



# 茶百道

Sichuan Baicha Baidao Industrial Co., Ltd.

## 四川百茶百道實業股份有限公司

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

(於中華人民共和國註冊成立的股份有限公司)

Stock code : 2555

股份代號 : 2555

### 2024 INTERIM REPORT 中期報告



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## Definitions

Unless the context otherwise requires, the following expressions shall have the following meanings in this interim 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 Jinboson”	Chengdu Jinboson 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 interim report and for geographical reference only, excludes Hong Kong, 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”	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 Jinboson, 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
“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 (劉洵宏), 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”	the six months ended 30 June 2024

## Definitions

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

\* English name is for identification purpose only.

# Corporate Information

## Company Name

### Chinese name:

四川百茶百道實業股份有限公司

### English name:

Sichuan Baicha Baidao Industrial Co., Ltd.

## Directors

### Executive Directors

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

### Non-Executive Director

Dr. Chen Da

### Independent Non-Executive Directors

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

## Supervisors

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

## Audit Committee

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

## Remuneration Committee

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

## Nomination Committee

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

## Registered Office

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

## Headquarters and Principal Place of Business in the PRC

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

## Principal Place of Business in Hong Kong

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

## Place of Listing and Stock Code

The Stock Exchange of Hong Kong Limited  
Stock code: 2555

## H Share Registrar

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

# Corporate Information

## Company's Website

<https://www.chabaidao.com>

## Legal Representative

Mr. Wang Xiaokun

## Secretary to the Board of Directors

Mr. Xue Zenghui

## Authorized Representatives

Mr. Chen Keyuan

Mr. Lee Chung Shing

## Joint Company Secretaries

Mr. Xue Zenghui

Mr. Lee Chung Shing

## Auditor

Deloitte Touche Tohmatsu

*Certified Public Accountants*

*Registered Public Interest Entity Auditor*

## Legal Advisor as to Hong Kong Law

Clifford Chance

## Legal Advisor as to PRC Law

King & Wood Mallesons

## Compliance Advisor

Guotai Junan Capital Limited

## Principal Bank

China Construction Bank, Chengdu Jinhe Sub-branch

# Management Discussion and Analysis

The Board is pleased to present the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2024, which has not been audited, but has been reviewed by the Audit Committee of the Board and Deloitte Touche Tohmatsu, the independent auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

## Business Review

In the first half of 2024, the Group recorded revenue of RMB2,395.8 million, representing a decrease of 10.0% as compared with corresponding period last year. Our revenue from our sale of goods and equipment decreased by 10.0% as compared with corresponding period last year. Revenue from royalty and franchising decreased by 5.8% as compared with corresponding period last year. Other revenue decreased by 22.0% as compared with corresponding period last year. The following table sets out the breakdown of the Group's revenue by types and the percentage of our total revenue during the periods indicated:

	Six months ended 30 June					
	2024		2023		Change	
	RMB'000	%	RMB'000	%	RMB'000	%
Sale of goods and equipment <sup>(1)</sup>	<b>2,270,516</b>	<b>94.8</b>	2,521,754	94.8	(251,238)	(10.0)
Royalty and franchising <sup>(2)</sup>	<b>98,278</b>	<b>4.1</b>	104,304	3.9	(6,026)	(5.8)
Others <sup>(3)</sup>	<b>27,035</b>	<b>1.1</b>	34,643	1.3	(7,608)	(22.0)
<b>Total</b>	<b>2,395,829</b>	<b>100.0</b>	<b>2,660,701</b>	<b>100.0</b>	<b>(264,872)</b>	<b>(10.0)</b>

### 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 in relation to franchised stores; (ii) income from our online operation and management services in relation to the collaboration with third-party online delivery platforms; and (iii) income from our self-operated ChaPanda stores.

Taking into account the impact of consumer behavior shifts as affected by changes in the external environment, the Company has provided more supportive policies and favourable price of goods and equipment for franchisees in the first half of 2024.



# Management Discussion and Analysis

## Store Network

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

The following table sets forth a breakdown of the Group's store coverage by city tier in China as of 30 June 2024.

	As of 30 June			
	2024		2023	
	Number of stores	%	Number of stores	%
First-tier cities	<b>852</b>	<b>10.2</b>	747	10.7
New first-tier cities	<b>2,192</b>	<b>26.1</b>	1,957	28.2
Second-tier cities	<b>1,710</b>	<b>20.4</b>	1,452	20.9
Third-tier cities	<b>1,605</b>	<b>19.1</b>	1,358	19.5
Fourth-tier and below cities	<b>2,026</b>	<b>24.2</b>	1,440	20.7
Total	<b>8,385</b>	<b>100.0</b>	6,954	100.0

The number of our stores in China continued to increase – from 6,954 as of 30 June 2023 to 8,385 as of 30 June 2024, representing a year-on-year increase of 20.6%. We strategically maintained a limited number of self-operated stores in selected cities to create immersive consumer experience and to serve as a prominent representation of our brand. As of 30 June 2024, we had nine self-operated stores, compared to seven as of 30 June 2023.

We are advancing our overseas business as scheduled. As of 30 June 2024, we have opened four stores in South Korea, two in Thailand and one in Australia, respectively. To satisfy the demand in overseas market, we are improving our capabilities to conduct supply chain business, product R&D and brand promotion which adapt to the overseas business development.

## Our Franchise Model

During the Reporting Period, our ChaPanda store network primarily consisted of franchised stores. We maintain strong oversight towards franchised stores, ensuring that every aspect of store operation is properly managed and optimized for success. Our involvement throughout the operations of franchised store 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, 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 number of our franchisees for the periods indicated.

	Number of franchisees Six months ended 30 June	
	2024	2023
At the beginning of the period	<b>5,538</b>	5,396
Enrolled during the period	<b>667</b>	584
Terminated during the period	<b>(508)</b>	(588)
At the end of the period	<b>5,697</b>	5,392

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

	Number of franchised stores Six months ended 30 June	
	2024	2023
At the beginning of the period	<b>7,795</b>	6,352
Opened during the period	<b>826</b>	691
Closed during the period	<b>(245)</b>	(96)
At the end of the period	<b>8,376</b>	6,947

# Management Discussion and Analysis

## Product Development

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

Product development and innovation lie at the heart of our competitive advantages and are key factors that differentiate us from competitors in the market. Our product development philosophy prioritizes the creation of low-sugar, low-fat products that meet the needs of our health-conscious consumers. Rather than merely following popular market trends, we originate a diverse range of new products based on our deep understanding of consumer tastes and feedback. We draw inspiration from traditional Chinese tea drinks, global cuisines and ingredients, snacks and desserts. During the Reporting Period, we have launched 21 new products, upgraded 9 products, and developed 203 formulas of products stored in warehousing facilities specially for Chinese market, highlighting our proactive approach to product development and innovation. Meanwhile, we developed brand-new products menu for designed programs in overseas markets to address the needs of designed programs in overseas markets.

## Supply Chain Management

As of 30 June 2024, we had 21 province-level storage and delivery hubs and 3 front warehouse and distribution hubs in mainland China. The warehouse and distribution hubs in each region is responsible for serving the surrounding stores within an average distribution radius of 500 kilometers, approximately 90% of stores can receive next day delivery after placing an order and approximately 97% of stores can receive delivery services twice or more times a week while there are 41 guaranteed overnight delivery routes in Beijing, Chengdu and Chongqing, etc. We set up temperature-controlled storage and delivery hubs to provide near-me delivery so that time, efficiency and frequency can be enhanced while fresh and high-quality raw material can be ensured to deliver to stores. As of 30 June 2024, the Group's unified delivery of fruits to ChaPanda stores has covered 62% of the total number of stores, further improving the quality of products in the stores. On 27 May 2024, the production base for natural tea drinks of the Group was officially put into operation in Jin'an District, Fuzhou City, Fujian Province, further ensuring the quality of the Group's tea raw materials and the stable quality of tea beverages offered in ChaPanda stores.

## Branding and Marketing

We reward our dedicated clients through loyalty programs and incentivized referrals, fostering brand advocacy and solidifying consumer relationships. As of 30 June 2024, we had 113.7 million registered members, representing an increase of 71.2% compared with the number of the existing members as of 30 June 2023; and 35.0 million active members as of 30 June 2024, representing an increase of 27.0% compared with that of as of 30 June 2023. Based on the age information voluntarily submitted by consumers when they register as members of our membership program, approximately 79.1% of such registered members aged between 18 to 35 years old.

We started pilot take-out business on the mini-program of WeChat/Alipay to further improve competitiveness in private field on 30 June 2024.

## Management Discussion and Analysis

We have continued to expand our brand voice and influence via digitalized marketing, IP marketing, crossover cooperation, celebrity product endorsement and brand anniversary campaigns. As of 30 June 2024, “ChaPanda” brand-related major topics were read/played 12.32 billion times on mainstream public information platforms, such as Weibo, Douyin, Xiaohongshu, etc., and 750 million times via official matrix media on self-media platforms; and we received over 900 million exposure through advertising and other means.

### Outlook

In the second half of 2024, we, following the Group’s development strategy, will continue to expand our store network to further penetrate the domestic market, meanwhile strengthen exploring overseas market. We will also continue to strengthen product R&D capabilities and expand the product matrix to develop more products to meet market demand and consumer needs. Moreover, we will further improve overall operational efficiency by enhancing our supply chain capabilities and technical investment. Thus, our brand perception and our connection with consumers will be strengthened. At the same time, in respond to increasingly competitive freshly-made tea drinks market, we will improve cost control and risk management, seize market opportunities and prudently tackle various challenges.

### Finance Review

#### Revenue and gross profit

During the Reporting Period, the Group recorded revenue of RMB2,395.8 million, representing a decrease of 10.0% as compared to RMB2,660.7 million in the first half of last year; gross profit of RMB760.1 million, representing a decrease of 18.6% as compared to RMB933.8 million in the first half of last year. During the Reporting Period, taking into account the impact of consumer behavior shifts as affected by changes in the external environment, the Company has provided more supportive policies and favourable price of goods and equipment for franchisees in the first half of 2024 and bore marketing expenses with franchisees by providing subsidies for material sales, and the Group’s gross profit margin decreased by 3.4 percentage points to 31.7% from 35.1% for the same period of last year.

#### Other income

During the Reporting Period, the Group’s other income amounted to RMB24.8 million, representing an increase of 1,027.3% as compared to RMB2.2 million in the first half of last year, mainly due to the significant increase in bank interest income resulting from the increase in the Company’s idle funds upon the receipt of pre-IPO investments and proceeds from Global Offering.

#### Distribution and selling expenses

During the Reporting Period, the Group’s distribution and selling expenses amounted to RMB105.2 million, representing an increase of 140.2% as compared to RMB43.8 million in the first half of last year, which was mainly due to the fact that: (i) in order to cope with market competition and further enhance brand awareness, the Group continued to expand its brand volume and influence through strategies such as digital marketing, IP marketing, crossover cooperation, celebrity endorsement and anniversary events; and (ii) to implement the brand building and marketing strategy, the distribution and sales departments employed more staff compared to the first half of last year.

# Management Discussion and Analysis

## Administrative expenses

During the Reporting Period, the administrative expenses of the Group amounted to RMB218.4 million, representing an increase of 17.0% as compared to RMB186.6 million in the first half of last year, mainly due to the increase in office expenses, such as employee salary and property leasing expense.

## Research and development expenses

During the Reporting Period, the Group's research and development expenses amounted to RMB14.5 million, representing an increase of 154.4% as compared to RMB5.7 million in the first half of last year, mainly due to the further expansion of research and development personnel of the digital team arising from the Group's continued efforts in digital infrastructure construction and investment in research and development.

## Finance costs

During the Reporting Period, the Group's finance costs amounted to RMB2.7 million, representing an increase of 35.0% as compared to RMB2.0 million in the first half of last year, mainly due to the increase in lease interest expenses in line with the increased leased assets, resulting from the business expansion and growth of operation scale of the Group.

## Other expenses

During the Reporting Period, the Group's other expenses amounted to RMB1.6 million, representing an increase of 45.5% as compared to RMB1.1 million in the first half of last year, mainly due to the Group's active donations to Youth Development Foundation and other social welfare organizations.

## Income tax expense

During the Reporting Period, the Group's income tax expense was RMB70.8 million, representing a decrease of 35.6% as compared to RMB110.0 million in the first half of last year, mainly due to the decrease in taxable income.

## Profit for the period

As a result of the aforementioned changes, the Group's profit for the Reporting Period decreased by 59.9% from RMB595.4 million in the first half of last year to RMB238.6 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 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 our adjusted net profit (non-IFRS measure) to our profit for the periods presented in accordance with IFRS, for the periods indicated.

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
<b>Profit for the period</b>	<b>238,628</b>	595,362
Add:		
Income tax expense	<b>70,752</b>	110,014
Depreciation and amortization	<b>42,079</b>	30,786
Finance costs	<b>2,664</b>	1,991
Interest income	<b>(21,629)</b>	(634)
	<hr/>	<hr/>
<b>EBITDA (non-IFRS measure)</b>	<b>332,494</b>	737,519
Add:		
Listing expenses charged in profit or loss <sup>(1)</sup>	<b>7,197</b>	2,612
Equity-settled share-based payment expenses <sup>(2)</sup>	<b>3,832</b>	–
Loss on fair value change of redeemable shares with other preferential rights <sup>(3)</sup>	<b>145,221</b>	–
	<hr/>	<hr/>
<b>Adjusted EBITDA (non-IFRS measure)</b>	<b>488,744</b>	740,131
	<hr/>	<hr/>
<b>Adjusted EBITDA margin (non-IFRS measure)</b>	<b>20.4%</b>	27.8%
	<hr/>	<hr/>
<b>Profit for the period</b>	<b>238,628</b>	595,362
Add:		
Listing expenses charged in profit or loss <sup>(1)</sup>	<b>7,197</b>	2,612
Equity-settled share-based payment expenses <sup>(2)</sup>	<b>3,832</b>	–
Loss on fair value change of redeemable shares with other preferential rights <sup>(3)</sup>	<b>145,221</b>	–
	<hr/>	<hr/>
<b>Adjusted net profit (non-IFRS measure)</b>	<b>394,878</b>	597,974
	<hr/>	<hr/>
<b>Adjusted net profit margin (non-IFRS measure)</b>	<b>16.5%</b>	22.5%
	<hr/>	<hr/>

# Management Discussion and Analysis

## Notes:

- (1) Listing expenses charged in profit or loss 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 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 30 June 2024, the total balance of cash and cash equivalents of the Group was RMB3,135.0 million, representing an increase of 337.8% as compared to RMB716.0 million as at 31 December 2023, mainly due to the receipt of proceeds from the Global Offering.

## Inventories

During the Reporting Period, the Group focused on key items and improved operational efficiency. The Group's inventories decreased from RMB201.2 million as at 31 December 2023 to RMB170.9 million as at 30 June 2024. Inventories turnover days increased from 19.2 days as at 31 December 2023 to 20.6 days as at 30 June 2024, which was basically flat.

## Trade and other receivables, deposits and prepayments

The Group's trade and other receivables, deposits and prepayments increased from RMB62.5 million as at 31 December 2023 to RMB204.6 million as at 30 June 2024. Trade receivables turnover days increased from 0.4 days as at 31 December 2023 to 0.5 days as at 30 June 2024, which was basically flat.

## Trade and other payables

The Group's trade and other payables decreased from RMB770.6 million as at 31 December 2023 to RMB574.5 million as at 30 June 2024. Trade payables turnover days increased from 34.4 days as at 31 December 2023 to 34.9 days as at 30 June 2024, which was basically flat.

## Bank borrowings

As of 30 June 2024, the Group did not have any bank borrowings.

## Contract liabilities

The Group's contract liabilities decreased from RMB324.2 million as at 31 December 2023 to RMB284.7 million as at 30 June 2024, mainly due to the Group's granting of some concessions to franchisees for the sale of goods and equipment and deduction of franchise fees payable by new stores, which resulted to a decrease in prepayments from franchisees.

### Lease liabilities

The Group's lease liabilities increased from RMB83.5 million as at 31 December 2023 to RMB96.5 million as at 30 June 2024, mainly due to the increase in lease, with the business expansion and growth of operation scale of the Group.

### Property, plant and equipment

The Group's carrying amounts of property, plant and equipment decreased from RMB235.7 million as of 31 December 2023 to RMB216.8 million as of 30 June 2024, mainly due to the normal depreciation of property, plant and equipment.

### Liquidity and capital resources

The Group has adopted a prudential liquidity management policy. The Group attached great importance of 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 a stable liquidity. During the Reporting Period, the Group's business was mainly funded by cash generated from operating activities. As of 31 December 2023 and 30 June 2024, the Group's cash and cash equivalents amounted to RMB716.0 million and RMB3,135.0 million, respectively. The Group's cash is mainly used for the fulfillment of its business operation requirement. The Group's capital needs are satisfied by cash generated from operating activities, the proceeds from the Global Offering and other future equity or debt financings.

### Foreign exchange risk

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

### Contingent liabilities

As of 30 June 2024, the Group had no significant contingent liabilities.

### Capital commitments

As at 30 June 2024, the Group's capital commitments amounted to approximately RMB23.8 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 and commitments to investment in the joint venture.



# Management Discussion and Analysis

## Pledge of assets

As at 30 June 2024, no assets of the Group were pledged by the Group.

## Gearing ratio

As at 30 June 2024, the Group did not have any bank borrowings. Accordingly, no gearing ratio is presented herein.

## Significant investments, material acquisitions and disposals

As of 30 June 2024, the Group neither had any significant investments (including any investments in an investee with a value of 5% or more of the Group's total assets as of 30 June 2024), nor material acquisitions or disposals in relation to subsidiaries, associates and joint ventures. We subscribed for wealth management products from financial institutions for cash management. During the Reporting Period and as at the date of this interim report, there was no information in respect of subscription for such wealth management products from 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 date of this interim report, 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 30 June 2024, the Group had 2,251 employees, and the total employee benefit expenses (including Directors' remuneration) during the Reporting Period was RMB179.0 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 channel, and provide staff with fair career development opportunities, to motivate internal driving force and accelerate talent growth. The Company kept optimizing talent development system, and adopted an online-offline combination mode, offering staff online learning platform and rich, cutting-edge curriculum resources focusing on general, professional and talent development training topics, so as to meet the learning and development needs in different scenarios, thereby supporting staff career advancement.

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

### Significant event after the Reporting Period

The distribution of 2023 annual dividend to all Shareholders at a cash dividend of RMB0.28 (tax inclusive) per share has been considered and approved at the 2023 annual general meeting of the Company. Due to the recent changes in the external environment and after due and careful consideration, the Board has decided to adjust the Company's dividend distribution plan. On 29 July 2024, the Board reviewed and approved the proposal to withdraw the distribution of 2023 annual dividend. On 21 August 2024, the proposed withdrawal of the distribution of 2023 annual dividend was reviewed and approved at the second extraordinary general meeting of the Company in 2024. At this stage, the Company is considering the adjustments to the dividend distribution plan, and the total amount of dividends under the adjusted dividend distribution plan will be no less than the total amount of 2023 annual dividend. Once the adjusted dividend distribution plan is finalized, the Company will promptly announce the adjusted dividend distribution plan and proceed with distributing dividends to Shareholders in compliance with relevant rules, regulations and regulatory requirements. The adjusted dividend distribution plan shall not impact the dividend distribution plan of the Company for subsequent years. For details, please refer to the announcements of the Company dated 29 July 2024 and 21 August 2024, and the notice and circular of the Company dated 1 August 2024.

Save as disclosed herein, since 30 June 2024 and up to the date of this interim report, no significant events affecting the Group occurred.

# Corporate Governance and Other Information

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

### (i) Interests in the Company

Name	Position	Nature of Interest	Class of Shares	Number of Shares held as at 30 June 2024	Approximate percentage of the number of shares held as at 30 June 2024 to the total share capital of the Company
Mr. Wang	Chairman of the Board and executive Director	Beneficial owner	H Shares	239,598,750 (L)	16.2150%
		Interest of spouse	H Shares	76,399,250 (L)	5.1704%
		Interest in controlled corporations <sup>(2)</sup>	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 <sup>(2)</sup>	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%

## Corporate Governance and Other Information

*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, is controlled by Mr. Wang as its sole general partner. Mr. Wang is therefore deemed to be interested in the Shares held by Tongchuang Gongjin under the SFO.

### (ii) Interests in associated corporations of the Company

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

# Corporate Governance and Other Information

Save as disclosed above, as at 30 June 2024, none of the Directors, Supervisors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which will be required, pursuant to Divisions 7 and 8 of Part XV of the SFO, to be notified to the Company and the Hong Kong Stock Exchange, or entered in the register that shall be maintained by the Company pursuant to Section 352 of the SFO, or which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

## Interests and short positions of the substantial shareholders in the shares and underlying shares of the Company

As at 30 June 2024, so far as the Directors are aware, the following persons (not being Directors, Supervisors or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which will be required, pursuant to Divisions 2 and 3 of Part XV of the SFO, to be notified to the Company and the Hong Kong Stock Exchange, or entered in the register that shall be maintained by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Nature of interest	Class of Shares	Number of Shares held as at 30 June 2024	Approximate percentage of the number of Shares held as at 30 June 2024 to the total share capital of the Company
Chengdu Jinbosen <sup>(2)</sup>	Interest in controlled corporation	H Shares	900,000,000 (L)	60.9082%
Hengsheng Herui <sup>(2)</sup>	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 30 June 2024, so far as the Directors were aware, there were no other 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.

## Corporate Governance and Other Information

### The Board of Directors and Supervisory Committee

From the Listing Date to the end of the Reporting Period, there was no change in the composition of the Board of Directors and Supervisory Committee.

As at the date of this interim report, the members of the Board of Directors are:

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*)

As at the date of this interim report, the members of the Supervisory Committee are:

Ms. Liu Weihong (*Chairwoman of the Supervisory Committee*)  
Mr. Zhu Mingxing (*Supervisor*)  
Mr. Zhang Yu (*Supervisor*)

*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.

From the Listing Date to the end of the Reporting Period, changes in the information of the members of the Board of Directors and the Supervisory Committee are as follows:

- (1) Mr. Yeung Chi Tat was appointed as an independent non-executive director in Lingbao Gold Group Company Ltd., a company listed on the Stock Exchange (stock code: 3330) on 29 May 2024.
- (2) Ms. Cheng Li has ceased to be an independent non-executive director in 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) since 11 April 2024; she has also ceased to be an independent non-executive director in Thunder Software Technology Co., Ltd. (中科创達軟件股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300496) since 12 June 2024.

Save as disclosed above, there have been no other changes in the members of the Board of Directors and the Supervisory Committee, chief executive of the Company and their information from the Listing Date to the end of the Reporting Period.

### Compliance with the Corporate Governance Code

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code as its own code of corporate governance. The Company has, to the best knowledge of the Directors, complied with applicable code provisions as set out in Part 2 of the Corporate Governance Code from the Listing Date and up to the date of this interim report.

### Compliance with the Model Code

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

# Corporate Governance and Other Information

## Purchase, Sale or Redemption of the Listed Securities of the Company

During the period from the Listing Date to 30 June 2024, the Company or any of its subsidiaries did not purchase, sell or redeem any securities of the Company (including sale of treasury shares). As at 30 June 2024, 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 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\$2,463.26 million. The proceeds from the listing 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 used for related purpose (HK\$ million)	Utilized proceeds during the Reporting Period (HK\$ million)	Unutilized proceeds as of the end of the Reporting Period (HK\$ million)	Expected timetable for the fully utilizing of unutilized proceeds
Improve our overall operation capabilities and strengthen our supply chain	51%	1,256.26	–	1,256.26	June 2027
Develop our digitalization capabilities, and engage and train professional talents	20%	492.65	–	492.65	June 2027
Branding and promoting activities	12%	295.59	–	295.59	June 2027
Promote our self-operated coffee brand and develop the coffee shop network across China	5%	123.16	–	123.16	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 headquarter equipped with advanced software and hardware to streamline and enhance our product development endeavors	2%	49.27	–	49.27	June 2027
Working capital and general corporate purposes	10%	246.33	–	246.33	June 2027
<b>Total</b>	<b>100%</b>	<b>2,463.26</b>	<b>–</b>	<b>2,463.26</b>	

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

## Pre-IPO Employee Incentive Scheme

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

As of the date of this interim report, the incentives corresponding to the total 6,386,000 Shares (accounted for approximately 0.4322% of the total issued Shares of the Company) under the Pre-IPO Employee Incentive Scheme have been granted to the eligible participants. No further Shares will be granted according to the Pre-IPO Employee Incentive Scheme after the listing. Please refer to the Prospectus of the Company dated 15 April 2024 for further details about the Pre-IPO Employee Incentive Scheme.

## Interim Dividend

The Board of Directors has resolved not to declare interim dividend for the six months ended 30 June 2024. At this stage, the Company is considering the adjusted dividend distribution plan after the withdrawal of the distribution of 2023 annual dividend, and the total amount of dividends under the adjusted dividend distribution plan will be no less than the total amount of 2023 annual dividend. Once the adjusted dividend distribution plan is finalized, the Company will promptly announce the adjusted dividend distribution plan and proceed with distributing dividends to the Shareholders in compliance with relevant rules, regulations and regulatory requirements.

## Substantial Lawsuits and Arbitration Matters

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



# Corporate Governance and Other Information

## Articles of Association

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

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

## Review of the Interim Report

The Audit Committee of the Board comprises Dr. Chen Da as a non-executive Director and Mr. Yeung Chi Tat and Ms. Cheng Li as independent non-executive Directors, and Mr. Yeung Chi Tat serves as the chairman of the Audit Committee. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed financial reporting matters with the management of the Company, and has also reviewed this interim report and the Group's unaudited interim results for the six months ended 30 June 2024.

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2024 have also been reviewed by the Company's independent auditor, Deloitte Touche Tohmatsu (Hong Kong Certified Public Accountants).

## Public Float

Based on the publicly available information of the Company, so far as the Directors are aware, as at the date of this interim report, the public hold 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.

## Continuing Disclosure Obligations Pursuant to the Listing Rules

As of 30 June 2024, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

# Report on Review of Condensed Consolidated Financial Statements

**TO THE BOARD OF DIRECTORS 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)

## Introduction

We have reviewed the condensed 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 26 to 54, which comprise the condensed consolidated statement of financial position as of 30 June 2024 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and notes to the condensed consolidated financial statements. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

## Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("ISRE 2410") issued by the International Auditing and Assurance Standards Board. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

## Other Matter

The comparative condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period ended 30 June 2023 and the relevant notes to the condensed consolidated financial statements have not been reviewed in accordance with ISRE 2410.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

26 August 2024

# Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	NOTES	Six months ended 30 June	
		2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Revenue	3	2,395,829	2,660,701
Cost of sales		(1,635,773)	(1,726,889)
Gross profit		760,056	933,812
Other income	4	24,775	2,213
Loss on fair value change of redeemable shares with other preferential rights	16	(145,221)	–
Other gains and losses, net	5	26,276	11,147
Distribution and selling expenses		(105,229)	(43,837)
Administrative expenses		(218,364)	(186,581)
Research and development expenses		(14,519)	(5,710)
Other expenses		(1,600)	(1,065)
Listing expenses		(7,197)	(2,612)
Share of results of an associate and a joint venture		(6,933)	–
Finance costs		(2,664)	(1,991)
Profit before taxation		309,380	705,376
Income tax expense	6	(70,752)	(110,014)
Profit for the period	7	238,628	595,362
<b>Other comprehensive expense</b>			
Item that will not be reclassified to profit and loss			
Fair value loss on investments in equity instruments at fair value through other comprehensive income (“FVTOCI”), net of deferred tax impact		(17,624)	–
Other comprehensive expense for the period		(17,624)	–
Total comprehensive income for the period		221,004	595,362

## Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	NOTE	Six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Profit for the period attributable to:			
– Owners of the Company		237,047	588,152
– Non-controlling interests		1,581	7,210
		238,628	595,362
Total comprehensive income for the period attributable to:			
– Owners of the Company		219,423	588,152
– Non-controlling interests		1,581	7,210
		221,004	595,362
Earnings per share (in RMB)			
Basic	9	0.178	0.549
Diluted		0.177	0.549

# Condensed Consolidated Statement of Financial Position

AT 30 JUNE 2024

	<i>NOTES</i>	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	216,835	235,712
Right-of-use assets	10	128,665	110,574
Intangible assets	10	50,030	51,197
Investments in an associate and a joint venture		47,567	2,500
Equity instruments at FVTOCI	11	638,601	–
Prepayments	13	62,173	300
Deferred tax assets	12	93,539	83,367
		1,237,410	483,650
<b>Current assets</b>			
Inventories		170,860	201,171
Trade and other receivables, deposits and prepayments	13	204,578	62,519
Amounts due from related parties		607	607
Financial assets at fair value through profit or loss (“FVTPL”)	14	602,125	1,391,562
Term deposits		121,136	230,000
Cash and cash equivalents		3,134,975	715,989
		4,234,281	2,601,848
<b>Current liabilities</b>			
Trade and other payables	15	574,454	770,619
Contract liabilities		161,151	176,680
Income tax payables		7,022	38,206
Lease liabilities		39,038	40,948
Dividend payable	8	413,738	–
		1,195,403	1,026,453
<b>Net current assets</b>		3,038,878	1,575,395
<b>Total assets less current liabilities</b>		4,276,288	2,059,045

## Condensed Consolidated Statement of Financial Position

AT 30 JUNE 2024

	NOTES	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)
<b>Non-current liabilities</b>			
Contract liabilities		123,540	147,530
Lease liabilities		57,423	42,576
Deferred tax liabilities	12	1,109	1,293
Redeemable shares with other preferential rights	16	–	1,021,000
		<u>182,072</u>	<u>1,212,399</u>
<b>Net assets</b>			
		<u>4,094,216</u>	<u>846,646</u>
<b>Capital and reserves</b>			
Share capital	17	147,763	125,639
Reserves		<u>3,927,902</u>	<u>697,437</u>
Equity attributable to owners of the Company		4,075,665	823,076
Non-controlling interests		<u>18,551</u>	<u>23,570</u>
		<u>4,094,216</u>	<u>846,646</u>

# Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Attributable to owners of the Company										
	Paid-up capital/ share capital	Share premium	Statutory reserves	Share issued for Pre-IPO Employee Incentive Scheme	Share-based payment reserve	Other reserves	Equity instrument at FVTOCI revaluation reserve	Retained profits	Sub-total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000 <i>(Note i)</i>	RMB'000 <i>(Note iii)</i>	RMB'000	RMB'000 <i>(Note ii)</i>	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>As at 1 January 2023 (audited)</b>	100,000	-	78,091	-	-	114,876	-	357,648	650,615	12,001	662,616
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	588,152	588,152	7,210	595,362
Dividends recognised as distribution (Note 8)	-	-	-	-	-	-	-	(596,525)	(596,525)	-	(596,525)
Issuance of shares pursuant to the 2023 Shareholding Restructuring (Note 17)	25,000	-	-	-	-	-	-	-	25,000	-	25,000
<b>As at 30 June 2023 (unaudited)</b>	125,000	-	78,091	-	-	114,876	-	349,275	667,242	19,211	686,453
<b>As at 1 January 2024 (audited)</b>	125,639	-	99,550	(639)	-	144,309	-	454,217	823,076	23,570	846,646
Profit for the period	-	-	-	-	-	-	-	237,047	237,047	1,581	238,628
Other comprehensive expense for the period	-	-	-	-	-	-	(17,624)	-	(17,624)	-	(17,624)
Total comprehensive (expense) income for the period	-	-	-	-	-	-	(17,624)	237,047	219,423	1,581	221,004
Recognition of share-based payment (Note 19)	-	-	-	-	3,832	-	-	-	3,832	-	3,832
Dividends recognised as distribution (Note 8)	-	-	-	-	-	-	-	(413,738)	(413,738)	(13,200)	(426,938)
Issue of new shares upon initial public offering (the "IPO") (Note 17)	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 (as defined and detailed in Note 16)	7,348	1,158,873	-	-	-	-	-	-	1,166,221	-	1,166,221
Transfer to statutory reserves	-	-	10,831	-	-	-	-	(10,831)	-	-	-
Capital contribution 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 19)	-	-	-	65	-	(65)	-	-	-	-	-
<b>As at 30 June 2024 (unaudited)</b>	147,763	3,420,948	110,381	(574)	3,832	144,244	(17,624)	266,695	4,075,665	18,551	4,094,216

## Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2024

*Notes:*

- (i) Amount represented statutory reserves of the entities comprising the Group established in the People's Republic of China (the "PRC"). According to the relevant laws in the PRC, companies established in the PRC with limited liability are required to transfer at least 10% of their net profit after taxation, as determined under the PRC accounting regulations, to a non-distributable reserve fund until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before the distribution of a dividend to owners. Such reserve fund can be used to offset the previous years' losses, if any, and is non-distributable other than upon liquidation.
- (ii) The other reserves as at 1 January 2023 represent the impact of equity-settled share-based payments to certain key management personnel amounted to RMB114,876,000.  
  
In August 2023, the cash consideration received by the Company under the Pre-IPO Employee Incentive Scheme (defined and detailed in Note 19), amounted to RMB29,433,000, had been recognised in capital reserve included in other reserves, as the Company did not have any obligation to repurchase any granted shares if they were subsequently forfeited or not vested.
- (iii) The shares issued to and held by Tongchuang Gongjin (defined in Note 17) 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.\*) 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 six months ended 30 June 2024, the non-controlling interest paid the capital contribution at cash consideration of RMB6,600,000.

\* English name is for identification purpose only.



# Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
<b>Operating activities</b>		
Operating cash flows before movements in working capital	452,009	725,603
(Increase) decrease in trade and other receivables, deposits and prepayments	(200,775)	7,532
Other changes in working capital	(197,457)	(7,210)
<b>Net cash from operating activities</b>	<b>53,777</b>	<b>725,925</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(62,965)	(24,453)
Proceeds from disposal of property, plant and equipment	217	–
Purchase of intangible assets	(21,143)	(5,544)
Purchase of financial assets at FVTPL	(2,094,483)	(2,565,280)
Proceeds from redemption of financial assets at FVTPL	2,886,610	2,238,664
Placement of term deposits	(120,000)	–
Withdrawal of term deposits	230,000	–
Interest received from financial assets at FVTPL	11,758	9,440
Purchases of equity instruments at FVTOCI	(662,100)	–
Payment for rental deposits	(1,596)	(1,357)
Refund of rental deposits	1,488	1,962
Advances to related parties	–	(5,556)
Interest income from banks	8,919	634
Investment in an associate	(52,000)	–
<b>Net cash from (used in) investing activities</b>	<b>124,705</b>	<b>(351,490)</b>
<b>Financing activities</b>		
Interest paid	(2,664)	(1,991)
Dividend paid	(13,200)	(500,000)
Capital injection from non-controlling interests	6,600	–
Repayments of lease liabilities	(30,278)	(25,731)
Payment for share issue costs	(64,992)	(113)
Proceeds from issuance of redeemable shares with other preferential rights	–	970,000
Proceeds from issuance of shares	2,345,038	25,000

## Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
<b>Net cash from financing activities</b>	2,240,504	467,165
<b>Net increase in cash and cash equivalents</b>	2,418,986	841,600
<b>Cash and cash equivalents at beginning of the period</b>	715,989	226,031
<b>Cash and cash equivalents at end of the period</b>	3,134,975	1,067,631

# Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 1. GENERAL INFORMATION AND BASIS OF PREPARATION

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 Xiao Kun (王霄錕) and his spouse Ms. Liu Wei Hong (劉洧宏) (collectively the “Controlling Shareholders”), and Mr. Wang Xiao Kun 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 condensed consolidated financial statements are presented in Renminbi (“RMB”), which is the currency of the primary economic environment in which most the Group entities operate.

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting issued by the International Accounting Standards Board (“IASB”) as well as with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange.

\* English name is for identification purpose only.

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value, as appropriate.

Other than additional accounting policies resulting from application of certain accounting policies which became relevant to the Group in the current interim period, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the Group’s historical financial information for the three years ended 31 December 2023 incorporated in the prospectus of the Company dated 23 April 2024 in connection with the Listing.

## Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2024

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

#### Application of amendments to International Financial Reporting Standards (“IFRSs”)

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2024 for the preparation of the Group’s condensed consolidated financial statements:

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

The application of the amendments to IFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

#### Accounting policies

In addition, the Group has applied the following accounting policies which became relevant to the Group in the current interim period.

#### Financial instruments

##### Financial assets

###### *Classification and subsequent measurement of financial assets*

###### *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.

###### *Financial assets at FVTPL*

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

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

# Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 3. REVENUE AND SEGMENT INFORMATION

### (i) Disaggregation of revenue from contracts with franchisees

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
<b>Sale of goods and equipment:</b>		
– Goods	2,142,747	2,421,480
– Equipment	127,769	100,274
	<u>2,270,516</u>	<u>2,521,754</u>
<b>Royalty and franchising income:</b>		
– Non-refundable upfront initial fee	44,126	49,670
– Royalty income	44,994	42,873
– Pre-opening training services	9,158	11,761
	<u>98,278</u>	<u>104,304</u>
<b>Others</b>	<u>27,035</u>	<u>34,643</u>
	<u>2,395,829</u>	<u>2,660,701</u>

### (ii) Segment information

Information is reported to Mr. Wang Xiao Kun, who is one of the Controlling Shareholders and also an executive director of the Company, being the chief operating decision maker (“CODM”) of the Group, for the purposes of resource allocation and performance assessment. 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”.

## Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2024

### 4. OTHER INCOME

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Government grant	1,316	721
Interest income on:		
– bank deposits and certificate of deposits	21,629	634
Compensations received ( <i>Note</i> )	1,830	858
	<u>24,775</u>	<u>2,213</u>

*Note:* Compensations mainly represent payments from the Group's suppliers for providing substandard products.

### 5. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Loss on disposal of property, plant and equipment	(371)	–
Gain on fair value change of financial assets at FVTPL	14,448	11,991
Net foreign exchange gains and losses	11,409	(75)
Others	790	(769)
	<u>26,276</u>	<u>11,147</u>

# Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax:		
PRC Enterprise Income Tax ("EIT")	75,233	114,587
Deferred tax ( <i>Note 12</i> )	(4,481)	(4,573)
Total	<u>70,752</u>	<u>110,014</u>

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 Group operating in the PRC is 25%, except for certain subsidiaries that are engaged in the "Encouraged Industries in the Western Region" and eligible for the preferential EIT rate at 15%.

## 7. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Share-based compensation	3,832	–
Cost of inventories recognised as expenses	1,625,676	1,718,768
Depreciation of property, plant and equipment	10,641	6,397
Amortisation of right-of-use assets	25,124	22,920
Amortisation of intangible assets	<u>6,314</u>	<u>1,469</u>

## Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2024

### 8. DIVIDENDS

During the six months ended 30 June 2024, the Company's subsidiaries declared and paid dividends of RMB13,200,000 for the non-controlling interests, in respect of the year ended 31 December 2023.

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

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.

During the six months ended 30 June 2023, the Company declared three batches of dividend totaling RMB596,525,000 with RMB5.97 per share, with a total of 100,000,000 shares, in respect of the financial year. The amount of RMB500,000,000 was paid during the same period and RMB96,525,000 was netted-off against amounts due from shareholders (Hengsheng Herui and Mr. Wang Xiao Kun).



# Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share	237,047	588,152
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share (Note (i))	1,334,174,474	1,070,441,989
Effect of dilutive potential ordinary shares:		
Dilutive effect of removal of other preferential rights attached on the shares granted to the Pre-IPO Investor (as defined in Note 16)	–	1,623,975
Dilutive effect of shares issued for Pre-IPO Employee Incentive Scheme (as defined in Note 19)	3,199,660	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share (Note (ii))	1,337,374,134	1,072,065,964

*Notes:*

- (i) For the six months ended 30 June 2023 and 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 17 had been effective at the beginning of the period.
- (ii) The computation of diluted earnings per share for the period ended 30 June 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 Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2024

### 10. PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS, AND INTANGIBLE ASSETS

During the current interim period, the Group incurred nil (six months ended 30 June 2023: RMB44,954,000) for construction costs for a manufacturing plant and RMB10,425,000 (six months ended 30 June 2023: RMB23,648,000) for other property, plant and equipment in order to renovate of new office premise and expand/upgrade its manufacturing capabilities.

The amounts of construction in progress transferred to other classes of property, plant and equipment during the six months ended 30 June 2024 are RMB19,413,000 (six months ended 30 June 2023: RMB158,589,000).

In addition, during the current interim period, the Group reached an agreement with the principal contractors in relation to the settlement amount of the finalised construction costs of a manufacturing plant and resulting a decrease of RMB18,073,000 (six months ended 30 June 2023: Nil).

During the current interim period, the Group entered into several new lease agreements with lease terms ranged from 2 to 5 years. On date of lease commencement, the Group recognised right-of-use assets of RMB43,215,000 and lease liabilities of RMB43,215,000. During the six months ended 30 June 2023, the Group renewed several lease agreements and entered into several new lease agreements with lease terms ranged from 1.2 to 5 years. On date of lease commencement, the Group recognised right-of-use assets of RMB24,471,000 and lease liabilities of RMB24,471,000 and on date of lease modification, the Group recognised right-of-use assets of RMB4,088,000 and lease liabilities of RMB4,088,000. The Group is required to make fixed monthly payments during the contract period.

During the current interim period, the Group purchased RMB5,147,000 (six months ended 30 June 2023: RMB5,625,000) for intangible assets in relation to software.

### 11. EQUITY INSTRUMENTS AT FVTOCI

During the current interim period, the Group purchased equity investments in certain listed entities through wholly-owned funds at cash consideration of RMB402,100,000 (six months ended 30 June 2023: Nil) and directly purchased equity instruments in certain listed and unlisted entities at cash consideration of RMB50,000,000 (six months ended 30 June 2023: Nil) and RMB210,000,000 (six months ended 30 June 2023: Nil), respectively. 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.

Details of fair value measurement of equity instruments at FVTOCI are set out in Note 20.

# Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 12. DEFERRED TAX

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

	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)
Deferred tax assets	93,539	83,367
Deferred tax liabilities	(1,109)	(1,293)
	92,430	82,074

	Timing difference on revenue recognition RMB'000	Tax losses RMB'000	Timing difference on deferred deductible advertising expenses RMB'000	Others* RMB'000	Total RMB'000
At 1 January 2023 (audited)	62,865	2,930	–	129	65,924
(Charge) credit to profit or loss	(4,298)	7,411	–	1,460	4,573
At 30 June 2023 (unaudited)	58,567	10,341	–	1,589	70,497
Credit (charge) to profit or loss	3,180	2,851	6,802	(1,256)	11,577
At 31 December 2023 (audited)	61,747	13,192	6,802	333	82,074
(Charge) credit to profit or loss	(3,180)	3,117	5,239	(695)	4,481
Credit to other comprehensive income	–	–	–	5,875	5,875
At 30 June 2024 (unaudited)	58,567	16,309	12,041	5,513	92,430

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

## Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2024

### 13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)
<b>Current</b>		
Trade receivables ( <i>Note (i)</i> )	6,377	7,191
Other receivables	4,820	6,947
Value-added tax recoverable	13,041	15,346
Lease deposits	6,447	6,339
Advances to staff	1,658	230
Deferred issue costs	–	3,907
Prepayments for		
– raw materials, equipment and others	30,118	21,253
– advertising services ( <i>Note (ii)</i> )	142,117	1,306
	204,578	62,519
<b>Non-current</b>		
Prepayments for construction in progress	8,173	300
Prepayments for advertising services ( <i>Note (ii)</i> )	54,000	–
	62,173	300
<b>Total</b>	266,751	62,819

*Notes:*

- (i) The Group's trade receivables are mainly due from certain royalty and franchising business. These primarily relate to a number of independent shops for whom there is no significant financial difficulty and based on past experience and management's assessment, the overdue amounts can be recovered. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.
- (ii) The amounts represent certain agreements entered between the Group and various third parties for future advertising services, of which amount of RMB54,000,000 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.

# Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

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

	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)
Within 90 days	6,377	7,191

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

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

As at 31 December 2023 and 30 June 2024, the amount of debtors, included in the Group's trade receivables balances that are past due, is insignificant and the Group is satisfied with the subsequent settlements and the credit quality of these customers had not seen deteriorated.

## 14. FINANCIAL ASSETS AT FVTPL

During the current interim period, the Group purchased certain wealth management products and unlisted funds at cash consideration of RMB2,094,483,000 (six months ended 30 June 2023: RMB2,565,280,000). These investments are classified as current as are classified as current as the management expects to realise these financial assets within twelve months after the reporting period.

Details of fair value measurement of financial assets at FVTPL are set out in Note 20.

## Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2024

### 15. TRADE AND OTHER PAYABLES

	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)
Trade payables ( <i>Note (i)</i> )	275,556	354,672
Deposits ( <i>Note (ii)</i> )	147,802	145,046
Operational support service fees ( <i>Note (iii)</i> )	23,017	42,069
Other payables	45,956	96,981
Payroll payable	70,215	83,393
Other tax payable	11,908	39,655
Accrued share issue costs	–	992
Accrued listing expenses	–	7,811
	574,454	770,619

*Notes:*

- (i) The outstanding payables mainly represent the amounts payable to suppliers of the finished goods and equipment as at 31 December 2023 and 30 June 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 payable to regional agents for assisting the Group to provide operational support services mainly in relation to the franchise network in newer regions and also managing and maintaining those corresponding franchisees based on the regional agency contracts.

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

The following is an aged analysis of trade payables presented based on the invoice date:

	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)
Within 90 days	274,268	354,003
91 to 365 days	1,111	218
Over 365 days	177	451
	275,556	354,672

# Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 16. REDEEMABLE SHARES WITH OTHER PREFERENTIAL RIGHTS

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

Upon successful IPO, certain redemption and other preferential rights granted to Pre-IPO Investors were terminated and all redeemable shares with other preferential rights were converted into ordinary shares. The fair value of the redeemable shares with other preferential rights were measured at the IPO issue price of Hong Kong dollar (“HK\$”) 17.50 (equivalent to approximately RMB15.87) per share. As a result, all redeemable shares with other preferential rights were reclassified to share capital and share premium of the Company amounting to RMB7,348,000 and RMB1,158,873,000, respectively.

	Redeemable shares with other preferential rights RMB'000
As 1 January 2023 (audited)	–
Issuance of the redeemable shares with other preferential rights	970,000
As 30 June 2023 (unaudited)	970,000
As 1 January 2024 (audited)	1,021,000
Changes in fair value	145,221
Conversion to equity	(1,166,221)
As 30 June 2024 (unaudited)	–

\* English name is for identification purpose only.

## Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2024

### 17. SHARE CAPITAL

	Number of shares	Amount RMB'000
Ordinary shares of RMB1 each (before Share Subdivision) and RMB0.1 each (after Share Subdivision) <i>(as defined and detailed in Note (iii))</i>		
Authorised:		
At 1 January 2023 (audited)	100,000,000	100,000
Increase on 2023 Shareholding Restructuring <i>(as defined and detailed in Note (i))</i>	25,000,000	25,000
Increase on Pre-IPO Investments <i>(Note 16)</i>	7,348,485	7,348#
At 30 June 2023 (unaudited)	132,348,485	132,348
Increase on Pre-IPO Employee Incentive Scheme <i>(as defined and detailed in Notes (ii) and 19)</i>	638,600	639
At 31 December 2023 (audited)	132,987,085	132,987
Increase on Share Subdivision <i>(as defined and detailed in Note (iii))</i>	1,196,883,765	–
Increase on issuance of new shares upon the IPO <i>(Note (iv))</i>	147,763,400	14,776
At 30 June 2024 (unaudited)	1,477,634,250	147,763
Issued and fully paid:		
At 1 January 2023 (audited)	100,000,000	100,000
Issuance of shares pursuant to the 2023 Shareholding Restructuring <i>(Note (i))</i>	25,000,000	25,000
At 30 June 2023 (unaudited)	125,000,000	125,000



# Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 17. SHARE CAPITAL (continued)

	Number of shares	Amount RMB'000
Issuance of shares pursuant to the Pre-IPO Employee Incentive Scheme ( <i>Notes (ii)</i> )	638,600	639
At 31 December 2023 (audited)	125,638,600	125,639
Conversion of redeemable shares with other preferential rights upon the IPO ( <i>Note 16</i> )	7,348,485	7,348
Share Subdivision ( <i>Note (iii)</i> )	1,196,883,765	–
Issuance of new shares upon the IPO ( <i>Note (iv)</i> )	147,763,400	14,776
At 30 June 2024 (unaudited)	1,477,634,250	147,763

# The corresponding shares issued were reclassified to the redeemable shares with other preferential rights upon issuance and converted into ordinary shares upon successful IPO, as detailed in Note 16.

*Notes:*

- (i) Prior to the 2023 Shareholding Restructuring (as defined below), the Company was owned directly 90% by Hengsheng Herui and 10% by Mr. Wang Xiao Kun. Hengsheng Herui was held as to 84.888% by Chengdu Jinboson, 7.78% by Ms. Dai Li, 3.78% by Mr. Wang Hong Xue, 2.222% by Ms. Gu Ji Lin and 1.33% by Mr. Cheng Ke Yuan, through their respective wholly-owned investment vehicles (together, the "Employee Shareholders"). On 5 May 2023, the Company passed a shareholders' resolution in relation to (i) the increase of the share capital of the Company from RMB100,000,000 to RMB125,000,000 and (ii) the subscription of the shares by Mr. Wang Xiao Kun, Ms. Liu Wei Hong, and the Employee Shareholders (the "2023 Shareholding Restructuring"). On 11 May 2023, the Company issued a total of 25,000,000 shares to Mr. Wang Xiao Kun, Ms. Liu Wei Hong and the Employee Shareholders in such proportions that correspond to the respective percentages of equity interests ultimately held by them in the Company, at an aggregate consideration of RMB25,000,000. The subscription price was determined at par value of the registered capital increased.
- (ii) On 10 August 2023, 638,600 shares under the Pre-IPO Employee Incentive Scheme (as defined in Note 19) have been allotted and issued to 四川同創共進企業管理合夥企業(有限合夥) (Sichuan Tongchuang Gongjin Enterprise Management Partnership (Limited Partnership)\*) ("Tongchuang Gongjin"), represent treasury shares held by the Company. Details are set out in Note 19.
- (iii) Pursuant to the resolutions of the shareholders dated 10 August 2023, the shares are split on a one-for-ten basis immediately prior to the Listing, and the nominal value of the shares is changed from RMB1.0 each to RMB0.1 each (the "Share Subdivision"). Immediately after the Share Subdivision, the authorised share capital of the Company is RMB132,987,000 with 1,329,870,850 shares in a nominal value of RMB0.1 each.
- (iv) On 24 April 2024, the Company was successfully listed on the Main Board of the Stock Exchange following the completion of issuance of 147,763,400 new shares of RMB0.1 each issued at an offer price of HK\$17.50 (equivalent to approximately RMB15.87) per share and the total proceed was HK\$2,585,860,000 (equivalent to approximately RMB2,345,038,000).

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## Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2024

### 18. CAPITAL COMMITMENTS

	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)
Capital expenditure in respect of:		
the acquisition of property, plant and equipment and intangible assets contracted for but not provided in the condensed consolidated financial statements	13,770	12,237
Commitments to investment in the joint venture	10,000	10,000
	<u>23,770</u>	<u>22,237</u>

### 19. SHARE-BASED PAYMENTS

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.

# Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 19. SHARE-BASED PAYMENTS (continued)

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.

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

	Number of shares
After the Share Subdivision	
Outstanding as at 1 January 2024	6,386,000
Forfeited during the period	<u>(650,000)</u>
Outstanding as at 30 June 2024	<u>5,736,000</u>

## Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2024

### 19. SHARE-BASED PAYMENTS (continued)

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.

During the current interim period, the Group recognised total corresponding share-based payment expense of RMB3,832,000 (six months ended 30 June 2023: Nil)

### 20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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 fair value measurements are based on quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Financial assets	Fair value as at	Fair value hierarchy	Valuation techniques and key inputs
Unlisted funds at FVTPL	30 June 2024: RMB602,125,000 31 December 2023: Nil	Level 2	Quoted value provided by fund managers
Wealth management products at FVTPL	30 June 2024: Nil 31 December 2023: RMB1,391,562,000	Level 2	Quoted value provided by financial institutions
Listed equity instruments at FVTOCI	30 June 2024: RMB428,601,000 31 December 2023: Nil	Level 1	Quoted prices in active market
Unlisted equity instruments at FVTOCI	30 June 2024: RMB210,000,000 31 December 2023: Nil	Level 2	Recent transaction price
Redeemable shares with other preferential rights	30 June 2024: Nil 31 December 2023: RMB1,021,000,000	Level 3	Black-Scholes option pricing model Key inputs: volatility, discount rate, dividend yield, weighted average discount for lack of marketability, probability of successful IPO and redemption and time to expiration (Note)

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

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

## Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2024

### 20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

Fair value of the Group's financial assets and liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

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

### 21. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in the condensed consolidated financial statements, the Group entered into the following transactions with related parties:

#### i Transactions with related parties

Name of related parties	Relationship	Nature of transactions	Six months ended 30 June	
			2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Chengdu Jinboson	Ultimate holding company	Interest expenses on lease liabilities (Note (i))	77	52
Mr. Wang Xiao Kun and Ms. Liu Wei Hong	Controlling Shareholders	Interest expenses on lease liabilities (Note (ii))	76	65
成都和銀瑞商業管理有限公司 (Chengdu Hekunrui Commercial Management Co., Ltd.*)	Controlled by one of the Controlling Shareholders	Interest expenses on lease liabilities	204	106
成都銀麟商業管理有限公司 (Chengdu Kunlin Commercial Management Co., Ltd.*)	Companies controlled by one of the Controlling Shareholders	Interest expenses on lease liabilities	219	114
四川臻森商業管理有限公司 (Sichuan Zhensen Commercial Management Co., Ltd.*) ("Sichuan Zhensen")	Companies controlled by one of the Controlling Shareholders	Interest expenses on lease liabilities (Note (iii))	155	15

# Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 21. RELATED PARTY TRANSACTIONS (continued)

Other than as disclosed elsewhere in the condensed consolidated financial statements, the Group entered into the following transactions with related parties: - continued

### i Transactions with related parties (continued)

Notes:

- (i) During the six months ended 30 June 2023, the Group modified certain terms of the original lease agreement with Chengdu Jinbosen, into a 5-year lease agreement for the use of office. The amount of lease liabilities as at 30 June 2024 is RMB2,773,000 (31 December 2023: RMB3,131,000).
- (ii) During the six months ended 30 June 2023, the Group modified certain terms of the original lease agreement with Ms. Liu Wei Hong and Mr. Wang Xiao Kun, into a 5-year lease agreement for the use of offices. The amounts of lease liabilities as at 30 June 2024 are RMB2,736,000 (31 December 2023: RMB4,198,000).
- (iii) During the six months ended 30 June 2024, the Group entered into a 51-month 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 30 June 2024 are RMB7,722,000 (31 December 2023: Nil).

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### ii Compensation of key management personnel

The remuneration of directors, supervisors and other members of key management of the Group during the current and preceding interim periods were as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Salaries and allowances	6,045	5,010
Retirement benefit scheme contributions	443	382
Share-based compensation benefits	2,086	–
	<u>8,574</u>	<u>5,392</u>

## 22. EVENTS AFTER REPORTING PERIOD

Save as disclosed in Note 8, the Group has no other significant event took place subsequent to 30 June 2024 that needs to be disclosed.



茶百道

Sichuan Baicha Baidao Industrial Co., Ltd.

四川百茶百道實業股份有限公司