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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)
(Stock Code: 2555)

**INTERIM RESULTS ANNOUNCEMENT FOR
THE SIX MONTHS ENDED 30 JUNE 2024**

The board of directors (the “**Board**”) of Sichuan Baicha Baidao Industrial Co., Ltd. (the “**Company**”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2024 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2023 as follows:

SUMMARY OF FINANCIAL PERFORMANCE

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Revenue	2,395,829	2,660,701
Gross profit	760,056	933,812
Profit before taxation	309,380	705,376
Profit for the period	238,628	595,362
Profit for the period attributable to owners of the Company	237,047	588,152
Earnings per Share (in RMB)		
– Basic	0.178	0.549
– Diluted	0.177	0.549
Adjusted net profit (non-IFRS measure)	394,878	597,974

In this announcement, “**we**” refers to the Company and (as otherwise required by the context) the Group. Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meanings as those defined in the prospectus of the Company dated 15 April 2024 (the “**Prospectus**”).

MANAGEMENT DISCUSSION AND ANALYSIS

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:

	2024		Six months ended 30 June 2023		Change	
	RMB	%	RMB	%	RMB	%
Sale of goods and equipment ⁽¹⁾	2,270,516	94.8	2,521,754	94.8	(251,238)	(10.0)
Royalty and franchising ⁽²⁾	98,278	4.1	104,304	3.9	(6,026)	(5.8)
Others ⁽³⁾	27,035	1.1	34,643	1.3	(7,608)	(22.0)
Total	<u>2,395,829</u>	<u>100</u>	<u>2,660,701</u>	<u>100</u>	<u>(264,872)</u>	<u>(10.0)</u>

Notes:

- (1) Sale of goods and equipment: where the Group sells to franchised stores materials and ingredients for the production of tea drinks, such as dairy products, tea leaves and fruits, as well as packaging materials and store equipment. The Group also sells packaging materials to third-party purchasers that are manufactured by Senmian New Materials, such as biodegradable straws and cups.
- (2) Royalty and franchising: including non-refundable upfront initial fees, royalty income and pre-opening training service fees paid by franchisees.
- (3) Others: mainly consisted of (i) income from our design services 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.

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	852	10.2	747	10.7
New first-tier cities	2,192	26.1	1,957	28.2
Second-tier cities	1,710	20.4	1,452	20.9
Third-tier cities	1,605	19.1	1,358	19.5
Fourth-tier and below cities	2,026	24.2	1,440	20.7
Total	<u>8,385</u>	<u>100.0</u>	<u>6,954</u>	<u>100.0</u>

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	5,538	5,396
Enrolled during the period	667	584
Terminated during the period	(508)	(588)
	<hr/>	<hr/>
At the end of the period	<u>5,697</u>	<u>5,392</u>

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	7,795	6,352
Opened during the period	826	691
Closed during the period	(245)	(96)
	<hr/>	<hr/>
At the end of the period	<u>8,376</u>	<u>6,947</u>

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, 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.

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 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.

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.

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

Notes:

- (1) Listing expenses charged in profit or loss relate 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 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 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 is 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.

Currency risk

The Group's principal place of business is in the PRC. The Group was mainly exposed to currency risk associated with proceeds from the Global Offering denominated in Hong Kong dollar and certain bank deposits denominated in U.S. dollar. During the Reporting Period, the Group did not conduct any activities associated with hedging currency. However, the Group's management, upon continuously supervising currency 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.

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.

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 announcement, 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 IPO.

Future plans for material investments or capital assets

As at the date of this announcement, 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 0.4258% 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 announcement, no significant events affecting the Group occurred.

USE OF PROCEEDS FROM THE LISTING

The Company went listing on the Main Board of the Stock Exchange on 23 April 2024 (the “**Listing Date**”) and 147,763,400 new shares were issued at an offer price of Hong Kong dollar (“**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 has been and will be utilized according to the plans disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus, with details as follows:

Item	Percentage	Proceeds 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
Total	100%	2,463.26	–	2,463.26	–

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 law of China in relation to foreign exchange registration and remittance of the proceeds.

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 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 Shareholders in compliance with relevant rules, regulations and regulatory requirements.

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 (the “**Corporate Governance Code**”) contained in Appendix C1 to the Listing Rules as its own code of corporate governance. The Company has, to the best knowledge of the Directors, complied with all 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 announcement.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 of the Listing Rules 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 announcement.

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 sales of treasury shares (as defined in the Listing Rules)). As at 30 June 2024, the Company did not hold any treasury shares.

REVIEW OF THE INTERIM RESULTS

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 is 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 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).

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND 2024 INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.chabaidao.com). The Company will release its 2024 interim report in due course and publish it on the websites of the Stock Exchange and the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>NOTES</i>	Six months ended 30 June	
		2024 <i>RMB'000</i> (unaudited)	2023 <i>RMB'000</i> (unaudited)
Revenue	3	2,395,829	2,660,701
Cost of sales		<u>(1,635,773)</u>	<u>(1,726,889)</u>
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		(145,221)	–
Other gains and losses, net		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		<u>(2,664)</u>	<u>(1,991)</u>
Profit before taxation		309,380	705,376
Income tax expense	5	<u>(70,752)</u>	<u>(110,014)</u>
Profit for the period		<u><u>238,628</u></u>	<u><u>595,362</u></u>
Other comprehensive expense			
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		<u>(17,624)</u>	–
Other comprehensive expense for the period		<u>(17,624)</u>	–
Total comprehensive income for the period		<u><u>221,004</u></u>	<u><u>595,362</u></u>

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>NOTES</i>	As at 30 June 2024 <i>RMB'000</i> (unaudited)	As at 31 December 2023 <i>RMB'000</i> (audited)
Non-current assets			
Property, plant and equipment		216,835	235,712
Right-of-use assets		128,665	110,574
Intangible assets		50,030	51,197
Investments in an associate and a joint venture		47,567	2,500
Equity instruments at FVTOCI	8	638,601	–
Prepayments	9	62,173	300
Deferred tax assets		93,539	83,367
		1,237,410	483,650
Current assets			
Inventories		170,860	201,171
Trade and other receivables, deposits and prepayments	9	204,578	62,519
Amounts due from related parties		607	607
Financial assets at FVTPL	10	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
Current liabilities			
Trade and other payables	11	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	6	413,738	–
		1,195,403	1,026,453
Net current assets		3,038,878	1,575,395
Total assets less current liabilities		4,276,288	2,059,045

	<i>NOTES</i>	As at 30 June 2024 <i>RMB'000</i> (unaudited)	As at 31 December 2023 <i>RMB'000</i> (audited)
Non-current liabilities			
Contract liabilities		123,540	147,530
Lease liabilities		57,423	42,576
Deferred tax liabilities		1,109	1,293
Redeemable shares with other preferential rights	<i>12</i>	–	1,021,000
		182,072	1,212,399
Net assets		4,094,216	846,646
Capital and reserves			
Share capital	<i>13</i>	147,763	125,639
Reserves		3,927,902	697,437
Equity attributable to owners of the Company		4,075,665	823,076
Non-controlling interests		18,551	23,570
		4,094,216	846,646

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

1. 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.

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.

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)
Sale of goods and equipment:		
– Goods	2,142,747	2,421,480
– Equipment	127,769	100,274
	<u>2,270,516</u>	<u>2,521,754</u>
Royalty and franchising income:		
– 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>
Others	<u>27,035</u>	<u>34,643</u>
	<u><u>2,395,829</u></u>	<u><u>2,660,701</u></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”.

4. OTHER INCOME

	Six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (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. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Current tax:		
– PRC Enterprise Income Tax (“EIT”)	75,233	114,587
Deferred tax	(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%.

6. 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).

7. 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	<u>237,047</u>	<u>588,152</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share (<i>Note (i)</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 <i>Note 12</i>)	–	1,623,975
Dilutive effect of shares issued for Pre-IPO Employee Incentive Scheme (as defined in <i>Note 14</i>)	<u>3,199,660</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share (<i>Note (ii)</i>)	<u>1,337,374,134</u>	<u>1,072,065,964</u>

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 13 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.

8. 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.

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)
Current		
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
	<u>204,578</u>	<u>62,519</u>
Non-current		
Prepayments for construction in progress	8,173	300
Prepayments for advertising services (<i>Note (ii)</i>)	54,000	–
	<u>62,173</u>	<u>300</u>
Total	<u><u>266,751</u></u>	<u><u>62,819</u></u>

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.

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	<u><u>6,377</u></u>	<u><u>7,191</u></u>

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

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

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.

10. 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 the management expects to realise these financial assets within twelve months after the reporting period.

11. TRADE AND OTHER PAYABLES

	As at 30 June 2024 <i>RMB'000</i> (unaudited)	As at 31 December 2023 <i>RMB'000</i> (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
	<u>574,454</u>	<u>770,619</u>

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

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

* *English name is for identification purpose only.*

13. SHARE CAPITAL

	Number of shares	Amount RMB'000
Ordinary shares of RMB1 each (before Share Subdivision) and RMB0.1 each (after Share Subdivision) (as defined and detailed in <i>Note (iii)</i>)		
Authorised:		
At 1 January 2023 (audited)	100,000,000	100,000
Increase on 2023 Shareholding Restructuring (as defined and detailed in <i>Note (i)</i>)	25,000,000	25,000
Increase on Pre-IPO Investments (<i>Note 12</i>)	7,348,485	7,348 [#]
At 30 June 2023 (unaudited)	<u>132,348,485</u>	<u>132,348</u>
Increase on Pre-IPO Employee Incentive Scheme (as defined and detailed in <i>Notes (ii) and 14</i>)	638,600	639
At 31 December 2023 (audited)	<u>132,987,085</u>	<u>132,987</u>
Increase on Share Subdivision (as defined and detailed in <i>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)	<u>1,477,634,250</u>	<u>147,763</u>
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)	<u>125,000,000</u>	<u>125,000</u>
Issuance of shares pursuant to the Pre-IPO Employee Incentive Scheme (<i>Notes (ii)</i>)	638,600	639
At 31 December 2023 (audited)	<u>125,638,600</u>	<u>125,639</u>
Conversion of redeemable shares with other preferential rights upon the IPO (<i>Note 12</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)	<u>1,477,634,250</u>	<u>147,763</u>

[#] *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 12.*

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 14) 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 14.
- (iii) Pursuant to the resolutions of the shareholders dated 10 August 2023, the shares are split on a one-for-ten basis immediately prior to the Listing, and the nominal value of the shares is changed from RMB1.0 each to RMB0.1 each (the “**Share Subdivision**”). Immediately after the Share Subdivision, the authorised share capital of the Company is RMB132,987,000 with 1,329,870,850 shares in a nominal value of RMB0.1 each.
- (iv) On 24 April 2024, the Company was successfully listed on the Main Board of the Stock Exchange following the completion of issuance of 147,763,400 new shares of RMB0.1 each issued at an offer price of HK\$17.50 (equivalent to approximately RMB15.87) per share and the total proceed was HK\$2,585,860,000 (equivalent to approximately RMB2,345,038,000).

* *English name is for identification purpose only*

14. 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.

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	(650,000)
	<hr/>
Outstanding as at 30 June 2024	5,736,000
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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).

By order of the Board
Sichuan Baicha Baidao Industrial Co., Ltd.
Mr. WANG Xiaokun
Executive Director and Chairman of the Board

Chengdu, the PRC, 26 August 2024

As at the date of this announcement, the board of directors of the Company comprises Mr. Wang Xiaokun, Mr. Wang Hongxue, Ms. Dai Li and Mr. Chen Keyuan as executive directors; Dr. Chen Da as non-executive director; and Mr. Yeung Chi Tat, Dr. Tang Yong and Ms. Cheng Li as independent non-executive directors.