presentation Currency ³
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments ²
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity ²
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 ²

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 2026

³ Effective for annual periods beginning on or after 1 January 2027

Except for the new IFRS Accounting Standard mentioned below, these new and amendments to IFRS Accounting Standards are not expected to have a material impact on consolidated financial statements in the 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 or 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 as 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 statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the 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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2025

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 any 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)

Revenue from contracts with customers

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

Leases

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 unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Right-of-use assets

The cost of right-of-use assets includes:

- the amounts of the initial measurement of the lease liabilities;
- 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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2025

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 assets.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2025

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 27), 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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2025

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 construction in progress 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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2025

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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2025

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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2025

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.

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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2025

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

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 generally by regulation or convention in the market place concerned.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the 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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2025

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 and cash and cash equivalents) 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 past events and current conditions at the reporting date as well as the forecast of future economic 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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2025

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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2025

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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2025

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Revenue recognition from royalty and franchise business over time

During the year ended 31 December 2025, revenue from royalty and franchise business (excluding pre-opening training services and others) is recognised over time amounted to RMB178,028,000 (2024: RMB199,837,000). As at 31 December 2025, the balance of contract liabilities amounted to RMB101,537,000 (2024: RMB164,841,000) (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 recognised 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 recognised 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

As at 31 December 2025, the Group has certain investments in unlisted entity classified as financial assets at FVTPL amounting to RMB224,000,000 (2024: RMB217,000,000), 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 31.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2025

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 certain sales of equipment and royalty income which is usually granted 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

	2025 RMB'000	2024 RMB'000
Sale of goods and equipment:		
– Goods	4,970,974	4,450,249
– Equipment	149,779	202,133
	<u>5,120,753</u>	<u>4,652,382</u>
Royalty and franchising income:		
– Non-refundable upfront initial fee	83,718	107,558
– Royalty income	94,310	92,279
– Pre-opening training services	13,623	13,567
	<u>191,651</u>	<u>213,404</u>
Others	<u>82,664</u>	<u>52,211</u>
Total	<u>5,395,068</u>	<u>4,917,997</u>

Timing of revenue recognition

	2025 RMB'000	2024 RMB'000
Timing:		
– A point in time	5,188,647	4,686,952
– Over time	206,421	231,045
	<u>5,395,068</u>	<u>4,917,997</u>
Total	<u>5,395,068</u>	<u>4,917,997</u>

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2025

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 2025, the Group operated within one (2024: 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 except for non-current assets related to overseas directly operated stores, which are not significant. 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.

5. REVENUE AND SEGMENT INFORMATION (continued)

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

(a) Sale of goods and equipment to franchisees (continued)

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.

(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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2025

5. REVENUE AND SEGMENT INFORMATION (continued)

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

(b) Royalty and franchising income (continued)

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

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

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

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

Existence of significant financing component

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2025

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:

	2025 RMB'000	2024 RMB'000
Within one year	29,696	53,756
More than one year but not more than two years	20,941	38,560
Two to five years	21,341	43,863
Total	<u>71,978</u>	<u>136,179</u>

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

	2025 RMB'000	2024 RMB'000
Government grant (<i>Note (i)</i>)	57,870	71,999
Interest income on:		
– bank deposits and certificate of deposit	34,938	43,852
Compensations received (<i>Note (ii)</i>)	3,222	4,248
Others	1,044	1,325
	<u>97,074</u>	<u>121,424</u>

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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2025

6b. OTHER GAINS AND LOSSES, NET

	2025 RMB'000	2024 RMB'000
Loss on disposal of property, plant and equipment	(145)	(387)
Gain on fair value change of financial assets at FVTPL	69,283	34,901
Net foreign exchange (loss)/gain	(15,206)	48,332
Others	(1,087)	(442)
	<u>52,845</u>	<u>82,404</u>

7. FINANCE COSTS

	2025 RMB'000	2024 RMB'000
Interest on:		
Lease liabilities	<u>(3,635)</u>	<u>(4,305)</u>

8. INCOME TAX EXPENSE

	2025 RMB'000	2024 RMB'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	165,278	148,769
Deferred tax (Note 24):		
Current year	<u>10,685</u>	<u>(6,660)</u>
	<u>175,963</u>	<u>142,109</u>

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2025

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:

	2025 RMB'000	2024 RMB'000
Profit before taxation	997,318	621,835
Tax at PRC EIT rate of 25%	249,330	155,459
Tax effect of share of results of an associate and a joint venture	3,774	4,398
Tax effect of expenses not deductible for tax purposes	12,910	43,161
Tax effect of income not taxable for tax purposes	(13,032)	–
Tax effect of tax losses not recognised	7,599	1,037
Utilisation of tax losses not recognised	(1,006)	(2,088)
Effect of tax concessions (<i>Note</i>)	(83,612)	(59,858)
Taxation for the year	175,963	142,109

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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2025

9. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2025 RMB'000	2024 RMB'000
Auditor's remuneration	3,522	2,530
Directors', supervisors' and chief executive's remuneration (<i>Note 10</i>)	11,456	16,536
Other staff costs		
– Salaries and other allowances	414,866	373,761
– Retirement benefit scheme contributions	34,767	32,965
– Equity-settled share-based expense	8,277	8,860
Total staff costs	<u>469,366</u>	<u>432,122</u>
Cost of inventories recognised as expenses	3,369,596	3,109,473
Depreciation of property, plant and equipment	25,268	21,237
Depreciation of right-of-use assets	46,729	48,458
Amortisation of intangible assets	<u>29,652</u>	<u>19,777</u>
Total depreciation and amortisation	<u>101,649</u>	<u>89,472</u>

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2025

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 2025

	Fees RMB'000	Salaries and allowances RMB'000	Contributions to retirement benefit scheme RMB'000	Equity-settled share-based expense (Note 27) RMB'000	Total RMB'000
Executive directors					
Mr. Wang Xiaokun	–	2,164	69	381	2,614
Mr. Wang Hongxue	–	1,311	69	–	1,380
Ms. Dai Li	–	972	69	–	1,041
Mr. Chen Keyuan	–	486	69	–	555
Supervisors					
Mr. Zhu Mingxing	–	1,024	68	3,182	4,274
Mr. Zhang Yu	–	313	48	142	503
Ms. Liu Weihong	–	103	48	–	151
Non-Executive director					
Dr. Chen Da	188	–	–	–	188
Independent Non-Executive directors (Note (i))					
Mr. Yeung Chi Tat	250	–	–	–	250
Dr. Tang Yong	250	–	–	–	250
Ms. Cheng Li	250	–	–	–	250
	<u>938</u>	<u>6,373</u>	<u>440</u>	<u>3,705</u>	<u>11,456</u>

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2025

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

Directors' and supervisors' emoluments (continued)

Directors and supervisors (continued)

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 27) 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. Zhu Mingxing	–	953	68	3,406	4,427
Mr. Zhang Yu	–	274	47	152	473
Ms. Liu Weihong	–	972	48	–	1,020
Non-Executive director					
Dr. Chen Da (Note (ii))	–	–	–	–	–
Independent Non-Executive directors (Note (i))					
Mr. Yeung Chi Tat	188	–	–	–	188
Dr. Tang Yong	188	–	–	–	188
Ms. Cheng Li	188	–	–	–	188
	<u>564</u>	<u>11,576</u>	<u>430</u>	<u>3,966</u>	<u>16,536</u>

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) On 22 May 2023, Dr. Chen Da (陳達) was appointed as the non-executive director of the Company. He has not received any remuneration during the year ended 31 December 2024.

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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2025

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 (2024: two) directors and supervisors, details of whose remuneration are included in the disclosures above. Details of the remuneration for the year of the remaining three (2024: three) highest paid employees are as follows:

	2025 RMB'000	2024 RMB'000
Salaries and other benefit	2,946	2,966
Retirement benefit scheme contributions	257	244
Equity-settled share-based expense (<i>Note 27</i>)	4,274	4,575
	<u>7,477</u>	<u>7,785</u>

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	
	2025	2024
Emolument bands		
HKD1,500,001 to HKD2,000,000	1	2
HKD2,000,001 to HKD2,500,000	1	–
HKD4,500,001 to HKD5,000,000	1	1
	<u>3</u>	<u>3</u>

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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2025

11. DIVIDENDS

	2025 RMB'000	2024 RMB'000
Dividends for equity shareholders of the Company recognised as distribution during the year	561,501	531,948

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2025 of RMB0.18 (2024: RMB0.20) (before tax) per ordinary share, in an aggregate amount of RMB265,974,000 (2024: 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 2025

On 28 March 2025, the board of directors of the Company proposed 2024 annual dividend distribution of RMB295,527,000, representing HKD0.22 (equivalent to approximately RMB0.20) per share, which was approved by the shareholders of the Company on 21 May 2025. The amount of RMB295,527,000 was paid to shareholders during the current period.

On 29 August 2025, the board of directors of the Company proposed 2025 interim dividend distribution of RMB265,974,000, representing HKD0.20 (equivalent to approximately RMB0.18) per share, which was approved by the shareholders of the Company on 23 September 2025. The amount of RMB265,974,000 was paid to shareholders during the current period.

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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2025

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:

	2025 RMB'000	2024 RMB'000
Earnings for the purpose of calculating basic and diluted earnings per share:		
Profit for the year attributable to owners of the Company	804,897	472,184

Number of shares:

	Number of ordinary shares	
	2025	2024
Weighted average number of ordinary shares for the purpose of basic earnings per share (<i>Note (i)</i>)	1,471,643,250	1,403,529,370
Effect of dilutive potential ordinary shares:		
Dilutive effect of shares issued for Pre-IPO Employee Incentive Scheme (as defined in Note 27)	5,307,600	4,002,699
Weighted average number of ordinary shares for the purpose of diluted earnings per share (<i>Note (ii)</i>)	1,476,950,850	1,407,532,069

Notes:

- (i) For the years ended 31 December 2024, 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 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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2025

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 2024	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 (<i>Note</i>)	–	–	–	–	(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
Additions	8,377	4,031	106	5,369	–	3,730	21,613
Reclassification	1,458	–	–	941	–	(2,399)	–
Other adjustments	–	–	–	–	(820)	–	(820)
Disposals	–	(1,648)	(1,266)	(809)	–	–	(3,723)
At 31 December 2025	53,866	12,275	2,659	65,361	142,725	1,821	278,707
ACCUMULATED DEPRECIATION							
At 1 January 2024	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
Charge for the year	10,757	2,152	593	7,632	4,134	–	25,268
Elimination on disposals	–	(1,149)	(903)	(87)	–	–	(2,139)
At 31 December 2025	33,997	6,603	1,613	14,618	11,450	–	68,281
CARRYING VALUES							
At 31 December 2024	20,791	4,292	1,896	52,787	136,229	490	216,485
At 31 December 2025	19,869	5,672	1,046	50,743	131,275	1,821	210,426

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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2025

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2025

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 2024	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
Additions	3,655	75	-	29,557	-	33,287
Expiration of leases	(9,412)	-	-	(5,598)	-	(15,010)
Modification of leases	1,058	-	-	-	-	1,058
Termination of leases	(493)	(9,541)	-	(11,426)	-	(21,460)
At 31 December 2025	108,548	239	30,143	55,783	6,997	201,710
ACCUMULATED DEPRECIATION						
At 1 January 2024	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
Charge for the year	29,381	5	603	15,224	1,516	46,729
Expiration of leases	(9,412)	-	-	(5,598)	-	(15,010)
Modification of leases	(207)	-	-	-	-	(207)
Termination of leases	(269)	(7,065)	-	(3,397)	-	(10,731)
At 31 December 2025	62,540	107	2,060	17,156	2,799	84,662
CARRYING VALUES						
At 31 December 2024	70,693	2,538	28,686	32,323	5,714	139,954
At 31 December 2025	46,008	132	28,083	38,627	4,198	117,048

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2025

14. RIGHT-OF-USE ASSETS (continued)

	2025 RMB'000	2024 RMB'000
Expense relating to short-term leases	1,436	1,845
Total cash outflow for leases	(50,957)	(61,978)
Additions to right-of-use assets	<u>33,287</u>	<u>79,027</u>

For the years ended 31 December 2025 and 2024 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 2025 and 2024, 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 25.

Notes to the Consolidated Financial Statements

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15. INTANGIBLE ASSETS

	Software under development RMB'000	Software RMB'000	Total RMB'000
COST			
At 1 January 2024	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
Additions	35,142	4,929	40,071
Reclassification	(35,520)	35,520	–
At 31 December 2025	7,275	156,937	164,212
AMORTISATION			
At 1 January 2024	–	5,531	5,531
Charge for the year	–	19,777	19,777
At 31 December 2024	–	25,308	25,308
Charge for the year	–	29,652	29,652
At 31 December 2025	–	54,960	54,960
CARRYING VALUES			
At 31 December 2024	7,653	91,180	98,833
At 31 December 2025	7,275	101,977	109,252

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.

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FOR THE YEAR ENDED 31 DECEMBER 2025

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 and directly purchased equity instruments in certain listed entities at cash consideration of RMB331,862,000. 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.

During the year ended 31 December 2025, due to the liquidation of a wholly owned fund, the underlying equity investments originally managed by the fund have been fully disposed and been repurchased through another investment platform within a short period of time. As a result, there is no substantial change to the holding of these equity investments by the Group.

As at 31 December 2025, the carrying amount of equity instruments at FVTOCI is RMB276,564,000 (2024: RMB466,978,000), net of fair value loss recognised in the other comprehensive expense of RMB389,473,000 (2024: RMB376,584,000).

Details of fair value measurement of equity instruments at FVTOCI are set out in Note 31.

17. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2025 RMB'000	2024 RMB'000
Current		
Trade receivables (<i>Note (i)</i>)	45,674	9,274
Other receivables	7,127	10,555
Value-added tax recoverable	30,686	21,508
Lease deposits	3,210	1,182
Advances to staff	3,239	1,422
Prepayments to third parties		
– raw materials and others	40,926	31,129
– advertising services (<i>Note (ii)</i>)	43,212	123,823
	174,074	198,893
Non-current		
Lease deposits	7,293	6,047
Prepayments for construction in progress	–	1,111
Prepayments for advertising services (<i>Note (ii)</i>)	25,127	22,421
	32,420	29,579
Total	206,494	228,472

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2025

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 and sales of equipment. 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 RMB25,127,000 (2024: RMB22,421,000) 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 2024, trade receivables amounted to RMB7,191,000.

Details of impairment assessment of trade and other receivables are set out in Note 31.

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

	2025 RMB'000	2024 RMB'000
Within 90 days	40,439	9,274
91 to 180 days	3,903	–
181 to 365 days	700	–
Over 365 days	632	–
	<u>45,674</u>	<u>9,274</u>

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 and sales of equipment.

18. INVENTORIES

	2025 RMB'000	2024 RMB'000
Raw materials	43,227	44,089
Work in progress	2,190	5,306
Finished goods	<u>177,929</u>	<u>157,429</u>
	<u>223,346</u>	<u>206,824</u>

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2025

19. FINANCIAL ASSETS AT FVTPL

Financial assets mandatorily measured at FVTPL:

	2025 RMB'000	2024 RMB'000
Current		
Unlisted funds <i>(Note (i))</i>	28,634	171,465
Non-current		
Investment in ordinary shares with other preferential rights	224,000	217,000
Unlisted funds	183,279	–
	407,279	217,000
Total	435,913	388,465

Notes:

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

20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include demand deposits, short term deposits within three months original maturity amounted to RMB3,071,435,000 as at 31 December 2025 (2024: RMB3,559,917,000), for the purpose of meeting the Group's short term cash commitments, which carry interest at market rates range from 0.01% to 3.72% (2024: 0.01% to 4.07%) per annum.

Details of impairment assessment of bank balances are set out in Note 31.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2025

21. TRADE AND OTHER PAYABLES

	2025 RMB'000	2024 RMB'000
Trade payables (<i>Note (i)</i>)	249,095	295,017
Deposits (<i>Note (ii)</i>)	119,678	116,337
Operational support service fees (<i>Note (iii)</i>)	24,049	22,792
Other payables	69,141	115,654
Payroll payable	58,282	86,548
Other tax payable	31,317	38,174
	551,562	674,522

Notes:

- (i) The outstanding payables mainly represent the amounts payable to suppliers of the finished goods and equipment as at 31 December 2025 and 2024.
- (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 aging analysis of trade payables presented based on the invoice date at the end of each reporting period.

	2025 RMB'000	2024 RMB'000
Within 90 days	244,722	275,361
91 to 365 days	4,042	19,373
Over 365 days	331	283
	249,095	295,017

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22. CONTRACT LIABILITIES

	2025 RMB'000	2024 RMB'000
Current		
Sale of goods and equipment	34,355	54,468
Royalty and franchising income	<u>59,255</u>	<u>82,418</u>
	<u>93,610</u>	<u>136,886</u>
Non-current		
Royalty and franchising income	<u>42,282</u>	<u>82,423</u>
	<u>135,892</u>	<u>219,309</u>

As at 1 January 2024, the Group had contract liabilities of RMB324,210,000, including contract liabilities for sale of goods and equipment amounting to RMB77,224,000 and royalty and franchising income amounting to RMB246,986,000.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2025

22. CONTRACT LIABILITIES (continued)

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

	2025 RMB'000	2024 RMB'000
Sale of goods and equipment		
Balance at the beginning of the year	54,468	77,224
Decrease in contract liabilities as a result of recognition of revenue during the year	(54,468)	(77,224)
Increase in contract liabilities as a result of receiving prepayments for sale of goods during the year	34,355	54,468
Balance at the end of the year	34,355	54,468
Royalty and franchising income		
Balance at the beginning of the year	164,841	246,986
Decrease in contract liabilities as a result of recognition of revenue during the year	(124,084)	(179,861)
Increase in contract liabilities as a result of receiving royalty and franchising fees during the year	60,780	97,716
Balance at the end of the year	101,537	164,841
	135,892	219,309

The significant decrease in contract liabilities during 2025 was mainly due to franchisees termination and the related non-refundable upfront initial fee amounted to RMB26,286,000 were recognised to revenue.

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23. SHARE CAPITAL

	Number of shares	Amount RMB'000
Ordinary shares of RMB1 each (before Share Subdivision) and RMB0.1 each (after Share Subdivision) (<i>Note (i)</i>)		
Authorised:		
At 1 January 2024	132,987,085	132,987
Increase on Share Subdivision (<i>Note (i)</i>)	1,196,883,765	–
Increase on issuance of new shares upon the IPO (<i>Note (iii)</i>)	147,763,400	14,776
	<u>1,477,634,250</u>	<u>147,763</u>
At 31 December 2024 and 31 December 2025		
Issued and fully paid:		
At 1 January 2024	125,638,600	125,639
Conversion of redeemable shares with other preferential rights upon the IPO (<i>Note (iii)</i>)	7,348,485	7,348
Share Subdivision (<i>Note (i)</i>)	1,196,883,765	–
Increase on issuance of new shares upon the IPO (<i>Note (iii)</i>)	147,763,400	14,776
	<u>1,477,634,250</u>	<u>147,763</u>
At 31 December 2024 and 31 December 2025		

Notes:

- (i) 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.
- (ii) 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).
- (iii) 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, 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)*), (the “Pre-IPO Investors”). The aforesaid transaction (“Pre-IPO Investments”) was completed on 27 June 2023.

Upon the Listing on 24 April 2024, certain redemption and other preferential rights originally granted to the Pre-IPO Investors were terminated, and 7,348,485 shares of redeemable shares with other preferential rights were converted into ordinary shares of the Company.

Notes to the Consolidated Financial Statements

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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:

	2025 RMB'000	2024 RMB'000
Deferred tax assets	159,391	150,533
Deferred tax liabilities	(12,602)	(1,872)
	<u>146,789</u>	<u>148,661</u>

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 2024	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
Reclassification	–	44,783	(44,783)	–	–	–
(Charge) credit to profit or loss	(15,827)	(1,721)	–	17,269	(10,406)	(10,685)
Credit to other comprehensive income	–	–	8,813	–	–	8,813
At 31 December 2025	<u>25,384</u>	<u>48,834</u>	<u>23,957</u>	<u>61,437</u>	<u>(12,823)</u>	<u>146,789</u>

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

At the end of the reporting period, the Group has accumulated unused tax losses of RMB229,076,000 (2024: RMB30,457,000), subject to approval of relevant tax authorities, available for offset against future profits. Accumulated tax losses of RMB195,330,000 (2024: RMB23,086,000) have been recognised as deferred tax assets. RMB33,746,000 (2024: RMB7,371,000) have not been recognised as deferred tax assets. The unrecognised tax losses of RMB20,660,000 (2024: RMB7,371,000) will expire in various years before 2030 (2024: 2029), no expiry date for unrecognised tax losses of RMB13,086,000 which is mainly contributed Hong Kong subsidiaries and Singapore subsidiaries.

Notes to the Consolidated Financial Statements

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25. LEASE LIABILITIES

	2025 RMB'000	2024 RMB'000
Lease liabilities payable:		
Within one year	39,628	40,743
Within a period of more than one year but not exceeding two years	30,139	31,523
Within a period of more than two years but not exceeding five years	11,273	33,243
	<u>81,040</u>	<u>105,509</u>
Less: Amount due for settlement within 12 months shown under current liabilities	<u>(39,628)</u>	<u>(40,743)</u>
Amount due for settlement after 12 months shown under non-current liabilities	<u>41,412</u>	<u>64,766</u>

The weighted average incremental borrowing rate applied to lease liabilities is 3.55% (2024: 3.95%).

The amount of lease liabilities payable to related parties is RMB14,840,000 as at 31 December 2025 (2024: RMB22,548,000), and the details of lease rental payments to related parties are set out in Note 33.

Notes to the Consolidated Financial Statements

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26. AMOUNTS DUE FROM RELATED PARTIES

Relationship	As at			Maximum amount outstanding during the year ended		
	1 January	As at 31 December		31 December		
	2024	2024	2025	2024	2025	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Non-trade in nature						
成都和銀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
成都銀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
		<u>607</u>	<u>607</u>	<u>607</u>		

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

* English name is for identification purpose only.

27. 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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2025

27. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

	Number of shares
Outstanding as at 1 January 2024	6,386,000
Forfeited during the year	(911,000)
Outstanding as at 31 December 2024	5,475,000
Vested during the year	<u>(1,153,400)</u>
Outstanding as at 31 December 2025	<u>4,321,600</u>

The shares outstanding at 31 December 2025 had a weighted average remaining contractual life of 0.80 years (2024: 1.41 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.

Notes to the Consolidated Financial Statements

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27. 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.

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 2025, the Group recognised total corresponding equity-settled share-based expense of RMB11,982,000 (2024: RMB12,826,000).

During the year ended 31 December 2025, 1,153,400 shares granted are vested, the amounts of RMB5,316,000 and RMB5,752,000 previously recognised in share-based payments reserve and capital reserve, respectively, have been transferred to share premium.

28. RETIREMENT BENEFIT PLANS

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

The total expense recognised in profit or loss of RMB35,207,000 (2024: RMB33,395,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

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29. CAPITAL COMMITMENTS

	2025 RMB'000	2024 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	10,769	21,999

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:

	2025 RMB'000	2024 RMB'000
Commitments to investment in the joint venture	-	10,000

30. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the 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 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.

Notes to the Consolidated Financial Statements

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31. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2025 RMB'000	2024 RMB'000
Financial assets		
Financial assets at FVTPL	435,913	388,465
Equity instruments at FVTOCI	276,564	466,978
<i>At amortised cost</i>		
Cash and cash equivalents	3,071,435	3,559,917
Amounts due from related parties	607	607
Trade and other receivables, deposits*	63,304	27,058
	<u>3,135,346</u>	<u>3,587,582</u>
	<u>3,847,823</u>	<u>4,443,025</u>
Financial liabilities		
<i>At amortised cost</i>		
Trade and other payables**	461,963	549,800
Dividend payable	–	531,948
	<u>461,963</u>	<u>1,081,748</u>
	<u>461,963</u>	<u>1,081,748</u>

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

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

Notes to the Consolidated Financial Statements

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31. 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, cash and cash equivalents, amounts due from related parties, trade and other receivables, deposits, trade and other payables, 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	
	2025	2024
	RMB'000	RMB'000
US dollars ("USD")	464,578	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.

Notes to the Consolidated Financial Statements

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31. 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% (2024: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2024: 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% (2024: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit where RMB strengthen 5% (2024: 5%) against the relevant currency. For a 5% (2024: 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	
	2025	2024
	RMB'000	RMB'000
Profit or loss	(19,371)	(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 25 for details) and the Group consider that the exposure of such interest rate risk arising from fixed rate lease liabilities is insignificant.

Notes to the Consolidated Financial Statements

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31. 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% (2024: 5%) higher/lower, the other comprehensive income would increase/decrease by RMB10,371,000 (2024: RMB17,512,000) 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 31c.

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 and cash and cash equivalents.

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%.

31. 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 sales of equipment and royalty income, and trade receivables related to royalty income 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 2025 and 2024, 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.

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31. 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 2025						
<i>Non-interest bearing</i>						
Trade and other payables	N/A	461,963	–	–	461,963	461,963
<i>Interest bearing</i>						
Lease liabilities	3.55%	44,094	34,045	12,908	91,047	81,040
		<u>506,057</u>	<u>34,045</u>	<u>12,908</u>	<u>553,010</u>	<u>543,003</u>
As at 31 December 2024						
<i>Non-interest bearing</i>						
Trade and other payables	N/A	549,800	–	–	549,800	549,800
Dividend payable	N/A	531,948	–	–	531,948	531,948
		<u>1,081,748</u>	<u>–</u>	<u>–</u>	<u>1,081,748</u>	<u>1,081,748</u>
<i>Interest bearing</i>						
Lease liabilities	3.95%	45,692	35,329	36,241	117,262	105,509
		<u>1,127,440</u>	<u>35,329</u>	<u>36,241</u>	<u>1,199,010</u>	<u>1,187,257</u>

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31. 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).

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31. 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 2025: RMB224,000,000 31 December 2024: RMB217,000,000	Level 3	Market approach Key inputs: equity value; probability of conversion, redemption and liquidation <i>(Note (i))</i>
Unlisted funds at FVTPL	31 December 2025: RMB211,913,000 31 December 2024: RMB171,465,000	Level 2	Quoted value provided by fund managers
Listed equity instruments at FVTOCI	31 December 2025: RMB276,564,000 31 December 2024: RMB466,978,000	Level 1	Quoted prices in active market

Note:

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

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.

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32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Dividend payable	Lease liabilities	(Deferred)/ share issue costs	Redeemable shares with other preferential rights	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024	–	83,524	992	1,021,000	1,105,516
Financing cash flows	(13,200)	(60,133)	(65,272)	–	(138,605)
<i>Non-cash changes</i>					
Dividends declared (<i>Note 11</i>)	545,148	–	–	–	545,148
New leases entered (<i>Note 14</i>)	–	79,027	–	–	79,027
Terminated of leases (<i>Note 14</i>)	–	(672)	–	–	(672)
Modification of leases (<i>Note 14</i>)	–	(542)	–	–	(542)
Interest expenses (<i>Note 7</i>)	–	4,305	–	–	4,305
Issue costs incurred	–	–	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
Financing cash flows	(1,093,449)	(49,521)	–	–	(1,142,970)
<i>Non-cash changes</i>					
Dividends declared (<i>Note 11</i>)	561,501	–	–	–	561,501
New leases entered (<i>Note 14</i>)	–	33,287	–	–	33,287
Terminated of leases (<i>Note 14</i>)	–	(10,494)	–	–	(10,494)
Modification of leases (<i>Note 14</i>)	–	(1,376)	–	–	(1,376)
Interest expenses (<i>Note 7</i>)	–	3,635	–	–	3,635
As at 31 December 2025	–	81,040	–	–	81,040

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2025

33. RELATED PARTY TRANSACTIONS

Apart from disclosure in Notes 25 and 26 to the consolidated financial statements, the Group entered into the following transactions with related parties during the years ended 31 December 2025 and 2024:

i Transactions with related parties

Name of related parties	Relationship	Nature of transactions	2025 RMB'000	2024 RMB'000
Chengdu Jinboson	Ultimate holding company	Interest expenses on lease liabilities (Note (v))	80	131
Mr. Wang Xiaokun and Ms. Liu Weihong	Controlling Shareholders	Interest expenses on lease liabilities (Note (i))	79	130
Chengdu Hekunrui	Controlled by one of the Controlling Shareholders	Interest expenses on lease liabilities (Note (ii))	227	348
Chengdu Kunlin	Companies controlled by one of the Controlling Shareholders	Interest expenses on lease liabilities (Note (iii))	228	375
Sichuan Zhensen	Companies controlled by one of the Controlling Shareholders	Interest expenses on lease liabilities (Note (iv))	184	293

* 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 2025 are RMB1,336,000 (2024: RMB2,044,000).

(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 2025 are RMB3,784,000 (2024: RMB5,736,000).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2025

33. 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 2025 are RMB3,859,000 (2024: RMB5,905,000).
- (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 2025 are RMB4,507,000 (2024 RMB6,792,000).
- (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 2025 are RMB1,354,000 (2024: RMB2,071,000).

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 2025 and 2024 were as follows:

	2025 RMB'000	2024 RMB'000
Salaries and allowances	11,592	16,261
Retirement benefit scheme contributions	949	878
Equity-settled share-based expense	7,979	8,542
	<u>20,520</u>	<u>25,681</u>

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34. 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/ operations	Issued and fully paid share capital/ registered/paid-up capital	Equity interest attributable to the Company		Principal activities
			2025	2024	
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
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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2025

34. 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/ operations	Issued and fully paid share capital/ registered/paid-up capital	Equity interest attributable to the Company		Principal activities
			2025	2024	
Directly owned					
海南咖弗瑞實業有限公司 (Hainan Cafurui Industrial Co., Ltd*) ^	PRC 24 April 2023	Registered capital RMB360,000,000/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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2025

34. 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/ operations	Issued and fully paid share capital/ registered capital/ paid-up capital	Equity interest attributable to the Company		
			2025	2024	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%	100%	Investment holding
FRESH TEA EVERYDAY PTE. LTD.	Singapore 21 October 2024	SGD10,000	100%	100%	Investment holding
Fuzhou Qingkou^	PRC 17 January 2024	Registered capital and paid-up capital RMB20,000,000	67%	67%	Production of raw materials
Chazhiyun (Hong Kong) Limited	Hong Kong 6 September 2024	HKD 50,000	100%	100%	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.

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 2025, the Company has 39 (2024: 28) 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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2025

35. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2025 RMB'000	2024 RMB'000
Non-current assets		
Property, plant and equipment	508	544
Right-of-use assets	2,419	3,959
Intangible assets	4,472	6,672
Investments in subsidiaries	2,345,385	2,098,721
Equity instruments at FVTOCI	151,170	184,994
Amounts due from subsidiaries	443,342	594,452
Deferred tax assets	71,904	59,930
	3,019,200	2,949,272
Current assets		
Other receivables, deposits and prepayments	11,518	15,208
Amounts due from related parties	88	88
Amounts due from subsidiaries	5,374	494,376
Dividends receivable	81,533	–
Cash and cash equivalents	1,114,227	1,657,634
	1,212,740	2,167,306
Current liabilities		
Trade and other payables	9,156	10,400
Income tax payables	–	1,984
Lease liabilities	954	1,837
Amounts due to subsidiaries	213,945	503,591
Dividend payable	–	531,948
	224,055	1,049,760
Net current assets	988,685	1,117,546
Total assets less current liabilities	4,007,885	4,066,818
Non-current liabilities		
Lease liabilities	1,149	2,137
Net assets	4,006,736	4,064,681
Capital and reserves		
Share capital	147,763	147,763
Reserves	3,858,973	3,916,918
Total Equity	4,006,736	4,064,681

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2025

35. 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 2024	-	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 27)	-	-	-	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 27)	-	-	91	(91)	-	-	-
At 31 December 2024	3,420,948	73,882	(548)	157,044	(179,780)	445,372	3,916,918
Profit for the year	-	-	-	-	-	517,962	517,962
Other comprehensive expense for the year	-	-	-	-	(26,388)	-	(26,388)
Total comprehensive (expense) income for the year	-	-	-	-	(26,388)	517,962	491,574
Recognition of share-based payment (Note 27)	-	-	-	11,982	-	-	11,982
Dividends recognised as distribution (Note 11)	-	-	-	-	-	(561,501)	(561,501)
Share-based payment transaction (Note 27)	10,952	-	116	(11,068)	-	-	-
Disposal of FVTOCI (Note 16)	-	-	-	-	134,348	(134,348)	-
At 31 December 2025	3,431,900	73,882	(432)	157,958	(71,820)	267,485	3,858,973

36. EVENTS AFTER REPORTING PERIOD

Except as disclosed in Note 11, the Group has no significant event took place subsequent to 31 December 2025 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