



# Helens International Holdings Company Limited 海倫司國際控股有限公司

(A company incorporated in the Cayman Islands with Limited Liability)

Stock code: 9869

## GLOBAL OFFERING

Sole Sponsor, Sole Global Coordinator and Sole Bookrunner



## IMPORTANT

**Important:** If you have doubt about any of the contents in this prospectus, you should obtain independent professional advice.



### Helens International Holdings Company Limited

海倫司國際控股有限公司

(A company incorporated in the Cayman Islands with limited liability)

#### GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 134,650,000 Offer Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 13,465,000 Offer Shares (subject to reallocation)
Number of International Offer Shares	: 121,185,000 Offer Shares (subject to reallocation and the Over-allotment Option)
Maximum Offer Price	: HK\$20.72 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars, subject to refund)
Nominal value	: US\$0.0000000001 per Offer Share
Stock code	: 9869

*Sole Sponsor, Sole Global Coordinator and Sole Bookrunner*



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited, and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "A. Documents Delivered to the Registrar of Companies in Hong Kong" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriter(s)) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, September 3, 2021 and, in any event, not later than Monday, September 6, 2021. The Offer Price will be not more than HK\$20.72 and is currently expected to be not less than HK\$18.82 unless otherwise announced. If, for any reason, the Offer Price is not agreed by Monday, September 6, 2021 between the Sole Global Coordinator (for itself and on behalf of the Underwriter(s)) and our Company, the Global Offering will not proceed and will lapse.

The Sole Global Coordinator (for itself and on behalf of the Underwriter(s)) may, with our Company's consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and our Company ([www.helensbar.com](http://www.helensbar.com)) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. For further information, please refer to the sections headed "Structure of the Global Offering" and "How to apply for Hong Kong Offer Shares" of this prospectus.

The obligations of the Hong Kong Underwriter under the Hong Kong Underwriting Agreement to subscribe for, and to procure subscribers for, the Hong Kong Offer Shares, are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriter) if certain events shall occur prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting" of this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged, or transferred within the United States or to, or for the account or benefit of U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in accordance with Regulation S.

#### ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and our Company ([www.helensbar.com](http://www.helensbar.com)). If you require a printed copy of this prospectus, you may download and print from the website addresses above.

August 31, 2021

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## IMPORTANT

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### IMPORTANT NOTICE TO INVESTORS:

#### FULLY ELECTRONIC APPLICATION PROCESS

**We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.**

**This prospectus is available at the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) under the “HKEXnews > New Listings > New Listing Information” section, and our website at [www.helensbar.com](http://www.helensbar.com). If you require a printed copy of this prospectus, you may download and print from the website addresses above.**

To apply for the Hong Kong Offer Shares, you may:

- (1) apply online through the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching “**IPO App**” in App Store or Google Play or downloaded at [www.hkeipo.hk/IPOApp](http://www.hkeipo.hk/IPOApp) or [www.tricorglobal.com/IPOApp](http://www.tricorglobal.com/IPOApp)) or at [www.hkeipo.hk](http://www.hkeipo.hk); or
- (2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
  - (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or
  - (ii) (if you are an existing CCASS Investor Participant) giving electronic application instructions through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input electronic application instructions for CCASS Investor Participants through HKSCC’s Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you have any question about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of our Hong Kong Share Registrar, Tricor Investor Services Limited, at +852 3907 7333 on the following dates:

**Tuesday, August 31, 2021 – 9:00 a.m. to 6:00 p.m.**  
**Wednesday, September 1, 2021 – 9:00 a.m. to 6:00 p.m.**  
**Thursday, September 2, 2021 – 9:00 a.m. to 6:00 p.m.**  
**Friday, September 3, 2021 – 9:00 a.m. to 12:00 noon**

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary, broker or agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Please refer to “How to Apply for Hong Kong Offer Shares” of this prospectus for further details on the procedures through which you can apply for the Hong Kong Offer Shares electronically.

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## IMPORTANT

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Your application through the **HK eIPO White Form** service or the **CCASS EIPO** service must be for a minimum of 500 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

<u>No. of Hong Kong Offer Shares applied for</u>	<u>Amount payable on application</u>	<u>No. of Hong Kong Offer Shares applied for</u>	<u>Amount payable on application</u>	<u>No. of Hong Kong Offer Shares applied for</u>	<u>Amount payable on application</u>	<u>No. of Hong Kong Offer Shares applied for</u>	<u>Amount payable on application</u>
	<i>HK\$</i>		<i>HK\$</i>		<i>HK\$</i>		<i>HK\$</i>
500	10,464.40	8,000	167,430.37	70,000	1,465,015.68	1,000,000	20,928,795.44
1,000	20,928.80	9,000	188,359.15	80,000	1,674,303.64	2,000,000	41,857,590.88
1,500	31,393.19	10,000	209,287.95	90,000	1,883,591.59	3,000,000	62,786,386.32
2,000	41,857.59	15,000	313,931.93	100,000	2,092,879.54	4,000,000	83,715,181.76
2,500	52,321.99	20,000	418,575.91	200,000	4,185,759.09	5,000,000	104,643,977.20
3,000	62,786.39	25,000	523,219.89	300,000	6,278,638.63	6,000,000	125,572,772.64
3,500	73,250.79	30,000	627,863.86	400,000	8,371,518.18	6,732,500 <sup>(1)</sup>	140,903,115.30
4,000	83,715.18	35,000	732,507.84	500,000	10,464,397.72		
4,500	94,179.58	40,000	837,151.82	600,000	12,557,277.26		
5,000	104,643.98	45,000	941,795.79	700,000	14,650,156.81		
6,000	125,572.78	50,000	1,046,439.77	800,000	16,743,036.35		
7,000	146,501.57	60,000	1,255,727.73	900,000	18,835,915.90		

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(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

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## EXPECTED TIMETABLE<sup>(1)</sup>

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*If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published on our website [www.helensbar.com](http://www.helensbar.com) and the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).*

Hong Kong Public Offering commences.....9:00 a.m. on  
Tuesday, August 31, 2021

Latest time for completing electronic applications  
under the **HK eIPO White Form** service through  
one of the below ways:<sup>(2)</sup>

(1) the **IPO App**, which can be downloaded by  
searching “**IPO App**” in App Store or Google Play  
or downloaded at [www.hkeipo.hk/IPOApp](http://www.hkeipo.hk/IPOApp) or  
[www.tricorglobal.com/IPOApp](http://www.tricorglobal.com/IPOApp)

(2) the designated website [www.hkeipo.hk](http://www.hkeipo.hk)..... 11:30 a.m. on  
Friday, September 3, 2021

Application lists open<sup>(3)</sup> .....11:45 a.m. on  
Friday, September 3, 2021

Latest time for (a) completing payment for  
**HK eIPO White Form** applications by  
effecting internet banking transfer(s) or PPS  
payment transfer(s) and (b) **giving electronic**  
**application instructions** to HKSCC<sup>(4)</sup> .....12:00 noon on  
Friday, September 3, 2021

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists of the Hong Kong Public Offering close<sup>(3)</sup> .....12:00 noon on  
Friday, September 3, 2021

Expected Price Determination Date<sup>(5)</sup> .....Friday, September 3, 2021

Announcement of the Offer Price on our website at  
[www.helensbar.com](http://www.helensbar.com) and the website of the  
Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk)  
on or around<sup>(6)(10)</sup> .....Thursday, September 9, 2021

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## EXPECTED TIMETABLE<sup>(1)</sup>

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Announcement of the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on our website at [www.helensbar.com](http://www.helensbar.com) and the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) on or before<sup>(10)</sup> ..... Thursday, September 9, 2021

The results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels, including:

- in the announcement to be posted on our website and the website of the Hong Kong Stock Exchange at [www.helensbar.com](http://www.helensbar.com) and [www.hkexnews.hk](http://www.hkexnews.hk), respectively<sup>(10)</sup> ..... Thursday, September 9, 2021
- from "IPO Results" function in the **IPO App** or the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) or [www.hkeipo.hk/IPOResult](http://www.hkeipo.hk/IPOResult) with a "search by ID" function from<sup>(10)</sup> ..... 8:00 a.m. on Thursday, September 9, 2021 to 12:00 midnight on Wednesday, September 15, 2021
- from the allocation results telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from<sup>(10)</sup> ..... Thursday, September 9, 2021 to Tuesday, September 14, 2021 (excluding Saturday, Sunday and public holiday in Hong Kong)

Share certificates in respect of wholly or partially successful applications to be dispatched or deposited into CCASS on or before<sup>(7)(9)(10)</sup> ..... Thursday, September 9, 2021

**HK eIPO White Form** e-Auto Refund payment instructions/refund checks in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications to be dispatched on or around<sup>(8)(9)(10)</sup> ..... Thursday, September 9, 2021

Dealings in the Shares on the Hong Kong Stock Exchange expected to commence at 9:00 a.m. on<sup>(10)</sup> ..... Friday, September 10, 2021

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## EXPECTED TIMETABLE<sup>(1)</sup>

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*Notes:*

- (1) All dates and times refer to Hong Kong local dates and time, except as otherwise stated.
- (2) You will not be permitted to submit your application through the **IPO App** or the designated website at **[www.hkeipo.hk](http://www.hkeipo.hk)** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the **IPO App** or the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is/are a tropical cyclone warning signal number 8 or above, a “black” rainstorm warning and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, September 3, 2021, the application lists will not open or close on that day. See “How to Apply for Hong Kong Offer Shares – Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists” of this prospectus.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS or instructing your **broker** or **custodian** to apply on your behalf via CCASS should refer to the section headed “How to Apply for Hong Kong Offer Shares – Applications for the Hong Kong Offer Shares – Applying Through The **CCASS EIPO** Service” of this prospectus.
- (5) The Price Determination Date is expected to be on or around Friday, September 3, 2021 and, in any event, not later than Monday, September 6, 2021. If, for any reason, we do not agree with the Sole Global Coordinator (for itself and on behalf of the Underwriter(s)) on the pricing of the Offer Shares by Monday, September 6, 2021, the Global Offering will not proceed and will lapse.
- (6) None of the websites set out in this section or any of the information contained on the websites forms part of this prospectus.
- (7) Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in “Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination” has not been exercised. Investors who trade the Shares on the basis of publicly available allocation details or prior to the receipt of Share certificates or the Share certificates becoming valid do so entirely at their own risk.
- (8) e-Auto Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund check. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund check.
- (9) Applicants who have applied on the **HK eIPO White Form** service for 1,000,000 or more Hong Kong Offer Shares may collect any refund checks (where applicable) and/or Share certificates in person from our Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, September 9, 2021 or such other date as notified by us as the date of dispatch/collection of Share certificates/e-Auto Refund payment instructions/refund checks. Applicants being individuals who are eligible for personal collection may not authorize any other person to collect on their behalf. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation’s chop. Both individuals and authorized representatives must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.

Applicants who have applied for Hong Kong Offer Shares through the **CCASS EIPO** service should refer to the section headed “How to Apply for Hong Kong Offer Shares – Despatch/Collection of Share Certificates/e-Auto Refund Payment Instructions/Refund Checks – Personal Collection – If you apply through the **CCASS EIPO** service” of this prospectus for details.

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## EXPECTED TIMETABLE<sup>(1)</sup>

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Applicants who have applied through the **HK eIPO White Form** service and paid their application monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of e-Auto Refund payment instructions. Applicants who have applied through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund checks in favour of the applicant (or, in the case of joint applications, the first-named applicant) by ordinary post at their own risk.

Share certificates and/or refund checks for applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected Share certificates and/or refund checks will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in "How to Apply for Hong Kong Offer Shares – Refund of Application Monies" and "How to Apply for Hong Kong Offer Shares – Despatch/Collection of Share Certificates/e-Auto Refund Payment Instructions/Refund Checks."

- (10) In case a typhoon warning signal no. 8 or above, a black rainstorm warning signal and/or Extreme Conditions is/are in force in any days between Tuesday, August 31, 2021 to Friday, September 10, 2021, then the day of (i) announcement of results of allocations in the Hong Kong Public Offering; (ii) despatch of Share certificates and refund checks/**HK eIPO White Form** e-Auto Refund payment instructions; and (iii) dealings in the Shares on the Stock Exchange may be postponed and an announcement may be made in such event.

The above expected timetable is a summary only. For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, please refer to "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" of this prospectus, respectively.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such a case, we will publish an announcement as soon as practicable thereafter.



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### IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

*This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Hong Kong Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus for purposes of a public offering and the offering and sale of the Hong Kong Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.*

*You should rely only on the information contained in this prospectus to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this prospectus. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained nor made in this prospectus must not be relied on by you as having been authorized by our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriter(s), any of their respective directors, officers, employees, agents or representatives of any of them or any other parties involved in the Global Offering.*

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the entire prospectus before you decide to invest in the Offer Shares.*

*There are risks associated with any investment. Some of the particular risks in investing in the Shares are set out in “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Shares.*

### OVERVIEW

We are China’s largest bar chain network. In 2020, we ranked the first in China’s bar industry in terms of revenue and occupied a market share of 1.1%. In 2018, 2019 and 2020 and the three months ended March 31, 2021, we are the market leader in China’s bar industry as measured by the number of bars, according to Frost & Sullivan. Leveraging our highly standardized business model, we have rapidly grown our bar network during the Track Record Period. As of December 31, 2018, 2019, 2020 and March 31, 2021, the total number of bars in our bar network was 162, 252, 351 and 374, respectively, and further increased to 528 as of the Latest Practicable Date. We have been operating bars under the brand “Helen’s” (「海倫司」), as of the Latest Practicable Date, the number of Helen’s bars in first-tier, second-tier and third- and lower-tier cities of China was 66, 296 and 165, respectively, representing 12.5%, 56.1% and 31.3% of the total number of bars as of the same date, respectively.

We believe our bar network allows us to deliver a relaxing social space and value for money product portfolio to broad customer base. By offering value for money product portfolio and a relaxing customer experience, we aim to satisfy young generation’s demand for affordable alcoholic drinks, quality services and social ambience. According to the consumer survey conducted by Frost & Sullivan, we are a preferred bar brand with a satisfaction rate of up to 93.9% among the customers who have visited Helen’s bars. We offer our customers premium quality and value for money product portfolio, primarily consisting of our own branded products as well as a variety of third-party products. All of our bottled beers are under RMB10 per bottle, which gives us significantly pricing advantages over similar products in the market. In 2018, 2019 and 2020 and the three months ended March 31, 2021, the revenue generated from our branded alcoholic drinks accounted for 68.4%, 64.2%, 69.8% and 74.8% of the total alcoholic drinks revenue. Our Helen’s branded alcoholic drinks mainly include Helen’s draft beer, Helen’s craft beer, Helen’s fruit-flavoured beer and Helen’s milk beer. These products satisfy the young generation’s demand for alcoholic drinks and have attracted massive attention and followers on social media. As of the Latest Practicable Date, our official accounts at Weixin, Douyin and Weibo accumulated over 7.5 million followers. As of the Latest Practicable Date, our popular Helen’s Coke Bucket product, has gone viral on Douyin, with the streaming of relevant videos more than one billion times. We also enrich our customers’ choices by providing products of third-party brands that are well known among the youth, including Budweiser, Corona, 1664 and Yeager.

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## SUMMARY

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In Helen's bars, we offer young customers a social space where they can gather and relax with their friends. To this end, we also adopt a decoration and interior style featuring Southeast Asian and Chinese ethnic styles. We believe these efforts may help us increase the customer experience and stickiness to us. Our employees are committed to providing efficient service to customers. We offer a variety of activities to build diversifying interaction with customers. For instance, our customers can vote on the music playlist on our Weixin mini program, and we play the music in our Helen's bars which have the most votes. In addition, we also serve free drinks to customers queueing up for tables and hold themed events during the holidays that are popular among the youth. We also believe music plays an important role to the unique atmosphere at our Helen's bars. Utilizing our proprietary smart music management system, we have accurate and real-time control over the music played in all our bars across China, providing comfortable and enjoyable experience for our customers.

We have maintained a strong financial performance during the Track Record Period. In 2018, 2019 and 2020, our revenue significantly increased from RMB114.8 million to RMB564.8 million, and further to RMB817.9 million. In the three months ended March 31, 2020 and 2021, our revenue increased from RMB62.0 million to RMB368.6 million, representing a period-to-period increase of 494.5%. Based on our management account, our revenue continues to increase in the three months ended June 30, 2021 driven by the organic development of our business, achieving a significant growth compared to the same period in 2020.

In the first half of 2020, COVID-19 and the relevant prevention and control measures had affected our businesses to a certain extent. However, we experienced a strong recovery after COVID-19 began to become under control in Mainland China and managed to launch 105 new Helen's bars in 2020. Our monthly revenue continued to increase from RMB36.3 million in April to RMB139.6 million in December in 2020, and we achieved an 44.8% annual revenue growth on the year-on-year basis.

### OUR COMPETITIVE STRENGTHS

- The market leader in China's bar industry with continuous growth and great popularity among the youth;
- Premium-quality and value for money product portfolio;
- Highly standardized business model;
- A unique style of outstanding consumer experience such as unique decoration style, comprehensive bar events and cordial and efficient service;

## SUMMARY

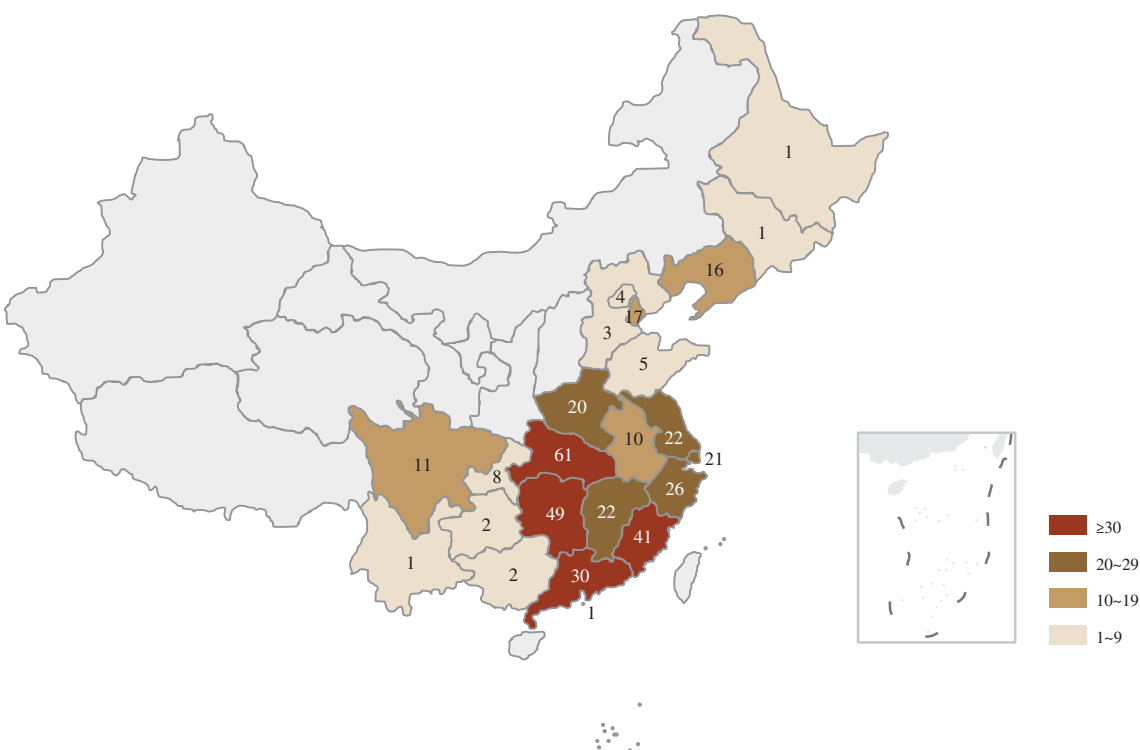
- Enterprising and people-oriented management team.

## HELEN'S BARS

## Our Bar Network

We have built Helen's into an extensive bar chain network targeting the youth across China. According to Frost & Sullivan, we have been the market leader in China's bar industry in 2018, 2019 and 2020 and the three months ended March 31, 2021 as measured by the number of bars. Through our unified management and operation model, the total number of Helen's bars in our bar network achieved rapid growth during the Track Record Period, which increases from 162 as of December 31, 2018 to 374 as of March 31, 2021. As of the Latest Practicable Date, we had a total number of 527 self-operated bars in Mainland China, covering 24 provincial-level administrative regions and 100 cities as well as one self-operated bar in Hong Kong, China.

The following map shows the distribution of our bar network in China as of March 31, 2021.



## SUMMARY

The following table sets forth the number of Helen’s bars located in each geographic location in China as of March 31, 2021. For definitions of the geographic locations, see “Glossary of Technical Terms” of this Prospectus.

Geographic Locations	Number of Helen’s bars
North China	24
Northeast China	18
East China	147
South Central China	163
Southwest China	22
	<hr/>
<b>Total</b>	<b>374</b>
	<hr/> <hr/>

The following table sets forth the movement in the number of self-operated bars during the Track Record Period and up to the Latest Practicable Date.

	For the years ended December 31,			For the three months ended March 31,	For the period from March 31, 2021 to the Latest Practicable Date
	2018	2019	2020	2021	
<b>Number of bars at the beginning of the period</b>	– <sup>(1)</sup>	84	221	337	374
Number of new bars opened during the period	58	93	104	38	161
Number of bars closed during the period	–	–	3	5	7
Number of bars converted from franchised bars to self-operated bars	26	44	15	4	–
<b>Number of bars at the end of the period</b>	<b>84</b>	<b>221</b>	<b>337</b>	<b>374</b>	<b>528</b>

*Note:*

- (1) The number of Helen’s bars at the beginning of 2018 was counted from April 20, 2018, the date when our domestic operating entity that manage our Helen’s bars was incorporated.

## SUMMARY

The following table sets forth the movement in the number of franchised bars during the Track Record Period.

	For the year ended December 31,			For the three months ended March 31,	For the period from March 31, 2021 to the Latest Practicable Date
	2018	2019	2020	2021	
<b>Number of franchised bars at the beginning of the period</b>	<b>101</b>	<b>78</b>	<b>31</b>	<b>14</b>	<b>–</b>
Number of franchised bars opened during the period	4	–	1	–	–
Number of franchised bars converted into self-operated bars <sup>Note</sup>	26	44	15	4	–
Number of franchised bars closed during the period	1	3	3	10	–
<b>Number of franchised bars at the end of the period</b>	<b>78</b>	<b>31</b>	<b>14</b>	<b>–</b>	<b>–</b>

*Note:*

In 2018, 2019 and 2020 and the three months ended March 31, 2021, the costs incurred with respect to converting the franchised bars into self-operated bars amounted to RMB9.4 million, RMB11.2 million, RMB3.7 million and RMB1.1 million, respectively. During the Track Record Period, we did not provide any compensation to the franchisees for the cease of operations for the franchised bars.

## SUMMARY

We have always been committed to serving a broader market. Our network covers not only first and second-tier cities, but also a wide range of third- and lower-tier cities across China. The following table sets out the number of bars in our Helen's bar network by geographic location during the Track Record Period and as of the Latest Practicable Date.

	As of December 31,			As of March 31,	As of the Latest Practicable Date
	2018	2019	2020	2021	
<b>Mainland China</b>					
Bars in first-tier cities	26	35	56	53	66
Bars in second-tier cities	82	143	200	214	296
Bars in third and lower- tier cities	53	73	94	106	165
<b>Hong Kong, PRC</b>	1	1	1	1	1
<b>Total</b>	<b>162</b>	<b>252</b>	<b>351</b>	<b>374</b>	<b>528</b>

### Our Business Model

In 2009, our founder, Mr. Xu, established the first Helen's bar and, in the subsequent years, our founder and his business partners established a number of Helen's bars across China successively. After our Company's incorporation in 2018, the Helen's bars established by Mr. Xu and his business partners initially operated as our franchised bars. Under the franchise arrangements, we charge franchisees one-off franchise fees and service fees. Meanwhile, based on our deep understanding of industry trends and our overall strategy, we set down our business strategy to develop our business through self-operated bars as well as continue to establish new self-operated bars. Through a series of integration, we gradually convert those franchised bars into our self-operated bars. As of the Latest Practicable Date, all of our Helen's bars are self-operated bars.

We believe that we can achieve rapid and high-quality expansion through the operation of self-operated bar. As compared with the franchise model, we have a stronger management and more effective supervision over the products, operation, services, supply chain and personnel training, enabling our services and operational standards to have high uniformity and better business scalability. By continuously promoting our direct operation business model, we achieve a highly standardized operation model, and effectively improve the operational efficiency, profitability and sustainable long-term development of Helen's bars.



## SUMMARY

Since we established our direct operation business model, the number of our self-operated bars achieved rapid growth during the Track Record Period. As of December 31, 2018, 2019 and 2020, March 31, 2021 and the Latest Practicable Date, we had 84, 221, 337, 374 and 528 self-operated bars, respectively. In 2018, 2019 and 2020 and the three months ended March 31, 2021, our revenue generated from self-operated bars amounted to RMB69.1 million, RMB540.3 million, RMB812.9 million and RMB368.1 million, representing 60.2%, 95.7%, 99.4% and 99.9% of our total revenue for the corresponding periods, respectively.

As of December 31, 2018, 2019 and 2020, the number of the franchised bars had continuously decreased from 78 to 31 and further to 14, which represented 48.1%, 12.3% and 4.0% of our total number of bars as of the same dates, respectively. In 2018, 2019 and 2020, our franchise fees generated from the franchised bars amounted to RMB45.7 million, RMB24.5 million and RMB5.1 million, representing 39.8%, 4.3% and 0.6% of our total revenue for the corresponding periods, respectively. As of March 31, 2021, all the bars in our Helen's network are self-operated bars.

### OUR OPERATING PERFORMANCE

#### Same-store Performance

The following table sets forth the same-store sales of Helen's bars during the Track Record Period.

	For the years ended December 31,				For the three months ended March 31,	
	2018	2019	2019	2020	2020	2021
Number of same-stores	16		41		93	
Same-store sales (RMB'000)	19,360.2	52,274.2	147,062.3	146,115.8	31,054.0	111,086.3
Growth of same-store sales (%)	170.0%		(0.6)%		257.7%	
Same-store sales per day (RMB'000)	83.6	144.0	406.2	473.2	864.1	1,254.8
Growth of same-stores sales per day (%)	72.2%		16.5%		45.2%	

Our same-store sales increased by 170.0% from RMB19.4 million in 2018 to RMB52.3 million in 2019, while the same-store sales per day increased by 72.2% from RMB83.6 thousand in 2018 to RMB144 thousand in 2019. The foregoing increase was mainly due to (i) our PRC operating entity that manage our bars was established on April 20, 2018, therefore, the operating period of our bars in 2019 is significantly higher than that in 2018, and (ii) our self-operated bars have experienced a ramp-up period since 2018, and with the expansion of our brand influence, the sales of these bars have increased significantly in 2019. Our same-store sales decreased by 0.6% from RMB147.1 million in 2019 to RMB146.1 million in 2020, which was mainly due to the impact of COVID-19. In order to combat COVID-19, we chose to suspend the operation of certain bars before the Chinese government adopted prevention policies such as restricting offline consumption. Therefore, the operating period and customer traffic of our bars decreased in the first half of 2020 compared to the same period in

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## SUMMARY

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2019. During the same years, the same-store sales per day increased by 16.5% from RMB406.2 thousand to RMB473.2 thousand. For the three months ended March 31, 2020 and 2021, our same-store sales increased by 257.7% from RMB31.1 million to RMB111.1 million, while the same-store sales per day increased by 45.2% from RMB864.1 thousand to RMB1.3 million during the same periods. The foregoing increase was primarily due to (i) the operation days of Helen's bars were significantly lower in the three months ended March 31, 2020 than the same period in 2021 due to the negative impact of COVID-19 and (ii) the significant growth we experienced since the COVID-19 began to moderate in the first quarter of 2021 when compared to the same period in 2020. For details on the impact of the COVID-19 outbreak on our business operations, see "Financial Information — Impacts of the COVID-19 Outbreak on Our Business." In 2018, 2019 and 2020 and for the three months ended March 31, 2021, the same-store sales per day maintained an increasing trend, which is consistent with our business growth during the same periods.

### **Our Featured Products**

Our featured products consist of a variety of Helen's branded products and third-party brand alcoholic drinks. For a detailed discussion of our featured products, see the section headed "Business — Featured Products and Services of Helen's Bars" of this Prospectus. In general, our Helen's branded products have a better profitability compared to third-party brand alcoholic drinks primarily due to, among others, (i) we primarily work with third-party service providers to manufacture our branded products and sell the branded products in our self-operated bars, allowing us to avoid the costs relating to brand premium and intermediary distributors. For details of our collaboration with the foregoing third-party manufacture service providers, see the section headed "Business — Our Helen's Bars — Helen's Branded Products" of this prospectus; (ii) our branded products enjoy a significant economies of scale as our brand continuously gained popularity and customer acceptance and (iii) we launched popular new branded products in our product portfolio during the Track Record Period, such as Helen's Fruit Beer and Helen's Milk Beer.

We use contribution margin and contribution per liter, among others, to monitor the revenue contribution from our featured products. During the Track Record Period, the contribution margin (as defined below) of our Helen's branded alcoholic drinks were 71.4%, 75.3%, 78.4% and 82.0%, respectively. For the same periods, the contribution margin of the third-party brand alcoholic drinks were 39.2%, 52.8%, 51.5% and 56.2%, respectively. For the purpose of illustration, the following table sets forth the contribution margin and contribution per liter of certain bottled beers in Helen's branded alcoholic drinks and third-party brand alcoholic drinks during the Track Record Period.

## SUMMARY

	For the years ended December 31,			For the three months ended March 31,
	2018	2019	2020	2021
<b>Helen's beer (bottled)</b>				
Contribution margin <sup>1</sup> (%)	21.7%	55.3%	65.9%	67.8%
Contribution per liter <sup>2</sup> (RMB)	2.0	6.5	10.5	10.6
<b>Helen's Fruit Beer and Helen's Milk Beer</b>				
Contribution margin (%)	–	63.9%	63.4%	74.6%
Contribution per liter (RMB)	–	14.4	12.8	16.6
<b>Third-party brand beers</b>				
Contribution margin (%)	36.6%	47.6%	43.0%	51.3%
Contribution per liter (RMB)	10.0	13.9	11.2	13.8

*Notes:*

1. Our contribution margin represents (i) the contribution of a given product, i.e. the revenue generated from the sales of a given product, less the costs of raw materials and consumables, as divide by (ii) the revenue generated from the sales of the given product.
2. We calculate the contribution per liter by dividing the contribution of a given product by the sales volume (liter) of the given product.

The contribution margin of our Helen's beer (bottled) was 21.7% in 2018. Since we were in the early stage of development in 2018, we held marketing activities to attract customer traffic to the newly opened Helen's bars, such as we gave out free drinks or coupons to redeem free drinks to customers. As we incurred costs yet did not generate revenues with respect to the Helen's beer (bottled) used in these marketing activities, the overall contribution margin of the Helen's beer (bottled) was lowered during the same year. With the organic growth of our business and the increasing customer acceptance of our products, the contribution margin of our Helen's beer (bottled) increased from 21.7% to 55.3% in 2019, 65.9% in 2020 and 67.8% in 2021, respectively. During the Track Record Period, the contribution per liter of our Helen's beer (bottled) increased from RMB2.0, RMB6.5, RMB10.5 and further to RMB10.6, respectively, which is consistent with the growth of our business operations.

We launched Helen's Fruit Beer and Helen's Milk Beer in 2020. As these products quickly gained popularity among customers, their contribution margin and contribution per liter generally maintained an upward trend since launch. In 2019, 2020 and the three months ended March 31, 2021, the contribution margin of the foregoing products were 63.9%, 63.4% and 74.6%, respectively. During the same periods, the contribution per liter of the foregoing products were RMB14.4, RMB12.8 and RMB16.6, respectively. The contribution per liter of these products was relatively lower in 2020 due to our marketing events in the same year to attract customer traffic.

## SUMMARY

During the Track Record Period, the contribution margin of third-party brand beers were 36.6%, 47.6%, 43.0% and 51.3%, respectively, and the contribution per liter of the third-party brand beers were RMB10.0, RMB13.9, RMB11.2 and RMB13.8, respectively. The contribution per liter of the third-party brand beers was relatively higher than our Helen's beers (bottled) since the selling price of our branded products was lower than that of third-party products, which, in turn, was consistent with our strategy to offer value for money products.

The following table illustrates how the contribution and contribution margin of certain third-party brand alcoholic drinks disclosed in the aforementioned table are reconciled to the contribution and contribution margin of all third-party brand alcoholic drinks during the Track Record Period.

	For the year ended December 31,			For the three months ended March 31,
	2018	2019	2020	2021
<b>Third-party brand beers as disclosed above</b>				
Contribution (RMB'000)	4,308	44,991	54,517	26,981
Contribution margin (%)	36.6%	47.6%	43.0%	51.3%
<b>Add: Other products in third-party brand alcoholic drinks<sup>(1)</sup></b>				
Contribution (RMB'000)	1,635	32,385	43,207	13,131
Contribution margin (%)	48.5%	62.2%	68.5%	69.9%
<b>All third-party brand alcoholic drinks</b>				
Contribution (RMB'000)	<u>5,943</u>	<u>77,376</u>	<u>97,724</u>	<u>40,112</u>
Contribution margin (%)	<u>39.2%</u>	<u>52.8%</u>	<u>51.5%</u>	<u>56.2%</u>

*Note:*

1. Primarily including Yeager.

## SUMMARY

The following table illustrates how the contribution and contribution margin of certain Helen's branded products disclosed in the aforementioned table, namely Helen's beer (bottled), Helen's Fruit Beer and Helen's Milk Beer, are reconciled to the contribution and contribution margin of all of Helen's branded alcoholic drinks during the Track Record Period.

	For the year ended December 31,			For the three months ended March 31,
	2018	2019	2020	2021
<b>Helen's beer (bottled), Helen's Fruit Beer and Helen's Milk Beer as disclosed above</b>				
Contribution (RMB'000)	303	12,410	39,173	23,588
Contribution margin (%)	21.6%	58.0%	64.0%	72.6%
<b>Add: Other products in Helen's branded alcoholic drinks<sup>1</sup></b>				
Contribution (RMB'000)	22,997	185,700	305,010	149,994
Contribution margin (%)	73.6%	76.9%	80.8%	83.7%
<b>Total Helen's branded alcoholic drinks</b>				
Contribution (RMB'000)	<u>23,300</u>	<u>198,110</u>	<u>344,183</u>	<u>173,582</u>
Contribution margin (%)	<u>71.4%</u>	<u>75.3%</u>	<u>78.4%</u>	<u>82.0%</u>

*Note:*

- Primarily attributable to Helen's Draft Beer, Whisky Coke, Whisky Coke Bucket, Vodka Red Bull, Hi-dou. For a detailed discussion, see the section headed "Business — Helen's Bars — Helen's Branded Products" of this prospectus.

## SUMMARY

The follow table sets forth the overall contribution and contribution margin of all Helen's branded alcoholic drinks and all third-party brand alcoholic drinks, respectively, during the Track Record Period.

	For the year ended December 31,			For the three months ended
	2018	2019	2020	March 31, 2021
<b>All Helen's branded alcoholic drinks</b>				
Contribution (RMB'000)	23,300	198,110	344,183	173,582
Contribution margin (%)	71.4%	75.3%	78.4%	82.0%
<b>All third-party brand alcoholic drinks</b>				
Contribution (RMB'000)	5,943	77,376	97,724	40,112
Contribution margin (%)	39.2%	52.8%	51.5%	56.2%

During the Track Record Period, the contribution and contribution margin of Helen's branded alcoholic drinks and third-party brand alcoholic drinks were generally in an upward trend, which was consistent with the organic growth of our business and the expansion of our bar network. In particular, the contribution and contribution margin of our Helen's branded alcoholic drinks were higher than those of the third-party brand alcoholic drinks, as (i) we mainly procured our Helen's branded alcoholic drinks from third-party manufactures and sold them in our self-operated bars, which allowed us to avoid the costs relating to brand premium and the costs paid to intermediary distributors, (ii) we enjoyed a significant economies of scale as our brand continuously gained popularity and customer acceptance, and (iii) we launched new branded alcoholic drinks with high contribution and contribution margin during the Track Record Period, such as our Helen's Coke Bucket.

### Seasonality

The sales of our featured products and the operation of Helen's bars are affected by seasonal factors. The customer traffic and our profitability are typically lower in the first quarter in each year during the Track Record Period because of the Chinese new year holidays. Despite the foregoing, our business operation and financial performance are not subject to any material adverse impact of seasonality. For instance, as we have developed a bar network across China, severe seasonal weathers in certain regions or provinces would not affect the overall product sales and bar operation in a material and adverse manner.

### Our Leased Properties

We do not own any property but instead lease the premises for our Helen's bars primarily from major property developers in China. Lease agreements for our bars typically have a term of five to eight years. The following table sets forth a maturity profile of lease agreements for our bars as of the dates indicated.

## SUMMARY

	As of December 31,									As of March 31,		
	2018			2019			2020			2021		
	Outstanding	Number of		Outstanding	Number of		Outstanding	Number of		Outstanding	Number of	
	lease	lease		lease	lease		lease	lease		lease	lease	
	GFA	liabilities	agreements	GFA	liabilities	agreements	GFA	liabilities	agreements	GFA	liabilities	agreements
	(sq.m.)	(RMB '000)		(sq.m.)	(RMB '000)		(sq.m.)	(RMB '000)		(sq.m.)	(RMB '000)	
Due within one year	-	18,597	-	2,215	46,888	4	3,426	78,862	8	1,855	94,146	6
Due after one year but												
within two years	550	22,293	1	3,842	69,644	8	5,658	115,650	15	7,871	146,902	22
Due after two years but												
within five years	9,526	71,359	31	39,680	196,627	120	73,125	273,944	204	89,982	365,803	243
Due after five years	18,502	35,297	57	43,314	71,017	123	55,500	70,785	143	82,110	99,761	204
<b>Total</b>	<b>28,578</b>	<b>147,546</b>	<b>89</b>	<b>89,051</b>	<b>384,176</b>	<b>255</b>	<b>137,709</b>	<b>539,241</b>	<b>370</b>	<b>181,818</b>	<b>706,612</b>	<b>475</b>

We believe there will be no significant difficulty in renewing our existing lease agreements that are about to expire on similar terms, on the grounds that (i) in general, we have the contractual and/or legal priority right of renewal with respect to all of our existing lease agreements, and (ii) we believe there will be no significant difficulty in renewing our existing lease agreements.

### OUR GROWTH STRATEGIES

- Continue to expand our bar network;
- Continuous investments in our underpinning capacities; and
- Strengthening brand image and consumer awareness.

### OUR SUPPLIERS

In 2018, 2019 and 2020 and the three months ended March 31, 2021, our purchases from the top five suppliers of each year accounted for 41.4%, 37.3%, 26.8% and 36.5% of the total purchases during the periods, respectively. During the Track Record Period, all of our five largest suppliers were Independent Third Parties, and none of our Directors, their close associates or any Shareholder which, to the knowledge of our Directors, owns more than 5% of the issued share capital of our Company, has any interest in any of our five largest suppliers.

### OUR EMPLOYEE

Our well-trained staff are important for us to offer high-quality services. Through continuous training and assessment of staff, we ensure that our staff across China can offer standardized and high-quality services. Almost of our employees are located in China. As of December 31, 2018, 2019 and 2020 and the Latest Practicable Date, we had a total of 972, 2,637, 1,565 and 2,037 full-time employees, respectively. Since 2020, we began to engage outsourcing staff to support the expansion of our Helen's bar network. As of December 31, 2020 and as of the Latest Practicable Date, we had a total number of 2,794 and 5,525 outsourcing staff, respectively.

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## SUMMARY

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### IMPACTS OF THE COVID-19 OUTBREAK ON OUR BUSINESS

Since the end of December 2019, the outbreak of COVID-19 has materially and adversely affected the global economy. To contain the spread of COVID-19, the PRC government implemented mandatory quarantine, closure of work places and facilities, travel limitations and other relevant measures. These measures, such as limitation on social and gathering activities, resulted in limited hours of operation for bars and decreased customer traffic, which negatively affected the whole bar industry in China.

Despite the temporary suspension in business, we still maintained a satisfactory business performance due to our market position and excellent consumer word of mouth. Throughout the pandemic, we have proactively arranged internal resources and adjusted strategies to assure the health of our staff and customers. Before the Chinese government adopted policies such as restricting bar operations, we have proactively closed some of our bars. As of January 30, 2020, we suspended the operation of 256 Helen's bars in China, representing all of the Helen's bars as of the same date. In particular, we suspend the operation of seven, 158 and 256 Helen's bars by January 20, 2020, January 25, 2020 and January 30, 2020, respectively. Since March 2020 to May 2020, 129, 63 and 46 Helen's bars resumed their business operation, respectively, and we resumed the operation of substantially all of Helen's bars in June 2020.

We also provided a full range of living support for staff stranded in Wuhan due to pandemic, such as providing personal protective supplies such as medical masks, arranging meals and taking care of the physical and mental health of our staff. During pandemic, we have no staff resigned due to factors caused by the pandemic. During the outbreak of COVID-19, there is no suspected or confirmed COVID-19 cases with our employees and our outsourced staff, and we did not experience any disruption in our supply chain due to the outbreak. Our actions during the pandemic were publicly reported by the media under Xinhua News Agency. In 2020, we received a one-off government grants and concessions of RMB36.4 million, primarily consisting of (i) one-off value-added tax exemption during the COVID-19 pandemic and (ii) one-off rent concession provided by the landlords of certain of our leased properties of RMB10.6 million. In addition, we also recorded an increase in turnover days of inventory from 28.6 days in 2019 to 40.5 days in 2020 and an increase in turnover days of our trade payable from 23.3 days in 2019 to 36.8 days in 2020 due to the negative impact of COVID-19. For details of the impact of COVID-19 on our business, results of operation, cash flow and financial condition, see "Financial Information – Impact of the COVID-19 outbreak on our business."



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## SUMMARY

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### OUR CUSTOMERS

We primarily offer products and services to our customers through Helen's bars across China. As a bar chain network, our customer base is primarily comprised of individual customers and is highly fragmented. In 2018, 2019 and 2020 and the three months ended March 31, 2021, the revenue generated from our five largest customers accounted for 22.5%, 2.4%, 0.5% and 0.1% of the total revenue in the same periods, respectively. During the Track Record Period, save for our franchisees Mr. Zhang Bo and Mr. Zhao Jun, being our executive Directors and Mr. Xia Linfan, Mr. Yan Xinyang and Mr. Zhong Yiming, being directors of our subsidiaries, all of our five largest customers were Independent Third Parties, and none of our Directors, their close associates or any Shareholder which, to the knowledge of our Directors, owns more than 5% of the issued share capital of our Company, has any interest in any of our five largest customers.

### RISK FACTORS

Our business and the Global Offering involve certain risks as set out in "Risk Factors" in this prospectus. You should read that section in its entirety carefully before you decide to invest in our Shares. Some of the major risks we face include the following:

- Our future growth depends on our ability to expand new bars and achieve profitability.
- We may not be able to maintain and increase the sales volume and profitability of the existing bars.
- Our new bars may not be able to successfully enter into new markets and achieve profitability.
- We rely on the timely, stable and sufficient supply of alcoholic drinks, snacks and other supplies from our major suppliers. Any shortages, disruptions and increases in raw material cost may have an adverse effect on our businesses, financial condition and results of operation.
- We rely on a stable and sufficient supply of quality raw material, which could be affected by price fluctuations and other risks.

### CONTROLLING SHAREHOLDERS

Following completion of the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, and on the basis that all Preferred Shares will be converted into our Shares on a one-for-one basis), Helens Hill (BVI), Mr. Xu and HLSH Holding, through HHL International, will collectively be

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## SUMMARY

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interested in approximately 69.06% of the issued share capital of our Company. As a result, following completion of the Global Offering, HHL International, Helens Hill (BVI), HLSH Holding and Mr. Xu will be a group of Controlling Shareholders after the Listing.

Helens Hill (BVI) is wholly owned by Mr. Xu, who is the chairman of our Board and executive Director. For further information about Mr. Xu, please refer to the section headed “Directors and Senior Management” of this prospectus.

HHL International is owned as to 1% by Helens Hill (BVI) and 99% by HLSH Holding. For further information about Helens Hill (BVI), HLSH Holding and HHL International, please refer to the paragraph headed “History, Development and Reorganisation” of this prospectus.

### OUR PRE-IPO INVESTORS

On February 4, 2021, our Company, Helens Hill (BVI) and Mr. Xu (our Controlling Shareholders), among others, entered into the Series A Preferred Share Purchase Agreement (as supplemented by an amendment agreement dated February 8, 2021) with BA Capital, pursuant to which BA Capital agreed to subscribe for a total of 24,022,904 Series A Preferred Shares for a total consideration of US\$30,793,990.

On February 9, 2021, our Company, Helens Hill (BVI) and Mr. Xu (our Controlling Shareholders), among others, entered into the Series A+ Preferred Share Purchase Agreement with China World Investment, pursuant to which China World Investment agreed to subscribe for a total of 1,568,128 Series A+ Preferred Shares for a total consideration of US\$2,010,120.

Immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised, and on the basis that all Preferred Shares will be converted, BA Capital and China World Investment will hold approximately 1.93% and 0.13% of the issued Shares. For further details, please refer to the paragraph headed “History, Development and Reorganisation – Pre-IPO Investments” of this prospectus.

### SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth a summary of our consolidated financial information for the Track Record Period, extracted from the Accountant’s Report set out in Appendix I to this prospectus. The summary of consolidated financial data set forth below should be read together with, and is qualified in its entirety by reference to, the consolidated financial statements in this Prospectus, including the related notes. Our consolidated financial information has been prepared in accordance with HKFRS.

## SUMMARY

### Summary of Consolidated Statements of Profit or Loss

The following table sets forth the summary of our consolidated statements of comprehensive income.

	Year ended December 31,			Three months ended March 31,	
	2018	2019	2020	2020	2021
	<i>(RMB in thousands, except for percentages)</i>				
	<i>(unaudited)</i>				
Revenue	114,810	564,809	817,945	62,038	368,571
Raw materials and consumables used	(31,745)	(195,865)	(271,385)	(20,812)	(108,173)
Government grants and concessions	68	1,476	36,442	6,824	2,568
Employee benefit and manpower service expenses	(25,077)	(92,271)	(178,930)	(20,123)	(190,358)
Depreciation of right-of-use assets	(15,119)	(53,233)	(105,276)	(21,141)	(37,081)
Depreciation of plant and equipment	(3,050)	(17,362)	(32,017)	(6,935)	(12,946)
Amortisation of intangible assets	(4)	(17)	(17)	(4)	(4)
Short-term rental and other related expenses	(4,859)	(13,474)	(31,762)	(4,344)	(13,700)
Utilities expenses	(3,574)	(15,376)	(23,893)	(3,863)	(10,139)
Travelling and related expenses	(1,485)	(5,459)	(6,244)	(510)	(2,952)
Listing expenses	–	–	(5,680)	–	(14,331)
Advertising and promotion expenses	(5,193)	(12,053)	(15,398)	(1,152)	(6,008)
Other expenses	(11,275)	(39,893)	(58,173)	(4,516)	(28,964)
Finance income	9	14	34	7	12
Finance costs	(4,023)	(16,378)	(28,659)	(6,675)	(11,817)
<b>Profit/(loss) before income tax</b>	<b>9,483</b>	<b>104,918</b>	<b>96,967</b>	<b>(21,206)</b>	<b>(65,322)</b>
Income tax credit/(expense)	251	(25,782)	(26,895)	4,637	(11,010)
<b>Profit/(loss) for the year/period attributable to owners of the Company</b>	<b>9,734</b>	<b>79,136</b>	<b>70,072</b>	<b>(16,569)</b>	<b>(76,332)</b>
<b>Net profit/(loss) margin</b>	<b>8.5%</b>	<b>14.0%</b>	<b>8.6%</b>	<b>(26.7%)</b>	<b>(20.7%)</b>
<b>Non-HKFRS measure (reconciliation items)</b>					
<b>Profit/(loss) for the year/period attributable to owners of the Company</b>	9,734	79,136	70,072	(16,569)	(76,332)
Listing expense	–	–	5,680	–	14,331
Equity settled share-based payments	1,100	–	–	–	91,683
<b>Adjusted net profit/(loss)</b>	<b>10,834</b>	<b>79,136</b>	<b>75,752</b>	<b>(16,569)</b>	<b>29,682</b>
<b>Adjusted net profit/(loss) margin</b>	<b>9.4%</b>	<b>14.0%</b>	<b>9.3%</b>	<b>(26.7%)</b>	<b>8.1%</b>

## SUMMARY

The following table sets forth the details of our raw materials and consumables used for the periods indicated.

	Year ended December 31,			Three months ended March 31,	
	2018	2019	2020	2020	2021
	<i>(RMB in thousands)</i>			<i>(unaudited)</i>	
Raw Materials	24,285	173,210	232,556	17,922	89,271
Helen's branded products	14,562	97,891	134,657	9,224	55,915
Third-party brand alcoholic drinks	9,200	69,272	92,111	8,227	31,280
Others <sup>1</sup>	523	6,047	5,788	471	2,076
Consumables used and others	7,460	22,655	38,829	2,890	18,902
<b>Total</b>	<b>31,745</b>	<b>195,865</b>	<b>271,385</b>	<b>20,812</b>	<b>108,173</b>

*Note:*

1. Include the cost of consumer goods, such as paper towels, that we offer to customers in our bars.

During the Track Record Period, the cost of our raw materials and consumables used were RMB31.7 million, RMB195.9 million, RMB271.4 million and RMB108.2 million, respectively. The increase in our cost of raw materials and consumables used were primarily driven by (i) the increased costs incurred by the purchase of alcoholic drinks sold in Helen's bars, particularly Helen's beers and third-party beers, which, in turn, was caused by our business expansion and the growth of the sales volume of the foregoing alcoholic drinks, and (ii) the increased costs of consumables used in Helen's bars due to the expansion of our bar network during the Track Record Period. Meanwhile, the purchase price of the alcoholic drinks sold in Helen's bars was generally in a downward trend, as we enjoyed a growing economics of scale and an expanded bar network during the Track Record Period.

The following table sets forth the overall sales volume of Helen's branded beer and third-party brand beers during the Track Record Period.

	For the year ended December 31,			For the three months ended March 31,
	2018	2019	2020	2021
	<i>(thousand liters)</i>			
Helen's Beer	983	5,621	6,816	2,545
Third-party brand beers	432	3,233	4,852	1,957

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## SUMMARY

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To supplement our consolidated statements of profit or loss which are presented in accordance with HKFRS, we also use adjusted net profit as a non-HKFRS measure, which is not required by, or presented in accordance with, HKFRS. We believe that the presentation of non-HKFRS measures when shown in conjunction with the corresponding HKFRS measures provides useful information to investors and management in facilitating a comparison of our operating performance from period to period by eliminating potential impacts of certain non-operational or non-recurring expenses that do not affect our ongoing operating performance, including equity settled share-based payments, and listing expenses. Such non- HKFRS measures allow investors to consider metrics used by our management in evaluating our performance. (1) Equity settled share-based payments represented one-off awards we granted to qualified employees in 2018, which were non-recurring and non-operational in nature. (2) Listing expenses were in relation to the Listing and the Global Offering, which are non-recurring in nature upon Listing.

Therefore, we do not consider equity settled share-based payments and listing expenses to be indicative of our ongoing core operating performance and exclude them in reviewing our financial results. From time to time in the future, there may be other items that we may exclude in reviewing our financial results. The use of the non-HKFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for or superior to analysis of, our results of operations or financial condition as reported under HKFRS. In addition, the non-HKFRS financial measures may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

Our adjusted net profit decreased from RMB79.1 million in 2019 to RMB75.8 million in 2020, which was primarily due to the decrease in revenue from franchised bars as we established the strategy of direct operation business model as well as the negative impact of COVID-19. Our presentation of the adjusted net profit may not be comparable to similarly titled measures presented by other companies. You should not consider adjusted net profit in isolation, or as substitute for analysis of, our results of operation or financial position as reported under HKFRSs. See “Financial Information – Description of the Major Components of Our Results of Operation – Non-HKFRS Measure.”

Our profit for the year increased from RMB9.7 million in 2018 to RMB79.1 million in 2019, primarily due to the significant increase in our revenue from RMB114.8 million in 2018 to RMB564.8 million in 2019. Our profit decreased to RMB70.1 million in 2020, which was primarily due to (i) the increases in raw materials and consumables used from RMB195.9 million in 2019 to RMB271.4 million in 2020 and employee benefit and manpower service expenses from RMB92.3 million in 2019 to RMB178.9 million in 2020, which is consistent with our business expansion and (ii) the negative impact of COVID-19.

For the three months ended March 31, 2020 and 2021, our loss increased from RMB16.6 million to RMB76.3 million, primarily due to the equity settled share-based payments of RMB91.7 million we incurred in the three months ended March 31, 2021. For a detailed discussion of the equity settled share-based payment, see Note 27 of the Accountant’s Report in Appendix I to this prospectus. Such loss was partially offset by the increase in our revenue

## SUMMARY

from RMB62.0 million for the three months ended March 31, 2020 to RMB368.6 million for the three months ended March 31, 2021, which was driven by our business expansion, especially after our recovery from the negative impact of COVID-19 in the three months ended March 31, 2021.

### Summary of Our Consolidated Statements of Financial Position

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated, which have been extracted from the Accountants' Report in Appendix I to this prospectus.

	As of December 31,			As of
	2018	2019	2020	March 31,
	(RMB in thousands)			2021
<b>ASSETS</b>				
<b>Non-current assets</b>				
Plant and equipment	45,888	114,565	188,843	260,803
Intangible assets	40	126	109	105
Right-of-use assets	146,604	386,229	554,506	729,086
Deposits and prepayments	5,105	14,732	26,852	38,092
Deferred tax assets	7,388	9,029	18,322	20,280
	<b>205,025</b>	<b>524,681</b>	<b>788,632</b>	<b>1,048,366</b>
<b>Current assets</b>				
Inventories	7,280	23,405	36,855	37,160
Prepayments, deposits and other receivables	1,370	4,426	10,200	14,667
Cash and cash equivalents	10,121	22,257	24,255	152,858
	<b>18,771</b>	<b>50,088</b>	<b>71,310</b>	<b>204,685</b>
<b>Total assets</b>	<b>223,796</b>	<b>574,769</b>	<b>859,942</b>	<b>1,253,051</b>
<b>EQUITY</b>				
<b>Equity attributable to owners of the Company</b>				
Share capital	1	1	1	1
Reserves	10,285	89,214	160,237	174,942
<b>Total equity</b>	<b>10,286</b>	<b>89,215</b>	<b>160,238</b>	<b>174,943</b>

## SUMMARY

	As of December 31,			As of March 31,
	2018	2019	2020	2021
	<i>(RMB in thousands)</i>			
<b>LIABILITIES</b>				
<b>Non-current liability</b>				
Lease liabilities	128,949	337,288	460,379	612,466
<b>Current liabilities</b>				
Trade payables	6,723	18,244	36,456	36,641
Other payables and accruals	52,038	66,341	85,850	64,063
Borrowings	149	–	13,000	30,000
Lease liabilities	18,597	46,888	78,862	94,146
Financial liabilities at fair value through profit or loss	–	–	–	215,566
Current income tax liabilities	7,054	16,793	25,157	25,226
	<b>84,561</b>	<b>148,266</b>	<b>239,325</b>	<b>465,642</b>
<b>Net current liabilities</b>	<b>(65,790)</b>	<b>(98,178)</b>	<b>(168,015)</b>	<b>(260,957)</b>
<b>Total liabilities</b>	<b>213,510</b>	<b>485,554</b>	<b>699,704</b>	<b>1,078,108</b>
<b>Total equity and liabilities</b>	<b>223,796</b>	<b>574,769</b>	<b>859,942</b>	<b>1,253,051</b>

Our inventories increased from RMB7.3 million as of December 31, 2018, to RMB23.4 million as of December 31, 2019 and further to RMB36.9 million as of December 31, 2020 and RMB37.2 million as of March 31, 2021. Our inventories represent the alcoholic drinks, food and consumables used in our bar operations. During the Track Record Period, the increase in our inventories was mainly driven by the increased amount of alcoholic drinks, in particular the spirituous drinks in our Helen's branded products, that were reserved in Helen's bars for our business operation, which, in turn, was also due to the increase in the number of our self-operated bars.

As of December 31, 2018, 2019 and 2020 and March 31, 2021, our net current liabilities amounted to RMB65.8 million, RMB98.2 million, RMB168.0 million and RMB261.0 million, respectively. Our net current liabilities primarily comprised of other payables and accruals which include (i) amount due to a director, representing a loan provided by our founder to support our business operations, which was settled as of the Latest Practicable Date, (ii) salary and staff welfare payables to our employees, (iii) manpower service expenses payables as we engaged outsourcing staff through third-party human resources companies during the Track Record Period and up to the Latest Practicable Date, and (iv) accrued listing expenses.

We plan to improve our net current liabilities position and ensure working capital sufficiency primarily through improving our operating cash flow, which, in turn, is driven by our business expansion. In 2018, 2019, 2020 and the three months ended March 31, 2021, our net cash

## SUMMARY

generated from operating activities amounted to RMB(8.9) million, RMB159.0 million, RMB245.9 million and RMB85.6 million, respectively. Going forward, we anticipate further improvement in operational cash flow as a result of (i) the gradual expansion of our market size and (ii) our continuing attempts to increase overall profitability, which we believe would help boost our liquidity and net current liabilities positions.

As of December 31, 2018, 2019 and 2020 and March 31, 2021, our net assets amounted to RMB10.3 million, RMB89.2 million, RMB160.2 million and RMB174.9 million. The increase in our net assets was primarily due to the increase in certain assets, such as the increase in right-of-use assets from RMB146.6 million to RMB386.2 million, then to RMB554.5 million and further to RMB729.1 million as of December 31, 2018, 2019 and 2020 and March 31, 2021, and partially offset by the increase in certain liabilities, such as the increase in lease liabilities from RMB147.5 million to RMB384.2 million, then to RMB539.2 million and further to RMB706.6 million as of December 31, 2018, 2019 and 2020 and March 31, 2021 which are in turn, driven by the expansion of our business. Our net assets were also affected by changes in equity, which were primarily attributable to the profit of the Group for each of the respective year or period during the Track Record Period, as the profits classified as retained earnings attributable to owners of the Company amounted to RMB7.2 million, RMB81.9 million, RMB148.0 million and RMB70.2 million as of December 31, 2018, 2019 and 2020 and March 31, 2021.

### Summary of Consolidated Statements of Cash Flow

The following table set forth our cash flow for the periods indicated.

	<b>Year ended December 31,</b>			<b>Three months ended March 31,</b>	
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2020</b>	<b>2021</b>
	<i>(RMB in thousands)</i>			<i>(unaudited)</i>	
Cash (used in)/generated from operations	(8,794)	176,707	273,678	33,671	98,496
Income tax paid	(83)	(17,684)	(27,824)	(10,188)	(12,899)
<b>Net cash (used in)/generated from operating activities</b>	<b>(8,877)</b>	<b>159,023</b>	<b>245,854</b>	<b>23,483</b>	<b>85,597</b>
Net cash used in investing activities	(49,175)	(87,041)	(109,874)	(9,576)	(96,522)
Net cash generated from/(used in) financing activities	68,026	(59,701)	(134,004)	(33,517)	136,893
Net increase in cash and cash equivalents	9,974	12,281	1,976	(19,610)	125,968
<b>Cash and cash equivalents at the beginning of the year</b>	<b>–</b>	<b>9,972</b>	<b>22,257</b>	<b>22,257</b>	<b>24,255</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>9,972</b>	<b>22,257</b>	<b>24,255</b>	<b>2,781</b>	<b>152,858</b>



## SUMMARY

In 2018, we recorded negative cash flows from operating activities of RMB8.9 million. The difference between our net cash used in operations and our profit before income tax of RMB18.4 million primarily resulted from certain adjustments, such as depreciation of right-of-use assets which primarily represented the long-term leased properties and depreciation of plant and equipment which primarily comprised office and computer equipments as well as leasehold improvements as well as changes in working capital that positively affected cash flow such as an increase in other payables and accruals which primarily comprised salary and staff welfare and changes in working capital that negatively affected cash flow such as an increase in inventories as we opened new bars in 2018. Our net increase in cash and cash equivalents decreased from RMB12.3 million in 2019 to a net decreased of RMB19.6 million in the three months ended March 31, 2020, which was primarily due to the increase in net cash used in financing activities and investing activities and the negative effect of COVID-19 pandemic. As of December 31, 2018, 2019 and 2020 and March 31, 2021, we record cash and cash equivalents amounted to RMB10.1 million, RMB22.3 million, RMB24.3 million and RMB152.9 million, which was primarily reflecting our net cash generated from/used in operating activities as well as the proceeds with an aggregate amount of approximately US\$32.8 million received from our Series A and Series A+ preferred share financings. For a detailed discussion of our consolidated statements of cash flow, see “Financial Information – Liquidity and Capital Resources.”

### Key Financial Ratios

The following table set forth our key financial ratios as of the dates or for the periods indicated.

	Year ended/As of December 31,			Three months ended/As of March 31,
	2018	2019	2020	2021
Return on assets ratio <sup>(1)</sup>	8.7%	19.8%	9.8%	N/A <sup>(6)</sup>
Return on equity ratio <sup>(2)</sup>	189.3%	159.1%	56.2%	N/A <sup>(6)</sup>
Current ratio <sup>(3)</sup>	0.22	0.34	0.30	0.44
Quick ratio <sup>(4)</sup>	0.14	0.18	0.14	0.36
Gearing ratio <sup>(5)</sup>	1.4%	0	8.1%	17.1%

#### Notes:

- (1) The calculation of return on assets is based on profits for the year divided by average total assets as of the beginning and end of the year and multiplied by 100%.
- (2) The calculation of return on equity ratio is based on profits for the year divided by average total equity as of the beginning and end of the year and multiplied by 100%.
- (3) The calculation of current ratio is based on current assets divided by current liabilities as of year/period end.
- (4) The calculation of quick ratio is based on current assets less inventories divided by current liabilities as of year/period end.
- (5) The calculation of gearing ratio is based on total debt (including interest-bearing bank and other borrowings) divided by total equity as of year/period end and multiplied by 100%.
- (6) These ratios are not meaningful as numbers for the period are not comparable to the numbers for the year.

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## SUMMARY

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During the Track Record Period, the fluctuation of our key financial ratios was generally consistent with our profit/(loss) for each of the periods, which was also influenced by the movement of our key balance sheet items. Particularly, our return on total assets increased from 8.7% in 2018 to 19.8% in 2019, primarily due to the significantly increase in net profit and partially offset by the increase of total assets. Our return on total assets decreased from 19.8% in 2019 to 9.8% in 2020, primarily due to (i) the decline in net profit and (ii) the increase in asset base mainly due to the increase in properties, plant and equipment and right-to-use assets.

Our return on equity ratio in 2018 was not indicative since we started our business in 2018 and the equity was zero at the beginning of 2018. Return on equity decreased from 159.1% in 2019 to 56.2% in 2020, primarily due to (i) the increase in equity resulting from increased reserves and (ii) the decrease in net profit.

Our current ratio increased from 0.22 as of December 31, 2018 to 0.34 as of December 31, 2019, primarily due to increase in certain current assets items, such as the increase in inventories and prepayments, deposits and other receivables, partially offset by an increase in certain current liabilities items, such as the increase in trade payables and accruals and lease liabilities. Our current ratio slightly decreased from 0.34 as of December 31, 2019 to 0.30 as of December 31, 2020, mainly because the growth rate of current assets is less than current liabilities. Our current ratio increased from 0.30 as of December 31, 2020 to 0.44 as of March 31, 2021, primarily driven by the increase in current assets.

Our quick ratio was 0.14, 0.18, 0.14 and 0.36 respectively as of December 31, 2018, 2019 and 2020 and March 31, 2021. The difference between current ratio and quick ratio was attributable to inventories. Our quick ratio generally followed the trend of current ratio. In addition, the adoption of HKFRS 16 also adversely affected the performance of our current ratio and quick ratio. For details, see Note 2 to the Accountants' Report set out in Appendix I to this prospectus.

Our gearing ratio was 1.4%, 0% and 8.1% respectively as of December 31, 2018, 2019 and 2020. In 2018, we had bank overdraft of RMB149 thousand. In 2019, we had no bank borrowings and at the end of 2020, our loan balance amounted to RMB13 million. In 2020, the COVID-19 had an adverse impact on the revenue of the bars. In order to support daily operations, we decided to borrow from bank. However, the bank borrowings has been repaid in early March 2021. For a more comprehensive discussion of the factors affecting our key financial ratios during the Track Record Period, see "Financial Information – Period-to-period Comparison of Results of Operation."

## LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, we had certain non-compliance incidents with respect to (i) fire safety and (ii) social insurance and housing provident funds. Our Directors, as advised by our PRC Legal Advisor, confirm that except as disclosed thereunder in this prospectus, we had complied with the relevant PRC laws and regulations in all material respects and had obtained all requisite licenses, approvals and permits from relevant authorities in China except those would not have a material adverse effect on our operations during the Track Record Period and up to the Latest Practicable Date.

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## SUMMARY

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### DIVIDENDS

We are a holding company incorporated under the laws of the Cayman Islands. During Track Record Period, we did not distribute or declare any dividends. Future dividend payments will depend upon the availability of dividends received from our subsidiaries in China. PRC laws require foreign invested enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

We may declare dividends in the future, and such decision is subject to various factors that are relevant at such time, including but not limited to our results of operations, financial condition, cash requirements and availability. Our PRC subsidiaries have undistributed earnings of approximately RMB35.8 million, RMB117.8 million, RMB213.4 million and RMB246.3 million as of December 31, 2018, 2019, 2020 and March 31, 2021, respectively, which, if paid out as dividends, would be subject to tax in the hands of the recipient. No deferred tax liabilities have been recognized in respect of distributable retained earnings of the PRC subsidiaries as the Company is able to control the timing of distributions of dividends from the PRC subsidiaries and is not expected to distribute these profits in the foreseeable future. For a detailed discussion, please see Note 20 in the section headed “Accountant’s Report” in Appendix I to this prospectus. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Act. In addition, our Directors may from time to time pay such interim dividends on shares of the Company outstanding and authorize payment of the same out of the funds of the Company lawfully available. Subject to the above limitations, our Directors expect that, in the future, we may pay dividends from time to time in an aggregate amount of approximately 40% of future profits (excluding past historical profit accumulated up to June 30, 2021) attributable to the equity holders of our Company. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all.

### OFFERING STATISTICS

All statistics in the following table are based on the assumptions that the Global Offering has been completed and 134,650,000 Shares are issued pursuant to the Global Offering and the Over-allotment Option is not exercised.

	<b>Based on an Offer Price of HK\$20.72 per Offer Share</b>	<b>Based on an Offer Price of HK\$18.82 per Offer Share</b>
Market capitalization immediately after the Global Offering <sup>(1)</sup>	HK\$25,831.7 million	HK\$23,463.0 million
Unaudited pro forma adjusted net tangible assets attributable to equity shareholder of the Company per Share <sup>(2)</sup>	HK\$2.63	HK\$2.42

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## SUMMARY

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### *Notes:*

- (1) The calculation of market capitalization is based on 1,246,704,024 Shares expected to be in issue immediately upon completion of the Global Offering.
- (2) All Preferred Shares will be automatically converted into ordinary shares on a one-for-one basis upon completion of the Global Offering. The Preferred Shares were accounted for as a liability to the Group. Accordingly, for the purpose of the unaudited pro forma adjusted net tangible assets, the adjustment represents the impact of the conversion of all Preferred Shares into ordinary shares. The estimated impact is RMB215,566,000, being the carrying amount of the Preferred Shares as of March 31, 2021.

The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in Appendix II and on the basis that 1,194,872,007 Shares were in issue assuming that the Global Offering had been completed on March 31, 2021 but takes no account of the 47,652,017 shares to be issued pursuant to the Post-IPO RSU Scheme subsequent to March 31, 2021, any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be granted and issued or repurchased by the Company pursuant to the General Mandate. The unaudited pro forma net tangible assets per Share has taken into consideration of the share subdivision that took place on February 9, 2021 as detailed under section “History, Development and Reorganisation”.

### **LISTING EXPENSES**

Our listing expenses mainly include professional fees paid and payable to the professional parties, and commissions payable to the Underwriter(s), for their services rendered in relation to the Listing and the Global Offering. The estimated total listing expenses (based on the mid-point of the indicative Offer Price range and assuming that the Over-allotment Option is not exercised) are approximately HK\$149.2 million representing 5.6% of the gross proceeds from the Global Offering (assuming an Offer Price of HK\$19.77 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus and assuming the Over-allotment Option is not exercised), of which (i) approximately HK\$24.0 million has been charged to our consolidated statements of comprehensive income during the Track Record Period, and (ii) approximately HK\$26.4 million is expected to be charged to our consolidated statements of comprehensive income and the remaining amount of HK\$98.8 million is expected to be recognized directly as a deduction from equity upon the Listing. Our Directors do not expect such expenses to have a material and adverse impact on our financial results for the year ending December 31, 2021.

### **USE OF PROCEEDS**

The estimated net proceeds of the Global Offering which we will receive after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering (assuming an Offer Price of HK\$19.77 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus and assuming the Over-allotment Option is not exercised) is HK\$2,512.9 million.

We intend to use the net proceeds we will receive from this offering for the following purposes:

- approximately 70.0%, or HK\$1,759.0 million will be used for opening new bars and realizing our expansion plan over the next three years.

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## SUMMARY

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- approximately 10.0%, or HK\$251.3 million will be used for further enhancing the construction of the talent echelon of our bars to optimize the human resource management system.
- approximately 5.0%, or HK\$125.6 million will be used for further enhancing the construction of infrastructural capacity of our bars. We plan to continue to invest in research and development of technology.
- approximately 5.0%, or HK\$125.6 million will be used for further strengthening the brand awareness of the Helen's.
- the remaining approximately 10.0%, or HK\$251.3 million will be used for working capital and general corporate purposes.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range.

If the Over-allotment Option is exercised in full, and net proceeds that we will receive will be approximately HK\$2,897.5 million, assuming an Offer Price of HK\$19.77 per Share (being the mid-point of the indicative Offer Price range). In the event that the Over-allotment Option is exercised in full, we intend to apply the additional net proceeds to the above purpose in the proportions stated above. For further details, see “Future Plans and Use of Proceeds.”

## RECENT DEVELOPMENT

Since late July to August in 2021, there is a recurrence of the COVID-19 pandemic in several provinces in China, which led to a slight decrease in the number of total ordering users from approximately 1.5 million in June 2021 to approximately 1.3 million in July 2021. During this period, we temporarily suspended the business operation of certain Helen's bars to help contain the COVID-19 recurrence, the number of which peaked at 161 as of August 13, 2021. We shortly after resumed the business operation of these suspended Helen's bars as the COVID-19 recurrence became moderated. As of the Latest Practicable Date, we resumed the business operation of 56 Helen's bars and suspended the business operation of 105 Helen's bars. As of August 24, 2021, we resumed the business operation of 97 Helen's bars and suspended the business operation of 64 Helen's bars. Currently, there is no suspected or confirmed COVID-19 cases with our employees and our outsourced staff, and we did not experience any disruption in our supply chain due to the COVID-19 recurrence. As of the date of this prospectus, we are of the view that the recurrence will not have a material adverse effect on our business operations and financial performance due to (i) the PRC government has taken swift and effective counter measures to successfully control the COVID-19 recurrence and mitigate its impact and (ii) the COVID-19 recurrence affected a limited number of regions in China. We are monitoring and will continue to closely monitor the development of such COVID-19 recurrence and take counter measures to mitigate its impact.

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## SUMMARY

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In July 2021, several regions in China experienced heavy rains, and a large-scale flood disaster occurred in Henan Province. As of the date of this prospectus, we are of the view that the foregoing incidents do not have material adverse effect on our business operation and financial performance due to (i) the PRC government has taken swift and effective counter measures to successfully control the flood disaster and mitigate its impact, (ii) these negative events affected a limited number of regions in China and (iii) the rarity of such drastic flood disaster.

Save for the foregoing, we currently are not aware of any material development regarding our financial condition and results of operations since March 31, 2021 and up to the date of this prospectus.

### **NO MATERIAL ADVERSE CHANGE**

Our Directors confirm that there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects of our Group since March 31, 2021, the end of the period reported on in the Accountants' Report set out in Appendix I to this prospectus, and up to the date of this prospectus. Save for the recent amendment to PRC Fire Prevention Law in April 2021, our Directors are also of the view that there has been no material changes in the laws and regulations in the jurisdiction that we operate since March 31, 2021 and up to the date of this prospectus. For details of the amendment to PRC Fire Prevention Law, please see the section headed "Regulation Overview – Regulation related to Fire Prevention – Fire Inspection" in this Prospectus.

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## DEFINITIONS

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*In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed “Glossary of Technical Terms” of this prospectus.*

“Amended and Restated Shareholders Agreement”	the amended and restated shareholders agreement dated as of February 10, 2021 by and among Helens International Holdings Company Limited, XBZ Hill Holding Limited, Helens Hill Limited, CFPL (Cayman) Limited, WZYX Holding Limited, CFPL (Hong Kong) Limited, Shenzhen Helens Enterprise Management Co., Ltd.* (深圳海倫司企業管理有限公司), Shenzhen Xiaoxiaohai Enterprises Management Co., Ltd.* (深圳市逍小海企業管理有限公司), Mr. Xu Bingzhong, Helens Hill Holding Limited, WTSJ Holding Limited, NEWCE Holding Limited, BA Capital Project Helens, L.P. and China World Investment Limited
“Articles of Association” or “Articles”	the amended and restated articles of association of our Company conditionally adopted on August 23, 2021 and which will come into effect upon Listing, a summary of which is set out in the section headed “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of our Board
“BA Capital”	BA Capital Project Helens, L.P., a limited partnership established in the BVI and our pre-IPO investor
“Board”	the board of directors of our Company
“Business Day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Cantrust”	Cantrust (Far East) Limited, the trustee of the Mr. Xu’s Trust and the Director RSU Scheme

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## DEFINITIONS

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“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS EIPO”	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant’s stock account through causing HKSCC Nominees to apply on your behalf, including by (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, or (ii) if you are an existing CCASS Investor Participant, giving electronic application instructions through the CCASS Internet System ( <a href="https://ip.ccass.com">https://ip.ccass.com</a> ) or through the CCASS Phone System (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input electronic application instructions for CCASS Investor Participants through HKSCC’s Customer Service Centre by completing an input request
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CEO” or “Chief Executive Officer”	the chief executive officer of our Company
“CFPL (Cayman)”	CFPL (Cayman) Limited, an exempted company incorporated in the Cayman Islands with limited liability on September 18, 2020 and a non-wholly owned subsidiary of our Company



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## DEFINITIONS

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“CFPL (Hong Kong)”	CFPL (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability on October 23, 2020 and an indirect non-wholly owned subsidiary of our Company
“China” or “PRC”	People’s Republic of China, but for the purpose of this prospectus and for geographical reference only and except where the context requires otherwise, references in this prospectus to “China” and the “PRC” do not apply to Hong Kong, Macau and Taiwan
“China World Investment”	China World Investment Limited, a company incorporated in the Cayman Islands with limited liability on November 9, 2018 and our pre-IPO investor
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent professional market research and consulting company
“Frost & Sullivan Report”	an independent market research report commissioned by us and prepared by Frost & Sullivan for the purpose of this prospectus
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“CNIPA”	National Intellectual Property Administration of the PRC (國家知識產權局)
“Code” or “Corporate Governance Code”	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules
“Companies Act” or “Cayman Companies Act”	the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

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## DEFINITIONS

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“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Helens International Holdings Company Limited (海倫司國際控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands on January 16, 2018
“connected person”	has the meaning ascribed thereto under the Listing Rules
“connected transaction”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to HHL International, Helens Hill (BVI), HLSH Holding and Mr. Xu. See the section headed “Relationship with our Controlling Shareholders” of this prospectus
“Director(s)”	the directors of our Company, including all executive and independent non-executive directors
“Director RSU Scheme”	the restricted share unit scheme of the Company approved and adopted by our Board on March 31, 2021, the principal terms of which are set out in the paragraph headed “D. Share Incentive Schemes – 1. Pre-IPO RSU Schemes” in Appendix IV to this prospectus
“Employee RSU Scheme”	the restricted share unit scheme of the Company approved and adopted by our Board on March 31, 2021, the principal terms of which are set out in the paragraph headed “D. Share Incentive Schemes – 1. Pre-IPO RSU Schemes” in Appendix IV to this prospectus
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
“Fire Safety Consultant”	Taitong Construction Co., Ltd.* (太通建設有限公司)
“Global Offering”	the Hong Kong Public Offering and the International Offering

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## DEFINITIONS

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“ <b>GREEN</b> Application Form(s)”	the application form(s) to be completed by the <b>HK eIPO White Form</b> Service Provider designated by our Company
“Group,” “our Group,” “our,” “we” or “us”	our Company, its subsidiaries from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“Helens Hill (BVI)”	Helens Hill Holding Limited, a company incorporated in the BVI with limited liability on January 11, 2018, one of our Controlling Shareholders
“Helens Hill (HK)”	Helens Hill Limited, a company incorporated in Hong Kong with limited liability on December 29, 2017 and an indirect wholly owned subsidiary of our Company
“HHL International”	HHL International Limited (HHL國際有限公司), a company incorporated in BVI on May 12, 2021 with limited liability and wholly owned as to 1% by Helens Hill (BVI) and 99% by HLSH Holding, a Controlling Shareholder
“HK\$” or “Hong Kong Dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“ <b>HK eIPO White Form</b> ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name, submitted online through the <b>IPO App</b> or the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“ <b>HK eIPO White Form</b> Service Provider”	the <b>HK eIPO White Form</b> service provider designated by our Company as specified in the <b>IPO App</b> or on the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC

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## DEFINITIONS

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“HLSH Holding”	HLSH Holding Limited, a company incorporated in BVI on March 24, 2021 with limited liability and wholly owned by Cantrust, a Controlling Shareholder
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 13,465,000 Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed “Structure of the Global Offering” of this prospectus)
“Hong Kong Public Offering”	the offer for subscription of the Hong Kong Offer Shares to the public in Hong Kong at the Offer Price, subject to and in accordance with the terms and conditions set out in this prospectus
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Hong Kong Share Register”	the register of members of our Shares maintained by the Hong Kong Share Registrar
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchange and Clearing Limited
“Hong Kong Takeovers Code” or “Takeovers Code”	the Codes on Takeovers and Mergers and Share Buybacks issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Hong Kong Underwriter”	the underwriter of the Hong Kong Public Offering whose name is set out in the section headed “Underwriting – Hong Kong Underwriter” of this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated August 30, 2021 relating to the Hong Kong Public Offering entered into by our Company, our Controlling Shareholders, and China International Capital Corporation Hong Kong Securities Limited, as further described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement”

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## DEFINITIONS

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“Independent Third Party(ies)”	party or parties that is or are not a connected person (as defined under Chapter 14A of the Listing Rules) of our Company within the meaning of the Listing Rules
“Infiniti Trust”	Infiniti Trust (Asia) Limited, the trustee of the Senior Management RSU Scheme, Employee RSU Scheme and Post-IPO RSU Scheme
“International Offer Shares”	the 121,185,000 Shares being initially offered for subscription under the International Offering, together, where relevant, with any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option, subject to reallocation as described in the section headed “Structure of the Global Offering” of this prospectus
“International Offering”	the offer of the International Offer Shares at the Offer Price outside the United States in offshore transactions in accordance with Regulation S or any other available exemption from registration under the U.S. Securities Act, as further described in the section headed “Structure of the Global Offering” of this prospectus
“International Underwriter(s)”	the underwriter(s) who is/are expected to enter into the International Underwriting Agreement relating to the International Offering
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering to be entered into by our Company, the Sole Global Coordinator, the Sole Lead Manager and the International Underwriter(s) on or about the Price Determination Date, as further described in the section headed “Underwriting — Underwriting Arrangements and Expenses — International Offering — International Underwriting Agreement”
“IPO App”	the mobile application for the <b>HK eIPO White Form</b> service which can be downloaded by searching “ <b>IPO App</b> ” in App Store or Google Play or downloaded at <a href="http://www.hkeipo.hk/IPOApp">www.hkeipo.hk/IPOApp</a> or <a href="http://www.tricorglobal.com/IPOApp">www.tricorglobal.com/IPOApp</a>
“Latest Practicable Date”	August 21, 2021, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication

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## DEFINITIONS

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“Listing”	the listing of our Shares on the Main Board
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about September 10, 2021, on which dealings in our Shares first commence on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the GEM of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association adopted on August 23, 2021, a summary of which is set out in the section headed “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix III to this prospectus
“MOFCOM” or “Ministry of Commerce”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Xu”	Mr. Xu Bingzhong, our founder, an executive Director, the chairman of the Board, the chief executive officer and a Controlling Shareholder
“Mr. Xu’s Trust”	Tiny Tiny Hill Trust, a discretionary trust set up by Mr. Xu with Cantrust acting as trustee, the beneficiaries of which are Mr. Xu’s family members and Helens Hill (BVI)
“NBSC”	National Bureau of Statistics of the PRC (中華人民共和國國家統計局)
“NDRC”	National Development and Reform Commission PRC (中華人民共和國國家發展和改革委員會)

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## DEFINITIONS

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“NEWCE Holding”	NEWCE Holding Limited, a company incorporated in the BVI with limited liability on May 15, 2019, and a shareholder of our Company wholly owned by Mr. Wang Zhenpeng, our senior vice president of finance
“NLNQ Holding”	NLNQ Holding Limited, a company incorporated in BVI on May 31, 2021 with limited liability and wholly owned by Infiniti Trust
“NPC”	National People’s Congress of the PRC (中華人民共和國全國人民代表大會)
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$20.72 and expected to be not less than HK\$18.82, such price to be agreed upon by our Company and the Sole Global Coordinator (on behalf of the Underwriter(s)) on or before the Price Determination Date
“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares
“Over-allotment Option”	the option to be granted by us to the International Underwriter(s), exercisable by the Sole Global Coordinator on behalf of the International Underwriter(s), pursuant to which we may be required to allot and issue up to an aggregate of 20,197,500 additional Shares (representing 15% of our Shares initially being offered under the Global Offering) to cover over-allocations in the International Offering, details of which are described in the section headed “Structure of the Global Offering – Over-allotment Option” of this prospectus
“PBOC”	People’s Bank of China (中國人民銀行), the central bank of the PRC
“Post-IPO RSU”	a restricted share unit to be granted under the Post-IPO RSU Scheme

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## DEFINITIONS

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“Post-IPO RSU Scheme”	the post-IPO restricted share unit scheme of the Company approved and adopted by our Board on March 31, 2021, the principal terms of which are set out in the paragraph headed “D. Share Incentive Schemes – 2. Post-IPO RSU Scheme” in Appendix IV to this prospectus
“PRC Legal Advisor”	Jingtian & Gongcheng, the PRC legal advisor of our Company
“Pre-IPO Investment(s)”	the pre-IPO investments in our Company undertaken by the Pre-IPO Investors pursuant to the relevant investment agreements, details of which are set out in the section headed “History, Development and Reorganisation – Pre-IPO Investments” of this prospectus
“Pre-IPO Investor(s)”	the investors in our Company prior to the Global Offering as described in the section headed “History, Development and Reorganisation – Pre-IPO Investments” of this prospectus
“Pre-IPO RSU”	a restricted share unit granted under the Pre-IPO RSU Schemes
“Pre-IPO RSU Schemes”	Director RSU Scheme, Employee RSU Scheme and the Senior Management RSU Scheme
“Preferred Share(s)”	convertible preferred share(s) in the share capital of our Company, including Series A Preferred Shares and Series A+ Preferred Shares
“Price Determination Agreement”	the agreement to be entered into between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriter(s)) on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or about September 3, 2021 and in any event no later than September 6, 2021, on which the Offer Price is to be fixed by agreement between us and the Sole Global Coordinator (on behalf of the Underwriter(s))
“prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering



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## DEFINITIONS

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“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of the Board
“Renminbi” or “RMB”	the lawful currency of the PRC
“RSU(s)”	restricted share unit(s)
“RSU Trustees”	Cantrust and Infiniti Trust
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), currently known as SAMR
“SAMR”	State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局), formerly known as the SAIC
“Senior Management RSU Scheme”	the restricted share unit scheme of the Company approved and adopted by our Board on March 31, 2021, the principal terms of which are set out in the paragraph headed “D. Share Incentive Schemes – 1. Pre-IPO RSU Schemes” in Appendix IV to this prospectus
“Series A Preferred Share(s)”	the series A convertible preferred share(s) of our Company with a par value of US\$0.0000000001 per share
“Series A Preferred Share Purchase Agreement”	the Series A preferred share purchase agreement made as of February 4, 2021 (as supplemented by an amendment agreement made as of February 8, 2021) by and among Helens International Holdings Company Limited, Helens Hill Limited, Shenzhen Helens Enterprise Management Co., Ltd.* (深圳海倫司企業管理有限公司), CFPL (Cayman) Limited, WZYX Holding Limited, CFPL (Hong Kong) Limited, XBZ Hill Holding Limited, Shenzhen Xiaoxiaohai Enterprises Management Co., Ltd.* (深圳市逍小海企業管理有限公司), Mr. Xu Bingzhong, Helens Hill Holding Limited and BA Capital Project Helens, L.P.

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## DEFINITIONS

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“Series A+ Preferred Share(s)”	the series A+ convertible preferred share(s) of our Company with a par value of US\$0.0000000001 per share
“Series A+ Preferred Share Purchase Agreement”	the Series A+ preferred share purchase agreement made as of February 9, 2021 by and among Helens International Holdings Company Limited, Helens Hill Limited, Shenzhen Helens Enterprise Management Co., Ltd.* (深圳海倫司企業管理有限公司), CFPL (Cayman) Limited, WZYX Holding Limited, CFPL (Hong Kong) Limited, XBZ Hill Holding Limited, Shenzhen Xiaoxiaohai Enterprises Management Co., Ltd.* (深圳市逍小海企業管理有限公司), Mr. Xu Bingzhong, Helens Hill Holding Limited and China World Investment Limited
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Share(s)” or “Ordinary Share(s)”	the Shares of our Company, as the context so requires
“Shareholder(s)”	holder(s) of our Share(s)
“Shareholders Agreement”	the shareholders agreement dated as of February 9, 2021 by and among Helens International Holdings Company Limited, XBZ Hill Holding Limited, Helens Hill Limited, CFPL (Cayman) Limited, WZYX Holding Limited, CFPL (Hong Kong) Limited, Shenzhen Helens Enterprise Management Co., Ltd.* (深圳海倫司企業管理有限公司), Shenzhen Xiaoxiaohai Enterprises Management Co., Ltd.* (深圳市逍小海企業管理有限公司), Mr. Xu Bingzhong, Helens Hill Holding Limited, WTSJ Holding Limited, NEWCE Holding Limited and BA Capital Project Helens, L.P.
“Shenzhen Helens”	Shenzhen Helens Enterprise Management Co., Ltd.* (深圳海倫司企業管理有限公司), a limited liability company established in the PRC on April 20, 2018 and an indirect wholly-owned subsidiary of our Company

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## DEFINITIONS

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“SHXM Holding”	SHXM Holding Limited, a company incorporated in BVI on May 31, 2021 with limited liability and wholly owned by Infiniti Trust
“Sole Bookrunner”	China International Capital Corporation Hong Kong Securities Limited
“Sole Lead Manager”	China International Capital Corporation Hong Kong Securities Limited
“Sole Sponsor”	China International Capital Corporation Hong Kong Securities Limited
“Special Internal Control Consultant”	BT Corporate Governance Limited
“STA”	State Taxation Administration of the PRC (中華人民共和國國家稅務總局)
“Stabilizing Manager”	China International Capital Corporation Hong Kong Securities Limited
“State Council”	State Council of the PRC (中華人民共和國國務院)
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into on or around the Price Determination Date between HHL International and the Stabilizing Manager (or any person acting for it) pursuant to which the Stabilizing Manager (or any person acting for it) may borrow up to 20,197,500 Shares from HHL International to facilitate the settlement of over-allocations
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance. Unless the context requires otherwise, reference to our subsidiaries shall also include our Consolidated Affiliated Entities
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“TLTQ Holding”	TLTQ Holding Limited, a company incorporated in BVI on May 31, 2021 with limited liability and wholly owned by Cantrust

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## DEFINITIONS

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“TSLZ Holding”	TSLZ Holding Limited, a company incorporated in BVI on May 31, 2021 with limited liability and wholly owned by Infiniti Trust
“Track Record Period”	the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2021
“Underwriter(s)”	the Hong Kong Underwriter and the International Underwriter(s)
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. persons”	U.S. persons as defined in Regulation S
“U.S. Securities Act”	United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
“VAT”	value-added tax, all amounts are exclusive of VAT in this prospectus except where indicated otherwise
“WTSJ Holding”	WTSJ Holding Limited, a company incorporated in the BVI with limited liability on May 15, 2019, and a Substantial Shareholder of our Company
“WZYX Holding”	WZYX Holding Limited, a company incorporated in the BVI with limited liability on September 30, 2020 and an indirect non-wholly owned subsidiary of our Company
“XBZ Hill”	XBZ Hill Holding Limited, a company incorporated in the BVI with limited liability on January 25, 2018 and a wholly-owned subsidiary of our Company

*The English names of the PRC entities mentioned in this prospectus which are marked with “\*” are translated, or transliterated from their Chinese names and are for identification purposes only.*

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## GLOSSARY OF TECHNICAL TERMS

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*The following is a glossary of certain terms used in this prospectus in connection with us and/or our business. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.*

“average daily ordering users”	the number of ordering users spending through online payment port per day, which can involve one or more customers in the bars
“BPM”	beats per minute
“CAGR”	compound annual growth rate
“CRM”	customer relationship management
“COVID-19”	coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2
“East China”	Shanghai, Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi and Shandong
“ERP”	enterprise resource planning, refers to software and systems used to plan and manage all the core supply chain, manufacturing, services, financial and other processes of an organization
“self-operated bar”	a bar directly operated by the Company
“first-tier cities”	for the purpose of this prospectus Beijing, Shanghai, Guangzhou and Shenzhen
“franchised bar”	a bar operated by the franchisee with whom the Company entered into an agreement, pursuant to which and the Company authorized the trademarks, products, and operating techniques to the franchisee and charged franchise fees
“GFA”	gross floor area

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## GLOSSARY OF TECHNICAL TERMS

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“Helen’s beer”	a series of beer with classic flavors designed by ourselves, which include Draft Beer, 100% Malt Craft Beer, Helen’s Beer, Helen’s Craft Beer and Helen’s Draft Beer
“Helen’s branded alcoholic drink”	drinks with Helen’s logo and freshly made drinks sold in Helen’s bars, including Helen’s beers and spirituous drinks
“Helen’s branded product(s)”	for the purpose of illustration, Helen’s branded products refer to Helen’s branded alcoholic drinks and snacks
“Initial breakeven period”	the first month when a newly opened self-operated bar achieve revenue that is at least equal to its cost
“KPI”	key performance indicator, a business metric used to evaluate factors that are crucial to the success of an organization
“North China”	Beijing, Tianjin, Hebei, Shanxi and Inner Mongolia
“Northeast China”	Liaoning, Jilin and Heilongjiang
“QR code”	a machine-readable optical label that contains information about the item to which it is attached
“same-store”	self-operated bars that meet the following conditions (i) opened for at least 200 days in 2018 (as our PRC operating entity that manage bars was established on April 20, 2018) and 300 days in 2019; or (ii) opened for at least 300 days in both 2019 and 2020
“SKU”	stock-keeping unit, a scannable bar code, most often seen printed on product labels in a retail store. The label allows vendors to automatically track the movement of inventory
“second-tier cities”	all municipalities, provincial capitals, capitals of autonomous region in China except for the first-tier cities
“South Central China”	Henan, Hubei, Hunan, Guangdong, Guangxi and Hainan
“Southwest China”	Chongqing, Sichuan, Guizhou, Yunnan and Tibet

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## FORWARD-LOOKING STATEMENTS

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This prospectus contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “anticipate”, “believe”, “could”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would” and the negative of these words and other similar expressions, as they relate to the Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our ability to reduce costs and offer competitive prices;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

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## **FORWARD-LOOKING STATEMENTS**

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Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements in this section.

In this prospectus, statements of or references to our intentions or those of the Directors are made as of the date of this prospectus. Any such information may change in light of future developments.



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## RISK FACTORS

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*Investing in our Shares is subjected to risk. You should consider carefully all of the information presented in this prospectus, including the risk factors described below, according to the specific circumstances and your investment target before making any investment decision in relation to our Shares. If any of the events described below occurs, the business, financial condition, and results of operation of our Company could be materially and adversely affected. In such event, the trading price of our Shares could fall and you may lose part or all of your investments. You should note that, we are a company incorporated in the Cayman Islands and our main business is conducted in the PRC. The legal and regulatory environment may be different from other countries.*

*Our operations involve certain risks and uncertainties, many of which are beyond our control. The risks and uncertainties can be summarized into the following: (i) risks related to our business; (ii) risks related to our industry; (iii) risks related to conducting business in the PRC; and (iv) risks related to the Global Offering and our Shares. Additional risks and uncertainties that are presently not known to us or not expressed or implied below or that we currently deem immaterial could also harm our business, our financial condition and our results of operation. You should consider our business and prospects in light of the challenges we face, including the ones discussed in this section.*

### RISKS RELATED TO OUR BUSINESS

#### **Our future growth depends on our ability to expand new bars and achieve profitability.**

Our future growth depends on our ability to open and operate new bars and achieve profitability. During the Track Record Period, we have experienced a rapid growth in terms of the number of bars under our operation. In 2018, 2019 and 2020 and for the three months ended March 31, 2021, we opened 62, 93, 105 and 38 new bars, respectively. We plan to continue expanding our bar network to different cities in China. Such further expansion may significantly increase the demand towards our management and operation, technology, labor force and other resources. The planned expansion also requires us to maintain stable quality of alcoholic drinks and service while upholding our corporate culture, with an aim to ensure that our brand would not be affected by any deterioration (whether actual or perceptible) in the quality of alcoholic drinks or service.

We may not be able to maintain the historical expansion rate. Should there be any delay or failure in opening new bars, our development strategy and our expected financial position and results of operation may be materially and adversely affected. While selecting sites for new bars, we may face intense competition from industry competitors. We may also experience delay in the approval process for applying relevant important licenses from governmental authorities and such delays in time are beyond our control. Our continuous success is also dependent on our ability to recruit, train and retain more qualified management, administrative, sales and marketing personnel, especially during the time of expanding into new markets. We also have to continuously manage our relationship with suppliers and customers. All of the

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## RISK FACTORS

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above matters require our management to pay extra attention and effort and require a significant amount of additional expenditures. Even if we manage to open more bars as planned, such new bars may not be profitable for a certain period of time or may not be able to achieve results similar to existing bars. Such development strategy and various attempts related to the development of each new bar may result in the fluctuation in our results and profits. Furthermore, customers' demand for our products and services may not be as strong as we expect to support our rapid business growth, which may result in over-expansion of our Helen's bar network.

Our results of operation may be materially affected by the timing of opening new bars while it is affected by some factors beyond our control. Before they start operation, new bars will also incur expenses such as rental expense, decoration expense and staff costs. Generally, it takes approximately two to three months to complete the entire process from selecting bar location to satisfying opening conditions for a new self-operated Helen's bar. During the Track Record Period, the actual timing of bar opening is also subject to the required time to obtain licenses such as permits for fire prevention and food operations. Any delay in new bars opening and/or closures of the existing bars will affect the bar number and operation days of our Company in the current financial year, and affect the result of operation of the Company. Therefore, the number and timing of opening of new bars have already and may continue to have a material effect on our profitability.

**We may not be able to maintain and increase the sales volume and profitability of the existing bars.**

The sales volume and profitability of the existing bars would also affect the growth of our sales amount and would remain as key factors affecting our revenue and profit. Our ability to increase the sales volume from existing bars partly depends on the successful implementation of measures for increasing customer traffic and sales per customer. These measures include providing diverse products and portfolios, enhancing consumer experience to attract recurring customers, raising customer loyalties and attracting more customers in off-peak periods. We cannot assure you that the sales growth and profitability of existing bars will meet their targets. In addition, we cannot assure you that the sales of existing bars will not decline. In case we are unable to achieve our target in sales and profit in the existing markets, our businesses, financial condition and results of operation could be materially and adversely affected.

In addition, in case we open new bars in existing markets, the sales volume and customer traffic of nearby existing bars may decline due to intensified competition, which could in turn have an adverse impact on the operation of existing bars, our financial condition and results of operation.

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## RISK FACTORS

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**If we are unable to renew the leases of existing bars at commercially reasonable terms or are unable to obtain ideal bar location, our businesses, results of operation and ability to achieve growth strategies would be materially and adversely affected.**

We compete with other bar operators for suitable locations. In addition, some landlords and developers may offer priority or grant exclusive operating rights of desirable locations to some of our competitors. We cannot assure you that we could enter into new lease agreements for suitable land lots or renew the existing lease agreements at commercially reasonable terms.

We may need to negotiate the terms of renewal with lessors, who may insist on making material amendments to the terms and conditions of the lease agreement. In case the rate of the renewed lease agreement is substantially higher than the current amount, or other existing concessionary terms (if any) granted by the lessor are not extended, we must assess whether renewing the agreement in accordance with the amended terms is in our commercial interest. If we cannot renew the lease of the property for our bar for any reason, we will have to close or relocate the relevant bars, which could reduce the revenue contribution of that bar during the period of closure and subject to construction, decoration and other costs and risks or affect our existing customer base. In addition, the revenue and profit generated from the relocated bars could be lower than that before the relocation. Therefore, in case the lease agreement of the desirable bar location is not obtained or the current lease agreement is not renewed at commercially reasonable conditions, our businesses, financial condition and results of operation might be materially and adversely affected. In 2018, 2019 and 2020 and the three months ended March 31, 2021, we closed one, three, six and 15 Helen's bars, respectively, mainly due to the following: (1) the change in ownership of properties; and (2) failure to meet our business strategies. For details of the reasons for the closure of our bars during the Track Record Period, please see "Business — Helen's Bars."

**Our new bars may not be able to successfully enter into new markets and achieve profitability.**

Along with the expansion of our business, we may also open new bars in markets that we have limited experience of operation. Through our investigation of these markets, we believe that we still have great development potential in these markets. Meanwhile, we would focus on entering into markets in which we have not yet established a Helen's bar. Recently, based on existing strategies, we would develop new Helen's bars in third- and lower-tier cities (except those cities in remote areas) that have a large number of potential customers. The competitive dynamics, consumer preference and spending patterns of the new markets may be different from our existing markets. Therefore, we may not be able to open new bars in those markets in a timely manner or at all. We cannot assure you that we will be able to maintain our profitability as we continue to expand into new markets. For instance, customers in new markets may not be familiar with our brands and we may need to develop brand awareness in the such markets, which may lead to cost higher than the original plan. We may find it more difficult in new markets to hire, inspire and retain qualified employees with the same concept and corporate culture recognition. Opening bars in new markets may have lower average sales and average spending per customer, higher construction cost or operational cost of bars than

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## RISK FACTORS

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opening bars in existing markets. Besides, we may need more time to establish similar supply chain systems, logistics systems and suitable quality control systems in the new markets. The bars established in new markets may take a longer time to increase sales than expected and such failure in reaching expected sales and profit levels would in turn affect our overall profitability.

**We rely on the timely, stable and sufficient supply of alcoholic drinks, snacks and other supplies from our major suppliers. Any shortages, disruptions and increases in raw material cost may have an adverse effect on our businesses, financial condition and results of operation.**

In case our suppliers cannot provide alcoholic drinks, snacks and other supplies in a timely manner, we may experience a shortage in supply and an increase in cost. The ability to purchase high quality alcoholic drinks at competitive prices and in a timely manner is crucial to our business. The abilities to continually provide our product portfolio with stable quality to customers in our bars partly depend on our ability to obtain a sufficient amount of alcoholic drinks and relevant supplies that meet our food safety and quality specification requirements from reliable resources. Purchase price between us and suppliers for alcoholic drinks and other raw materials are usually determined by the purchase order. For the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2021, the total purchases from our five largest suppliers in aggregate accounted for 41.4%, 37.3%, 26.8% and 36.5% of our total purchases, respectively, and the total purchases from our largest supplier accounted for 22.9%, 19.7%, 7.9% and 8.9% of our total purchase, respectively. During the Track Record Period, there are no material delays or disruptions in the supply of alcoholic drinks, snacks and other raw materials from main suppliers. However, we cannot assure you that we can maintain the business relationship with main suppliers in the future.

During our operation, we mainly purchase the following products from our suppliers: (1) our own customized Helen's branded products from third-party suppliers, including alcoholic drinks and snacks; (2) third-party brand alcoholic drinks; and (3) other consumables necessary for the operation of Helen's bars. Our suppliers may pass the extra costs on to us if the raw material manufacturers increased their price for any reason. If any of our main suppliers fails to supply sufficient products or provide sufficient service to us in a timely manner for any reason, we cannot assure that we could find a suitable substitute supplier at acceptable conditions in a short period of time. We may not be able to predict and address the unforeseeable changes in cost, and we may be unable to pass such changes in cost to customers. Such conditions may lead to a material adverse impact on our businesses and results of operation.

Supplies of raw material may be interrupted for various reasons, many of which are beyond our control, including severe weather conditions, international trade disputes, import and export restrictions, natural disasters, recent repeated outbreaks of the COVID-19 pandemic, diseases, cessation of operation of important suppliers material negative news or unexpected shortage in production. We cannot assure that current suppliers can always meet our strict quality control requirement in the future. If any of our suppliers fails to conduct sufficient quality control,

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## RISK FACTORS

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ceases cooperation with us, or otherwise fails to deliver materials to us in a timely manner, we cannot assure that we could find a suitable substitute supplier at acceptable conditions on a timely basis. Therefore, if we fail to do so, our raw material cost might be increased and a shortages in alcoholic drinks, snacks and consumables may occur in our bars. Any serious shortages or disruptions in supply would affect the supply of some products on the menu, which would result in a significant decrease in revenue as a result of customers seeking for other bars. We engage third-party suppliers to produce certain products, primarily our fruit-flavored beer. If any of our suppliers uses the recipes of our Helen's self-developed products in the production of other enterprises' products without our permission, the competitiveness of our Helen's branded products may be affected, and may in turn affect our business and results from operation.

**We rely on a stable and sufficient supply of quality raw material, which could be affected by price fluctuations and other risks.**

Any increase in our cost, especially an increase in the cost of raw material, would cause a decline in our profitability and results of operation. Our costs of raw materials and consumables depend on various factors, many of which are beyond our control. In 2018, 2019 and 2020 and the three months ended March 31, 2021, our raw materials and consumables used amounted to RMB31.7 million, RMB195.9 million, RMB271.4 million and RMB108.2 million, representing approximately 27.7%, 34.7%, 33.2% and 29.3% of our revenue during the same periods, respectively. The weather, supply and demand and fluctuation in economic condition may adversely affect the cost, availability and quality of our key raw materials. If we cannot obtain the necessary amount of quality raw materials at commercially reasonable prices, we may not be able to provide our products to customers in a timely manner. In addition, if we were unable to pass on such increase in cost to our customers, our profitability may be affected materially and adversely.

In addition, temporary measures may be taken by relevant PRC authorities in accordance to the Price Law of the PRC (中華人民共和國價格法) or relevant regulations as updated from time to time to control price increases or decreases of certain material commodities. Such measures may cover raw materials that are important to our business. Such price control measures will have direct effects on the cost of relevant raw materials. While it is generally the case that we may benefit from the measures that control price increases and be able to prevent the increase in our costs of raw materials, there is no guarantee for how long and to what extent such measures may be implemented, or whether such measures can effectively control price increases in the long run. For instance, there is a possibility that price control measures may frustrate the relevant suppliers and discourage supply, which may in turn materially and adversely affect our businesses.

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## RISK FACTORS

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**Since we require various approvals, licenses and permits to operate our businesses, any failure to obtain or renew any of these approvals, licenses and permits could materially and adversely affect our businesses and results of operation.**

In accordance with the PRC laws and regulations, we are required to hold various approvals, licenses and permits in order to operate Helen's bars. Each of our bars in the PRC is required to obtain the relevant catering service license. In addition, all of our bars in the PRC are required to pass the necessary fire safety acceptance or fire safety inspection. These approvals, licenses and permits are achieved upon our satisfactory compliance with the applicable food, alcoholic drinks, hygiene and safety, fire safety laws and regulations. Most of the licenses are subject to examinations or verifications by relevant authorities while some of the permits are valid only for a certain period of time and subject to renewal and accreditation. Complying with government regulations may incur substantial cost, and any non-compliance may expose us to liability. In case of any non-compliance, we may have to incur significant expense and divert substantial management time to resolve any deficiencies. We may also experience negative publicity arising from such non-compliance with government regulations that negatively impacts our brand. We may experience difficulties or failures in obtaining the necessary approvals, licenses and permits for new bars.

As of March 31, 2021, some of our bars failed to complete the necessary fire safety procedures upon the opening. Among which, 10 opened bars failed to complete fire safety inspections or obtained permission from the fire safety department for the opening, and 10 bars that failed to complete the fire safety completion acceptance. Our PRC Legal Advisor informed us that we may be required to close relevant bars and the potential maximum penalty will be RMB6.0 million, of which the fine for each bar that failed to complete the required fire safety inspection or fire safety completion acceptance is RMB30,000 to RMB300,000. Therefore, our business may be adversely affected. For details, please refer to "Business — Licences, Permits and Approvals — Fire Safety."

In addition, there can be no assurance that we will be able to obtain, renew and/or convert all of the approvals, licenses and permits required for our existing business operations in a timely manner or at all. If we fail to obtain and/or maintain all the licences required to operate our businesses, the proposed new bar business and/or expansion may be delayed, and our ongoing business could be interrupted. We may also be investigated and receive imposed penalties. In addition, government authorities may promulgate new laws, rules and regulations from time to time to strengthen the implementation of existing laws, rules and regulations, which may require us to obtain new and additional licences, permits or approvals. There may be great uncertainty in the interpretation and implementation of existing and future laws and regulations governing our business activities. If we fail to comply with applicable laws and regulations, we may be subject to fines, confiscation of income generated from our non-compliant operations or termination of our non-compliant operations, any of which may have a material adverse impact on our business, financial condition and results of operation.

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## RISK FACTORS

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**We rely on Helen's branded products to generate a significant and increasing portion of revenues contribution.**

We generate a significant and increasing portion of our revenue contribution through the sales of our Helen's branded products. For instance, during the Track Record Period, the overall contribution margin by our branded alcoholic drinks was 71.4%, 75.3%, 78.4% and 82.0%, respectively. Going forward, we expect to continue to generate our revenues primarily from the sales of Helen's branded products.

The sales and profitability of our Helen's branded products are affected by many factors, many of which are out of our control, such as market trend, customer taste, preferences and perceptions. Therefore, if there were any unfavorable trends in the sales or the profitability of our Helen's branded products, our business operation, financial performance and future growth could be harmed. We cannot guarantee that we will be able to continuously maintain the current popularity and profitability of Helen's branded products in light of the constantly changing customers' preference and market trends. In addition, we may fail to launch new branded products that effectively anticipate, grasp and respond to changes in customer demand. Any of the foregoing failure with respect to our Helen's branded products may have a material adverse impact on our business operation, financial performance and future growth.

**Our business is affected by changes in consumer taste and discretionary spending, and we may not be able to develop new products in a timely manner to respond to such changes.**

The bar industry in China is affected by consumer taste and preference. For instance, in the event that there was any negative trend with respect to the sales and customer acceptance of our Helen's branded products, such as those due to the changes in customer taste, the sales volume and profitability of our Helen's branded products, as well as the sustainability of our business growth might be negatively impacted. We cannot assure you that we can continue to develop new products and maintain an attractive product portfolio to suit the ever-changing customer demands. Even if we can correctly predict, grasp and respond to changes in customer needs, we cannot assure you that we can launch new products that effectively respond to consumer preferences or can increase profits. If our competitors are capable of solving such issues more effectively, our business, financial condition and results of operation will be adversely affected.

To a large extent, our success also depends on customers' discretionary spending, which is influenced by macro-economic conditions. Accordingly, our sales may decline during economic downturns or prolonged periods of high unemployment rates. Any material decrease in the amount of discretionary spending in China may have a material adverse effect on our businesses, results of operation and financial condition.



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## RISK FACTORS

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**Counterfeit brands or products of Helen's and the quality issues of food and alcoholic drinks brought by customers may significantly damage our reputation and brand image, diverting potential customers.**

The brand awareness we built attracted copycats who exploit our trademarks and counterfeit our products to operate counterfeit bars without our authorization. The counterfeit bars divert the potential customers of our own bars. More importantly, the counterfeit and defective products sold in counterfeit bars may significantly damage our reputation and brand image, including the perception and reliability of our products. Any act of unauthorized usage of our trademarks and counterfeiting of our products may cause adverse effect on our brands and reputation, lead to decline in our financial results, market share shrinking, and that we may need to devote more resources to investigate and prosecute the unauthorized use of our trademarks or counterfeiting our products. Currently, we are not aware of any counterfeit bars and drinks that have material adverse effect to our business, however, we cannot assure any measures we implement can effectively prevent the unauthorized use of these trademarks or counterfeiting of our alcoholic drinks and other products by third parties, which may in turn adversely affect our reputation, results of operation and financial condition. For instance, for those trademarks that are currently in the progress of application or that we have not obtained, we may not be able to protect our rights through legal proceedings. In order to bring the friendliest experiences to our customers, we allow customers to order their own takeaways and enjoy them in Helen's bars, such that the quality of these takeaway food and beverages are beyond our control. If the customers in our bars suffer from any illnesses, diseases or other losses due to the quality issues of these takeaway food and beverages the reputation of our bars may be adversely affected, while our operation and financial performance may be further affected.

**Our product sales and business operation are subject to seasonal fluctuations.**

We experience seasonal fluctuations during our ordinary course of business and the operation of Helen's bars, in particular with respect to the customer traffic. For instance, as many of our customers return home during the Chinese new year holidays, we typically have a relatively lower customer traffic in the first quarter in each year during the Track Record Period. This, in turn, results in fewer purchase orders in the first quarters in each year during the Track Record Period as compared to the fourth quarters of the respective years. For instance, in the three months ended March 31 and December 31, 2019, we generated revenues of RMB54.1 million and RMB78.3 million from our self-operated bars that were already under operation as of January 1, 2019, representing 19.8% and 28.6% of the revenues generated in 2019, respectively. Going forward, we expect our financial condition and results of operations for the first quarters may continue to fluctuate and our historical quarterly results may not be comparable to future quarters.



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## RISK FACTORS

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**Our business is dependent to a large extent on the awareness of our brands. If we can not maintain or enhance our awareness, our businesses, financial condition and results of operation may be adversely and materially affected.**

We have successfully established Helen's brand. We believe that it is vital to maintain and enhance our brand for sustaining our competitive advantages. However, our ability of maintaining our brand awareness depends on various factors, some of which are beyond our control. Whether we can continue to maintain and enhance our brands and images successfully highly depends on our ability to maintain and further develop our unique portfolio (i.e., premium-quality and value for money product portfolio, sincere and efficient services, delightful and comfortable environment, and our ability to adapt to any changes of competitive circumstances in the PRC bar industry. Failing that, our brand value and image will be undermined, our businesses and results of operation may be adversely and materially affected. While we are expanding our scale and enlarging the geographical coverage, it will become more difficult for us to maintain quality and consistency of products and services, and we cannot assure you that customers' trust in our brand will not decline.

Any events that will harm our reputation, such as liability claims, litigation, customers' complaints, illegal activities conducted by customers in our bars or other negative publicity of our bars; or any violation acts by our competitors as a result of using our brands illegally, may have a negative effect on the our brands.

During the Track Record Period and up to the Latest Practicable Date, we are not aware of any material customer complaints or other claims which may cause a material and adverse effect on business and results of operation. We cannot assure that we will not receive any material customer complaints or that no one will utilize our brands illegally, which may cause a material adverse effect on our future operation. Any damage to or violation of our reputation or brands may result in adverse impact on our operation and financial condition.

**Our business, financial condition, and results of operation may be materially and adversely affected if we fail to acquire new customers or retain existing customers in a cost-effective manner.**

Our ability to acquire new customers in a cost-effective manner and retain existing customers is critical to the continuing growth of our result of operation and profitability improvement. We have invested in branding, sales and marketing to acquire and retain customers since our inception. We incurred advertising and promotion expenses of RMB5.2 million, RMB12.1 million, RMB15.4 million and RMB6.0 million for the year ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2021, respectively. We will continue to spend heavily in attracting new customers and retaining existing ones, but there is no guarantee that new customers will stick with us or that the net profits from new customers will outweigh the expense of acquiring them.

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## RISK FACTORS

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In addition, if our existing customers no longer find our products appealing or are unsatisfied with our services, or if our rivals deliver more appealing products, rates, discounts, or customer service, our existing customers may lose interest in us, decrease their orders or even stop ordering from us. If we are unable to retain our existing customers or to acquire new customers in a cost-effective manner, our revenues may decrease and our results of operation will be adversely affected.

**The chosen locations of our existing bars may become uncompetitive, which may have a material adverse effect on our businesses, financial condition and results of operation. We may still have to continue to pay rent even if we choose to cease operations at such sites.**

We attach great importance to the selection of bar locations. A sufficient and stable source of customers is the most important consideration during the selection process of our bar locations. We cannot assure that our current bar locations will remain attractive regardless of changes in economic or demographic conditions. If economics and demographic conditions become unfavorable to us in the future, such as traffic inconvenience caused by nearby construction, which in turn will cause a loss of original source of customers in these locations, the relevant bars may encounter a decline in sales volume. As all of our lease agreements have fixed lease terms, they are exposed us to the risk of paying rent for fixed periods of time in spite of unprofitable business operations or other unforeseen events that may occur before each lease term expires. In addition, we are also subjected to the risk of paying compensation for breach of contract if we choose to terminate the lease agreement before expiration. Therefore, lack of flexibility in earlier termination of these lease agreements, would adversely affect our businesses, financial condition and results of operation.

**We may not be able to detect, stop or prevent all fraud or other misconduct by our employees, customers or other third parties.**

Although we have strict guidelines and controlling measures to prevent any illegal activities or misconduct, such as theft, fraud, fighting, smoking and drug abuse, we may not be able to discover, stop or prevent all misconduct carried out by our customers or even our employees. Furthermore, any drunk customers may cause disturbance to other customers or have conflicts with our employees. If such misconduct incidents happen frequently in our bars, our reputation and operation may be adversely affected.

We may not be able to prevent, discover or stop all the misconduct carried out in our bars by our employees, customers or other third parties, for example, the smoking behaviors of our customers in the bars. According to The Rules for the Implementation of the Administration of Sanitation of the Public Assembly Venue (公共場所衛生管理條例實施細則) promulgated by the Ministry of Health and similar regulations introduced by different local authorities regarding smoking in a public venue, if a customer smokes in Helen's bars and we fail to stop him timely, we may face penalties such as an administrative warning or fine from relevant competent authorities. Any misconduct that harms our interest, includes past acts that have

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## RISK FACTORS

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gone undetected and future acts, may lead to financial loss and/or damage to our reputation. Such misconduct may also cause material and adverse effects to our businesses, results of operation and financial condition.

We may fail to fulfill the duty of maintaining safety and thus cause damage to another person, for example, even if our employees always pay attention to prevent drunk customers from falling in our bars, we cannot guarantee that no customers will fall. According to the Civil Code of the PRC (民法典), operators and managers of business and public places such as hotels, shopping markets, entertainment premises and the organizers of mass activities shall assume tort liability if they fail to fulfill the duty of maintaining safety and thus cause damage to another person. Where the damage is caused by a third party, the third party shall assume tort liability; where the operator, manager or organizer fails to fulfill the duty of maintaining safety, it shall assume supplementary liability.

In addition, even if we prohibit minors from entering the bar, and set up signs of prohibiting entry of minors in a prominent place in the bar, and as for those who are difficult to determine whether they are minors, our employees will require the customers to show their identity documents, we cannot guarantee that our customers will not deceive us with false or stolen identity materials. According to the PRC Minors Protection Law (未成年人保護法), where a place unsuitable for minors to participate in the activities such as a commercial singing and dancing recreation site or internet access service business site permits minors to enter, or does not set up a sign prohibiting minors' entry at an eye-catching position, it shall be ordered by the competent department to make a correction, and shall be given administrative penalties according to law.

**Any failure to maintain food safety, consistency in quality, hygiene standards, will cause material and adverse effects to our brands, business and financial performance.**

Safety and quality of foods and alcoholic drinks are vital to our reputation and success. Maintaining a consistency in quality of food safety standards to a large extent depends on the effectiveness of our quality assurance system, while the effectiveness of our quality assurance system depends on multiple factors, such as the design of our quality assurance system, and the ability to ensure our employees and other third parties who are involved in the operation to comply with those quality assurance policies and guidelines. Although we have implemented certain quality assurance policies and guidelines for product processing, we cannot assure that our quality assurance system remains effective at all times, and we cannot assure that we can discover any flaw in the quality assurance system. For example, there is no assurance our quality assurance system for alcoholic drinks that can completely and timely discover the counterfeit and inferior beverages provided by our suppliers. We are confronted with the internal risks of food contamination and liability claims. Failure to discover or prevent any food contamination that may adversely affect the quality of the products that we sell, leading to liability claims, lowering customers flow in our bars and penalties and fines from relevant authorities. There are no assurances that we will not receive any food contamination claims and relevant administrative punishments in the future. Any of these events may cause material damages to our reputation, results of operation and financial condition.

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**Failure to comply with the existing or new government regulations relating to fire safety, food hygiene, environmental protection and control on indoor smoking of the bar industry in China may have a material adverse effect on our businesses and results of operation.**

Our businesses are subject to the restriction of various compliance and operational regulations stipulated by the Chinese laws. Any of our bars that fail to comply with the applicable laws and regulations (including but not limited to laws governing our relationship with employees) be subject to fines and penalties imposed by relevant Chinese government departments. Each of our bars is required to hold an operation license issued by the local government departments, and should carry out catering business within the business scope of the operation license. Our businesses are also subject to the restriction of various regulations, which affect various aspects of our businesses in the cities where we operate, including but not limited to fire safety, food hygiene, environmental protection and control on indoor smoking. Each of our bars is required to obtain various licenses and permits in accordance with these regulations or carry out record filing procedures. As of the Latest Practicable Date, none of our Helen's bars that failed to complete the Fire Safety Inspection and/or Construction Fire Service Completion Inspection were under operation. According to relevant PRC laws and regulations, the bar that failed to complete the Fire Safety Inspection and/or Construction Fire Service Completion Inspection may be ordered to discontinue the use or operation and be imposed a fine of not less than RMB30,000 but not more than RMB300,000 by the competent authorities. Although we have not suffered any major fines or other penalties which materially and adversely affect our businesses and results of operation due to any violation of the regulations in the past, we may be subject to fine, confiscation of income from relevant bars and termination of the operation of bars lacking all necessary licenses and permits required, or subject to suspension of sales of certain products in accordance with the latest laws and regulations if we fail to deal with these non-compliance events in a timely manner. Such kind of circumstance may have a material adverse impact on our businesses and results of operation. Please see "Regulatory Overview – Regulations Related to Food Safety and Licensing Requirement for Food Operation" and "Regulatory Overview – Regulations Related to Fire Prevention."

**Our historical financial and results of operation are not indicative of future performance and we may not be able to implement and maintain the historical income and profit level.**

Our historical results and growth may not represent our future performance. Our financial or results of operation may not fulfill the expectation of the open market analysts or the investors, which may result in a decrease of the future price of our Shares. Our income, expense and results of operation may change in different time due to various uncontrollable factors, such factors including general economic condition, special event, such as the COVID-19 pandemic in 2020, governmental regulations and policies which affect our bars' operation and/or the ability for us to control the cost and operational expenses. For instance, we benefited from the one-off government grants and concessions during the COVID-19 pandemic, which may not be recurring in the future. In 2020, we received a one-off government grants and concessions of RMB36.4 million, primarily consisting of (i) one-off value-added tax exemption during the

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COVID-19 pandemic and (ii) one-off rent concession provided by the landlords of certain of our leased properties of RMB10.6 million. Therefore, you shall not rely on our historical results for prediction of our future financial performance.

**Our bars are easily affected by risks related to the increase or fluctuation of rental cost are unexpected tenancy termination, and unexpected land acquisition, closure of buildings or demolition.**

All of our bars are located in leased properties. Our depreciation of right-of-use assets mainly include the depreciation charge of capitalized lease incurred by long-term leased properties for operating Helen's bars. In 2018, 2019 and 2020 and the three months ended March 31, 2021, our depreciation of right-of-use assets are RMB15.1 million, RMB53.2 million, RMB105.3 million and RMB37.1 million, representing 13.2%, 9.4%, 12.9% and 10.1% of the revenue for the corresponding period, respectively. As our depreciation of right-of-use assets and other rents and related fees are a considerable part of our total operating expenses, if the rental expenses for our bars increases significantly, our profitability may be adversely affected.

Moreover, the PRC government has legal rights to expropriate and requisition any land use rights in the PRC. If any properties where our bars or facilities are located are compulsorily acquired, closed or demolished for reconstruction, the compensation we obtain may not be based on fair market value but rather valued on the basis regulated by law. Under such circumstance, we will be forced to move to other locations, and this could in turn affect our businesses, financial condition, and results of operation.

**The negative publicity involving us or the industry may materially and adversely affect our business and results of operation.**

The bar industry is especially sensitive to the concerns of the issues relating to food safety and quality, which may be materially and adversely be affected by relevant negative publicity or news reports (whether accurate or not). Negative publicity may come from news reports or accusations about the operation of our bars by printed and internet media, especially those so-called alcoholic drinks and food quality and safety problems. Any of these negative reports, whether targeting our industry or us, may materially damage our brands, business, and results of operation. As we are in the leading position of the industry, we may become the target of public monitoring, and incur significant cost for handling such negative reports. For example, in the past there were reports that some bars in China sold counterfeit alcohol, causing a negative effect on the trust of customers on the quality and the safety of alcohol products. If there are any complaints or claims targeting us or this industry, even without sufficient evidences, they may force us to divert our resources and adversely affect our businesses, operations and financial performance. Negative publicity generated by those complaints or claims, even unjustifiable or unsuccessful, may result in customers losing trust in us and our brands, and this may also result in negative effects on business of catering related branding. Therefore, we may experience significant decline in income and customer traffic, and we may never recover from such impacts.

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**We may be unable to receive compensation from suppliers for contaminated raw materials used in the alcoholic drinks and food sold in our bars and indemnity provisions in our supply contracts may be insufficient.**

We face the risks of claims related to alcoholic drinks and food contamination. Our food quality partly is dependent on the quality of the alcoholic drinks, snacks and raw materials provided by the suppliers, we may not be able to detect all the defects in the supply. Any undetected food contamination that occurs during the transport process of alcoholic drinks, snacks and other raw materials may adversely affect the quality of food provided in our bars. If we cannot discover the defects in supply chain during our operation, maintain appropriate hygiene levels, or assure the cleanliness and other quality control requirements or standards, the quality of food provided by our bars may be adversely affected. Such flaw may lead to liability claims, complaints and negative publicity, a decrease in the customer traffic of our bars, the penalty by relevant authorities, and potential civil liabilities. During the Track Record Period and up to the Latest Practicable Date, there were no material violations related to food and health related issues. We cannot assure that we will not be subject to any claims related to alcoholic drinks and food contamination in the future. If we face food safety claims due to contaminated or other defective food, alcoholic drinks or raw materials from suppliers, we may try to seek compensation from the relevant suppliers. However, the compensation terms of our supply contracts may not be sufficient to cover loss of profits and indirect or joint losses. If the claim against the supplier is not established, or we are unable to recover the amount of the claim from the supplier, we may have to bear such losses and compensation by ourselves. Any of these events could adversely affect our reputation, results of operation and financial condition.

**Events that disrupt the operations of any of our bars, such as fires, floods, earthquakes or other natural or man-made disasters, may materially and adversely affect our business operations.**

Our daily operation and expansion is vulnerable to interruption by fires, floods, typhoons, power failures and shortages, hardware and software failures, computer viruses and other events beyond our control, such as the heavy rains in several regions in China in July and the large-scale flood disaster in Henan Province. Our business is also dependent on prompt delivery and transportation of our alcoholic drinks, snacks and other raw materials. Certain events, such as adverse weather conditions, natural disasters, severe traffic accidents and delays and labor strikes, could also lead to delayed or lost deliveries by our suppliers, logistics and our bars. All of which may result in the loss of potential business, and thus sales revenue. Perishable raw materials such as fresh, chilled or frozen foods, may deteriorate due to delivery delays, malfunctioning of refrigeration facilities or poor handling during transportation by our suppliers or our logistics partners. The third-party public portable chargers provided in our Helen's bars and the kitchen appliances and storage of alcoholic drinks in the bars may also cause accidents such as fires. If personal injury such as falls happened on our customers or staffs inside Helen's bars, we may also bear the related operator liability. Fires, floods, earthquakes and terrorist attacks may lead to evacuations and other disruptions in our



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operations, which may also prevent us from providing quality alcoholic drinks and service to customers, thereby affecting our businesses and damaging our reputation. Any such event could materially and adversely affect our business operations and results of operation.

We need to conduct renovations during the process of opening new bars. Even we fulfil the regulations under applicable laws, a series of negative events may happen during the process of renovation. Events such as fire, flooding and injuries and death may occur during the renovation process. Such events will cause a negative effect to us among the public, resulting in financial losses, and also may result in us being investigated or penalized by regulatory authorities, and adversely affect our reputation and brands.

**Information technology system failures or breaches of our network security could interrupt our operations and adversely affect our businesses.**

We rely on our computer systems and network infrastructure to monitor the daily operations of our bars and to collect accurate up-to-date operating data, such as the procurement volume of supplies, for business analysis and decision making. Any damage or failure of our computer systems or network infrastructure that causes an interruption or inaccuracies in our operations could have a material adverse effect on our businesses and results of operation.

Our system receives certain necessary personal information about our customers when customers place orders. Due to the fact that the methods used to gain unauthorized access to or sabotage networks are constantly evolving and may not be identified before an attack is conducted against us or our third-party service providers, we may be unable to detect or enforce sufficient countermeasures against these threats. We have been subject to these forms of attacks in the past and are likely to be again in the future, but no such attack has resulted in material loss or remediation costs during the Track Record Period and up to the Latest Practicable Date. If we are unable to prevent these attacks and security vulnerabilities, we risk considerable legal and financial responsibility, damage to our image, and potential missed revenue and consumer frustration. We may lack the expertise and technological sophistication necessary to predict and deter rapidly changing cyber-attack forms. Actual or planned attacks and threats can result in substantially increased costs, including staff and network security technology deployment, employee training, and engagement of third-party experts and consultants. In addition, if our network security is compromised, and such information is stolen or obtained by unauthorized persons or used inappropriately, we may become subject to litigation brought by customers and related institutions. Any such proceedings could distract our management from running our business and cause us to incur significant unplanned losses and expenses. Consumer perception of our brand could also be negatively affected by these events, which could further adversely affect our businesses and results of operation.

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**Any unauthorized use or leak of data by us, our staff, or our business associates may have severe reputational, financial, legal, and operational consequences.**

In the ordinary course of our business, our customers are able to view our e-menu and place orders by scanning the codes in Helen's bars. Therefore, we will have certain non-personal information relating to the customers' orders, such as the products they order and the time of their order placement. During the ordering process, we neither collect, store, process or use any sensitive personal information, including but not limited to customers' identification, age or gender, nor do we own or operate any proprietary or third-party APPs which may access customers' personal information. For those information relating to customers orders, we need to address the issues with respect to the following, among others:

- protecting the data stored in and hosted on our system, including against third-party attacks or fraudulent behavior by our employees;
- addressing concerns about privacy and sharing, safety, and security, and other factors; and
- adhering to applicable laws, rules, and regulations governing the collection, use, disclosure, and security of personal information, including all requests.

Any systems failure or security breach or lapse that results in the release of customer data could harm our reputation and brand and, consequently, our business, in addition to exposing us to potential legal liability.

Recently, business operation strategies for collecting, using, retaining, transferring, disclosing, and securing consumer data have come under heightened regulatory oversight and public scrutiny. For example, an increasing number of statutory and regulatory bodies have enacted legislation requiring consumer notice in the event of improper access to or collection of certain types of data. In China, the PRC Cybersecurity Rule, which took effect in June 2017, has not had a clear interpretation with respect to the conditions and requirements to which the law will operate and breaches will be discovered. Compliance with these duties can entail significant costs. Any violation of existing legislation, whether committed by us, our business partners, or other third parties, whether as a result of employee error or incompetence, or for any other reason, may result in regulatory compliance proceedings against us and have a negative effect on our business operations.



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**Our insurance policies may not provide adequate coverage for all claims associated with our business operations.**

As of the Latest Practicable Date, we have obtained insurance policies that we believe are customary for businesses of our similar size and type, and in line with the standard commercial practice in China. For more details on our insurance policies, see “Business — Insurance.” However, there are types of losses we may incur that cannot be insured or claimed against, such as loss of reputation. If we were held liable for uninsured losses or amounts and claims for insured losses exceeding the limits of our insurance coverage, our businesses and results of operation may be materially and adversely affected.

**We may not be able to adequately protect our intellectual property, which could harm the value of our brands and adversely affect our businesses and operations.**

We believe that our brands are essential to our success and our competitive position. Although we have registered trademarks and have trademark applications pending in the PRC, these steps may not be adequate to protect our intellectual property. There is no assurance that any of our pending trademark applications will be granted. Although we are not aware of any legal impediment in completing the registrations, we cannot assure you that the registrations will be successfully completed. If we fail to secure the registration of any trademarks under application, or if we are held by any court or tribunal to be infringing on any trademark of others, our business may be adversely affected. See “Statutory and General Information” in Appendix IV to this prospectus. In addition, third parties may infringe upon our intellectual property rights or misappropriate our proprietary knowledge, which could have a material adverse effect on our businesses, financial condition or results of operation. While our proprietary recipes are protected by confidentiality agreements between our employees or certain suppliers and us, there can be no assurance that they will not breach such agreements or leak the recipe to our competitors. In addition, although we can rely on confidentiality and non-compete agreements with key personnel and other precautionary procedures to protect our proprietary recipes, such measures may not be sufficient.

In the past, we have found that certain third parties used or imitated our trademarks or trade names without our authorization to operate bars. Such unauthorized use of our trademarks, trade names and trade secrets by third parties may damage our reputation and brands. If the operation activities of third parties who used or imitated our trademarks or trade names without our authorization result in adverse impacts on customers, we may be associated with negative publicity as a result. Preventing trademark and trade name infringement and trade secret misappropriation in China is difficult, costly and time-consuming. In the future, we may, from time to time, institute litigation to protect and enforce our trademarks and other intellectual property rights, and to protect our trade secrets. Such litigations could result in substantial costs and shift of resources, which could negatively affect our sales, profitability and prospects. Furthermore, the application of laws governing intellectual property rights in China is uncertain and evolving, which could involve substantial risks to us. Even if any such

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litigation is ruled in our favor, we may not be able to successfully enforce the judgment and remedies awarded by the court and such remedies may not be adequate to compensate us for our actual or anticipated losses, whether tangible or intangible.

On the other hand, we may face claims of infringement that could interfere with the use of our proprietary know-how, concepts, recipes or trade secrets. Defending against such claims may be costly and, if we are unsuccessful, we may be prohibited from continuing to use such proprietary information in the future, or be forced to pay damages, royalties or other fees for using such proprietary information, any of which could negatively affect our sales, profitability and prospects.

**Our success depends on the continuing efforts of our senior management team and the other key personnel, and therefore our businesses may be damaged if we lose their services.**

Our future success depends very much on the continuing services and performance of our key management personnel. We should continue to attract, retain and motivate a sufficient number of qualified management and operating personnel to maintain a consistency in the quality of our products and services and meet the expansion requirements of our plans. We also give incentives to our area managers, regional managers and competent team members in order to commend their commitments to our businesses.

If our senior management team fails to cooperate with each other successfully, or if one or more of our senior management team members are not able to effectively implement our business strategies, we may not be able to achieve business growth at the speed or in the manner we expect. There is keen competition for experienced management and operating personnel in the bar industry in China and the number of qualified candidates is limited. We may not be able to retain our key management and operating personnel, and we may not be able to attract and retain high-quality senior management personnel or key personnel in the future.

In addition, if one or more of our key personnel are not able or willing to continue to assume their present positions, we may not be able to replace them easily or at all. Therefore, our businesses may be disrupted and our results of operation may be materially and adversely affected. In addition, if any member of our senior management team or any of our other key personnel joins a competitor or forms a competing business, it may result in a leakage of business secrets and technical know-how. If we cannot attract, retain and motivate these key personnel, our reputation may be damaged and it may lead to a loss in our businesses.

**Our businesses may be adversely affected by the difficulties in recruitment and retention of employees.**

Our continuous success partly depends on our ability to attract, motivate and retain a sufficient number of qualified employees, including bar managers and other management personnel. We cannot assure you that we will be able to recruit or retain a sufficient number of qualified employees for our businesses. If there is a material increase in the employee turnover rates in

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our existing bars, and there is failure to recruit skilled personnel and to retain key staff due to various factors such as the failure to keep up with the average employee salary levels in the market, it may create difficulties for us to implement our growth strategy. In addition, we engage outsourcing staff through third-party human resources companies. If such human resources companies terminate or suspend the cooperation with us due to any reasons, we may not be able to identify suitable alternative human resources companies to provide outsourcing services in a short period of time, which may affect our business operations. The increase in labor costs caused by factors like competition, minimum salary requirements and employee benefits will adversely affect our operating costs. Any of the foregoing will materially and adversely affect our businesses and results of operation.

**Labor shortages or increased labor costs may slow down our growth rate and reduce our profitability.**

From the historical perspective, employee benefit and manpower service expenses covering salaries and benefits payable to all our employees and staff (including our directors, senior management, headquarters staff and bar staff), are always the main components of our operating costs. In 2018, 2019 and 2020 and the three months ended March 31, 2021, employee benefit and manpower service expenses are RMB25.1 million, RMB92.3 million, RMB178.9 million and RMB190.4 million, respectively. At present, most of our employees are employed and working in China. The Chinese economy has achieved significant growth in the past 20 years, and this has led to an increase in the average labor costs. It is expected that the overall economy and average wage in China will continue to grow.

The Labor Law of the People's Republic of China and The Labor Contract Law of the People's Republic of China stipulate overtime, pensions, layoffs, labor contracts, workers' rights and benefits and also stipulate specific standards and procedures for terminating labor contracts. In addition, the Labor Contract Law required that, in most cases, including the expiration of a fixed-term contract, the payment of statutory severance should be made when the labor contract is terminated. To comply with the PRC labor-related laws and regulations, we need to continue to invest in operating expenses, especially our personnel expenses. The shortage of labor force or any substantial increase in the labor costs will weaken our competitive advantages and have a material adverse effect on our businesses, financial positions and results of operation.

**Our rights to use some of our leased properties may be queried by property owners or other third parties, and we may be subject to fines as a result of unfiled leases which may adversely affect our business operations and financial position.**

As of the Latest Practicable Date, with respect to 145 out of 671 leased properties in China, the lessors of such properties still failed to provide us with sufficient or valid ownership certificates or any form of permission to sublet from the rightholders, despite the proactive requests we previously made, with an aggregate GFA of approximately 58,191 square meters, representing approximately 23.03% of the total GFA of our leased properties. As advised by our PRC Legal Advisor, if the lessors of the leased properties do not have the requisite rights to lease the relevant properties, the relevant lease agreements may be deemed invalid, and as a

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result, we may be required to vacate from the relevant properties and relocate our bars. In this event, our operation of bars in such properties may be impaired and we may not be adequately indemnified by the landlords for our related losses. Also, we will incur additional costs in relocating our bars to other suitable locations, thus affecting our business operations and financial condition.

As of the Latest Practicable Date, the lease agreements with respect to some of our leased properties were not registered with the appropriate government authorities in the PRC. As advised by our PRC Legal Advisor, failure to complete the registration of lease agreements may lead to a fine ranging from RMB1,000 to RMB10,000 imposed by the relevant PRC authorities. See “Business — Properties.”

The actual use of 21 leased properties (with an aggregate GFA of approximately 9,141 square meters, representing approximately 3.62% of our total leased GFA) does not fit into the prescribed scope of usage shown on the relevant ownership certificates. For the leased properties with usage defects, as advised by our PRC Legal Advisor, administrative penalties may be imposed on the landlords if the properties are leased for the usage incompatible with the prescribed scope, and our usage of the leased properties with usage defects may be interrupted. However, as a lessee, we are not subject to any penalties in this regard.

**Our net current liabilities may expose us to certain liquidity risks and may restrain our operational flexibility as well as affecting our ability to expand our businesses.**

As of December 31, 2018, 2019 and 2020 and March 31, 2021, our net current liabilities amounted to RMB65.8 million, RMB98.2 million, RMB168.0 million and RMB261.0 million, respectively, our current lease liabilities amounted to RMB18.6 million, RMB46.9 million, RMB78.9 million, and RMB94.1 million, respectively, representing 12.6%, 12.2%, 14.6%, and 13.3 % of our lease liabilities in the same periods, respectively, our lease liabilities amounted to RMB147.5 million, RMB384.2 million, RMB539.2 million and RMB706.6 million, respectively.

Net current liabilities may expose us to certain liquidity risks and may constrain our operational flexibility, as well as adversely affect our ability to expand our business. Our future liquidity, the payment of trade and other payables (as and when they become due), will primarily depend on our ability to maintain adequate cash inflows from our operating activities and adequate external financing, which will be affected by our future operating performance, prevailing economic conditions, our financial, business and other factors, many of which are beyond our control. If we do not have sufficient working capital to meet future financial needs, we may need to resort to external funding. Our inability to obtain additional external borrowings on a timely basis and on acceptable terms, or at all, may force us to abandon our development and expansion plans, and our businesses, financial positions and results of operation may be materially and adversely affected.

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**We recorded net operating cash outflows historically and there can be no assurance that we will not have net cash outflow in the future.**

We recorded net operating cash outflows of approximately RMB8.9 million in 2018. Throughout the Track Record Period, the major drivers behind the fluctuations in cash (used in)/generated from operations and our historical net operating cash outflows are (i) certain adjustments, such as depreciation of right-of-use assets and depreciation of plant and equipment of, (ii) changes in working capital that positively affected cash flow such as an increase in other payables and accruals and an increase in trade payables, and (iii) changes in working capital that negatively affected cash flow such as an increase in inventories and an increase in prepayments, deposits and other receivables. For a more comprehensive discussion of our liquidity and capital resources, see “Financial Information — Liquidity and Capital Resources — Cash Flow Analysis — Operating Activities” in this prospectus for further details. We cannot guarantee that prospective business activities of our Group and/or other matter beyond our control (such as market competition and changes to the macroeconomic environment) will not adversely affect our operating cash flow and lead to net operating cash outflows in the future. If we encounter long-term and continuous net operating cash outflow in the future, we may not have sufficient working capital to cover our operating costs, and our business, financial position and results of operations may be materially and adversely affected.

**We may be subject to the risk of obsolescence for our inventory.**

Our inventories, comprising foods, beverages and consumables used in our bar operations mainly include Helen’s branded alcoholic drinks, snacks, third-party brand alcoholic drinks and other inventories. As of December 31, 2018, 2019 and 2020 and March 31, 2021, the balance of our inventories amounted to RMB7.3 million, RMB23.4 million, RMB36.9 million and RMB37.2 million, respectively. During the Track Record Period, no provision for impairment of inventories was recognized. For detailed analysis of our inventory, please see to “Financial Information — Discussion of Key Items of the Consolidated Statements of Financial Position — Inventories.”

The risk of obsolescence for our inventory increases as the storage time of our inventory increases. In addition, certain factors such as unexpected fluctuations in the supply of raw materials or changes in customers’ tastes and preferences are beyond our control and may lead to decreased demand and overstocking of particular products, which in turn increases the risk of obsolescence for our inventory. Furthermore, as our bar network expands, our inventory level increases and our inventory obsolescence risk may also increase along with the increased purchase of inventories. In such circumstances, our businesses, financial position and results of operation may be materially and adversely affected.

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### **Our results of operation are affected by marketing and promotion activities.**

We continue to invest in Helen's brand and utilize word-of-mouth marketing and marketing activities to further enhance the reputation and acceptability of Helen's brand. We will continue to adopt such strategies in the future. In 2018, 2019 and 2020 and the three months ended March 31, 2021, the advertising and promotion expenses amounted to RMB5.2 million, RMB12.1 million, RMB15.4 million and RMB6.0 million, respectively. However, if our marketing plan fails to achieve expected outcomes in the future, our businesses and results of operation may be materially and adversely affected. Furthermore, the promotion trend in China continues to develop currently, and this requires us to make new trials in our marketing strategies in order to cope with the industry development and the preference of the customers. As we continue to establish our internet platform, we estimate that the relevant advertising and promotion expenses for collaboration of internet channels will continue to increase.

### **We are subject to risk of recoverability of deferred tax assets.**

As of December 31, 2018, 2019 and 2020 and March 31, 2021, our deferred tax assets amounted to RMB7.4 million, RMB9.0 million, RMB18.3 million and RMB20.3 million, respectively. As deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized, the management is required to make judgement to assess the probability of future taxable profits.

During the Track Record Period, some of our PRC subsidiaries incurred losses which were available for recognition of deferred tax assets to the extent that it was probable that future taxable profit would be available against which losses could be utilized. As of December 31, 2018, 2019 and 2020 and March 31, 2021, we had unrecognized deferred tax assets in respect arising from some of our subsidiaries of approximately RMB0.9 million, RMB2.3 million, RMB2.7 million and RMB4.9 million, respectively, and they will expire in five years for offsetting against future taxable profits of the companies in which the losses arose. Future profits generated by existing bars may be offset by investment costs, such as upfront costs incurred in establishing new bars and subsidiaries for the management and operation of brands and bars, which will increase the uncertainty in the utilization of tax losses prior to expiry. Our Directors considered that it is uncertain that taxable profits will be available in the foreseeable future against which the tax losses can be utilized for these entities and therefore, no deferred tax assets are recognized for such tax losses during the Track Record Period. Any changes in management's judgment as well as the future results of operation of the relevant entities would affect the carrying amounts of deferred tax assets to be recognized and the recoverability of deferred tax assets recognized in our consolidated financial statements, and therefore may materially and adversely affect our financial position and results of operation in the coming year.

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**Our business operations and financial position may be materially and adversely affected by the slowdown in China and across the globe.**

Our businesses, financial positions, results of operation and development prospects are affected, to a significant extent, by the macroeconomic conditions in China and across the globe as well as by the economic conditions specific to our businesses. The active level of the global economy, markets, customers and businesses are influenced by many factors beyond our control. The growth of the Chinese economy has slowed down in recent years as compared to the previous years. According to NBSC, China's real GDP growth rate was 6.8% in 2017 and decreased to 6.6% in 2018 and 6.0% in 2019. As a result of the COVID-19 pandemic, in 2020, China's real GDP growth rate was 2.3%.

An economic downturn, whether actual or perceived, a further decrease in the economic growth rates or an uncertainty in the economic outlook in China or any other places where we operate may have a material adverse impact on entrepreneurs and consumer expenditure, thereby adversely affecting our businesses, financial positions, results of operation and development prospects.

**Our success depends on the ability to remain competitive in the industry.**

The bar industry in China is highly competitive in the aspects of taste, product quality and consistency, services, price and bar location. Our competitors include various types of bars and other entertainment venues located in different regions and across the countries. Furthermore, new competitors may appear from time to time, which may further intensify the competition. In particular, these competitors may start to provide products and services with similar styles.

The ability to remain competitive depends on various factors, including successful implementation of the expansion strategies of our bar network and the ability to improve our current product portfolio, develop and launch new products, and enhance the efficiency of supply chain. If we fail to compete successfully, it may prevent us from increasing or maintaining revenue and affect our profitability, and it may also result in losses of market shares. In this regard, our businesses, financial positions, results of operation and cash flow may be affected materially and adversely.

**Copyright holders or other third parties may file claims against us for the copyright of musical works.**

Our success partly depends on the music played in the bars and the ambience it brings. We have designed a nationally unified playlist for our bars, including currently popular tracks and tracks recommended by customers. We pay copyright fees to the Music Copyright Society of China, a copyright collective management organization in China, every year to obtain permission to play the music tracks. For more details, please refer to "Regulatory Overview – Regulations Relating to Intellectual Property Rights – Copyright." In 2018, 2019 and 2020 and the three months ended March 31, 2021, the fees we paid for music authorization amounted to RMB123,300, RMB189,400, RMB426,400 and RMB54,000, respectively. The copyright



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holders of some music works or other third parties may file claims against us for the musical works being played in the bars. Under this circumstance, we may be required to file litigation, arbitration or other legal proceedings to defend ourselves, which is likely to consume the time and attention of the management. The settlement costs of such legal procedures may be very high, which may have a material adverse effect on our businesses and financial positions.

**We employ human resources companies to provide personnel for our operations.**

Our staff include the outsourced labor personnel provided by human resources companies. We entered into agreements with the human resources companies, but did not have any direct labor contract relationship with the outsourced personnel, and therefore had limited control over the outsourced personnel. We began to use the services from these human resources companies since 2020, and, in 2020 and the three months ended March 31, 2021, the expenses incurred by using the foregoing services amounted to RMB38.5 million and RMB42.0 million, respectively. If any of the outsourced personnel fails to follow the instructions, policies and business guidelines formulated by the human resources companies in accordance with our requirements, our market reputation, brand image and results of operation may be materially and adversely affected. Our agreement with the human resources companies may stipulate that we will not be liable for any obligations of the outsourced personnel. However, if the human resources companies violate any relevant Chinese labor laws and regulations or their employment agreements with the relevant personnel, those relevant personnel may file a claim against us because they render services in our bars. Therefore, we may assume legal liability, and our market reputation, brand image and businesses, financial position and results of operation may be materially and adversely affected.

**Share-based payment may cause shareholding dilution to our existing Shareholders and have a material and adverse effect on our financial performance.**

We adopted share incentive schemes for the benefit of our employees (including directors) as remuneration for their services provided to us to incentivize and reward the eligible persons who have contributed to the success of our Company. For details, see “Appendix IV – Statutory and General Information – D. Share Incentive Schemes.” In 2018, 2019 and 2020 and the three months ended March 31, 2021, we incurred share-based compensation of RMB1.1 million, nil, nil and RMB91.7 million, respectively. To further incentivize our employees to contribute to us, we may grant additional share-based compensation in the future. Issuance of additional Shares with respect to such share-based payment may dilute the shareholding percentage of our existing Shareholders. Expenses incurred with respect to such share-based payment may also increase our operating expenses and therefore have a material and adverse effect on our financial performance.



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**We may be exposed to the claims for infringement of intellectual property rights filed by third parties, which may interrupt our businesses and make us incur substantial legal expenses or damage our reputation.**

Third parties may claim that our usage is in breach of their trademarks or other intellectual property rights. The defense of these claims (irrespective of their rationale) may involve substantial litigation expenses and distract the attention of our management from their routine duties. Even if there is no litigation, we may seek a license from a third party in order to avoid litigation risks, and even if a license is available, the counterparty may also charge us high trademark fees and other fees and expenses.

Even if the litigations or other legal procedures can be resolved in our favor, and there may be announcements about the hearing results, motions, or other temporary legal proceedings or developments, it may have a material adverse effect on the market price of our Shares if securities analysts or investors consider such results negative. The foregoing lawsuits or legal proceedings may significantly increase our operating losses and reduce the resources available for use in our development activities or any of our future sales, marketing or distribution activities. We may lack sufficient financial or other resources to properly conduct the foregoing litigation or legal procedures. As some of our competitors may have more financial resources, they may be more capable and effective in bearing the costs of the foregoing litigation or legal proceedings than us. The uncertainty caused by the initiation and continuation of the litigation in relation to intellectual property rights or other legal proceedings may have a material adverse impact on our ability to compete in the market.

**We may need additional funds to provide funding for our operation which may not be available under conditions acceptable to us, or not available at all. If we can raise equity capital, the value of your investment may be adversely affected. In addition, the fair value change of convertible preferred shares would affect the our financial performance and result in valuation uncertainty.**

We may need additional cash resources to support our continuing growth or other development in the future, including investments or acquisitions that we may decide to make. If our funding need is greater than our financial resources, we will need to seek additional funding or postpone our planned expenditure. We cannot guarantee that we can obtain additional funding on terms acceptable to us or successfully obtain any funding. In addition, our ability to raise additional funding in the future is subject to a number of uncertain factors, including but not limited to:

- our future financial position, results of operation and cash flow;
- the overall market conditions of equity and debt financing activities; and
- the economic, political and other conditions in China and other regions.

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On February 9, 2021, we issued 24,022,904 Series A Preferred Shares at a consideration of US\$30.8 million to BA Capital Project Helens, L.P. (“BA Capital”). The consideration was settled later in the same month. On February 10, 2021, we issued 1,568,128 Series A+ Preferred Shares at a consideration of US\$2.0 million to China World Investment Limited (“China World Investment”). The consideration was settled later in the same month. For details, see “History, Development and Reorganisation — Pre-IPO Investment.”

Upon Listing, the Series A Preferred Shares and Series A+ Preferred Shares will be converted into Ordinary Shares and will be recorded on a fair value basis based on market valuation. We use significant unobservable inputs, such as expected volatility, discount for lack of marketability, risk-free interest rate, expected rate of return and discount rate, in valuing certain of our assets and liabilities, including the preferred shares and financial liabilities at fair value through profit or loss. The fair value change of preferred shares and financial liabilities at fair value through profit or loss may significantly affect our financial position and results of operations. Accordingly, such determination requires us to make significant estimates, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty.

In addition, if we raise additional funding through equity or equity related financing, your equity interest in our Company may be diluted. Furthermore, if we raise additional funding by incurring debt obligations, we may be subject to multiple covenants under the relevant debt instruments, which in turn may, among other things, restrict our ability to pay dividends or obtain additional financing. The fulfillment of debt obligations may also impose a burden on our operations. If we fail to fulfill our debt obligations or comply with any of such covenants, we may breach such debt obligations and our liquidity and financial condition may be adversely affected.

### RISKS RELATED TO OUR INDUSTRY

**The fierce competition in the bar industry in China may prevent us from increasing or maintaining our revenue and profitability.**

The bar industry in China is highly competitive in terms of alcoholic drinks and food quality and consistency, taste, pricing, ambience, service, location, supply of raw materials of quality food and recruitment of employees. We face fierce competition from different kinds of bars, ranging from local bars to regional bars and international bar chain. Our competitors may have stronger financial, marketing, personnel and other resources, and our competitors may have reached mature development in the markets where our bars are located or we plan to open new bars. In addition, other companies may open new bars with similar concepts and targeting our customers, thereby leading to increased competition.

Any scenarios that render us incapable of competing successfully with other competitors in our market may prevent us from increasing or maintaining our revenue and profitability, thereby resulting in loss of market share. In this regard, it may have a material adverse impact on our businesses, financial position, results of operation or cash flow. Besides, we need to adjust or improve the elements of our bar network so as to keep up with the development of popular new bar styles or concepts from time to time. However, we cannot ensure that we can successfully implement such adjustments or that such adjustments will not weaken our profitability.

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**We are exposed to the risks relating to foodborne diseases, sanitary epidemics and other outbreak of illnesses.**

Our businesses may be affected by outbreaks of foodborne diseases, epidemics and other illnesses. We cannot guarantee that our internal controls and training can fully and effectively prevent all food infectious diseases. In addition, our reliance on third-party brand alcoholic drinks suppliers and distributors increases the uncontrollable risks of food infectious disease events that may be caused by third-party brand alcoholic drinks suppliers and distributors, and the risks happening in bars in multiple locations instead of a single bar. Drug resistant diseases or diseases with a longer incubation period (such as mad cow disease) may occur in the future, which may further increase the risks that we are exposed to. If there is wide media coverage on foodborne diseases, it may have a negative impact on the entire industry and our businesses, regardless of whether we are liable to the spread of diseases. In addition, other diseases (such as hand-foot-mouth disease or avian flu) may adversely affect some of our food supplies and significantly increase our costs, thereby affecting the sales of our bars and forcing the closure of some of our bars, and this may have a material adverse impact on our results of operation.

We are also exposed to the risks associated with epidemics. The outbreak of the COVID-19 had caused varying degrees of damage to China's national and local economies. Any of the foregoing circumstances may cause a material interruption of our businesses, which may have a material adverse impact on our financial position and results of operation. In particular, the outbreak of the COVID-19 in China and the rest of the world has had a significant impact on the global economy. The Chinese government has taken certain emergency measures to prevent the spread of the virus, including enactment of travel bans, blockage of certain roads, and closure of factories and companies, and it may continue to take further measures in the future to control this pandemic. All of our bars were shut down for a certain period of time due to the COVID-19 pandemic in the first half of 2020. Although most travel restrictions in China have been relaxed, there is still great uncertainty about the future development of the pandemic, and it may still have a negative impact on customers' offline spending willingness. For instance, there was a recurrence of COVID-19 in several provinces in China since late July to August 2021, which led to a slight decrease in the number of total ordering users from approximately 1.5 million in June 2021 to 1.3 million in July 2021. Relaxing the restrictions on economic and social life may lead to new cases, and in turn the re-imposition of restrictions. Therefore, if there was repeated recurrence of the COVID-19 in the future, it may continue to have a material adverse impact on our businesses, financial position and results of operation thereafter.

**Macroeconomic factors have led to and may continue to have a material adverse impact on our businesses, financial position and results of operation.**

The bar industry in China is subject to the impact of macroeconomic factors, including the changes in international, national, regional and local economic conditions, employment levels and expenditure pattern of customers. In particular, almost all of our bars are located in China. Therefore, our results of operation are substantially affected by the macroeconomic environment in China. Any deterioration in the Chinese economy, decrease in the disposable income of customers, worry of economic recession and decline in consumer confidence may

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lead to a reduction in the customer traffic and the per capita consumption of our customers. In this regard, such macroeconomic factors may have a material adverse effect on our financial position and results of operation.

In addition, under general circumstances, the occurrence of sovereign debt crises, banking crises in the banking industry or other interruptions of the global financial markets may have a material adverse impact on the financing available to us. The turbulence of the financial market, banking system or currency exchange rate may seriously confine our ability to obtain financing from the capital market or financial institutions on commercially reasonable terms, or we cannot obtain financing at all. Such a situation may materially and adversely affect our businesses, financial position and results of operation.

### **RISKS RELATED TO CONDUCTING BUSINESS IN THE PRC**

**Changes in the economic, political and social conditions and government policies in China may have a material adverse impact on our businesses, financial positions, results of operation and prospects.**

Almost all of our business assets are located in China, and almost all of our sales come from China. Therefore, our results of operation, financial position and prospects are, to a very large extent, affected by China's economic, political and legal developments. The political and economic policies of the Chinese government may affect our businesses and financial performance, and may prevent us from achieving continuous growth.

In recent years, the Chinese government has enacted a series of new laws, regulations, and policies that implement more stringent standards for governing the quality and safety control, supervision and inspection of enterprises engaging in the bar industry in China. For more details, please refer to the "Regulatory Overview." In addition, the Chinese government may from time to time promulgate new laws, regulations or policies that would affect the bar industry in China, and it is difficult to foresee the specific timing, scope and impact of these potential laws, regulations and policies. For instance, PRC Ministry of Science and Technology lately posted an article on its official website which linked the occurrence of cancer to alcohol consumption. In the event that the Chinese government issued laws, regulations and policies in this regard, such as those relating to the consumption of alcohol, our business, results of operation and financial performance may be negatively affected. If the Chinese government continues to impose comparatively strict regulations on the bar industry in China, we may be exposed to higher costs in order to comply with those regulations that may affect our profitability.

China's economy is different from the economies of the most developed countries in various aspects, including the range of government involvement, level of development, growth rate and foreign exchange control. Before commencement of the reform and opening up policy in 1978, China mainly implemented a planned economy. Since then, the Chinese government has been unremittingly reforming China's economic system and has also begun to reform the government structure in recent years. These reforms have brought significant economic growth

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and social progress. Although the Chinese government still owns a large quantity of the productive assets in China, the economic reforms policies, since the late 1970s, have been constantly emphasizing the operation of autonomous enterprises and market mechanisms. In particular, such policies are enacted in our industry. Although we believe that such reforms will have a positive impact on our overall and long-term development, we cannot predict whether our future businesses, results of operation or financial position will be subject to any adverse impacts arising from changes in China's political, economic and social conditions, laws, regulations and policies.

Our ability to continue to expand our business depends on a number of factors, including the overall economic and capital market conditions and the availability of credit to banks or other borrowers. More stringent borrowing policies may affect (among other things) our ability to obtain financing, thereby incurring adverse impacts on our growth and financial position. We cannot guarantee that further measures to control the growth of borrowing will not be implemented in a way that can incur adverse impacts on our development and profitability over time.

China's economy has grown rapidly in the past few decades. However, according to the data of NBSC, its continued growth has faced downward pressure since 2008, and the real growth rate of its annual GDP dropped from 9.3% in 2011 to 2.3% in 2020. There is no guarantee that the growth in the future will be maintained at a similar rate or whether it will continue to grow. The economic, political and social policies of the Chinese government (including policies relating to this industry) may have a material adverse impact on our businesses, financial position, results of operation and prospects.

**The uncertainty of the legal system in China may have a material adverse impact on us and make a limitation to the legal protection you can obtain.**

We mainly run our businesses and operations in China and are regulated by the Chinese laws, rules and regulations. In addition, our overseas holding companies and certain transactions among these companies may be subject to restriction of various laws and regulations in China. The legal system in China is based on written regulations and judicial interpretation. References can be cited from previous court decisions, but China is not a country adopting case laws, and the weight of taking them as precedents is limited.

Since the late 1970s, the Chinese government has greatly improved China's laws and regulations in order to provide protection for the implementation of various forms of foreign investments in China. However, the laws and regulations promulgated may not be adequate to cover all aspects of economic activities in China. Since most of these laws, rules and regulations are relatively new while there are limited number of decisions announced by the courts, the interpretation and enforcement of these laws, rules and regulations involve uncertainty, and therefore, they may be different from the consistency and predictability in respect of interpretation and implementation of the laws, rules and regulations in other jurisdictions. In addition, as a portion of the legal system in China is based on government policies and administrative rules that may have retrospective effect, we may not be capable of

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learning how far we have committed an act of violating such policies and rules at some time after the violation. In addition, the legal protections available to investors and us may be limited under these laws, rules and regulations. There may be postponement involved in any litigation or regulatory enforcement actions in China, and this may result in tremendous costs to be involved while causing a distraction of the resources and attention of the management. Save for the recent amendment to PRC Fire Prevention Law in April 2021, our Directors are also of the view that there has been no material changes in the laws and regulations in the jurisdiction that we operate. For details of the amendment to PRC Fire Prevention Law, please see the section headed “Regulation Overview – Regulation related to Fire Prevention – Fire Inspection” in this Prospectus.

**Governmental control over currency conversion may affect the value of your investment and limit our ability to utilize our cash effectively.**

The Renminbi is not currently a freely convertible currency as the Chinese government imposes controls on the convertibility of Renminbi into foreign currencies and in certain cases, the remittance of currency out of China. We receive substantially all of our payments from customers in Renminbi and will need to convert Renminbi into foreign currencies for the payment of dividends, if any, to holders of our Shares and to fund our business activities outside China. Shortages in the availability of foreign currency may restrict the ability of our subsidiaries in China to remit sufficient amount of foreign currency to pay dividends or make other payments to us, or otherwise to satisfy their foreign currency denominated obligations. Under the existing foreign exchange regulations in China, following the completion of the Global Offering, we can pay dividends in foreign currencies without obtaining prior approval from the SAFE or its local branches by complying with certain procedural requirements. However, the Chinese government may take measures at its discretion in the future to restrict access to foreign currencies if foreign currencies become scarce within China. We may not be able to pay dividends in foreign currencies to our shareholders if the Chinese government restricts access to foreign currencies. In addition, there is no assurance that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of China.

**Fluctuations in exchange rates of the Renminbi may result in foreign currency exchange losses.**

The exchange rate of the Renminbi against the U.S. dollar and other foreign currencies fluctuates and is affected by, among other things, the policies of the Chinese government and changes in China and in the international political and economic conditions as well as the supply and demand in the domestic markets. It is difficult to predict how the market forces or government policies may affect the exchange rate between the Renminbi and the Hong Kong dollar, the U.S. dollar or other currencies in the future. In addition, PBOC regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rates and achieve policy objectives.



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There is significant international pressure on the Chinese government to adopt a more flexible currency policy, which, together with domestic policy considerations, may result in a further and more significant appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or other foreign currencies. The proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or any other foreign currencies may result in the decrease in the value of our proceeds from the Global Offering. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our Shares in foreign currency. In addition, there are limited instruments available for us to reduce our exposure to foreign currency risk at reasonable costs. Any of the foregoing factors may materially and adversely affect our businesses, financial position, results of operation and prospects, and may reduce the value of, and dividends payable on, our Shares in foreign currency terms.

**We may be deemed to be a PRC tax resident under the PRC EIT Law and our PRC-sourced income may be subject to PRC withholding tax under the PRC EIT Law.**

We are incorporated under the laws of the Cayman Islands and directly hold interests in our operating subsidiaries in China. Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) (“**PRC EIT Law**”), which became effective on January 1, 2008, and was last amended on December 29, 2018, and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), which took effect on January 1, 2008 and was last amended on April 23, 2019, dividends payable by a foreign-invested enterprise to its foreign corporate investors who are not deemed a PRC resident enterprise are subject to a 10% withholding tax, unless such foreign investor’s jurisdiction of incorporation has a tax treaty with China that provides for a different withholding tax arrangement.

The PRC EIT Law provides that if an enterprise incorporated outside the PRC has its “de facto management bodies” within China, such enterprise may be deemed a “PRC resident enterprise” for tax purposes and be subject to an enterprise income tax rate of 25% on its global incomes. “De facto management body” is defined as the body that has the significant and overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation promulgated the Notice of the State Administration of Taxation on Issues Concerning the Determination of Chinese-Controlled Enterprises Registered Overseas as Resident Enterprises on the Basis of Their Bodies of Actual Management (《國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) which was amended on December 29, 2017 to clarify certain criteria for the determination of the “de facto management bodies” for foreign enterprises controlled by Chinese enterprises. These criteria include (i) the enterprise’s premises where its senior officers and senior management departments in charge of routine production and operation management perform their duties are mainly located in the PRC; (ii) decisions relating to the enterprise’s financial and human resource matters are made or subject to approval by organizations or personnel within China; (iii) the enterprise’s primary assets, accounting books and records, company seals, and the board and shareholders’ meeting minutes are located or maintained in the PRC; and (iv) 50% or more of voting board members or senior executives

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of the enterprise habitually reside within China. However, there have been no official implementation rules regarding the determination of the “de facto management bodies” for foreign enterprises which are not controlled by Chinese enterprises (including companies like ourselves). Therefore, it remains unclear how the tax authorities will treat a case such as ours. We cannot assure you that we will not be considered a PRC resident enterprise for PRC enterprise income tax purposes and be subject to the uniform 25% enterprise income tax on our global incomes. In addition, although the PRC EIT Law provides that dividend payments between qualified PRC resident enterprises are exempted from enterprise income tax, due to the short history of the PRC EIT Law, it remains unclear as to the detailed qualification requirements for this exemption and whether dividend payments by our incorporated subsidiaries in China to us will meet such qualification requirements even if we are considered a PRC resident enterprise for tax purposes.

Furthermore, the PRC EIT Law provides that, (i) if the enterprise that distributes dividends is domiciled in China, or (ii) if gains are realized from transferring equity interest of enterprises domiciled in China, then such dividends or capital gains are treated as PRC-sourced income. It is not clear how “domicile” may be interpreted under the PRC EIT Law, and it may be interpreted as the jurisdiction where the enterprise is a tax resident. Therefore, if we are considered as a PRC resident enterprise for tax purposes, any dividends we pay to our overseas corporate Shareholders who are not deemed as a PRC resident enterprise as well as gains realized by such Shareholders from the transfer of our Shares may be regarded as PRC-sourced income and as a result become subject to PRC withholding tax at a rate of up to 10%.

**We rely principally on dividends paid by our subsidiaries to fund any cash and financing requirements we may have. If there is any limitation on the ability of our Chinese subsidiaries to pay dividends to us, it may have a material adverse impact on our ability to develop our businesses.**

We are a holding company incorporated in the Cayman Islands and operate our businesses through our operating subsidiaries in China. Therefore, the availability of funds to pay dividends to our Shareholders depends upon dividends received from these subsidiaries. If our subsidiaries incur debts or losses, such indebtedness or loss may impair their ability to pay dividends or other distributions to us. As a result, our ability to pay dividends will be restricted. The Chinese laws and regulations stipulate that dividends be paid only out of the net profit calculated according to the PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including the Hong Kong Financial Reporting Standards and International Financial Reporting Standards. The Chinese laws and regulations also require foreign-invested enterprises to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends. In addition, restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future may also restrict the ability of our subsidiaries to provide capital or declare dividends to us and our ability to receive distributions. Therefore, these restrictions on the availability and usage of our major source of funding may affect our ability to pay dividends to our Shareholders.



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In addition, under the PRC EIT Law, if a foreign entity is deemed to be a “non-resident enterprise” as defined under the EIT, a withholding tax at the rate of 10% will be applicable to any dividends for earnings accumulated since January 1, 2008 payable to the foreign entity, unless it is entitled to reduction or elimination of such tax, including by tax treaties or agreements. According to the double taxation avoidance arrangement between China and Hong Kong, dividends paid by a PRC foreign-invested enterprise in China to its shareholder(s) incorporated in Hong Kong will be subject to withholding tax at a rate of 5% if the Hong Kong company directly holds 25% or more interest in the PRC enterprise. The SAT promulgated the Announcement of the SAT on Issues Regarding Beneficial Owner under Tax Treaties (《國家稅務總局關於稅收協定中「受益所有人」有關問題的公告》) (the “**Circular 9**”) on February 3, 2018, which addresses the methods to determine the “beneficial owners” under the double taxation avoidance arrangement between China and Hong Kong on dividends, interest and royalties.

It is possible, based on the abovementioned principles, that the PRC tax authorities may not consider the Company or our Hong Kong subsidiaries as the “beneficial owner” of any dividends paid from our PRC subsidiaries and will deny the claim for the reduced rate of withholding tax. Under the current PRC tax law, this will result in dividends from our PRC subsidiaries to our Hong Kong subsidiary being subject to the PRC withholding tax at a 10% rate instead of a 5% rate. This will negatively impact us and it will also affect our ability to pay dividends.

**Dividends from foreign investment and gains on the sale of the Company’ shares may be subject to withholding taxes under the PRC tax laws.**

Under the PRC EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between China and your jurisdiction of residence that provides otherwise, the PRC withholding tax at a rate of 10% is normally applicable to dividends from a source from China paid to investors that are “non-resident enterprises”, which do not have an establishment or place of business in China, or which have such establishment or place of business but whose relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such is generally subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China.

Under PRC Individual Income Tax law and its implementation rules, dividends from sources within China paid to foreign individual investors who are not Chinese residents are generally subject to a PRC withholding tax at a rate of 20%, and gains from PRC sources realized by such investors on the transfer of shares are generally subject to PRC income tax at a rate of 20% for individuals. Any PRC tax may be reduced or exempted under applicable tax treaties or similar arrangements.

If we are treated as a PRC resident enterprise as described under the risk factor headed “— We may be deemed to be a PRC tax resident under the PRC EIT Law and our PRC-sourced income may be subject to PRC withholding tax under the PRC EIT Law” dividends we pay with respect to our Shares, or the gain realized from the transfer of our Shares, may be treated as income

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derived from sources within China and as a result be subject to the PRC income taxes described above. However, shareholders who are not PRC tax residents and seek to enjoy preferential tax rates under relevant tax treaties may apply to the PRC tax authorities to be recognized as eligible for such benefits in accordance with the Announcement of the SAT on Promulgating the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (《國家稅務總局關於發布〈非居民納稅人享受稅收協定待遇管理辦法〉的公告》) (the “**Circular 60**”), which was issued on August 27, 2015 and was last amended on June 15, 2018. According to the Circular 60, the preferential tax rate does not automatically apply. With respect to dividends, the “beneficial owner” tests under the Circular 9 will also apply. If determined to be ineligible for the foregoing tax treaty benefits, gains obtained from sales of our Shares and dividends on our Shares paid to such Shareholders will be subject to higher PRC tax rates. In such cases, the value of your investment in our Shares may be materially and adversely affected.

**You may encounter difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions in China or Hong Kong based on foreign laws against us and our directors and senior management.**

We are incorporated in the Cayman Islands. Almost all of our assets, and a significant portion of the assets of our Directors are located within China. Therefore, it may not be possible for investors to effect service of process upon us or those persons within China. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On July 14, 2006, Hong Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “**2006 Arrangement**”), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC, and vice versa. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the 2006 Arrangement in which a Hong Kong court or a court in China is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute do not agree to enter into a choice of court agreement in writing under the 2006 Arrangement.

On January 18, 2019, the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “**2019 Arrangement**”) was signed between the Supreme People’s Court of China and Hong Kong. Compared to the 2006 Arrangement, the 2019 Arrangement seeks to establish a bilateral legal mechanism with greater clarity and certainty for reciprocal recognition and enforcement of judgments between Hong Kong and China in civil and commercial matters under the laws in both Hong Kong and China. The 2019 Arrangement will

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apply to judgments made by the courts of Hong Kong and the PRC on or after its commencement date, which will be announced by Hong Kong and China after necessary procedures of both places have been completed. The 2006 Arrangement will be superseded upon the effective date of the 2019 Arrangement. However, the 2006 Arrangement will remain applicable to a “choice of court agreement in writing” as defined in the 2006 Arrangement which is entered into before the 2019 Arrangement taking effect. Although the 2019 Arrangement has been signed, it remains unclear as to its effective date and uncertain as to the outcome and effectiveness of any action brought under the 2019 Arrangement.

**The heightened scrutiny over indirect transfer of onshore interests outside China from the Chinese tax authorities may have an adverse impact on our businesses, acquisitions or restructuring strategies.**

Pursuant to the Announcement of SAT on Several Issues Concerning Enterprise Income Tax on Income from the Indirect Transfer of Assets by Non-resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (“**Circular 7**”) promulgated by the SAT on February 3, 2015 and the Announcement of SAT on Issues Concerning Withholding at Source of Income Tax of Non-resident Enterprises (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》) (the “**Circular 37**”) issued on October 17, 2017 and effective on December 1, 2017, non-resident enterprises in PRC which indirectly transferred assets (such as equity interests, etc.) in PRC resident enterprises through implementation of arrangements of no reasonable commercial purpose shall recategorize the transaction of indirect transfer in accordance with the Enterprise Income Tax Law and recognize the transaction as direct transfer of assets (such as equity interests, etc.) in PRC resident enterprises. For the proceeds from the indirect transfer of equity interests subject to the Enterprises Income Tax in accordance with the Circular 7, the entities or individuals directly obliged to the relevant payment to the transferor of equity interests in accordance with relevant laws or contractual agreements are withholding obligor; the mutual parties and coordinators of the indirect transfer of PRC taxable assets, as well as the PRC resident enterprises whose equity interests are indirectly transferred shall provide relevant declaration in accordance with the requirements from competent tax authority. The Circular 7 and Circular 37 may be considered by the tax authorities to be applicable to our offshore restructuring transactions or sale of the shares of our offshore subsidiaries. Furthermore, we, our non-resident enterprises and PRC subsidiaries may be required to input time, efforts and relevant resources to comply with the Circular 7 and Circular 37 or to establish that we and our non-resident enterprises should not be taxed under the Circular 7 for our previous and future restructuring or disposal of shares of our offshore subsidiaries, which may have an adverse effect on our financial condition and results of operation.

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**The Chinese regulations on loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our subsidiaries in China. It may have a material and adverse impact on our liquidity, our subsidies and our ability to expand businesses.**

Any loans provided by us to our subsidiaries in China are subject to regulations in China, and such loans must be registered with the local branch of SAFE. Additionally, our capital contributions must be registered with the SAMR or its local branch. We cannot assure you that we will be able to obtain these government registrations or approvals or to complete filing and registration procedures on a timely basis, if at all, with respect to future loans or capital contributions by us to our subsidiaries or any of their respective subsidiaries. If we fail to obtain such approvals or registrations, our ability to make equity contributions or provide loans to our subsidiaries in China or to fund their operations may be materially and adversely affected. This may materially and adversely affect our Chinese subsidiaries' liquidity, their ability to fund their working capital and expansion projects, and their ability to meet their obligations and commitments. As a result, this may have a material and adverse effect on our businesses, financial condition and results of operation.

**If a shareholder or beneficial owner who is a resident in PRC fails to make any necessary applications and filings in accordance with the relevant laws and regulations on overseas investment activities of residents in PRC, it may prohibit us from distributing profits and may expose us and shareholders who are a resident in PRC to the obligations of Chinese laws and regulations.**

The SAFE has promulgated the Circular of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Overseas Investment, Financing and Roundtrip Investment through Special Purpose Vehicles Conducted by domestic Residents in China via Special-Purpose Companies (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “SAFE Circular 37”), effective on July 4, 2014 and promulgated the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) on February 28, 2015, both of which requires residents in PRC to register with the banks designated by local branches of the SAFE in connection with their direct establishment or indirect control over offshore entities (referred to in the SAFE Circular 37 as a “Special Purpose Vehicle”) engaged in return investments in onshore enterprises with domestic corporate assets or equity or offshore assets or interests.

If a shareholder (who is a resident in PRC) of an offshore holding company does not complete the necessary registration with the local SAFE branches, the Chinese subsidiaries of such offshore holding companies may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the offshore companies, and the

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offshore companies may be restricted to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with the various SAFE registration requirements described above may result in liabilities under PRC laws for evasion of applicable foreign exchange restrictions.

We may not be able to fully know the identity of all our shareholders or beneficial owners who are residents in PRC to ensure that they have complied with the SAFE Circular 37 and other relevant regulations. In addition, we cannot guarantee that all of our shareholders and beneficial owners who are residents in PRC will make, obtain or update any applicable registrations in a timely manner or comply with the SAFE Circular 37 and other requirements stipulated in the relevant regulations. Even if shareholders and beneficial owners who are PRC residents have complied with the relevant requirements, as there are a number of factors (which are beyond our and their control), we cannot guarantee that they will successfully obtain or update any registration required by the SAFE Circular 37 or other relevant regulations in a timely manner. For example, due to inherent uncertainties in the implementation of the regulatory requirements of the PRC authorities, the relevant registrations required by such regulations may not be practicable under all circumstances from time to time. If our shareholders or beneficial owners who are residents in PRC fail to register with SAFE in a timely manner in accordance with the SAFE Circular 37 and the subsequent implemented regulations or update their registration of SAFE or any shareholders or beneficial owners who are resident in PRC in the future fail to comply with the SAFE Circular 37 and the subsequent implemented regulations, it may result in penalties and prohibition on PRC subsidiaries' ability to distribute dividends, settle other payments or have an impact on title structures and restrict our cross-border investment activities, which may adversely affect our businesses, financial condition and results of operation.

**Failure to comply with the requirements for employee stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative penalties.**

In February 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Company (關於境內個人參與境外上市公司股權激勵計劃管理有關問題的通知) (the “SAFE Circular 7”), which replaced the earlier rules promulgated by the SAFE in March 2007. Under the SAFE Circular 7 and other relevant requirements and regulations, PRC residents who participate in stock incentive plans in an overseas publicly listed company are required to register with the SAFE or other branches and complete certain other procedures. The PRC resident participants of stock incentive plans are required to retain a qualified PRC agent, which could be the Chinese subsidiary of such overseas listing public company or other qualified institutions selected by the PRC subsidiary) to register with the SAFE and complete other procedures on behalf of such participants for stock incentive plans. The participants must also retain an overseas entrusted institution to complete matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. Also, SAFE Circular 37 stipulates the PRC residents who participate in a share incentive plan of an overseas

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## RISK FACTORS

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non-publicly listed special purpose company may register with SAFE or its lock branches before they exercise the share options. We and our PRC employees who have been granted share options and restricted shares will be subject to these regulations upon the completion of the Global Offering. Failure of our PRC share option holders or restricted shareholders to complete their SAFE registrations may subject these PRC residents to fines of up to RMB300,000 for entities and up to RMB50,000 for individuals, and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiary, limit our PRC subsidiary's ability to distribute dividends to us, or otherwise materially adversely affect our businesses.

The SAT has also issued relevant rules and regulations concerning employee share incentives. Under these rules and regulations, our employees working in China will be subject to PRC individual income tax upon exercise of the share options or grant of the restricted shares. Our China subsidiaries have obligations to file documents with respect to the granted share options or restricted shares with relevant tax authorities and to withhold individual income taxes for their employees upon exercise of the share options or grant of the restricted shares. If our employees fail to pay or we fail to withhold their individual income taxes according to relevant rules and regulations, we may face sanctions imposed by the competent governmental authorities.

**The relevant competent authorities may require us to pay additional social insurance fees or housing provident fund or impose late payment penalties on us.**

Pursuant to the Chinese laws and regulations, we are required to participate in the employee social welfare plan administered by local governments. Such plan consists of pension insurance, medical insurance, work-related injury insurance, maternity insurance, unemployment insurance and housing provident fund. The amount we are required to contribute for each of our employees under such plan should be calculated based on the minimum and maximum level as from time to time prescribed by national laws and regulations and local authorities. During the Track Record Period, we did not pay social insurance and housing provident fund in full for our employees. As a result, we may be required by competent authorities to pay the outstanding amount, and may be subject to late payment penalties or enforcement application made to the court. As of the Latest Practicable Date, no competent government authorities had imposed administrative action, fine or penalty to us with respect to this non-compliance incident nor had any competent government authorities required us to settle the outstanding amount of social insurance payments and housing provident fund contributions. To this end, in 2018, 2019 and 2020 and the three months ended March 31, 2021, we have made a provision in the amount of RMB0.2 million, RMB2.6 million, RMB2.0 million and nil, respectively. For details, please see “Business — Licenses, Permits and Approvals — Social Insurance and Housing Provident Funds.” We cannot guarantee you that the competent government authorities will not require us to settle the outstanding amount within the specified time limit or impose late payment penalties on us. Such action will have a material and adverse impact on our financial position and results of operation.



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## RISK FACTORS

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**Inflation in China may materially and adversely affect our profitability and growth.**

While the PRC economy as a whole has experienced rapid growth, such growth has become uneven among various sectors of the economy and in different geographical areas of the country. Rapid economic growth may lead to growth in the money supply and accordingly inflation. If the amounts we charge our guests in our bars in China go up at a rate that is insufficient to compensate for the rise in our costs, our businesses may be materially and adversely affected.

**RISKS RELATING TO THE GLOBAL OFFERING AND OUR SHARES**

**There has been no prior public market for Shares, and an active trading market for Shares of the Company may not develop.**

Prior to the Global Offering, there has been no public market for our Shares. The initial Offer Price range of our Shares, and the Offer Price, will be the result of negotiations between the Sole Global Coordinator (for itself and on behalf of the Underwriter(s)) and us. In addition, while we have applied to have our Shares listed on the Stock Exchange, there can be no guarantee that (i) an active trading market for our Shares will develop or, (ii) if it does, that it will be sustained following the completion of the Global Offering, or (iii) that the market price of our Shares will not decline below the Offer Price. You may not be able to resell your Shares at a price that is attractive to you, or at all.

**The price and trading volume of our Shares may be volatile which may result in substantial losses for investors purchasing the Company's shares in the Global Offering.**

The price and trading volume of the Shares may be volatile. The market price of the shares may fluctuate significantly and rapidly as a result of the following factors, among others, some of which are beyond our control:

- variations of our results of operation (including variations arising from foreign exchange rate fluctuations);
- loss of customers;
- changes in securities analysts' estimates of our financial performance;
- announcement by us of significant acquisitions, greenfield developments, strategic alliances or joint ventures;
- addition or departure of key personnel;
- fluctuations in stock market price and volume;

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## RISK FACTORS

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- involvement in litigation; and
- general economic and stock market conditions.

In addition, stock markets and the shares of other companies listed on the Stock Exchange with significant operations and assets in China have experienced increasing price and volume fluctuations in recent years, some of which have been unrelated or disproportionate to the operating performance of such companies. These broad market fluctuations may materially and adversely affect the market price of our shares.

**Since there will be a gap of several days between pricing and trading of the Company's Shares, shareholders of the Company are subject to the risk that the price of Shares may fall during the period before trading of Shares begins.**

The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several Business Days after the pricing date. As a result, investors may not be able to sell or deal in our shares during that period. Accordingly, holders of our shares are subject to the risk that the price of our shares may fall before trading begins as a result of adverse market conditions or other adverse developments, that could occur between the time of sale and the time trading begins.

**Future sale or major divestment of Shares by the Controlling Shareholders or financial investors of the Company may materially and adversely affect the prevailing market price of our Shares.**

The future sale of a significant number of our Shares in the public market after the Global Offering, or the possibility of such sales, by the Controlling Shareholders or financial investors could materially and adversely affect the market price of our Shares and could materially impair our future ability to raise capital through offerings of our Shares. Any major disposal of our Shares by any of the Controlling Shareholders and financial investors (or the perception that these disposals may occur) may cause the prevailing market price of our Shares to fall, which may negatively impact our ability to raise equity capital in the future.

**The interests of the Company may conflict with those of the Controlling Shareholders, who may take actions that are not in, or may conflict with, the best interests of the Company or its public shareholders.**

Immediately following the Global Offering, the Controlling Shareholders will, in aggregate, beneficially own approximately 69.06% of the issued share capital of our Company on a fully diluted basis (without taking into accounts the Shares to be issued upon the exercise of the Over-allotment Option). The interests of the Controlling Shareholders may differ from the interests of our other Shareholders. If the interests of the Controlling Shareholders conflict with the interests of our other Shareholders, or if the Controlling Shareholders cause our



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## RISK FACTORS

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business to pursue strategic objectives that conflict with the interests of our other Shareholders, the non-controlling shareholders may be disadvantaged by the actions that the Controlling Shareholders choose to cause us to pursue.

The Controlling Shareholders have significant influence in determining the outcome of any corporate transaction or other matter submitted to the Shareholders for approval, including but not limited to mergers, privatizations, consolidations and the sale of all, or substantially all, of our assets, election of directors, and other significant corporate actions. The Controlling Shareholders have no obligation to consider the interests of the Company or the interests of our other shareholders. As such, the Controlling Shareholders' interests may not necessarily be in line with the best interests of the Company or the interests of our other Shareholders, which may have a material and adverse effect on the Company's business operations and the price at which our Shares are traded on the Stock Exchange.

**Certain statistics contained in this prospectus are derived from a third-party report and publicly available official sources.**

This prospectus, particularly the section headed "Industry Overview" in this prospectus, contains information and statistics, including but not limited to information and statistics relating to the bar industry and markets. Such information and statistics have been derived from various official government and other publications and from a third-party report commissioned by us. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by the Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriter(s), any of our or their respective directors, officers or representatives or any other person involved in the Global Offering and no representation is given as to its accuracy. We cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy, as the case may be, in other jurisdictions. Therefore, you should not unduly rely upon the industry facts and statistics contained in this prospectus.

**Forward-looking statements contained in this prospectus are subject to risks and uncertainties.**

This prospectus contains certain statements and information that are forward-looking and uses forward-looking terminology such as "anticipate," "believe," "could," "going forward," "intend," "plan," "project," "seek," "expect," "may," "ought to," "should," "would" or "will" and similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions may prove to be inaccurate and as a result, the forward-looking statements based on those assumptions may also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements

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should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

**Purchasers of our Shares in the Global Offering will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.**

The Offer Price of our Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, purchasers of our Shares in the Global Offering will experience an immediate dilution in the pro forma net tangible asset value. In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of our Shares may experience further dilution in the net tangible asset value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share.

**There may be difficulties in protecting your interests under the laws of the Cayman Islands.**

Our corporate affairs are governed by, among other things, our Memorandum of Association, Articles of Association, the Companies Act and common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in other jurisdictions. Such differences may mean that the remedies available to the minority shareholders may be different from those they would have under the laws of other jurisdictions.

**Investors should read the entire prospectus carefully and should not consider any particular statements in this prospectus or in published media reports without carefully considering the risks and other information contained in this prospectus.**

Prior to the publication of this prospectus, there has been coverage in the media regarding us and the Global Offering, which contained among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for the accuracy or completeness of such media coverage or forward-looking statements. We make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. We disclaim any information in the media to the extent that such information is inconsistent or there are conflicts with the information contained in this prospectus. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

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## **WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES**

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In preparation for the Global Offering, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

### **MANAGEMENT PRESENCE IN HONG KONG**

Rule 8.12 of the Listing Rules provides that an applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong.

Our Company's headquarters and our principal business operations are based outside of Hong Kong. All of our executive Directors spend the majority of their time supervising our Company's principal business operations out of Hong Kong and do not ordinarily reside in Hong Kong. We consider that it would be more efficient and effective for our executive Directors and our management being based outside Hong Kong to supervise and manage our daily business operations.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.12 of the Listing Rules, and the following arrangements have been made by our Company for maintaining regular and effective communication with the Stock Exchange:

- (a) We have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. The two appointed authorised representatives are Mr. Zhao Jun, our executive Director and Mr. Chan Kong, our company secretary, who will be readily contactable by the Stock Exchange and can meet with the Stock Exchange on reasonable notice. Their contact details (including office and mobile phone numbers, facsimile numbers, email addresses and business addresses) have been provided to the Stock Exchange.
- (b) We have retained the services of a compliance adviser, Somerley Capital Limited, in compliance with Rule 3A.19 of the Listing Rules. Somerley Capital Limited, in addition to our Company's authorised representatives, act as an additional channel of communication of our Company with the Stock Exchange and will be available to answer enquiries from the Stock Exchange when the two authorised representatives are not available.
- (c) Each of our Directors, including the independent non-executive Directors, has provided their respective contact details (including office phone numbers, mobile phone numbers, facsimile numbers and email addresses) to the authorised representatives and the Stock Exchange. Our authorised representatives have means for contacting all Directors promptly at all times as and when the Stock Exchange wishes to contact the Directors for any matters. Each of our Directors who is not

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## **WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES**

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ordinarily resident in Hong Kong either possesses, or can apply for, valid travel documents to visit Hong Kong in order to meet with the Stock Exchange within a reasonable period upon the Stock Exchange's request.

### **WAIVER IN RESPECT OF PUBLIC FLOAT REQUIREMENTS**

Rule 8.08(1)(a) and (b) of the Listing Rules require that there shall be an open market in the securities for which listing is sought and a sufficient public float of an issuer's listed securities shall be maintained. This normally means that (i) at least 25% of the issuer's total issued share capital must at all times be held by public; and (ii) where an issuer has more than one class of securities apart from the class of securities for which listing is sought, the total securities of the issuer held by public (listed on all regulated market(s) including the Stock Exchange) at the time of listing must be at least 25% of the issuer's total issued share capital.

Based on the Offer Price of HK\$18.82 per Offer Share (being the low-end of the Offer Price range stated in this prospectus) and assuming no exercise of the Over-allotment Option, the Company expects that its market capitalisation will be not less than HK\$10 billion at the time of Listing and that the quantity and scale of the issued securities would enable the market to operate properly with a lower percentage of public float.

We have applied to the Stock Exchange to request the Stock Exchange to exercise its discretion under Rule 8.08(1)(d) of the Listing Rules, and the Stock Exchange has granted our Company a waiver from strict compliance with the requirements of Rule 8.08(1)(a) of the Listing Rules, pursuant to which, the public float of the Company may fall below 25% of the issued share capital of the Company (assuming the Over-allotment Option is not exercised and on the basis that all Preferred Shares will be converted into our Shares on a one-for-one basis) or such higher percentage of Shares held by the public (if the Over-allotment Option is fully or partially exercised).

The Stock Exchange has agreed to grant the requested waiver on the conditions that:

- (i) the minimum public float of the Company should be at the higher of (a) the percentage of Shares to be held by the public immediately after completion of the Global Offering, assuming the Over-allotment Option is not exercised, and on the basis that all the Preferred Shares will be converted into our Shares on a one-for-one basis, being 19.4478%; and (b) such percentage of Shares held by the public immediately after completion of the Global Offering, as increased by the Shares to be issued upon any exercise of the Over-allotment Option, of the enlarged issued share capital of the Company;
- (ii) we will make appropriate disclosure of the lower percentage of public float required by the Stock Exchange in this prospectus;

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## **WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES**

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- (iii) we will as soon as practicable announce the percentage of Shares held by the public immediately after completion of the Global Offering (but before the exercise of the Over-allotment Option) and upon any exercise of the Over-allotment Option such that the public will be informed of the minimum public float requirement applicable to the Company;
- (iv) we will confirm sufficiency of public float in the successive annual reports of the Company after the Listing;
- (v) we will implement appropriate measures and mechanisms to ensure continual maintenance of the minimum public float of the percentage of Shares to be held by the public immediately after completion of the Global Offering, assuming the Over-allotment is not exercised, and on the basis that all Preferred Shares will be converted into our Shares on a one-for-one basis, being 19.4478% (or such higher percentage upon the completion of the Global Offering as increased by the Shares to be issued upon any exercise of the Over-allotment Option); and
- (vi) in the event that the public float percentage falls below the minimum percentage prescribed by the Stock Exchange, the Directors will take appropriate steps to ensure the minimum percentage of public float prescribed by the Stock Exchange is complied with.

### **SHORTER TRADING RECORD PERIOD**

Pursuant to Rule 8.05 of the Listing Rules, a new applicant must satisfy either the profit test in Rule 8.05(1) or the market capitalization/revenue/cash flow test in Rule 8.05(2) or the market capitalization/revenue test in Rule 8.05(3). Each test requires (i) a trading record of not less than three financial years (e.g., Rule 8.05(3)(a)), and (ii) management continuity for at least the three preceding financial years (e.g., Rule 8.05(3)(b)).

Rule 8.05(3) of the Listing Rules requires that a new applicant relying on the market capitalization/revenue test must satisfy each of the following, unless waived by the Stock Exchange under Rule 8.05A of the Listing Rules:

- (i) a trading record of at least three financial years;
- (ii) management continuity for at least the three preceding financial years;
- (iii) ownership continuity and control for at least the most recent audited financial year;
- (iv) a market capitalization of at least HK\$4,000,000,000 at the time of Listing; and
- (v) revenue of at least HK\$500,000,000 for the most recent audited financial year.

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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Paragraph 4.3 of HKEX Guidance Letter HKEX-GL45-12 provides that the Stock Exchange will accept a shorter trading record period on specific circumstances as per Rules 8.05A and 8.05B of the Listing Rules. Pursuant to Rule 8.05A of the Hong Kong Listing Rules, in the case of the market capitalization/revenue test under Rule 8.05(3), the Stock Exchange will accept a shorter trading record period under substantially the same management as required under Rule 8.05(3)(a) and 8.05(3)(b) if the new applicant is able to demonstrate to the Hong Kong Stock Exchange the satisfaction of the following:

- (i) the directors and management of the new applicant have sufficient and satisfactory experience of at least three years in the line of business and industry of the new applicant. Details of such experience must be disclosed in the listing document of the new applicant; and
- (ii) management continuity for the most recent audited financial year.

Our Company is applying for listing using the market capitalization/revenue test in Rule 8.05(3) of the Listing Rules. While Helens Hill (HK), our wholly-owned subsidiary was incorporated on December 29, 2017, our Company was incorporated in the Cayman Islands on January 16, 2018, and our PRC operating entity which manages our bars was established on April 20, 2018. As a result, we may not be able to satisfy the trading record requirement of at least three financial years under Rule 8.05(3)(a) of the Listing Rules. Further, as our executive Directors and senior management joined our Group upon or after the incorporation of our Company (i.e. after 1 January 2018), we may not be able to satisfy the management continuity requirement under Rule 8.05(3)(b) of the Listing Rules.

Accordingly, pursuant to Rule 8.05A of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 8.05(3) of the Listing Rules on the following basis that:

- (a) **Sufficient and satisfactory industry experience:** The executive Directors and the senior management team of our Company as disclosed in this prospectus have an average of approximately 8 years of experience in the bar and/or catering industries in the PRC. In particular, the founder of our Group, Mr. Xu, has over 15 years of experience in the bar operating market and corporate management. Mr. Xu established the first Helen's bar in 2009 and in the subsequent years, Mr. Xu and his business partners established a number of Helen's bars across China successively. For further details, please refer to the section headed "Directors and Senior Management" in this prospectus.
- (b) **Management continuity for the most recent audited financial year:** There has been no change in the majority of the board of directors and senior management of our Group at least for the year ended December 31, 2020 and up to the Latest Practicable Date.

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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- (c) **Ownership continuity and control for the most recent audited financial year:** There has been no change in our ultimate controlling shareholder for the year ended December 31, 2020 and up to the Latest Practicable Date.
- (d) **Market capitalization:** Our Company expects to have a market capitalization of far more than HK\$4,000,000,000 at the time of the Listing.
- (e) **Adequate revenue:** Our Company's total revenue for the year ended 31 December 2020 amounted to approximately RMB817.9 million, which is far more than the HK\$500 million threshold as required under Rule 8.05(3) of the Listing Rules.

Our Company confirms to the Stock Exchange that it will continue to satisfy the above criterion set out above pursuant to Rule 8.05(3) and Rule 8.05A until and upon the Listing.



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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries confirm that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

### **UNDERWRITING AND INFORMATION ON THE GLOBAL OFFERING**

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. The Global Offering comprises the Hong Kong Public Offering of initially 13,465,000 Shares and the International Offering of initially 121,185,000 Shares (subject, in each case, to reallocation on the basis referred to under the section headed "Structure of the Global Offering" of this prospectus and assuming the Over-allotment Option is not exercised).

The listing of our Shares on the Stock Exchange is sponsored by the Sole Sponsor and the Global Offering is managed by the Sole Global Coordinator. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriter pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Offering is expected to be entered into on or about the Price Determination Date, subject to determination of the pricing of the Offer Shares. Further information regarding the Underwriter(s) and the underwriting arrangements are set out in the section headed "Underwriting" of this prospectus.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and subject to the conditions set out herein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriter(s), any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering.

Neither the delivery of this prospectus nor any subscription made under it shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.



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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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Further information regarding the structure of the Global Offering, including its conditions, is set out in the section headed “Structure of the Global Offering” of this prospectus and the procedures for applying for our Hong Kong Offer Shares are set out in the section headed “How to Apply for Hong Kong Offer Shares” of this prospectus.

### **DETERMINATION OF THE OFFER PRICE**

The Offer Shares are being offered at the Offer Price which will be determined by the Sole Global Coordinator (on behalf of the Underwriter(s)) and us on or around Friday, September 3, 2021 and in any event no later than Monday, September 6, 2021.

If the Sole Global Coordinator (on behalf of the Underwriter(s)) and our Company are unable to reach an agreement on the Offer Price on or before Monday, September 6, 2021 or such later date or time as may be agreed between the Sole Global Coordinator (on behalf of the Underwriter(s)) and us, the Global Offering will not become unconditional and will lapse.

### **RESTRICTIONS ON OFFER AND SALE OF THE SHARES**

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of the Hong Kong Offer Shares to, confirm that he is aware of the restrictions on offers and sales of the Hong Kong Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

### **APPLICATION FOR LISTING ON THE STOCK EXCHANGE**

We have applied to the Stock Exchange for the listing of, and permission to deal in, (i) the Shares in issue, and (ii) the Shares to be issued pursuant to the Global Offering (including the additional Shares which may be issued upon full exercise of the Over-allotment Option).

Dealings in the Shares on the Stock Exchange are expected to commence on Friday, September 10, 2021. Save as disclosed in this prospectus, no part of our Share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought on the Stock Exchange or any other stock exchange as of the date of this prospectus. All the Offer Shares will be registered on our Hong Kong Share Register in order to enable them to be traded on the Stock Exchange.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Potential investors in the Global Offering are recommended to consult their professional advisors as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the Shares or exercising rights attached to them. None of us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriter(s), any of their respective directors, officers, employees, agents or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposition of, or dealing in, the Shares or exercising any rights attached to them.

### **OVER-ALLOTMENT AND STABILIZATION**

Details of the arrangement relating to the Over-allotment Option and stabilization are set out under the section headed “Structure of the Global Offering” of this prospectus.

### **HONG KONG REGISTER OF MEMBERS AND HONG KONG STAMP DUTY**

Our Company’s principal register of members will be maintained by our principal share registrar, Walkers Corporate Limited, in the Cayman Islands. All of the Shares issued pursuant to the Global Offering will be registered on our Company’s Hong Kong Share Register to be maintained in Hong Kong by our Hong Kong Share Registrar, Tricor Investor Services Limited. Dealings in the Shares registered in our Company’s Hong Kong Share Register will be subject to Hong Kong stamp duty. Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of Shares will be paid to the Shareholders listed on the Hong Kong Share Register of our Company, by ordinary post, at the Shareholders’ risk, to the registered address of each Shareholder.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements may affect their rights and interests.

### **PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES**

The procedures for applying for Hong Kong Offer Shares is set out in the section headed “How to Apply for Hong Kong Offer Shares” of this prospectus.

### **STRUCTURE OF THE GLOBAL OFFERING**

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” of this prospectus.

### **EXCHANGE RATE CONVERSION**

Solely for convenience purposes, this prospectus includes translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. No representation is made that the any amounts could actually be converted into another currency at the rates indicated, or at all. Unless otherwise indicated: (i) the translation between Renminbi and Hong Kong dollars was based on the rate of RMB0.83426 to HK\$1.00, the exchange rate prevailing on August 20, 2021 published by the PBOC for foreign exchange transactions, and (ii) the translations between U.S. dollars and Hong Kong dollars were based on the rate of US\$1.00 to HK\$7.78270, being the noon buying rate as set forth in the H.10 statistical release of the United States Federal Reserve Board on August 13, 2021.

### **LANGUAGE**

If there is any inconsistency between the English version of this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

### **ROUNDING**

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Xu Bingzhong (徐炳忠先生)	11B, Tower B, One Shenzhen Bay City Center Road Nanshan District, Shenzhen PRC	Chinese
Mr. Zhang Bo (張波先生)	No. 802, Unit 1, Building 7 Changcheng Jiayuan Xujiapeng Street Wuchang District, Wuhan PRC	Chinese
Mr. Zhao Jun (趙俊先生)	Unit 3102, Building 6, Zone B Wanke City (Phase 3) No. 88 Liuxin First Road Nanshan District, Shenzhen PRC	Chinese
Ms. Lei Xing (雷星女士)	No. 1302, Unit 1, Building 3 No. 8 Guanggu No. 1 Guanggu Avenue Guangdong Street Hongshan District, Wuhan PRC	Chinese
<i>Independent non-executive Directors</i>		
Mr. Li Dong (李東先生)	Flat B, 11/F, Block 3 The Hermitage 1 Hoi Wang Road Tai Kok Tsui Kowloon, Hong Kong	Chinese (Hong Kong)
Mr. Wang Renrong (王仁榮先生)	No. 132, Lane 290 Lai Ting South Road, Jiuting Town Songjiang District, Shanghai PRC	Chinese

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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Mr. Wong Heung Ming, Henry (黃向明先生)	Flat G, 33/F, Block A La Rossa A Tung Chung Waterfront Road Tung Chung New Territories, Hong Kong	Chinese (Hong Kong)
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*For detailed information of our Directors, please refer to the section headed “Directors and senior management” of this prospectus.*

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### PARTIES INVOLVED IN THE GLOBAL OFFERING

**Sole Sponsor**

**China International Capital Corporation  
Hong Kong Securities Limited**  
29/F, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

**Sole Global Coordinator,  
Sole Bookrunner and  
Sole Lead Manager**

**China International Capital Corporation  
Hong Kong Securities Limited**  
29/F, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

**Legal Advisers to our Company**

*As to Hong Kong law*  
**Jingtian & Gongcheng LLP**  
Suites 3203-3207, 32/F, Edinburgh Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

*As to PRC law*  
**Jingtian & Gongcheng**  
34/F, Tower 3  
China Central Place  
77 Jianguo Road  
Beijing, China

*As to U.S. law*  
**Wilson Sonsini Goodrich & Rosati**  
Suite 1509, 15/F, Jardine House  
1 Connaught Place  
Central  
Hong Kong

*As to Cayman Islands and BVI laws*  
**Walkers (Hong Kong)**  
15th Floor  
Alexandra House  
18 Chater Road  
Central  
Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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**Legal Advisers to the Sole Sponsor  
and the Underwriter(s)**

*As to Hong Kong and U.S. laws*  
**Davis Polk & Wardwell LLP**  
18/F, The Hong Kong Club Building  
3A Chater Road  
Central  
Hong Kong

*As to PRC law*  
**Commerce & Finance Law Offices**  
6/F, NCI Tower  
A12 Jianguomenwai Avenue  
Beijing, PRC

**Auditor and Reporting Accountant**

**PricewaterhouseCoopers**  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*  
22/F, Prince's Building  
Central  
Hong Kong

**Industry Consultant**

**Frost & Sullivan (Beijing) Inc.,  
Shanghai Branch Co.**  
2504 Wheelock Square  
1717 Nanjing West Road  
Shanghai  
China

**Compliance Adviser**

**Somerley Capital Limited**  
20/F, China Building  
29 Queen's Road Central  
Hong Kong

**Receiving Banks**

**CMB Wing Lung Bank Limited**  
16th Floor, 45 Des Voeux Road  
Central  
Hong Kong

**Standard Chartered Bank (Hong Kong)  
Limited**  
18/F Standard Chartered Tower  
388 Kwun Tong Road  
Kowloon  
Hong Kong

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## CORPORATE INFORMATION

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<b>Registered Office</b>	3-212 Governors Square 23 Lime Tree Bay Avenue P.O. Box 30746, Seven Mile Beach Grand Cayman KY1-1203 Cayman Islands
<b>Head Office and Principal Place of Business in the PRC</b>	28th Floor, Prince Square, Taizi Road, Nanshan District, Shenzhen, Guangdong Province
<b>Principal Place of Business in Hong Kong</b>	3/F, H8 Hau Fook Street Tsim Sha Tsui, Kowloon Hong Kong
<b>Company's website</b>	<u><a href="http://www.helensbar.com">www.helensbar.com</a></u>
<b>Company Secretary</b>	Mr. Chan Kong ( <i>HKICPA</i> ) Flat E, 32/F Block 9, Nanking House Tsuen Wan Centre, Tsuen King Circuit Tsuen Wan, New Territories Hong Kong
<b>Authorised Representatives</b>	Mr. Zhao Jun Unit 3102, Building 6, Zone B Wanke City (Phase 3) No. 88 Liuxin First Road Nanshan District, Shenzhen PRC  Mr. Chan Kong Flat E, 32/F Block 9, Nanking House Tsuen Wan Centre, Tsuen King Circuit Tsuen Wan, New Territories Hong Kong
<b>Audit Committee</b>	Mr. Li Dong ( <i>Chairman</i> ) Mr. Wang Renrong Mr. Wong Heung Ming, Henry



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## CORPORATE INFORMATION

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<b>Remuneration Committee</b>	Mr. Wang Renrong ( <i>Chairman</i> ) Mr. Li Dong Mr. Xu Bingzhong
<b>Nomination Committee</b>	Mr. Xu Bingzhong ( <i>Chairman</i> ) Mr. Li Dong Mr. Wang Renrong
<b>Cayman Islands Principal Share Registrar and Transfer Office</b>	<b>Walkers Corporate Limited</b> 190 Elgin Avenue George Town Grand Cayman KY1-9008 Cayman Islands
<b>Hong Kong Share Registrar</b>	<b>Tricor Investor Services Limited</b> Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
<b>Principal Banks</b>	<b>China Merchants Bank Co., Ltd., Wuhan Guanggu Technology Sub-branch</b> No. 59 Guanshan Avenue Hongshan District Wuhan, Hubei Province The PRC  <b>Standard Chartered Bank (Hong Kong) Ltd</b> 1/F, Golden Crown Court 66-70 Nathan Road Tsim Sha Tsui Kowloon Hong Kong

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## INDUSTRY OVERVIEW

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*Certain information and statistics set out in this section and elsewhere in this prospectus relating to the industry in which we operate are derived from the Frost & Sullivan Report prepared by Frost & Sullivan, an independent industry consultant which was commissioned by us. The information extracted from the Frost & Sullivan Report should not be considered as a basis for investments in the Offer Shares or as an opinion of Frost & Sullivan as to the value of any securities or the advisability of investing in our Company. We believe that the sources of such information and statistics are appropriate for such information and statistics and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading in any material respect. Our Directors have confirmed, after making reasonable enquiries and exercising reasonable care, that there is no adverse change in the market information since the date of publication of the Frost & Sullivan Report or any of the other reports which may qualify, contradict or have an impact on the information in this section. No independent verification has been carried out on such information and statistics by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriter(s) or any other parties (except Frost & Sullivan) involved in the Global Offering or their respective directors, officers, employees, advisers, or agents, and no representation is given as to the accuracy or completeness of such information and statistics. Accordingly, you should not place undue reliance on such information and statistics. Unless and except for otherwise specified, the market and industry information and data presented in this section is derived from the Frost & Sullivan Report.*

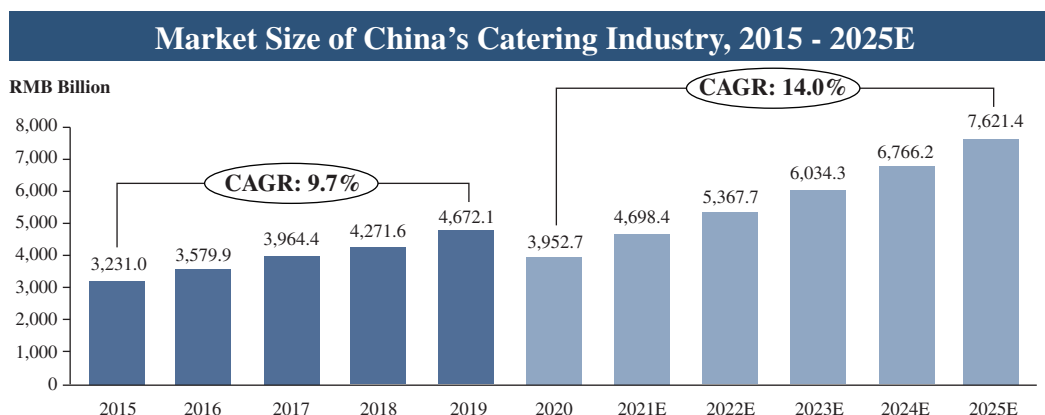
### OVERVIEW OF THE CATERING INDUSTRY IN CHINA

China's catering industry refers to the service industry that provides guests with food, wine and beverages, as well as necessary space and venues for leisure and social interaction. The industry experienced significant growth in recent years, with its market size increasing from RMB3,231.0 billion in 2015 to RMB4,672.1 billion in 2019, representing a CAGR of approximately 9.7%. Although the market size of China's catering industry shrunk in 2020 under the influence of the COVID-19 pandemic and the number of restaurant guests in China declined to some extent compared to the past, the market size of the industry is expected to recover in the near future and reach RMB7,621.4 billion in 2025, representing a CAGR of approximately 14.0% from 2020 to 2025. The bar industry in China is a large and fast-growing market, with a total of 35,000 bars nationwide in 2020 and an estimated 47,900 bars nationwide by 2023. China's bar industry is highly fragmented, consisting of a large number of independent bars. Therefore, there is plenty room for leading players to consolidate the industry and the market concentration is expected to further increase. The bar industry occupied nearly 2.0% of China's catering industry in terms of revenue in 2020 and the share is expected to be 2.4% by 2025.

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## INDUSTRY OVERVIEW

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Source: Frost & Sullivan

Key growth drivers of the industry include, but are not limited to:





- *The increasing disposable income, consumption level and urbanization level.* In recent years, as the quality of life of Chinese residents has improved and dining out has become more and more popular, Chinese households are spending significantly more on restaurant dining. This trend has been accelerated by the increase in disposable income of Chinese residents and the urbanization level of China. In particular, the growing middle class with strong spending power in China is driving the growth of China's catering industry further.
- *The popularity of dining out.* The increasing income of Chinese residents has led changes to food consumption habits, making dining out increasingly popular. In addition, the faster pace of life has also caused more and more Chinese residents to dine out rather than at home. The penetration rate of this habit, which is the percentage of person-times that dine out, has increased from approximately 22.7% in 2015 to approximately 23.8% in 2019. Given the increase in spending and frequency of dining out of Chinese residents, China's catering industry is expected to grow further in the future.
- *Demands for safe and quality food and raw materials.* In China, large chain catering enterprises usually have more comprehensive controls over food safety and supply chains and are able to ensure consistency in the quality of the food they serve. As Chinese residents constantly pursue consumption upgrading, their demands for quality, safe and healthy foods are growing continually. Accordingly, market players with a good reputation for food safety are well positioned to provide good food services to their guests and will be able to enjoy a larger customer base in the future.

## INDUSTRY OVERVIEW

- *Nice consumption experience.* With the upgrading of consumption among Chinese residents, guests are gradually increasing their demands for the catering experience, from aspects such as food quality, dining environment, services and innovation in catering. As a result, restaurants that are able to provide guests with a comfortable dining environment, creative catering and high quality services are expected to attract more guests.
- *Development of the takeaway industry.* The takeaway industry is another important driver for the development of China's catering industry. The popularity of takeaway platforms and the changing lifestyle and dining habits of the younger generation have driven the rapid growth of the takeaway industry in China over the past years. Due to the advancement of internet technology and the accelerated pace of life, more and more guests are expected to use takeaway service for dining.

### OVERVIEW OF THE BAR INDUSTRY IN CHINA

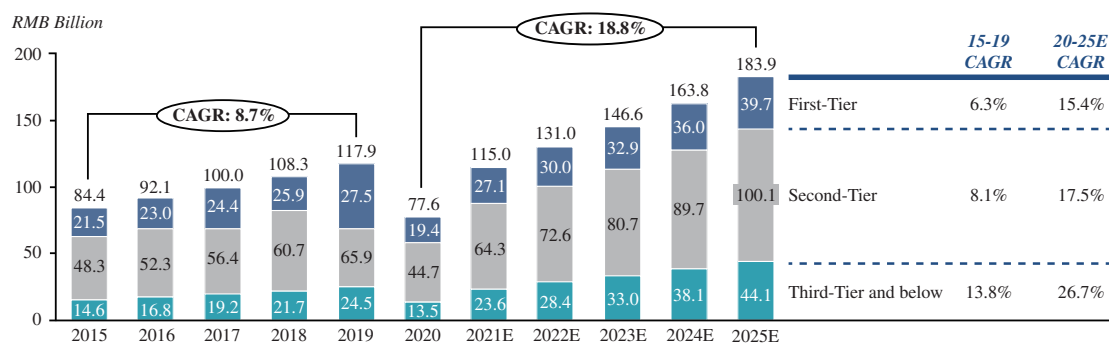
Bars are parts of China's catering market. Bars in China refer to catering establishments that primarily serve alcoholic drinks, supplemented by snacks, and some bars also offer entertainment facilities such as live singing, billiards, darts. Compared to other nighttime establishments, bars generate revenue mainly from sales of alcoholic drinks, foods and snacks, and have a lower per capita consumption and a smaller average per bar area.

Comparison in Ecology of Industry among Bars and Other Nighttime Establishments in China				
Comparison Aspects				
	<i>Bars</i>	<i>Night Clubs</i>	<i>Karaoke Bars</i>	<i>Other Nighttime Establishments</i>
Definitions	■ Establishments that primarily serve alcoholic drinks supplemented by snacks.	■ Establishments operating at night until late hours with entrance fees, DJs, strong beat music and dance floors.	■ Establishments which offer karaoke entertainment and also serve alcoholic drinks.	■ Other establishments opening during nighttime like midnight diner.
Source of Revenue	■ Sales of alcoholic drinks and snacks.	■ Entrance fees, sales of alcoholic drinks and sometimes with minimum charge.	■ Room rental on an hourly basis, sales of alcoholic drinks and snacks and sometimes with minimum charge.	■ Sales of food, beverages and alcoholic drinks.
Per capita Consumption	■ Normally RMB50-300	■ Normally RMB300-2,000	■ Normally RMB100-500	■ Normally RMB50-1,000
Typical Store Floor Area	■ Normally 100-500 m <sup>2</sup>	■ Normally over 1,000 m <sup>2</sup>	■ Normally over 2,000 m <sup>2</sup>	■ Normally 100-1,000 m <sup>2</sup>

Source: Frost & Sullivan

## INDUSTRY OVERVIEW

Revenue of Bar Industry (China), 2015-2025E



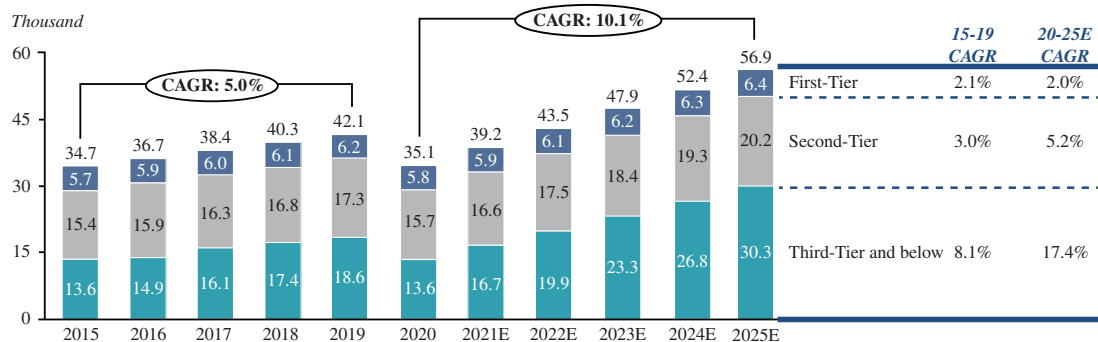
Source: Frost & Sullivan

Benefiting from the increase in disposable income of Chinese residents and in the number of bars in China, total revenue of the bar industry in China increased from approximately RMB84.4 billion in 2015 to approximately RMB117.9 billion in 2019, representing a CAGR of 8.7%.

In 2020, the COVID-19 pandemic exerted significant influence on gathering consumption behaviors in China. Strict measures, in particular a quarantine policy to prevent imported cases and a second wave of pandemic in China, have been taken by the Chinese government. These measures have limited consumption of Chinese residents in restaurants while preventing the pandemic. Since pandemic prevention normalization in China in April 2020, the bar industry in China has gradually recovered in the second half of 2020 and is gradually returning to the pre-pandemic operation level.

Revenue of the bar industry in China is expected to reach RMB183.9 billion in 2025, representing a CAGR of 18.8% from approximately RMB77.6 billion in 2020. The growth is mainly attributable to: (1) economic growth and disposable income increase in China; (2) growth in China's nighttime economy and (3) urbanization in second-tier and third-tier cities, which would drive up the number of bars serving local customers.

Number of Bars and Breakdown by City-tiers (China), 2015-2025E



Source: Frost & Sullivan

## INDUSTRY OVERVIEW

As of the end of 2019, there were approximately 42,000 bars in China, representing a CAGR of 5.0% from approximately 35,000 bars as of the end of 2015. In particular, the number of bars in third-tier and below cities in China grew at a CAGR of 8.1% from 2015 to 2019, being higher than the industry average level and the bar number growth rate in first-tier and second-tier cities, which demonstrates the great potential of the bar industry in third-tier and below cities in China. Under the influence of the outbreak of COVID-19 pandemic in 2020, the total number of bars in China decreased from approximately 42,000 as of the end of 2019 to approximately 35,000 as of the end of 2020. The decrease is mainly due to the lack of cash flows and working capital of certain small and independent bars as a result of the restrictive pandemic prevention policies in China, which led to cessation of business. The number of bars in China is expected to recover gradually in 2021, following the relaxation of domestic pandemic prevention policies and the introduction of consumption incentives. From 2020 to 2025, the number of bars in China is expected to grow at a CAGR of 10.1%.

### COMPETITIVE LANDSCAPE OF THE BAR INDUSTRY IN CHINA

The bar industry in China is highly fragmented, consisting of a large number of independent bars, which refer to those bar brands with less than three establishments, and a few bar chain network. As of the end of 2020, there were approximately 35,000 bars in China, of which over 95% were independent bars. In 2020, the aggregate market share of the top five bar operators in China's bar industry was approximately 2.2% in 2020 in terms of revenue. Accordingly, bar brands which bar operate in form of chain, particularly for those bar chain network with longer operating history in the market, have enjoyed prominent advantages in terms of market shares. In 2020, we ranked first in China's bar industry with a market share of 1.1%.

The chart below sets out the top five brands in China's bar industry and their market shares in 2020.

**Ranking and Market Share of Leading Players in China's Bar Industry (China), 2020**

Ranking	Bar Operator	Revenue in 2020 (RMB Billion)	Market Share in 2020 (%)	Number of Bars by 2020 (Units)
1	The Group	0.82	1.1%	351
2	Company A	0.34	0.4%	~40
3	Company B	0.27	0.3%	~70
4	Company C	0.26	0.3%	~40
5	Company D	0.10	0.1%	~65
<b>Top 5</b>		<b>1.8</b>	<b>2.2%</b>	
<b>Others</b>		<b>75.8</b>	<b>97.8%</b>	
<b>Total</b>		<b>77.6</b>	<b>100%</b>	

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## INDUSTRY OVERVIEW

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### Notes:

- (1) Established in 2003, Company A is a non-listed company headquartered in Shenzhen, China. Company A mainly targets on all customers above 18 year old and has a spending per customer of around RMB100 to RMB200. Average daily sales per self-operated bar of Company A in 2020 was around RMB20 thousand to RMB25 thousand.
- (2) Established in 2014, Company B is a non-listed company headquartered in Chengdu, Sichuan province, China. Company B mainly targets on all customers above 18 year old and has a spending per customer of around RMB130 to RMB150. Average daily sales per self-operated bar of Company B in 2020 was around RMB18 thousand to RMB20 thousand.
- (3) Established in 2016, Company C is a non-listed company headquartered in Zhuhai, Guangdong province, China. Company C mainly targets on young customers and has a spending per customer of around RMB80 to RMB100. Average daily sales per self-operated bar of Company C in 2020 was around RMB12 thousand to RMB15 thousand.
- (4) Established in 2017, Company D is a non-listed company headquartered in Yangzhou, Jiangsu province, China. Company D mainly targets on young customers and has a spending per customer of around RMB60 to RMB80. Average daily sales per self-operated bar of Company D in 2020 was around RMB8 thousand to RMB10 thousand.

*Source: Frost & Sullivan*

In 2020, our revenue was approximately RMB0.82 billion, ranking us first in China's bar industry. As of December 31, 2018, 2019 and 2020, the total number of Helen's bars were 162, 252 and 351, respectively, ranking us first in China's bar industry for each of the three consecutive years in terms of the number of bars.

### GROWTH DRIVERS AND TRENDS IN THE BAR INDUSTRY IN CHINA

According to Frost & Sullivan, the total revenue of the bar industry in China increased from RMB84.4 billion in 2015 to RMB117.9 billion in 2019, representing a CAGR of 8.7%. Such high growth rate was driven by the following factors:

- *Rapid development of the nighttime economy.* The growth in disposable income and entertainment expenditure of Chinese residents has directly driven demands for China's nighttime economy and related consumption. In addition, as an important measure to develop the local economy, the development of China's nighttime economy is also directly promoted and encouraged by local governments. For example, since 2018, the local government of Beijing, Chengdu and Shanghai successively issued "Beijing Measures on Further Prospering the Night Economy and Promoting Consumption Growth", "Action Opinions on Chengdu's Promotion of Night Economic Development and Consumption Upgrade" and "Guiding Opinions on Shanghai's Promotion of Night Economic Development." The total market of China's nighttime economy grew from approximately RMB10.9 trillion in 2015 to RMB16.8 trillion in 2020, representing a CAGR of 11.4%, and is expected to further increase to RMB28.2 trillion by 2025, representing an expected CAGR of

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## INDUSTRY OVERVIEW

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10.9%. The development of nighttime economy has directly led to the development of the bar industry in China, enabling participants in this industry to further enhance their involvement in the market.

- *Young consumer groups becoming the mainstay of consumption.* Due to their large population size and increasing consumer demand, young consumer groups have become a major component of China's consumer base. At the end of 2020, the number of people aged 20-34 in China was nearly 300 million, accounting for approximately 21.2% of the total population. Compared to the older generation, young Chinese people are more socially active, more brand-sensitive, and more interested in affordable goods and quality services. Bars which can provide quality product portfolio, service and consumption environment are able to meet the demands of young people for value for money alcoholic drinks, service and social ambience. Therefore, in particular, it is anticipated that the bar industry in China will continue to be driven by the growing spending power of China's young population. Particularly, as the sensitivity of young consumer group to brands is continuously enhanced, those bar chain which adopted the operation in form of chain enjoyed significant competitive advantages in provision of consistent alcoholic drinks and services.
- *Market potential in third-tier and below cities.* Given a population of approximately 1.1 billion, representing approximately 78% of China's total population, China's third-tier and below cities have a large consumer base. Benefiting from the urbanization of these cities, the personal disposable income of local residents reached RMB26,000 by 2019, representing a considerable CAGR of 8.8% from 2015 to 2019. The large consumer base and high growth in personal disposable income are expected to directly drive the growth in bar spending by residents in third-tier and below cities.

The bar industry in China shows the following trends:

- *Industry concentration will further increase.* As of the end of 2020, the top five players in China's bar industry had less than 3% aggregate market shares, which indicates a trend for further concentration in the market. The top players in China's bar industry with cost-effective product portfolio, highly standardized services, mature supply chains, highly standardized services and sufficient capital support therefore enjoy a strong competitive advantage and market potential;
- *In-depth influence of brand recognition, brand image and social media.* Market players in China's bar industry rely heavily on market reputation and mutual recommendations among customers, and are focusing on cultivating a highly loyal customer base through online media to enhance consumption frequency and user stickiness; and



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## INDUSTRY OVERVIEW

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- *Increasing popularity of private-label alcoholic drinks.* In recent years, market players in China's catering and bar industry who develop, promote and sell their private-label culture and alcoholic drinks have been receiving an increasing acceptance. These market players usually develop their own alcoholic drinks under the same brand name as their bars and commission qualified producers for the production. These private-label alcoholic drinks, priced by bar operators themselves, contribute to bar operators' brand culture promotion and brand image enhancement.

### ENTRY BARRIERS AND CHALLENGES

*Standardization and compliance.* Ensuring the standardized operation of bar chain is quite difficult, particularly in respect of food and beverage quality, hygiene and service quality. Managing a chain branded bar with a large number of staff and ensuring that all staff and bars are in compliance with local laws and regulations can also be challenging. Compared to the market leaders, new entrants usually lack the ability to maintain standardization and compliance.

*Investment in technology research and development.* Investment in technology is also regarded as an entry barrier against new market entrants. Rapidly evolving technologies are reshaping the traditional consumption experience in bar industry and changing the operation models of bars. Existing bar operators are able to keep on investing in technology infrastructure, adopt new technologies to provide customers with unique experiences, and streamline operations to reduce costs and achieve economies of scale.

*Supply chain management.* The quality and taste of alcoholic drinks and foods served in bars are largely dependent on the quality and freshness of raw materials. It is important for bar operators to source quality raw materials and to manage their inventory and logistics. New entrants with little experience in supply chain management may not be able to manage their supply chain effectively, therefore leading to increased costs and a negative impact on the consumption experience of customers.

*Capital expenditures.* Running a chained bar brand requires a significant initial investment to cover the costs of rent, decoration, equipment and staff. For new entrants with less capital and weaker bargaining power, initial capital expenditures may cause cash flow problems to newly opened bars, thus creating a high entry barrier against new entrants. Meanwhile, daily operating costs of bars and maintenance costs, also create a high capital barrier against new entrants.

### RAW MATERIALS AND LABOR COSTS

The main raw material costs of running a bar usually include procurement cost of alcoholic drinks such as beer and foreign liquor. The average ex-factory unit price of beer, being the major alcoholic drinks consumed in Chinese bars, was approximately RMB3.1 per litre in

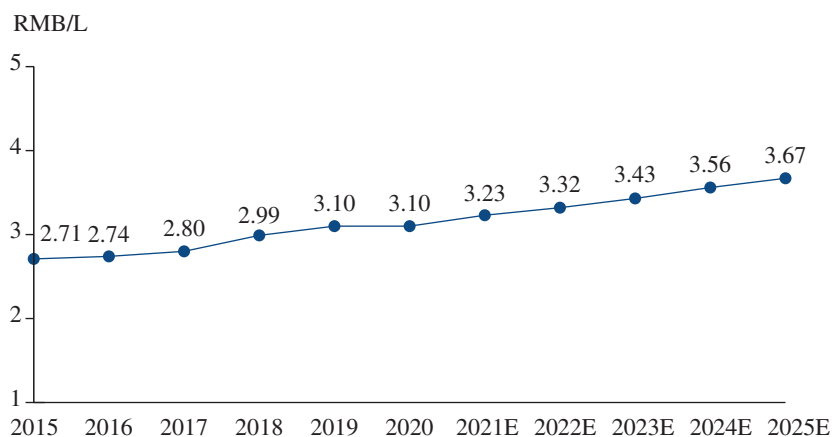
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## INDUSTRY OVERVIEW

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2020, representing a CAGR of approximately 2.7% from 2015 to 2020. Such increase in price was mainly attributable to a moderate increase in costs of beer brewing raw materials and labor costs. In the forecast period, average ex-factory unit price beer is expected to increase to RMB3.67 per liter in 2025.

**Average Ex-factory Unit Price\* of Beer (China), 2015-2025E**



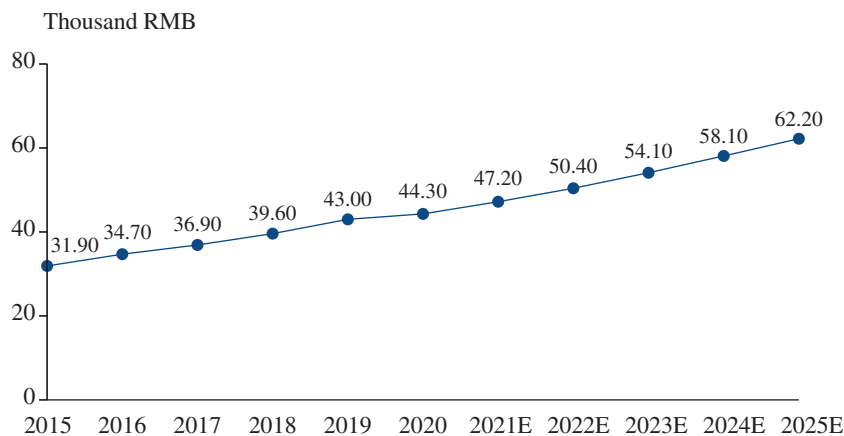
\* Average price refers to the annual average price, including VAT.

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Source: Frost & Sullivan

In line with China's macroeconomic growth, the annual remuneration of workers in China's catering industry has grown steadily from 2015 to 2020. Over the next five years, labor costs in the catering industry are expected to maintain their upward trend due to factors including further macroeconomic development, disposable income growth and inflation.

**Average Annual Salary of Employees in Catering Industry (China), 2015-2025E**



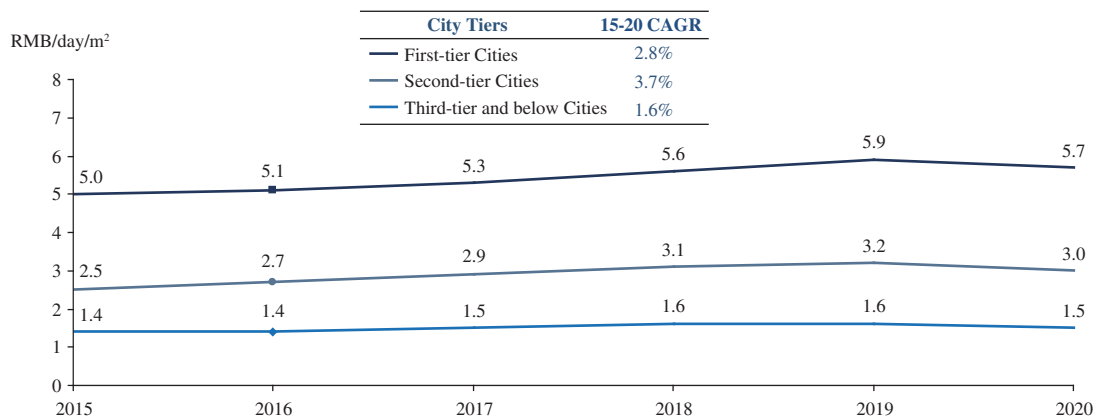
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Source: NBSC, Frost & Sullivan

## INDUSTRY OVERVIEW

Rental fee for retail properties is considered as one of the major costs for bar operators in China. The average rental rate for retail properties in first-tier, second-tier and third-tier and below cities in China has showed steady growth, at CAGRs of 2.8% and 3.7% and 1.6% respectively, from 2015 to 2020.

*Average Rental Rate for Retail Properties (China), 2015 – 2020*



## CONSUMER SURVEY

In December 2020, we commissioned Frost & Sullivan to conduct street interceptions, online questionnaire and face-to-face interviews with 1,720 customers across 16 cities in China where Helen's bars are located to better understand the bar market in China from consumers perspective. Below are the details of the consumer survey conducted by Frost & Sullivan.

- **Brand awareness.** Helen's ranked first in terms of top-of-mind awareness<sup>(1)</sup> among all bar brands with 18.1% of respondents thinking of Helen's when talking about all bar brands.
- **Consumer satisfaction/loyalty.** Approximately 93.9% of respondents who had visited Helen's bars were satisfied with their consumption experience, among which, about 61.8% of respondents were very satisfied with their consumption experience, and approximately 91.9% of respondents would visit Helen's again. The comfortable environment, nice consumption experience, wide selection of music and unique self-developed products were principal factors considered by the respondents in choosing Helen's.

(1) Top of mind awareness refers to the first brand that comes to mind when a respondent is asked about bar brands.

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### SOURCE OF INFORMATION

We have engaged Frost & Sullivan, an independent third party, to conduct a study of the catering and bar market in China. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York. It offers industry research and market strategies and provides growth consulting and corporate training. We agreed to pay Frost & Sullivan a fee of RMB600,000 for the preparation of the Frost & Sullivan Report. Unless otherwise stated, figures and statistics provided in this document and attributed to Frost & Sullivan have been extracted from the Frost & Sullivan Report and published with the consent of Frost & Sullivan. Our Directors confirm to the best of their knowledge, and after making reasonable enquiries, that there have been no adverse changes in the industry since the date of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information set out in this section.

We have included certain information from the Frost & Sullivan Report in this document because we believe such information facilitates an understanding of China's catering and bar market for prospective investors. The methodology used by Frost & Sullivan includes (i) detailed primary research which involves discussing the status of the industry with leading industry participants and industry experts, and (ii) secondary research which involves reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database.

Frost & Sullivan considers the source of information set out in the Industry Overview section as reliable because (i) it is general market practice to adopt official data and announcements from various PRC government agencies; and (ii) the information obtained from interviews is for reference only, and the findings in its report are not directly based on the results of those interviews. Frost & Sullivan has a proven track records in providing market research studies to government and private clients in the regions covered by the Frost & Sullivan Report covers.

In preparing and compiling the Frost & Sullivan Report, Frost & Sullivan has adopted the following assumptions: (i) China's economy is likely to maintain steady growth in the next decade; (ii) China's social, economic, and political environment is likely to remain stable in the forecast period; (iii) market drivers like the increasing number of shopping malls, development of social media and growing group of bar guests are likely to drive the prosperity of the catering and bar market; and (iv) given the strict quarantine and containment measures taken by the Chinese government, the COVID-19 pandemic will be effectively under control in China and will not frustrate the long-term steady development of the Chinese economy.

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## REGULATORY OVERVIEW

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This section sets forth a summary of the most significant rules and regulations that affect our business activities in China. Save for the recent amendment to PRC Fire Prevention Law in April 2021, our Directors are of the view that there has been no material changes in the laws and regulations in the jurisdiction that we operate. For details of the amendment to PRC Fire Prevention Law, please see the section headed “Regulation Overview – Regulation related to Fire Prevention – Fire Inspection” in this Prospectus.

### REGULATIONS RELATED TO FOREIGN INVESTMENT IN CHINA

The establishment, operation and management of companies in China is governed by the PRC Company Law, as amended in 2005, 2013 and 2018. According to the PRC Company Law, companies established in the PRC are either limited liability companies or joint stock limited liability companies. The PRC Company Law applies to both PRC domestic companies and foreign investment companies. Pursuant to the Provisional Administrative Measures on Establishment and Modifications (Filing) for Foreign Investment Enterprises promulgated by MOFCOM on October 8, 2016, amended on July 30, 2017 and on June 29, 2018, foreign invested enterprises which are not subject to the approval requirement under the special entry management measures, shall file with relevant commerce authorities for its establishment and changes. On January 1, 2020, MOFCOM and SAMR promulgated the Measures for the Reporting of Foreign Investment Information, repealing the Provisional Administrative Measures on Establishment and Modifications (Filing) for Foreign Investment Enterprises. Where foreign investors carry out investment activities directly or indirectly within China, foreign investors or foreign-funded enterprises shall report investment information to commerce departments. On June 23, 2020, MOFCOM and NDRC promulgated the Special Administrative Measures (Negative List) for Foreign Investment Access (Edition 2020), or the Negative List (2020), which became effective on July 23, 2020. The customer food and beverage services were not included in the Negative List (2020). Fields that were not included in the Negative List (2020) shall be regulated according to the principle of equal treatment of domestic and foreign investments.

On March 15, 2019, the National People’s Congress approved the Foreign Investment Law, and on December 26, 2019, the State Council promulgated the Implementing Rules of the Foreign Investment Law, or the Implementing Rules, to further clarify and elaborate the relevant provisions of the Foreign Investment Law. The Foreign Investment Law and the Implementing Rules both took effect on January 1, 2020 and replaced three previous major laws on foreign investments in China, namely, the Sino-foreign Equity Joint Venture Law, the Sino-foreign Cooperative Joint Venture Law and the Wholly Foreign-owned Enterprise Law, together with their respective implementing rules. Pursuant to the Foreign Investment Law, “foreign investments” refer to investment activities conducted by foreign investors (including foreign natural persons, foreign enterprises or other foreign organizations) directly or indirectly in the PRC, which include any of the following circumstances: (i) foreign investors setting up foreign-invested enterprises in the PRC solely or jointly with other investors, (ii) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within the PRC, (iii) foreign investors investing in new projects in the PRC solely or jointly with other investors, and (iv) investment of other methods as specified

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in laws, administrative regulations, or as stipulated by the State Council. The Implementing Rules introduce a see-through principle and further provide that foreign-invested enterprises that invest in the PRC shall also be governed by the Foreign Investment Law and the Implementing Rules.

### **REGULATIONS RELATED TO FOOD SAFETY AND LICENSING REQUIREMENT FOR FOOD OPERATION**

#### **Food Safety Law and Implementation Rules**

In accordance with the Food Safety Law of the PRC, or the Food Safety Law, as effective on June 1, 2009 and most recently amended on December 29, 2018, the State Council implemented a licensing system for food production and trading activities. A person or entity who engages in food production, food selling or catering services shall obtain the license in accordance with the Food Safety Law.

According to the Food Safety Law, the State Council shall establish a food safety committee whose duties shall be defined by the State Council. The food safety supervision and administration department under the State Council shall exercise supervision and administration over food production and trading activities according to the duties defined by the Food Safety Law and the State Council. The health administrative department under the State Council shall organize the implementation of risk monitoring and risk assessment of food safety according to the duties defined by the Food Safety Law, and shall formulate and issue national food safety standards together with the food safety supervision and administration department under the State Council. Other relevant departments under the State Council shall carry out relevant food safety work according to the duties defined by the Food Safety Law.

The Food Safety Law sets out, as penalties for violation, various legal liabilities in the form of warnings, orders to rectify, confiscations of illegal gains, confiscations of tools, equipment, raw materials and other articles used for illegal production and operation, fines, recalls and destructions of food made in violation of laws and regulations, orders to suspend production and/or operation, revocations of production and/or operation license, and criminal punishment.

The Implementation Rules of the Food Safety Law, as effective on July 20, 2009 and last amended on March 26, 2019, further specifies the detailed measures to be taken for food producers and business operators and the penalties that shall be imposed should these required measures not be implemented.

#### **Food Operation Licensing**

On March 4, 2010, the Ministry of Health promulgated the Administrative Measures on Food and Beverage Service Licensing and Administrative Measures on Food Safety Supervision in Food and Beverage Services. Pursuant to the Administrative Measures on Food and Beverage Service Licensing, the local food and drug administrations at various levels are responsible for the administration of food and beverage service licensing. Catering service providers are

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required to obtain a catering service license and are responsible for safety in catering services in accordance with the laws. A service provider providing catering services at different locations or venues must obtain separate catering service licenses for each venue. In the event of any change in the operation locations, a new application for catering service license is required.

On August 31, 2015, China Food and Drug Administration promulgated the Administrative Measures for Food Operation Licensing, which was amended on November 17, 2017. According to the Administrative Measures for Food Operation Licensing, a person or entity that engages in food selling and catering services within PRC (herein after referred to in general as “food operator”) shall obtain a food operation license in accordance with the law. Food operators engaging at different location or venues must obtain separate food operation licenses for each venue under the principle of one license for one site. Food and drug administrative authorities shall implement classified licensing for food operation according to food operators’ types of operation and the degree of risk of their operation projects.

On September 30, 2015, China Food and Drug Administration promulgated the Announcement on Using the Food Operation Licenses. Pursuant to the Announcement on Using the Food Operation Licenses, the catering service license was replaced by the food operation license.

The food operation license is valid for five years upon its issuance. Food operators shall display their original food operation licenses prominently at their sites of operation. If the licensing items which are indicated on a food operation license change, the food operator shall, within ten business days after the changes take place, apply with the food and drug administrative authority which originally issued the license for alteration of the operation license. Those who engage in food operation activities but failed to obtain a required food operation license shall be punished by the local food and drug administrative authorities at or above the county level according to Article 122 of the Food Safety Law, which provided that the authorities shall confiscate their illegal income, the food or food additives illegally produced or dealt in, and the tools, equipment, raw materials, and other items used for illegal production or operation, and impose a fine of not less than RMB50,000 but not more than RMB100,000 on them if the goods value of the food or food additives illegally produced or dealt in is less than RMB10,000 or a fine of not less than 10 times but not more than 20 times the goods value if the goods value is RMB10,000 or more.

### **Food Recall System**

In March 11, 2015, China Food and Drug Administration (now merged into the State Administration for Market Regulation) has promulgated the Administrative Measures for Food Recall (《食品召回管理办法》), effective on September 1, 2015, amended on October 23, 2020). According to the Administrative Measures for Food Recall, food producers and operators shall be the primary persons legally liable for food safety by establishing sound and relevant management system, collecting, analysing food safety information and being legally liable to the obligations of ceasing to produce, operate, recall and dispose of unsafe foods. Where food business operators find that the food under selling is unsafe, they must



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immediately suspend the operations, inform related food producers and operators to stop producing and operating, urging the customers to stop consumption by way of notices or announcements and take necessary measures to prevent food safety risks. Food producers knowing that any food produced or traded is unsafe must proactively recall such food. After knowing of that food producers recall unsafe food, food operators should immediately adopt the measures such as ceasing to purchase, sell, sealing up unsafe food, posting the recall announcement issued by the producers in prominent position of operation premises, and cooperating with food producers to start recalling. Where food business operators violate the Food Safety Law and the Administrative Measures for Food Recall and do not immediately suspend operation or proactively recall unsafe food, the food and drug administrative authorities shall issue warnings to them and impose fines between RMB10,000 and RMB30,000. Where food operators who violate the Administrative Measures for Food Recall, or do not cooperate with food producers to recall unsafe food, the market supervisory and administrative authorities shall issue warnings to them and impose fines between RMB5,000 and RMB30,000.

### **LAWS AND REGULATIONS ON FOOD ADVERTISEMENT**

According to the Advertising Law of the PRC (《中華人民共和國廣告法》) promulgated by the Standing Committee of the National People's Congress ("SCNPC") on October 27, 1994 and most recently revised on October 26, 2018, advertisement shall not contain any false or misleading information, and shall not deceive or mislead customers. Each advertiser, advertising agent or advertisement publisher shall, when engaging in advertising activities, comply with laws and regulations, act in good faith, and conduct fair competition. In any advertisement, where there are statements regarding the performance, function, place of origin, use, quality, ingredients, price, producer, valid period and guarantees of the product, or the content, provider, form, quality, price and guarantees of the service, such statements shall be accurate, clear and explicit. Where an advertising agent or advertisement publisher designs, produces, provides agency for or publishes an advertisement even though it knows or should know the advertisement is in violation of the foregoing provisions, the market regulation department shall order the cessation of the publishing of advertisements and impose fines of not more than RMB100,000.

### **REGULATIONS RELATED TO LIQUOR CIRCULATION**

#### **Liquor Circulation**

The Guidance of Ministry of Commerce on Promoting Healthy Development of Liquor Circulation for the "13th Five-Year" Period, which was promulgated by MOFCOM on February 13, 2017 stipulates to eliminate the regional alcohol ban, to clean up and abolish the relevant regulations and practices that hinder the free circulation of alcohol, and to promote the market formation and circulation of alcohol.



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However, liquor operators may be required by local governments to obtain local licenses for the distribution of alcoholic products. For example, pursuant to the Administrative Measures of Shanghai Municipality for Production and Sales of Alcohol Commodities, which was adopted by the Standing Committee of Shanghai People's Congress, local enterprises that engage in alcohol wholesaling must apply to the municipal wine monopoly bureau for an alcohol wholesale license, while local enterprises that engage in alcohol retailing must apply to the district (county) wine administrative department for an alcohol retail license.

### REGULATIONS RELATED TO THE SANITATION OF THE PUBLIC ASSEMBLY VENUE

The Regulation for the Administration of Sanitation of the Public Assembly Venue effective on April 1, 1987 and as amended on February 6, 2016 and April 23, 2019, and the Implementation Rules for the Regulation for the Administration of Sanitation of the Public Assembly Venue effective on May 1, 2011, and as amended on January 19, 2016 and December 26, 2017, were promulgated by the State Council and the Ministry of Health (later known as National Health Commission of the People's Republic of China) respectively. The regulations were adopted to create favorable and sanitary conditions for the public assembly venues, prevent disease transmission and safeguard people's health. Depending on the requirements of the local health and family planning administrations, a restaurant is required to obtain a public assembly venue hygiene license from the local health authority after it applies for a business license to operate its business.

The Decision of the State Council on the Integration of Health permits and Food Business licenses in Public places for Restaurant Services, which was promulgated by the State Council on February 3, 2016, cancels the hygiene permits issued by the local health authorities for four kinds of public places, including restaurants, cafes, bars and teahouses, and integrates the contents of the food safety into the food operation license issued by the food and drug regulatory authorities.

### REGULATIONS RELATED TO SMOKING CONTROL

On March 10, 2011, the Ministry of Health of the People's Republic of China (later known as National Health Commission of the People's Republic of China) has promulgated the Public Places Hygiene Management Regulation Enforcement Rules, and it became effective on May 1, 2011 and was amended on January 19, 2016 and December 26, 2017. Pursuant to the Public Places Hygiene Management Regulation Enforcement Rules, smoking in indoors public areas is prohibited, the operators of public places shall setup prominent warning and label for prohibiting smoking, the promotions of smoking harms health shall be commenced, and allocate full (part) time staff to discourage the smokers. Currently, various cities (such as Shenzhen, Wuhan) have set up specialised regulations on smoking control. For instance, the Ordinance of the Shenzhen Special Economic Zone on Smoking Control, was implemented on November 1, 1998 and amended on October 29, 2013, December 27, 2018 and June 26, 2019 by the Standing Committee of Shenzhen Municipal People's Congress. Such ordinance has set out details of duties for the operators and managers of the non-smoking venues to comply. For

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whom fails to perform such duties, the competent health departments and relevant departments may warn and order to correction in accordance with its scope of duties, and shall be fined not less than RMB5,000 but not more than RMB30,000 when non-compliance condition happens again within the following 24 months.

### REGULATIONS RELATED TO FIRE PREVENTION

#### Fire Protection As-built Acceptance Check and Filing

According to the Fire Prevention Law of the PRC promulgated by the National People's Congress on April 29, 1998 and last amended on April 29, 2021, the relevant housing and urban-rural development authority replaced fire prevention and rescue departments to monitor and administer the fire protection as-built acceptance check and filing. With respect to the construction projects that are required by the competent department of housing and urban-rural development under the State Council to apply for acceptance checks for fire protection, project owners shall apply to the competent department of housing and urban-rural development under the State Council for acceptance checks for fire protection, and with respect to other construction projects apart from those mentioned above, project owners shall, after an acceptance check, report its results to the competent department of housing and urban-rural development for the record, and such department shall conduct a random inspection thereof. According to the Interim Provisions on the Administration of Fire Protection Design Review and Acceptance of Construction Projects, effective on June 1, 2020, for the bars with more than 500 square meters, restaurants, teahouses or coffee houses with entertainment functions, the construction entity shall apply for acceptance checks for fire protection. For restaurants and bars with a total GFA more than 500 square meters, as special construction projects, they shall apply for the fire protection as-built acceptance check with the fire service department, and for other construction projects with a total GFA below 500 square meters, they shall apply for the fire protection as-built filing. In addition, according to the regulations of the Ministry of Public Security, for a construction project of which the investment is less than RMB300,000 or the construction area is less than 300 square meters, the fire protection as-built acceptance check or filing is not required. Pursuant to the Fire Prevention Law, the construction project that fails to complete as-built acceptance check on fire prevention shall be ordered by the relevant government authorities to close down and shall be fined not less than RMB30,000 but not more than RMB300,000. The construction project that fails to complete fire safety filing shall be ordered to rectify and be subject to a fine of up to RMB5,000. Even if the construction project has completed the fire safety filing, it may be randomly inspected by the relevant government authorities and if it fail to pass random inspection by the relevant government authorities after the fire safety filing, the construction entity shall close down the construction project, and where rectification is not made, it shall be ordered by the relevant government authorities to close down or cease the business operations and be fined not less than RMB30,000 but not more than RMB300,000.

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### Fire Safety Inspection

According to the Opinion on the Deepening the Reform of Fire Control Law Enforcement promulgated jointly by the General Office of the CPC Central Committee and the General Office of the State Council on May 30, 2019, public gathering places are permitted to commence the business operation after obtaining business license or satisfying the conditions for use, and making their commitment on satisfying the conditions of fire safety standards to the fire-fighting department by submitting the application through governmental service online platform or in person.

On April 29, 2021, the Standing Committee of the National People's Congress issued and implemented the Decision on Revising Eight Laws Including the Law of the People's Republic of China on Road Traffic Safety amended the Fire Prevention Law.

Pursuant to the Fire Prevention Law amended on April 29, 2021, before the use or commencement of the business operations of public gathering places, their construction entities or the entities using such places shall file an application for fire safety inspection with the fire rescue agencies of the local people's governments of such places at or above the county level, and make a commitment that the place meets the fire control technical standards and management regulations, and submit the requisite materials and be responsible for the authenticity of their commitments and the submitted materials. Any constructions illegally put into use, or public gathering place operated without passing the fire safety inspection or without satisfying the fire safety requirements, shall be ordered to discontinue the construction, use, production or operation and be fined not less than RMB30,000 but not more than RMB300,000.

According to the Provisions for Fire Protection Supervision and Examination (消防監督檢查規定), the fire control agency of the public security organ shall conduct fire safety inspections before putting public gathering places into use and before business operations, and shall inspect the following contents: (i) whether the building has passed the Fire Protection As-built Acceptance Check and Filing and whether the building meets the fire protection technical standards, (ii) whether the fire safety system, firefighting and emergency evacuation plans are formulated, (iii) whether the operators of the automatic fire fighting system are certified to work, and whether the employees have received pre-job fire safety training, (iv) whether the fire-fighting facilities and equipment meet the fire-fighting technical standards and are in good condition and effective, (v) whether the evacuation passages, safety exits and fire engine passages are unblocked, (vi) whether the interior decoration materials meet the fire technical standards, (vii) whether there are obstacles that affect escape and firefighting and rescue are set on the doors and windows of the external walls.

### REGULATIONS RELATED TO ENVIRONMENTAL PROTECTION

#### Environmental Protection Law

The Environmental Protection Law of the PRC, or the Environmental Protection Law, was promulgated and effective on December 26, 1989, and most recently amended on April 24, 2014. The Environmental Protection Law has been formulated for the purpose of protecting and improving both the living and the ecological environment, preventing and controlling pollution and other public hazards and safeguarding people's health.

According to the provisions of the Environmental Protection Law, in addition to other relevant laws and regulations of the PRC, the Ministry of Environmental Protection and its local counterparts are responsible for administering and supervising environmental protection matters. Pursuant to the Environmental Protection Law, construction projects that have environmental impact shall be subject to environmental impact assessment. Installations for the prevention and control of pollution in construction projects must be designed, built and commissioned together with the principal construction plan of the project. Such installations shall not be dismantled or left idle without authorization from the relevant government agencies.

Consequences of violations of the Environmental Protection Law include warnings, fines, rectification within a time limit, forced cease of operation, forced reinstallation of dismantled installations for the prevention and control of pollution or forced use of those left idle, forced shutdown, or criminal punishment.

#### Laws on Environment Impact Assessment

Pursuant to the Law of the People's Republic of China on Environment Impact Assessment issued on October 28, 2002 and most recently amended on December 29, 2018, the State Council implemented an environmental impact assessment, or EIA, to classify construction projects according to the impact of the construction projects on the environment. Constructing entities shall prepare an environmental impact report, or an EIR, or an environmental impact statement, or an EIS, or fill out the EIR Form according to the following rules: (i) for projects with potentially serious environmental impacts, an EIR shall be prepared to provide a comprehensive assessment of their environmental impacts; (ii) for projects with potentially mild environmental impacts, an EIS shall be prepared to provide an analysis or specialized assessment of the environmental impacts; (iii) for projects with very small environmental impacts, an EIA is not required but an EIR Form shall be completed.

On November 30, 2020, Ministry of Ecology and Environment of the PRC promulgated Classified Administration Catalogue of Environmental Impact Assessments for Construction Projects (2021 version), or Classified Administration Catalogue (2021 version), which became effective on January 1, 2021. According to Classified Administration Catalogue (2021 version), the food and beverage services are not included in the management of environmental impact assessment of construction projects.

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### REGULATIONS RELATED TO CUSTOMER RIGHTS PROTECTION

#### **Customer Rights and Interests Protection Law**

The PRC Customer Rights and Interests Protection Law, or the Customer Protection Law, as amended on October 25, 2013 and effective on March 15, 2014, sets out the obligations of business operators and the rights and interests of the customers. Pursuant to Customer Protection Law, business operators must guarantee that the commodities they sell satisfy the requirements for personal or property safety, provide customers with authentic information about the commodities, and guarantee the quality, function, usage and term of validity of the commodities. Failure to comply with the Customer Protection Law may subject business operators to civil liabilities such as refunding purchase prices, replacing or repairing the commodities, mitigating the damages, compensation, and restoring the reputation, and subject the business operators or the responsible individuals to criminal penalties if business operators commit crimes by infringing the legitimate rights and interests of customers.

#### ***Civil Code of the PRC***

According to the Civil Code of the PRC issued on May 28, 2020 and effective on January 1, 2021 by the National People's Congress, operators and managers of business and public places such as hotels, shopping markets, banks, bus stations, airports, stadiums, entertainment premises and the organizers of mass activities shall assume tort liability if they fail to fulfill the duty of maintaining safety and thus cause damage to another person. Where the damage is caused by a third party, the third party shall assume tort liability; where the operator, manager or organizer fails to fulfill the duty of maintaining safety, it shall assume supplementary liability. After assuming supplementary liability, the operator, manager or organizer may claim compensation from the third party.

### REGULATIONS RELATED TO MINORS PROTECTION

The PRC Minors Protection Law, as effective on January 1, 2013, enacts for the purpose of protecting the physical and mental health of minors, safeguarding their legitimate rights and interests. Pursuant to the PRC Minors Protection Law, the “minors” shall be the citizens under the age of eighteen. The PRC Minors Protection Law prohibited to sell alcoholic commodities to minors in business activities. And no site unsuitable for minors to carry out activities, such as commercial singing and dancing recreation site or internet access service business site, etc. may allow minors to enter. The business operator shall set up a sign prohibiting minors' entry at an eye-catching position; or shall, if it is hard to determine whether the customer is an adult, require him/her to show his/her identity certificate. Where a place unsuitable for minors to participate in the activities such as a commercial singing and dancing recreation site or internet access service business site permits minors to enter, or does not set up a sign prohibiting minors' entry at an eye-catching position, it shall be ordered by the competent department to make a correction, and shall be given administrative penalties according to law.

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### REGULATIONS RELATED TO ANTI-MONEY LAUNDERING

Pursuant to the Anti-Money Laundering Law of the PRC, which was promulgated on October 31, 2006 and came into effect on January 1, 2007, the financial institutions established within the territory of the PRC and the special non-financial institutions that are required by relevant regulations to perform the obligation of anti-money laundering shall, in accordance with law, perform their anti-money laundering obligation by adopting preventive and monitoring measures and establishing sound systems for distinguishing clients' identities, and preserving the data for clients' identities and records of transactions, and a report system for transactions involving large sums of money and for dubious transactions. The scope of the special non-financial institutions subject to the performance of the duties of anti-money laundering shall be formulated by the competent administrative authority of anti-money laundering under the State Council jointly with the relevant departments of the State Council. Up to now, there is no provision to list the bars operator as the special non-financial institution. In addition, the Anti-Money Laundering Law of the PRC also stipulates that any unit or individual that finds money laundering activities is entitled to report the same to the competent administrative authority of anti-money laundering or judicial organ, and the organs that accept the report shall keep confidential the reporter and the content reported.

### REGULATIONS RELATED TO INFORMATION SECURITY AND PRIVACY PROTECTION

Pursuant to the Civil Code of the PRC, which was promulgated by NPC on May 28, 2020 and came into effect on January 1, 2021, the personal information of a natural person shall be protected. Any organization or individual shall legally obtain the personal information of others when necessary and ensure the safety of such personal information, and shall not illegally collect, use, process or transmit the personal information of others, or illegally buy or sell, provide or make public the personal information of others.

In recent years, PRC government authorities have enacted laws and regulations on internet use to protect personal information from any unauthorized disclosure. Pursuant to Several Provisions on Regulating the Market Order of Internet Information Services, which was promulgated by the Ministry of Industry and Information Technology (the "MIIT") in December 2011 and became effective in March 2012, internet information service providers shall not collect any users' personal information or provide any such information to third parties without the consent of the users. An internet information service provider must expressly inform the users of the method, content and purpose of the collection and processing of such user personal information and may only collect such information necessary for the provision of its services. An internet information service provider is also required to properly maintain the users' personal information, and in case of any leak or likely leak of the users' personal information, and it must take immediate remedial measures and, in severe circumstances, immediately report to the telecommunications authorities. Moreover, pursuant to the PRC Criminal Law, as last amended in November 2017, any individual or entity that (i) sells or discloses any citizen's personal information to others in a way violating the applicable law, or (ii) steals or illegally obtains any citizen's personal information in severe situation,



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## REGULATORY OVERVIEW

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shall be subject to criminal penalty. Any internet service provider that fails to fulfill the obligations related to internet information security administration as required by applicable laws and refuses to rectify upon orders, shall be subject to criminal penalty for the result of (i) any dissemination of illegal information in large scale; (ii) any severe effect due to the leakage of the client's information; (iii) any serious loss of criminal evidence; or (iv) other severe situations. In addition, the Interpretations of the Supreme People's Court and the Supreme People's Procuratorate of the PRC on Several Issues Concerning the Application of Law in Handling Criminal Cases of Infringing Personal Information, which was promulgated in May 2017 and became effective in June 2017, clarified certain standards for the conviction and sentencing of the criminals in relation to personal information infringement. Furthermore, the NPC promulgated a new National Security Law, which became effective in July 2015, to replace the former National Security Law and cover various types of national security including technology security and information security.

The PRC Cyber Security Law, which was promulgated on November 7, 2016 and became effective on June 1, 2017, prohibits individuals or entities from obtaining personal information through stealing or other illegal ways, selling or otherwise illegally disclosing personal information. The PRC Cyber Security Law requires network operators, including internet information services providers among others, to adopt technical measures and other necessary measures in accordance with applicable laws, regulations as well as compulsory national and industrial standards to safeguard the safety and stability of network operations, effectively respond to network security incidents, prevent illegal and criminal activities, and maintain the integrity, confidentiality and availability of network data. Any violation of the provisions and requirements under the PRC Cyber Security Law may subject internet service providers to warnings, fines, confiscation of illegal gains, revocation of licenses, cancellation of filings, closedown of websites or even criminal liabilities. Furthermore, MIIT's Rules on Protection of Personal Information of Telecommunications and Internet Users, which was promulgated in July 2013 and became effective in September 2013, contains detailed requirements on the use and collection of personal information as well as security measures required to be taken by telecommunications business operators and internet information service providers.

The Regulations on the Scope of Essential Personal Information for Common Types of Mobile Internet Applications, which was promulgated on March 12, 2021 and will take effect on May 1, 2021, regulate the collection of personal information by mobile internet applications (APPs) and small programs developed on the basis of such open platform interfaces that users can use without downloading or installing. Apps and small programs shall not deny users to use their basic functions because they do not agree to provide unnecessary personal information. If they fail to comply with the above regulations, the relevant departments will deal with them in accordance with the law.

On June 10, 2021, the Standing Committee of the National People's Congress promulgated the Data Security Law of the PRC (《中華人民共和國數據安全法》), which will take effect in September 2021. The Data Security Law introduces a data classification and hierarchical protection system based on the materiality of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and

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## REGULATORY OVERVIEW

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interests of persons or entities when such data is tampered with, destroyed, divulged, or illegally acquired or used. It also provides for a security review procedure for the data activities which may affect national security. On July 10, 2021, the Cyberspace Administration of China (“CAC”), jointly with the relevant authorities, published the Measures for Cybersecurity Review (Revised Draft for Comments) (《網絡安全審查辦法(修訂草案徵求意見稿)》) for public comment, with a deadline falling on July 25, 2021 (“Draft for Comment”), which stipulates that operators of critical information infrastructure purchasing network products and services, and data processors (together with the operators of critical information infrastructure, the “Operators”) carrying out data processing activities that affect or may affect national security, shall conduct cyber security review. Pursuant to Article 6 of the Draft for Comment, any operator who controls more than 1 million users’ personal information must go through a cybersecurity review by the cybersecurity review office if it intends to be listed abroad (original text read as follows: “掌握超過 100 萬用戶個人信息的運營者赴國外上市,必須向網絡安全審查辦公室申報網絡安全審查”). However, the Draft for Comment provides no further explanation or interpretation for “listed abroad”. The Draft for Comment has not been formally adopted yet. Under the current PRC Cybersecurity Laws, critical information infrastructure operators that intend to purchase internet products and services that may affect national security must be subject to the cybersecurity review. As advised by our PRC Legal Advisor, the exact scope of “critical information infrastructure operators” under the Draft for Comment and the current regulatory regime remains unclear, and the PRC government authorities may have wide discretion in the interpretation and enforcement of these laws. As of the Latest Practicable Date, the Company has not been involved in any investigations on cybersecurity review made by the CAC on such basis, and we have not received any inquiry, notice, warning, or sanctions in such respect.

Our Directors are of the view that, up to the Latest Practicable Date, such new rules and regulations in the PRC had no material and adverse impact on our financial condition and results of operations.

### REGULATIONS RELATED TO PRICING

According to the Pricing Law of the PRC, which was promulgated by SCNPC on December 29, 1997 and took effect on May 1, 1998, business operators must, as required by the government departments in charge of pricing, mark the prices explicitly and indicate the name, production origin, specifications, and other related particulars clearly. Business operators may not sell products at a premium or charge any fees that are not explicitly indicated. Business operators must not commit the specified unlawful pricing activities, such as colluding with others to manipulate the market price, providing fraudulent discounted price information, using false or misleading prices to deceive customers to transact, or conducting price discrimination against other business operators. Failure to comply with the Pricing Law or other rules or regulations on pricing may subject business operators to administrative sanctions such as warning, orders to cease unlawful activities, payment of compensation to customers, confiscation of illegal gains, and/or fines. The business operators may be ordered to suspend business for rectification, or have their business licenses revoked if the circumstances are severe.



### REGULATIONS RELATING TO INTELLECTUAL PROPERTY RIGHTS

#### Patent

Patents in the PRC are principally protected under the Patent Law of the PRC which was most recently amended on October 17, 2020 and took effect on June 1, 2021. The duration of the invention patent right shall be 20 years, and for utility models patent right, the term shall be 10 years and that of designs patent right shall be 15 years, all commencing from the application date thereof.

#### Copyright

Copyright in the PRC, including copyrighted software, is principally protected under the Copyright Law of the PRC which was last amended on November 11, 2020 and took effect on June 1, 2021 and related rules and regulations. Under the Copyright Law, the term of protection for copyrighted software is 50 years.

According to the Copyright Law, the right of performance is the right to publicly perform works and to publicly broadcast the performance of works by various means. A right owner may permit others to exercise the rights and may receive remuneration as agreed upon in the contract. The right of performance includes public performances in the form of public broadcasting, recordings or videos and sound recording products screening with the help of technical equipment, such as playing background music in restaurants, bars and other places. Where a sound recording is used for public dissemination by wired or wireless means, or for public broadcasting via an audio transmission technical equipment, remuneration shall be paid to the maker of such sound recording.

In accordance with the Regulation on the Collective Administration of Copyright which was released on December 28, 2004, and amended on January 8, 2020 and December 7, 2013, respectively. The right of performance which is difficult to be effectively exercised by the right owners themselves may be subject to collective administration by collective copyright administration organizations. The right owners can enter into a collective administration of copyright contract with collective copyright administration organizations to authorize the organizations to manage the copyright or the copyright-related right they legally enjoy. Foreigners and stateless people can authorize the collective copyright administration organizations in PRC to manage the copyright or the copyright-related right they legally enjoy within the PRC through the similar overseas organizations that have entered into mutual representation agreements with the collective copyright administration organizations in PRC. The collective copyright administration organizations shall enter into license contract with users in writing before permitting others to use the works, sound and video recording products managed by them. Users shall provide the name of the works, sound and video recording products they used, the name or title of the right owner, and the method, quantity and time of use and other relevant conditions when paying royalties to the collective copyright administration organizations.

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## **REGULATORY OVERVIEW**

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The National Copyright Administration approved the establishment of the Music Copyright Society of China, which is a collective copyright administration organization, with the responsibilities of providing registration of musical works, issuing licenses to users for use of musical works based on the authorization of music copyright owners, collecting royalties from users for use of musical works and contributing remuneration to the music copyright owners, and taking legal action against infringement of music copyright.

### **Trademark**

Registered trademarks are protected under the Trademark Law of the PRC promulgated on August 23, 1982 and revised on April 23, 2019 and related rules and regulations. Trademarks are registered with the State Intellectual Property Office, formerly the Trademark Office of the SAIC. Where registration is sought for a trademark that is identical or similar to another trademark which has already been registered or given preliminary examination and approval for use in the same or similar category of commodities or services, the application for registration of this trademark may be rejected. Trademark registrations are effective for 10 years, unless otherwise revoked.

### **Domain Name**

Domain names are protected under the Administrative Measures on Internet Domain Names promulgated by the MIIT on August 24, 2017 and effective as of November 1, 2017. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and applicants become domain name holders upon successful registration.

## **REGULATIONS RELATED TO FOREIGN EXCHANGE AND DIVIDEND DISTRIBUTION**

### **Foreign Currency Exchange**

Pursuant to the Foreign Exchange Administration Regulations, as amended on August 5, 2008, Renminbi is freely convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside of China, unless prior approval is obtained from SAFE, and prior registration with SAFE is made.

SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign Invested Enterprises, or the SAFE Circular 19, in replacement of the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises. SAFE further promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account, or the SAFE Circular 16, as effective on June 9, 2016, which, among other things, amended certain provisions of SAFE

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Circular 19. According to SAFE Circular 19 and SAFE Circular 16, the flow and use of the Renminbi capital converted from foreign currency denominated registered capital of a foreign investment company is regulated such that Renminbi capital may not be used for business beyond its business scope or to provide loans to persons other than affiliates unless otherwise permitted under its business scope. Violations of SAFE Circular 19 or SAFE Circular 16 could result in administrative penalties.

Since 2012, SAFE has promulgated several circulars to substantially amend and simplify the current foreign exchange procedures. Pursuant to these circulars, the opening of foreign exchange accounts with various special purpose, the reinvestment with RMB proceeds by foreign investors in the PRC and remittance of profits and dividends in foreign currency foreign investment to its foreign shareholders are no longer subject to the approval or verification of SAFE. In addition, domestic companies are allowed to provide cross-border loans not only to their offshore subsidiaries, but also to their offshore parents and affiliates. SAFE also promulgated the Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents in May 2013, as amended in October 2018, which specifies that the administration by SAFE or its local branches over foreign investors' direct investment in the PRC shall be conducted by way of registration, and banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches. In February 2015, SAFE promulgated the Notice on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment, or the SAFE Circular 13, which became effect on June 1, 2015. SAFE Circular 13 delegates the power to enforce the foreign exchange registration in connection with inbound and outbound direct investments under relevant SAFE rules from local branches of SAFE to banks, thereby further simplifying the foreign exchange registration procedures for inbound and outbound direct investments. On January 26, 2017, SAFE issued the Circular on Further Advancing Foreign Exchange Administration Reform to Enhance Authenticity and Compliance Reviews, which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including (i) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (ii) domestic entities shall keep the income into the account for previous years' losses before remitting the profits.

### **Foreign Exchange Registration of Overseas Investment by PRC Resident**

In 2014, SAFE issued the SAFE Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or the SAFE Circular 37. SAFE Circular 37 regulates foreign exchange matters in relation to offshore investments and financing or round-trip investments of residents or entities by way of special purpose vehicles in China. Under SAFE Circular 37, a "special purpose vehicle" refers to an offshore entity established or controlled, directly or indirectly, by PRC residents or entities for the purpose of seeking offshore financing or making offshore investments, using legitimate onshore or offshore assets or interests, while "round trip investment" refers to direct investments in China by PRC residents or entities through special purpose vehicles, namely,

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establishing foreign investment enterprises to obtain ownership, control rights and management rights. SAFE Circular 37 provides that, before making a contribution into a special purpose vehicle, PRC residents or entities are required to complete foreign exchange registration with SAFE or its local branch, and in the event the change of basic information such as the individual shareholder, name, operation term, etc., or if there is a capital increase, decrease, equity transfer or swap, merge, spin-off or other amendment of the material items, the PRC residents or entities shall complete the change of foreign exchange registration formality for offshore investments.

In 2015, SAFE promulgated the Notice on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning Direct Investment. This notice has amended SAFE Circular 37 by requiring PRC residents or entities to register with qualified banks rather than SAFE or its local branches in connection in relation to their establishment or control of an offshore entities for the purpose of overseas investment or financing. PRC residents or entities who had contributed legitimate onshore or offshore interests or assets to special purpose vehicles but had not registered as required before the implementation of the SAFE Circular 37 must register their ownership interests or control in the special purpose vehicles with qualified banks. Amendments to the registration are required if there is any material change with respect to the registered special purpose vehicle, such as any change of basic information (including change of the PRC residents, name and operation term), increases or decreases in the investment amount, transfers or exchanges of shares, or mergers or divisions. Failure to comply with the registration procedures as set forth in SAFE Circular 37 and the subsequent notice, or making misrepresentations or failure to disclose the control of the foreign investment enterprise which is established through round-trip investments, may result in restrictions being imposed on the foreign exchange activities of the relevant foreign investment enterprise, including payment of dividends and other distributions, such as proceeds from any reduction in capital, share transfer or liquidation, to its offshore parent or affiliate, and the capital inflow from the offshore parent, and may also subject relevant PRC residents or entities to penalties under PRC foreign exchange administration regulations.

### **Dividend Distribution**

The principal regulations governing distribution of dividends of foreign-invested enterprises include the PRC Company Law, the PRC foreign Investment Law, and the Implementation Rules of the Foreign Investment Law. Under these laws and regulations, foreign-invested enterprises in China may pay dividends only out of their accumulated after-tax profits, if any, determined in accordance with China accounting standards and regulations. In addition, a PRC company, including a foreign-invested enterprise in China, is required to allocate at least 10% of its accumulated profits each year, if any, to fund certain reserve funds until these reserves have reached 50% of the registered capital of the enterprise. A PRC company may, at its discretion, allocate a portion of its after-tax profits based on China accounting standards to staff welfare and bonus funds. These reserves are not distributable as cash dividends.

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### Stock Incentive Plans

On February 5, 2012, SAFE promulgated the Notice on Foreign Exchange Administration of PRC Residents Participating in Share Incentive Plans of Offshore Listed Companies, or the Stock Option Rules, replacing the previous rules issued by SAFE in March 2007. Under the Stock Option Rules and other relevant rules and regulations, domestic individuals, which means the PRC residents and non-PRC citizens residing in China for a continuous period of not less than one year, subject to a few exceptions, who participate in a stock incentive plan in an overseas publicly-listed company are required to register with SAFE or its local branches and complete certain other procedures.

Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly-listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. The PRC agents must, on behalf of the PRC residents who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the PRC residents' exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in the PRC opened by the PRC agents before distribution to such PRC residents. In addition, SAFE Circular 37 provides that PRC residents who participate in a share incentive plan of an overseas unlisted special purpose company may register with SAFE or its local branches before exercising rights.

### REGULATIONS RELATED TO OVERSEAS LISTINGS

In 2006, six PRC regulatory agencies, including the MOFCOM, the State-owned Assets Supervision and Administration Commission, the State Administration of Taxation, the State Administration of Industry and Commerce, the CSRC, and SAFE, jointly issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, which became effective on September 8, 2006 and was amended on June 22, 2009. The M&A Rules, among other things, requires that an offshore special purpose vehicle which is formed for the purpose of an overseas listing and controlled directly or indirectly by PRC companies or individuals must obtain the approval of the CSRC prior to the listing and trading of its securities on an overseas stock exchange.

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### REGULATIONS RELATED TO LABOR

#### **Labor Law and Labor Contracts Law**

According to the Labor Law of the PRC promulgated on July 5, 1994 and amended on August 27, 2009 and December 29, 2018, enterprises shall establish and improve their system of work place safety and sanitation, strictly abide by state rules and standards on work place safety, and conduct employees training on labor safety and sanitation in the PRC. Labor safety and sanitation facilities shall comply with statutory standards. Enterprises and institutions shall provide employees with a safe work place and sanitation conditions which are in compliance with relevant laws and regulations of labor protection.

The Labor Contract Law of the PRC promulgated on June 29, 2007 and amended on December 28, 2012, and the Implementation Rules of the Labor Contract Law of the PRC promulgated on September 18, 2008 set out specific provisions in relation to the execution, the terms and the termination of a labor contract and the rights and obligations of the employees and employers, respectively. At the time of hiring, the employers shall truthfully inform the employees the scope of work, working conditions, working place, occupational hazards, work safety, salary and other matters which the employees request to be informed about.

#### **Labor Dispatch**

According to the Interim Provisions on Labor Dispatch issued on January 24, 2014 and implemented on March 1, 2014 by the Ministry of Human Resources and Social Security, employers may only use dispatched workers for temporary, ancillary or substitute positions. The aforementioned temporary positions shall mean positions lasting for no more than six months; ancillary positions shall mean positions of non-major business that serve positions of major business; and substitute positions shall mean positions that can be substituted by other workers for a certain period of time during which the workers who originally hold such positions are unable to work as a result of full-time study, being on leave or other reasons. According to the Interim Provisions on Labor Dispatch, the employers should strictly control the number of dispatched workers, and the number of the dispatched workers shall not exceed 10% of the total amount of their employees.

Pursuant to the Interim Provision on Labor Dispatch, the Labor Contract Law of the PRC and the Implementation Regulations for the Labor Contract, the employers who fail to comply with the relevant requirements on labor dispatch shall be ordered by the labor administrative authorities to make rectification within a stipulated period. Where rectification is not made within the stipulated period, the employers may be subject to a penalty ranging from RMB5,000 to RMB10,000 per dispatched worker exceeding the 10% threshold.



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## REGULATORY OVERVIEW

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### **Social Insurance and Housing Fund**

Employers in the PRC are required to contribute, for and on behalf of their employees, to a number of social insurance funds, including funds for pension, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance and housing fund. These payments are made to local administrative authorities and employers who fail to contribute may be fined and be ordered to make up for the outstanding contributions. The various laws and regulations that govern the employers' obligations to contribute to the social insurance funds include the Social Insurance Law of the PRC, which was promulgated by the SCNPC on October 28, 2010 and amended on December 29, 2018, the Interim Regulations on the Collection and Payment of Social Insurance Premiums, which was promulgated by the State Council on January 22, 1999 and amended on March 24, 2019, the Regulations on Work-related Injury Insurance, which was promulgated by the State Council on April 27, 2003 and amended on December 20, 2010, and the Regulations on Management of the Housing Fund, which was promulgated and became effective on April 3, 1999 and was amended on March 24, 2002 and on March 24, 2019.

According to the Notice Concerning the Safe and Orderly Collection and Administration of Social Insurance Premiums issued by the General Office of the State Administration of Taxation on September 13, 2018, the tax authorities will collect all social insurance premiums uniformly from January 1, 2019. Before the completion of the reform of the social insurance collection agency, the relevant local authorities shall continuously optimize the payment service and ensure the continuous improvement of the business environment, and shall not organize and carry out the previous year's arrears check without permission.

### **REGULATIONS RELATED TO PROPERTY LEASING**

Pursuant to Administrative Measures on the Lease of Commodity Housing issued by Ministry of Housing and Urban-Rural Development on December 1, 2010, parties to a lease agreement shall complete the lease registration and filing process with the competent construction (real estate) departments of the municipalities directly under the PRC governments of cities and counties where the housing is located within 30 days after the lease agreement is signed. For those who fail to comply with the above regulations, such competent departments may impose a fine ranging from RMB1,000 and RMB10,000 per lease. In addition, the lessor shall not rent out buildings that are illegal constructions or that change the nature of the use of the house in violation of relevant regulations.

### **REGULATIONS RELATED TO TAX IN THE PRC**

#### **Enterprise Income Tax**

The PRC Enterprise Income Tax Law and its implementing rules provide that dividends paid by a PRC entity to a nonresident enterprise for income tax purposes is subject to PRC withholding tax at a rate of 10%, subject to reduction by an applicable tax treaty with China. Pursuant to the Arrangement between Mainland China and the Hong Kong Special

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Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income, the withholding tax rate in respect to the payment of dividends by a PRC enterprise to a Hong Kong enterprise may be reduced to 5% from a standard rate of 10% if the Hong Kong enterprise directly holds at least 25% of the PRC enterprise. Pursuant to the Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Agreements, or the SAT Circular 81, a Hong Kong resident enterprise must meet the following conditions, among others, in order to apply the reduced withholding tax rate: (i) it must be a company; (ii) it must directly own the required percentage of equity interests and voting rights in the PRC resident enterprise; and (iii) it must have directly owned such required percentage in the PRC resident enterprise throughout the 12 months prior to receiving the dividends. In October 2019, the State Administration of Taxation promulgated the Administrative Measures for Nonresident Taxpayers to Enjoy Treatment under Tax Treaties, or the SAT Circular 35, which became effective on January 1, 2020. SAT Circular 35 provides that nonresident enterprises are not required to obtain preapproval from the relevant tax authority in order to enjoy the reduced withholding tax. Instead, nonresident enterprises and their withholding agents may, by self-assessment and on confirmation that the prescribed criteria to enjoy the tax treaty benefits are met, directly apply the reduced withholding tax rate, and file necessary forms and supporting documents when performing tax filings, which will be subject to post-tax filing examinations by the relevant tax authorities. Accordingly, we may be able to benefit from the 5% withholding tax rate for the dividends received from PRC subsidiaries if it satisfies the conditions prescribed under SAT Circular 81 and other relevant tax rules and regulations. However, according to SAT Circular 81 and SAT Circular 35, if the relevant tax authorities consider the transactions or arrangements we have are for the primary purpose of enjoying a favorable tax treatment, the relevant tax authorities may adjust the favorable withholding tax in the future.

If our holding company in the Cayman Islands or any of our subsidiaries outside of China were deemed to be a “resident enterprise” under the PRC Enterprise Income Tax Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%.

### **Value-Added Tax**

The Notice of the Ministry of Finance and the State Administration of Taxation on Overall Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax, which was promulgated by Ministry of Finance and State Administration of Taxation on March 23, 2016, became effective on May 1, 2016 and was last amended on March 20, 2019, provides that the pilot program of replacing business tax with value-added tax shall be implemented nationwide with effect since May 1, 2016 and all business tax payers in construction industry, real estate industry, finance industry and consumer service industry, etc. shall be included in the scope of the pilot program and pay value-added tax instead of business tax.



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## REGULATORY OVERVIEW

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Pursuant to Decision of State Council on Abolition of the Provisional Regulations of the People's Republic of China on Business Tax and Revision of the Provisional Regulations of the People's Republic of China on Value-added Tax, which was promulgated on November 19, 2017 and became effective on the same day, business tax is officially replaced by value-added tax.

Pursuant to the Provisional Regulations on Value-added Tax of the People's Republic of China promulgated on December 13, 1993 and last amended on November 19, 2017 and its implementation rules, all entities or individuals in the PRC engaged in the sale of goods or processing, repair and assembly services, sales services, intangible assets, real estate and importation of goods in the People's Republic of China are required to pay value-added tax.

### OUR HISTORY

#### Overview

We are the largest bar chain network in China. In 2009, Mr. Xu, our founder, established the first Helen's bar in the PRC. For more information in relation to the background of Mr. Xu, please refer to the paragraphs headed "Directors and Senior Management – Directors" in this prospectus. In the subsequent years, Mr. Xu and his business partners established a number of Helen's bars across China successively. Immediately prior to the incorporation of our Company in 2018, there were a total of 101 Helen's bars established and managed by Mr. Xu and his business partners. At the time of our Company's incorporation in 2018, all such 101 Helen's bars established by Mr. Xu and his business partners were initially operated as our franchised bars. Under the franchise arrangements, we charge franchisees one-off franchise fees and service fees. Meanwhile, based on our deep understanding of industry trends and our overall strategy, we set down our business strategy to develop our business through self-operated bars as well as continue to establish new self-operated bars. Through a series of integration during the Track Record Period, we gradually converted 89 of those franchised bars into our self-operated bars, while the rest ceased operation or no longer operate under the brand of "Helen's". In particular, we commenced the operation of our first self-operated bars on May 18, 2018 upon our acquisition of Fuzhou Zhiyingju Catering Management Company Limited\* (福州支應居餐飲管理有限責任公司). As of the Latest Practicable Date, all our Helen's bars are self-operated bars. Please refer to the paragraphs headed "Purchase of certain assets from franchised bars" and "Material acquisitions during the Track Record Period – Acquisition of Fuzhou Zhiyingju Catering Management Company Limited\* (福州支應居餐飲管理有限責任公司) ("Fuzhou Catering") in this section below for further details. For details of movements of our Helen's bars and the management and operation of our franchised bars, please refer to the paragraphs headed "Helen's bars – Bar network expansion process" and "Helen's bars – Franchised bars" in the "Business" section in this prospectus.

As of March 31, 2021, the number of Helen's bars in first-tier, second-tier, and third and lower-tier cities of China were 53, 214 and 106, respectively, representing 14.2%, 57.2% and 28.3% of the total number of bars as of the corresponding date, respectively. We believe that we can achieve rapid and high-quality expansion through self-operated bars operation. As of December 31, 2018, 2019 and 2020 and March 31, 2021, we had 84, 221, 337 and 374 self-operated bars, respectively, representing a CAGR of approximately 100.3%. According to the Frost & Sullivan, we have been the market leader in China's bar industry with the largest scale for 3 consecutive years in 2018, 2019 and 2020 as measured by the number of bars. As of the Latest Practicable Date, we operated 528 self-operated bars.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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### KEY CORPORATE MILESTONES

The following is a summary of our Group's business development milestones:

Date	Event
2009	<ul style="list-style-type: none"><li>Mr. Xu set up the first bar under the name of “Helen’s” in Beijing, PRC. In the same year, another bar under the name of “Helen’s” was set up in Shanghai.</li></ul>
2014	<ul style="list-style-type: none"><li>The total number of bars under the name of “Helen’s” reached over 20, expanding the network to new cities including Tianjin, Changsha, Nanchang, Hefei, Xiamen, Fuzhou, Zhengzhou, Shenyang and Wuhan, the PRC.</li></ul>
2015	<ul style="list-style-type: none"><li>The total number of bars under the name of “Helen’s” reached 30, expanding the network to new cities including Yueyang, Guiyang, Wuxi and Yichang, the PRC.</li></ul>
2016	<ul style="list-style-type: none"><li>The total number of bars under the name of “Helen’s” reached over 60, expanding the network to new cities including Foshan, Huizhou, Shiyang, Changde, Zhuzhou, Quanzhou and Hangzhou, the PRC.</li></ul>
2017	<ul style="list-style-type: none"><li>The total number of bars under the name of “Helen’s” reached over 80, expanding the network to new cities including Shenzhen, Nanjing, Chenzhou, Zhangzhou, Hengyang, Putian and Ningbo, the PRC.</li></ul>
2018	<ul style="list-style-type: none"><li>Our Company was incorporated in the Cayman Islands.</li><li>We launched our Helen’s craft beer during the year.</li><li>The total number of bars in our Helen’s bar network reached 162 as of December 31, 2018.</li></ul>
2019	<ul style="list-style-type: none"><li>We launched our Dou-Jiu (“斗酒”) and Helen’s grape-flavored fruit beer during the year.</li><li>We expanded to 252 Helen’s bars as of December 31, 2019.</li></ul>

## HISTORY, DEVELOPMENT AND REORGANISATION

Date	Event
2020	<ul style="list-style-type: none"> <li>We launched our Helen's white peach flavored fruit beer, strawberry-flavored fruit beer and Helen's milk beer during the year.</li> <li>We expanded to 351 Helen's bars as of December 31, 2020.</li> </ul>
2021	<ul style="list-style-type: none"> <li>We expanded to 374 Helen's bars as of March 31, 2021.</li> </ul>

### OUR PRINCIPAL OPERATING SUBSIDIARIES

As of the Latest Practicable Date, our Group was comprised of our Company, 38 subsidiaries and a total of 651 branches. Each of our bars is operated by a subsidiary or branch. We believe that this corporate structure can optimise the operation and management efficiency of our bars.

The following table set outs the details of our principal operating subsidiaries which were material to the performance of our Group;

	Name of Subsidiaries (Note 1)	Date of Establishment	Registered capital as of the Latest Practicable Date (RMB'000)	Our Company's effective interest	Principal business activities
1.	Shenzhen Helens	April 20, 2018	110,000	100%	Management service
2.	Fuzhou Zhiyingju Catering Management Co., Ltd.* 福州支應居 餐飲管理有限責任公司 (Note 2)	January 12, 2018	1,000	100%	Bar operations
3.	Wuhan City Aoerdesang Catering Services Co., Ltd.* 武漢市奧爾德桑 餐飲服務有限公司 (Note 3)	February 6, 2018	1,000	100%	Bar operations

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			Registered capital as of the Latest Practicable Date (RMB'000)	Our Company's effective interest	Principal business activities
	Name of Subsidiaries (Note 1)	Date of Establishment			
4.	Jiangxi Suleiyige Catering Management Co., Ltd.* 江西蘇勒伊 格餐飲管理有限公司 (Note 4)	April 9, 2018	2,000	100%	Bar operations
5.	Hunan Eaisaisi Catering Management Co., Ltd.* 湖南額艾塞斯餐 飲管理有限公司	May 29, 2018	2,000	100%	Bar operations

\* for identification purpose only

Notes:

- All established in the PRC.
- Fuzhou Zhiyingju Catering Management Co., Ltd.\* was established on January 12, 2018 by two Independent Third Parties. On May 18, 2018, Shenzhen Helens acquired the entire equity interests of Fuzhou Zhiyingju Catering Management Co., Ltd.\* from the said two Independent Third Parties at the aggregate consideration of RMB0.4 million, which was arrived at after arm's length negotiation between the parties with reference to the registered capital of the company.
- Wuhan City Aoerdesang Catering Services Co., Ltd.\* was established on 6 February 2018 by two Independent Third Parties. On May 25, 2018, Shenzhen Helens acquired the entire equity interests of Wuhan City Aoerdesang Catering Services Co., Ltd.\* from the said two Independent Third Parties at the aggregate consideration of RMB1.0 million, which was arrived at after arm's length negotiation between the parties with reference to the registered capital of the company.
- Jiangxi Suleiyige Catering Management Co., Ltd.\* was established on April 9, 2018 by two Independent Third Parties. On May 23, 2018, Shenzhen Helens acquired the entire equity interests of Jiangxi Suleiyige Catering Management Company Limited\* from the said two shareholders at nil consideration, as the registered capital of the company had not yet been contributed by the shareholders at the time.

\* For identification purposes only.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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### OUR CORPORATE INCORPORATION AND REORGANISATION

Prior to the listing on the Stock Exchange of our subsidiaries and operations engaging in bar chain business, we undertook the following incorporation and reorganisation steps:

#### 1. Incorporation of Helens Hill (BVI)

Helens Hill (BVI) was incorporated under the laws of the BVI with liability limited by shares on January 11, 2018. It was authorised to issue a maximum of 50,000 shares of one class with a par value of US\$1.00 each. On the date of incorporation, 1,000 shares of Helens Hill (BVI) were allotted and issued as fully paid to Mr. Xu.

#### 2. Incorporation of our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on January 16, 2018 to act as the holding company of our Group for the listing on the Stock Exchange. The initial authorised share capital of our Company was US\$50,000.00 divided into 500,000,000 shares of US\$0.0001 each.

Prior to the incorporation of our Company, the following individuals (who were the Directors, employees of our Group and an Independent Third Party) (“Initial Shareholder”) entered into a company incorporation agreement, pursuant to which they confirmed that they shall hold the shareholding interests as specified below in our Company after its incorporation either individually or through a jointly held corporate entity:

Name of Shareholder	Relationship with our Group	Number of Shares	Proportion of shareholding interests
Mr. Xu	Founder, Controlling Shareholder and executive Director	861	86.1%
Zhang Bo	Executive Director	25	2.5%
Zhao Jun	Executive Director	12	1.2%
Liu Yi	Senior management	12	1.2%
Xia Linfan	Director of a subsidiary	12	1.2%
Wang Zhenpeng	Senior management	10	1.0%
Lei Xing	Executive Director	8	0.8%
Yang Zhigang	Senior management	8	0.8%
Xie Yan	Senior management	6	0.6%
Zhu Mingzhe	Senior management	6	0.6%
Four individuals	Three employees of our Group and one Independent Third Party	40	4.0%

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On the date of incorporation, one Share was issued and allotted to the initial subscriber, who on the same day transferred that one Share to Helens Hill (BVI), one of our Controlling Shareholders. Further, our Company issued and allotted at par 999 Shares to Helens Hill (BVI). After the completion of the transfer and allotment of Shares as detailed above, all Shares were held by Helens Hill (BVI). Pursuant to the company incorporation agreement, Mr. Xu may transfer the Shares and interests to the other Initial Shareholders according to the abovementioned allocation after the relevant foreign exchange registration procedure is completed.

### **3. Incorporation of our offshore intermediate holding companies**

#### ***(a) Incorporation of XBZ Hill***

XBZ Hill was incorporated under the laws of the BVI with liability limited by shares on January 25, 2018. It was authorised to issue a maximum of 50,000 shares of one class with a par value of US\$1.00 each. On the date of incorporation, 1,000 shares of XBZ Hill were allotted and issued as fully paid to our Company.

#### ***(b) Incorporation of Helens Hill (HK)***

Helens Hill (HK) was incorporated under the laws of Hong Kong with liability limited on December 29, 2017. On the date of incorporation, one share of Helens Hill (HK) was allotted and issued as fully paid to an initial subscriber, who transferred such one share to Mr. Xu on the same day. On February 12, 2018, Mr. Xu transferred such one share, representing his entire shareholding interests in Helens Hill (HK) to XBZ Hill.

#### ***(c) Incorporation of CFPL (Cayman)***

CFPL (Cayman) was incorporated as an exempted company with limited liability in the Cayman Islands on September 18, 2020. On the date of incorporation, one share of CFPL (Cayman) was issued and allotted to an initial subscriber, which was transferred to our Company on the same day. Further, 999 Shares were allotted and issued at par to our Company. After the completion of the above transfers and allotment of shares of CFPL (Cayman) detailed above, CFPL (Cayman) was owned as to 100% by our Company.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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### *(d) Incorporation of WZYX Holding*

WZYX Holding was incorporated under the laws of the BVI with liability limited by shares on September 30, 2020. It was authorised to issue a maximum of 50,000 shares of one class with a par value of US\$1.00 each. On the date of incorporation, one share of WZYX Holding was allotted and issued as fully paid to CFPL (Cayman).

### *(e) Incorporation of CFPL (Hong Kong)*

CFPL (Hong Kong) was incorporated under the laws of Hong Kong with liability limited on October 23, 2020. On the date of incorporation, one share of CFPL (Hong Kong) was allotted and issued as fully paid to WZYX Holding.

## **4. Incorporation of onshore wholly foreign-owned enterprises**

### *(a) Incorporation of Shenzhen Helens*

Shenzhen Helens was incorporated on April 20, 2018 in the PRC, with a registered capital of RMB5,000,000 which was wholly contributed by Helens Hill (HK).

### *(b) Incorporation of Shenzhen Xiaoxiaohai Enterprises Management Co., Ltd.\* (深圳市逍小海企業管理有限公司)*

Shenzhen Xiaoxiaohai Enterprises Management Co., Ltd.\* (深圳市逍小海企業管理有限公司) was incorporated on November 27, 2020 in the PRC, with a registered share capital of RMB2,000,000 which was wholly contributed by CFPL (Hong Kong).

## **5. Conversion of franchised bars into self-operated bars**

After the incorporation of our onshore wholly foreign-owned enterprises as detailed in step 4 above, during the Track Record Period and up to the Latest Practicable Date, we have entered into various assets transfer agreements and equity transfer agreement with our franchised bars over the period to purchase certain of their assets (including decoration and fixtures therein) and equity. Upon completion of such assets transfers, equity transfer and our application for changes to the qualification licenses for the bars, 89 of our franchised bars were converted into our self-operated bars during the Track Record Period and up to the Latest Practicable Date. For further details, please refer to the paragraphs headed “Purchase of certain assets from franchised bars” in this section below.



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## HISTORY, DEVELOPMENT AND REORGANISATION

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### 6. Incorporation of BVI companies as shareholding platforms for our Directors, staff and business partners

#### (a) *Incorporation of WTSJ Holding*

WTSJ Holding was incorporated on May 15, 2019 in the BVI and was authorised to issue a maximum of 50,000 ordinary shares of one class with a par value of US\$1.00 each, of which 5,000.1 issued shares were issued to 12 individual shareholders (who were the Directors, employees of our Group, and an Independent Third Party) with their shareholdings as follows:

Name of shareholder	Relationship with our Group	Percentage of shareholding in WTSJ Holding (approximately)
Zhang Bo	Executive Director	19.38%
Zhao Jun	Executive Director	9.30%
Liu Yi	Senior management	9.30%
Xia Linfan	Director of a subsidiary	9.30%
Lei Xing	Executive Director	6.20%
Yang Zhigang	Senior management	6.20%
Xie Yan	Senior management	4.65%
Zhu Mingzhe	Senior management	4.65%
Four individuals	Three employees of our Group and one Independent Third Party	31.02% <sup>(Note)</sup>

*Note:* The three employees and the Independent Third Party held approximately 7.76%, 7.76%, 6.20% and 9.30% of the issued shares of WTSJ Holding, respectively.

#### (b) *NEWCE Holding*

NEWCE Holding was incorporated on May 15, 2019 in the BVI and was authorised to issue a maximum of 50,000 ordinary shares of one class with a par value of US\$1.00 each, of which one share was allotted and issued as fully paid to Mr. Wang Zhenpeng, our senior management team member.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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### **7. Transfer of Shares from Helens Hill (BVI) to WTSJ Holding Limited and NEWCE Holding Limited**

WTSJ Holding and NEWCE Holding are the corporate entities incorporated by the Initial Shareholders (other than Mr. Xu) who entered into the company incorporation agreement as aforementioned in step 2 above, for the purpose of holding their respective shareholding interests in our Company.

On August 23, 2019, pursuant to the agreement reached under the company incorporation agreement, Helens Hill (BVI) transferred 129 Shares and 10 Shares, which were held by Helens Hill (BVI) for and on behalf of the shareholders of WTSJ Holding and NEWCE Holding, back to WTSJ Holding and NEWCE Holding respectively at nominal consideration. Upon the completion of the above transfers, our Company was held as to approximately 86.1% by Helens Hill (BVI), 12.9% by WTSJ Holding and 1.0% by NEWCE Holding.

### **8. Allotment and issue of shares of CFPL (Cayman) to Wang & Partners Inc.**

On November 10, 2020, CFPL (Cayman) allotted and issued, fully paid at par value, 15,228 shares of CFPL (Cayman) to Wang & Partners Inc.. After the completion of the above allotment of shares, CFPL (Cayman) was owned as to approximately 98.5% by our Company and 1.5% by Wang & Partners Inc..

Wang & Partners Inc. is a limited liability company incorporated in the United States which is wholly owned by Mr. Wang Gang. As confirmed by our Directors, Mr. Wang Gang has extensive experience in branding and sales strategies, and has agreed to assist our Group in developing our beer business, focusing on the market positioning and sales of our beer products. In this connection, our Directors decided to give 1.5% of the issued shares of CFPL (Cayman) (which is intended to be the holding company of our major beer business as it develops) as an incentive for the assistance to be provided by Mr. Wang Gang. As confirmed by our Directors, save for the above, Mr. Wang Gang is an Independent Third Party of our Company and has no directorship or management role in our Group, and has no other relationship, business or otherwise, with us.

### **9. Subdivision of Shares, redesignation of Shares and allotment of Shares**

On February 9, 2021, our Company underwent a share subdivision whereby all the issued and unissued ordinary shares of our Company with a par value of US\$0.0001 each was subdivided into 1,000,000 Shares with a par value of US\$0.0000000001 each, such that immediately following such share subdivision, the authorised share capital of our Company was US\$50,000 divided into 500,000,000,000,000 ordinary shares with a par value of US\$0.0000000001 each.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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On the same day following the above subdivision of Shares, the authorised share capital of our Company was changed from US\$50,000 divided into 500,000,000,000,000 Shares of a nominal value of US\$0.0000000001 each to US\$50,000 divided into (i) 499,999,975,977,096 ordinary shares of a nominal value of US\$0.0000000001 each and (ii) 24,022,904 Series A Preferred Shares of a nominal value of US\$0.0000000001 each, by the redesignation of 24,022,904 authorised but unissued shares as Series A Preferred Shares.

Upon the subdivision of Shares and redesignation of Shares, our Company allotted and issued, fully paid at par value, 11,146,876 Shares and 864,099 Shares to WTSJ Holding and NEWCE Holding, respectively.

### **10. Pre-IPO investment by BA Capital**

Pursuant to the Series A Preferred Share Purchase Agreement made as of February 4, 2021 (as supplemented by an amendment agreement made as of February 8, 2021) by and among our Company, Helens Hill (HK), Shenzhen Helens, CFPL (Cayman), WZYX Holding, CFPL (Hong Kong), XBZ Hill, Shenzhen Xiaoxiaohai Enterprises Management Co., Ltd.\* (深圳市逍小海企業管理有限公司), Mr. Xu, Helens Hill (BVI) and BA Capital, BA Capital agreed to subscribe and purchase, and our Company agreed to allot and sell, 24,022,904 Series A Preferred Shares at the consideration of US\$30,793,990. For further details please refer to the paragraph headed “Pre-IPO Investments” in this section below.

### **11. Further redesignation of Shares**

On February 10, 2021, the authorised share capital of our Company was changed from US\$50,000 divided into (i) 499,999,975,977,096 ordinary shares of a nominal value of US\$0.0000000001 each and (ii) 24,022,904 Series A Preferred Shares of a nominal value of US\$0.0000000001 each to US\$50,000 divided into (a) 499,999,974,408,968 ordinary shares of a nominal value of US\$0.0000000001 each, (b) 24,022,904 Series A Preferred Shares of a nominal value of US\$0.0000000001 each; and (c) 1,568,128 Series A+ Preferred Shares of par value US\$0.0000000001 each, by the redesignation of 1,568,128 authorised but unissued shares as Series A+ Preferred Shares.

### **12. Pre-IPO investment by China World Investment Limited**

Pursuant to the Series A+ Preferred Share Purchase Agreement made as of February 9, 2021 by and among our Company, Helens Hill (HK), Shenzhen Helens, CFPL (Cayman), WZYX Holding, CFPL (Hong Kong), XBZ Hill, Shenzhen Xiaoxiaohai Enterprises Management Co., Ltd.\* (深圳市逍小海企業管理有限公司), Mr. Xu, Helens Hill (BVI) and China World Investment, China World Investment agreed to subscribe and purchase, and our Company agreed to allot and sell, 1,568,128 Series A+ Preferred Shares at the consideration of US\$2,010,120. For further details please refer to the paragraph headed “Pre-IPO Investments” in this section below.

### **13. Appointment of RSU Trustees and allotment of Shares pursuant to the Pre-IPO RSU Schemes and Post-IPO RSU Schemes**

Our Company granted RSUs to certain individuals in our Group in 2018. Subsequently pursuant to the board resolutions dated March 31, 2021, to extend such RSUs granted in 2018, our Company adopted the following new RSU schemes, and re-granted new RSUs to the aforesaid grantees.

#### ***Senior Management RSU Scheme***

On May 31, 2021, our Company entered into a trust deed with Infiniti Trust, pursuant to which Infiniti Trust has agreed to act as the trustee to administer the Senior Management RSU Scheme. On June 7, 2021, our Company allotted and issued a total of 9,999,611 Shares at par value to SHXM Holding, which is a special purpose vehicle wholly-owned by Infiniti Trust for holding certain Shares underlying the RSUs granted under the Senior Management RSU Scheme. For details, please refer to the paragraph headed “D. Share Incentive Schemes – 1. Pre-IPO RSU Schemes” of Appendix IV to this prospectus.

#### ***Employee RSU Scheme***

On May 31, 2021, our Company entered into a trust deed with Infiniti Trust, pursuant to which Infiniti Trust has agreed to act as the trustee to administer the Employee RSU Scheme. On June 7, 2021, our Company allotted and issued a total of 13,700,000 Shares at par value to the NLNQ Holding, which is a special purpose vehicle wholly-owned by Infiniti Trust for holding certain Shares underlying the RSUs granted under the Employee RSU Scheme. For details, please refer to the paragraph headed “D. Share Incentive Schemes – 1. Pre-IPO RSU Schemes” of Appendix IV to this prospectus.

#### ***Director RSU Scheme***

On May 31, 2021, our Company entered into a trust deed with the Cantrust, pursuant to which the Cantrust has agreed to act as the trustee to administer the Director RSU Scheme. On June 7, 2021, our Company allotted and issued a total of 3,100,389 Shares at par value to the TLTQ Holding, which is a special purpose vehicle wholly-owned by Cantrust for holding certain Shares underlying the RSUs granted under the Director RSU Scheme. For details, please refer to the paragraph headed “D. Share Incentive Schemes – 1. Pre-IPO RSU Schemes” of Appendix IV to this prospectus.

#### ***Post-IPO RSU Scheme***

On May 31, 2021, our Company entered into a trust deed with the Infiniti Trust, pursuant to which the Infiniti Trust has agreed to act as the trustee to administer the Post-IPO RSU Scheme. On June 7, 2021, our Company allotted and issued a total of 47,652,017 Shares at par value to the TSLZ Holding, which is a special purpose vehicle wholly-owned by the Infiniti

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## HISTORY, DEVELOPMENT AND REORGANISATION

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Trust for holding certain Shares reserved for any future grant of RSUs under the Post-IPO RSU Scheme. For details, please refer to the paragraph headed “D. Share Incentive Schemes – 2. Post-IPO RSU Scheme” of Appendix IV to this prospectus.

Our Company will comply with all relevant requirements under Chapter 14A of the Listing Rules and other applicable Listing Rules regarding any grant of RSU to connected persons (as defined under the Listing Rules) under the RSU schemes of our Company after the Listing.

### **14. Establishment of Family Trust**

On March 24, 2021, Mr. Xu, as the settlor and the protector, established the Mr. Xu’s Trust with Cantrust acting as the trustee and Mr. Xu’s family members and Helens Hill (BVI) being the beneficiaries.

On May 12, 2021, HHL International was incorporated under the laws of the BVI with limited liability. It was authorised to issue a maximum of 50,000 shares of one class with a par value of US\$1.00 each. On the date of incorporation, one share of HHL International was allotted and issued as fully paid to Helens Hill (BVI).

On May 12, 2021, Helens Hill (BVI) transferred its entire shareholding interests in our Company to HHL International and in consideration thereof, HHL International allotted and issued one share to Helens Hill (BVI).

On June 9, 2021, HHL International allotted and issued, fully paid at par value, 198 Shares to HLSH Holding, which is a special purpose vehicle wholly owned by Cantrust. After the said transfer, HHL International is owned as to 1% by Helens Hill (BVI) and 99% by HLSH Holding.

## **PRE-IPO INVESTMENTS**

### **Overview**

On February 4, 2021, our Company, Helens Hill (BVI) and Mr. Xu (our Controlling Shareholders), among others, entered into the Series A Preferred Share Purchase Agreement (as supplemented by an amendment agreement made as of February 8, 2021) with BA Capital, pursuant to which BA Capital agreed to subscribe for a total of 24,022,904 Series A Preferred Shares for a total consideration of US\$30,793,990.

On February 9, 2021, our Company, Helens Hill (BVI) and Mr. Xu (our Controlling Shareholders), among others, entered into the Series A+ Preferred Share Purchase Agreement with China World Investment, pursuant to which China World Investment agreed to subscribe for a total of 1,568,128 Series A+ Preferred Shares for a total consideration of US\$2,010,120.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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As a closing condition to the Series A Preferred Share Purchase Agreement and the Series A+ Preferred Share Purchase Agreement, our Company, Mr. Xu, Helens Hill (BVI), BA Capital and China World Investment, among others, entered into the Shareholders Agreement on February 9, 2021 and the Amended and Restated Shareholders Agreement on February 10, 2021, respectively.

### Principal terms of the Pre-IPO Investments

	Series A Preferred Shares	Series A+ Preferred Shares
<b>Name of investors</b>	BA Capital	China World Investment
Date of the investment agreement	February 4, 2021 (as supplemented by an amendment agreement made as of February 8, 2021)	February 9, 2021
Date on which the investment was fully settled	February 17, 2021	February 10, 2021
Cost per share paid	US\$1.28	US\$1.28
Total consideration	US\$30,793,990	US\$2,010,120
Discount to the Offer Price <sup>(Note)</sup>	47.27%	47.27%
Number of share purchased	24,022,904	1,568,128
Basis of determination of the consideration	<p>Based on arm's length negotiations among the parties after taking into consideration, amongst other things, market conditions and our Group's financial condition, results of operation, business prospects and market position.</p> <p>In particular, when determining the valuation of the Pre-IPO Investment, the parties had discussed and considered (i) the estimated net profit of our Company for the year 2021 based on forecast conducted in early February 2021; (ii) the market value of the estimated forward P/E ratio in 2021 of Chinese catering companies listed in the Stock Exchange as of early February 2021; and (iii) the market conditions at the relevant time.</p>	

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### Series A Preferred Shares

### Series A+ Preferred Shares

The Directors believed that the valuation of the Pre-IPO Investments reflected the confidence of the Pre-IPO Investors in the forecasted financial performance and growth prospect of our Company, who have taking into account (i) the estimated rapid growth of the bar industry in China going forward, which is expected to promptly recover from the impact of COVID-19; (ii) the leading market position of our Company as the largest bar chain network in China in terms of the number of bars in China during the Track Record Period; and (iii) the strong financial performance and continuous growth of our Company during the Track Record Period.

Use of proceeds

For the operations and general working capital purpose of our Group. As of the Latest Practicable Date, the funds raised from the Pre-IPO Investments have been fully utilised.

Strategic benefit from the Pre-IPO Investments to our Group

At the time of the Pre-IPO Investments, our Directors were of the view that our Company could benefit from (i) the additional capital that would be provided by the Pre-IPO Investors' investments in our Company and (ii) the Pre-IPO Investors' knowledge and experience.

Furthermore, our Directors believe that the Pre-IPO Investments are demonstrations of confidence from the Pre-IPO Investors in our operation, which serves as endorsements of our performance and prospects.

Shareholding in our Company upon completion of the Global Offering (on the basis that all Series A Preferred Shares/Series A+ Preferred Shares will be converted into our Shares on a one-for-one basis, and assuming that the Over-allotment Option is not exercised)

Immediately following completion of the Global Offering (on the basis that all Preferred Shares will be converted into our Shares on a one-for-one basis, and assuming that the Over-allotment Option is not exercised), BA Capital will hold 24,022,904 Shares, representing approximately 1.93% of our total issued share capital.

Immediately following completion of the Global Offering (on the basis that all Preferred Shares will be converted into our Shares on a one-for-one basis, and assuming that the Over-allotment Option is not exercised), China World Investment will hold 1,568,128 Shares, representing approximately 0.13% of our total issued share capital.

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	Series A Preferred Shares	Series A+ Preferred Shares
Conversion	<p>Each Series A Preferred Share is convertible into such number of fully paid and non-assessable ordinary shares of our Company at the ratio equal to the purchase price of the Series A Preferred Share divided by the then effective conversion price, which shall initially be the purchase price of the Series A Preferred Share, resulting in an initial conversion ratio for the Series A Preferred Shares of 1:1, and shall be subject to adjustment and readjustment from time to time as provided in the Amended and Restated Shareholders Agreement and the then effective memorandum and articles of association of our Company.</p> <p>Each Series A Preferred Share shall automatically be converted into ordinary shares of our Company immediately upon the closing of the Global Offering.</p>	<p>Each Series A+ Preferred Share is convertible into such number of fully paid and non-assessable ordinary shares of our Company at the ratio equal to the purchase price of the Series A+ Preferred Share divided by the then effective conversion price, which shall initially be the purchase price of the Series A+ Preferred Share, resulting in an initial conversion ratio for the Series A+ Preferred Shares of 1:1, and shall be subject to adjustment and readjustment from time to time as provided in the Amended and Restated Shareholders Agreement and the then effective memorandum and articles of association of our Company.</p> <p>Each Series A+ Preferred Share shall automatically be converted into ordinary shares of our Company immediately upon the closing of the Global Offering.</p>
Lock-up	12 months after the completion of the Global Offering	No lock-up arrangement

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*Note:* The discount to the Offer Price is calculated based on the assumption that the Offer Price is HK\$19.77 per Share, being the mid-point of the indicative Offer Price range of HK\$18.82 to HK\$20.72, assuming the conversion of the Preferred Shares into Shares on a one-to-one basis prior to the Listing.

### Special Rights of the Pre-IPO Investments

Our Company and, among others, the Pre-IPO Investors entered into the Amended and Restated Shareholders Agreement (which superseded the Shareholders Agreement), pursuant to which certain shareholder rights were agreed among the parties.

Pursuant to the Amended and Restated Shareholders Agreement and the then memorandum and articles of association of our Company, the Pre-IPO Investors have, among other rights, (i) information rights; (ii) pre-emptive rights; (iii) co-sale rights; and (iv) conversion rights. In addition, China World Investment has a one-off redemption right to require our Company to redeem or repurchase all of the Series A+ Preferred Shares held by it on the date of its



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## HISTORY, DEVELOPMENT AND REORGANISATION

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redemption notice if a qualified IPO of our Company (i.e. our Company's first underwritten public offering of the Shares and listing on an internationally recognised securities exchange) has not occurred within 12 months after the closing date of the Series A+ Preferred Share Purchase Agreement (the "**Redemption Triggering Event**"). The aforesaid redemption notice shall be served to our Company within 6 months after the occurrence of the Redemption Triggering Event. Such redemption right ceased to be exercisable immediately upon the first submission by our Company of the Listing application to the Stock Exchange unless the application is withdrawn, rejected, returned or lapsed. All other special rights of the Pre-IPO Investors granted under the foregoing documents will be automatically terminated upon the consummation of a qualified IPO.

The Global Offering constitutes a qualified IPO, which will trigger the automatic termination of the other special rights granted to the Pre-IPO Investors. No special rights granted to the Pre-IPO Investors will survive after the Listing.

### Information about the Pre-IPO Investors

The background of our Pre-IPO investors are set out below:

- (i) BA Capital is a limited partnership formed in the BVI, which held 2.16% Shares of the Company as of the Latest Practicable Date. BA Capital Limited is the general partner of BA Capital, which is indirectly owned as to 51% by Mr. He Yu (a co-founder and a partner of Shenzhen Qianhai Black Ant Innovation Investment Partnership (Limited Partnership) (深圳前海黑蟻創新投資合夥企業(有限合夥)) ("**Black Ant**") since February 2016), and 24% and 25% by two individuals respectively, who are the other co-founders of Black Ant. To the best knowledge and information of our Directors, BA Capital is held as to approximately 6.91% by BA Capital Limited (the general partner) and approximately 93.09% by its limited partners. The limited partners of BA Capital comprise (i) BA Capital Fund III, L.P. (holding approximately 61.85% of the equity interests in BA Capital); and (ii) seven public investors (holding approximately 31.24% of the equity interests in BA Capital).

BA Capital Fund III, L.P. is a limited partnership involved in investment holding, with BA Capital Limited as its general partner and more than 30 limited partners. These limited partners of BA Capital Fund III, L.P. include individuals, limited liability companies and limited partnerships who are high-net-worth individual investors, investment firms or family offices involved in equity investments. None of these limited partners holds more than 30% of equity interests in BA Capital Fund III, L.P.

Regarding the remaining seven limited partners of BA Capital, they are public investors including individuals, limited liability companies and limited partnerships, which are high-net-worth individual investors, fund-of-funds and family offices, principally involved in equity investments. None of these public investors holds more than 30% of equity interests in BA Capital.

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As confirmed by our Directors, Black Ant is a consumer-focused funds, and had been following the development of our Group since 2018, exploring potential investment opportunities. To the best knowledge of the Directors, each of BA Capital and its ultimate beneficial owner, Mr. He Yu, is an Independent Third Party.

- (ii) China World Investment is an exempted company incorporated in the Cayman Islands. As of the Latest Practicable Date, China World Investment held approximately 0.14% of the Shares of the Company, and it is wholly owned by China International Capital Corporation (Hong Kong) Limited, which is in turn a wholly-owned subsidiary of China International Capital Corporation Limited. China International Capital Corporation Limited is a premier China-based investment bank which is listed on the Stock Exchange (SEHK: 3908) and on the Shanghai Stock Exchange (SSE: 601995), which principally engages in investment banking, equities, wealth management, investment management and fixed income, commodities and currencies. As confirmed by our Directors, China World Investment had been actively looking for investment opportunities in emerging consumption hotspots and consumer brands, and identified our Group with such potential. Since 2019, China World Investment had been following our development, exploring potential investment opportunities.

### Public Float

Upon completion of the Global Offering (assuming the Over-Allotment Option is not exercised, and on the basis that all Preferred Shares will be converted into our Shares on a one-for-one basis), the following Shareholders, (i) HHL International, (ii) WTSJ Holding and (iii) TLTQ Holding will hold approximately 69.06%, 11.24% and 0.25% of the total issued Shares, respectively, and such Shares will not be counted towards the public float.

Save as disclosed above in this section and the section headed “Substantial Shareholders” in this prospectus, to the best of the Directors’ knowledge, all the Pre-IPO Investors and Shareholders are not core connected persons of our Company. As a result, an aggregate of approximately 19.4478% of the total issued Shares (upon completion of the Global Offering and assuming the Over-allotment Option is not exercised, and on the basis that all Preferred Shares will be converted into our Shares on a one-for-one basis) will count towards the public float.

We have applied to the Stock Exchange to request the Stock Exchange to exercise its discretion under Rule 8.08(1)(d) of the Listing Rules, and the Stock Exchange has granted our Company a waiver from strict compliance with the requirements of Rule 8.08(1)(a) of the Listing Rules that the minimum public float be reduced and the minimum percentage of the Shares from time to time held by the public to be the higher of (a) the percentage of Shares to be held by the public immediately after completion of the Global Offering, assuming the Over-allotment Option is not exercised, and on the basis that all Preferred Shares will be converted into our Shares on a one-for-one basis, being 19.4478%, and (b) such percentage of Shares to be held

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## HISTORY, DEVELOPMENT AND REORGANISATION

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by the public upon any exercise of the Over-allotment Option, of the enlarged issued share capital of the Company. Please refer to the paragraph headed “Waivers from Strict Compliance with the Listing Rules – Waiver in respect of public float requirements” in this prospectus for more details.

### **Compliance with Interim Guidance and Guidance Letters**

The Sole Sponsor confirms that the investments by the Pre-IPO Investors are in compliance with the Guidance Letter HKEX-GL29-12 issued in January 2012 and updated in March 2017 by the Stock Exchange, the Guidance Letter HKEX-GL43-12 issued in October 2012 and updated in July 2013 and in March 2017 by the Stock Exchange and the Guidance Letter HKEX-GL44-12 issued in October 2012 and updated in March 2017 by the Stock Exchange.

### **PURCHASE OF CERTAIN ASSETS FROM FRANCHISED BARS**

During the Track Record Period and up to the Latest Practicable Date, we have successively entered into (i) assets transfer agreements with 88 of our franchised bars, pursuant to which each of the relevant franchised bars transferred certain of its assets (including the decorations and fixtures therein) and equity to us at the total consideration set out in the relevant agreement; and (ii) equity transfer agreement with one franchised bar at Fuzhou (for further details, please refer to the paragraph headed “Material acquisitions during the Track Record Period – Acquisition of Fuzhou Zhiyingju Catering Management Company Limited\* (福州支應居餐飲管理有限責任公司) (“Fuzhou Catering”)” in this section below). The total consideration for the assets transfers with the relevant franchised bars amounted to approximately RMB25,343,000. The consideration payable for the assets transfer varied between each franchised bar, but in each case it was determined after arm’s length negotiation with the relevant owner and after consideration of a number of factors such as the condition of the decorations and the assets, as well as the floor area of the bar. Our Directors considered that the assets transfers were conducted on normal commercial terms. Considering the confidence of certain of the operators of the aforesaid franchised bars to the prospect of our Group and since we believe certain of these operators are talents who possessed abundance of experience in bar operations, we therefore invited some of them to join our Group as our employees.

As of the Latest Practicable Date, the assets and equity transfers with respect to the aforesaid 89 franchised bars had been completed, we have underwent the changes to qualifications licenses and those franchised bars were converted into our self-operated bars. For details of our operation model, please refer to the paragraphs headed “Business – Helen’s Bars – Our operation model” in this prospectus.

### **MATERIAL ACQUISITIONS DURING THE TRACK RECORD PERIOD**

During the Track Record Period, the Company has completed the following acquisitions which enabled the Group to further expand its bar operations network.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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### ***Acquisition of Fuzhou Zhiyingju Catering Management Company Limited\* (福州支應居餐飲管理有限責任公司) (“Fuzhou Catering”)***

Fuzhou Catering was established in the PRC with limited liability on January 12, 2018 and is principally engaged in bar operations. On May 18, 2018, Shenzhen Helens, our onshore holding company, entered into an equity transfer agreement with Mr. Wang Huaifu and Mr. Zhou Shugao (who were Independent Third Parties as at the Latest Practicable Date), pursuant to which Shenzhen Helens acquired 100% of the equity interest in Fuzhou Catering for a total consideration of RMB0.4 million, which was arrived at after arm’s length negotiation between the parties with reference to the net asset value of the company at the time. Fuzhou Catering was still at the beginning stage of operation prior to the acquisition, and generated revenue of approximately RMB2.3 million and profit before tax of approximately RMB0.5 million over the pre-acquisition period between the date of establishment and the date of acquisition. For further details, please refer to the paragraph headed “Financial Information – Major acquisition under Rule 4.05A of the Listing Rules” in this prospectus. Upon completion of such acquisition, Fuzhou Catering became a wholly owned subsidiary of our Company.

### ***Acquisition of Jiangxi Suleiyige Catering Management Company Limited\* (江西蘇勒伊格餐飲管理有限公司) (“Jiangxi Catering”)***

Jiangxi Catering was established in the PRC with limited liability on April 9, 2018 and is principally engaged in bar operations. On May 23, 2018, Shenzhen Helens, our onshore holding company, entered into an equity transfer agreement with Mr. Zhou Jian and Mr. Zhou Shugao (who were Independent Third Parties as at the Latest Practicable Date), pursuant to which Shenzhen Helens acquired 100% of the equity interest in Jiangxi Catering at nil consideration, as the registered capital of the company had not yet been contributed by the shareholders at the time. At the time of acquisition, Jiangxi Catering had not commenced operation and its share capital was not yet paid, and thus had no pre-acquisition financial information. Upon completion of such acquisition, Jiangxi Catering became a wholly owned subsidiary of our Company.

### ***Acquisition of Wuhan City Aoerdesang Catering Services Co., Ltd.\* (武漢市奧爾德桑餐飲服務有限公司) (“Wuhan Catering”)***

Wuhan Catering was established in the PRC with limited liability on February 6, 2018 and is principally engaged in bar operations. On May 25, 2018, Shenzhen Helens, our onshore holding company, entered into an equity transfer agreement with Mr. Wang Huaifu and Mr. Zhou Shugao (who were Independent Third Parties as at the Latest Practicable Date), pursuant to which Shenzhen Helens acquired 100% of the equity interest in Wuhan Catering for a total consideration of RMB1.0 million, which was arrived at after arm’s length negotiation between the parties with reference to the registered capital of the company. At the time of acquisition, Wuhan Catering had not yet commenced operation, and had accumulated losses of approximately RMB72,000 representing initial set-up costs incurred. For further details, please

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## HISTORY, DEVELOPMENT AND REORGANISATION

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refer to the paragraph headed “Financial Information – Major acquisition under Rule 4.05A of the Listing Rules” in this prospectus. Upon completion of such acquisition, Wuhan Catering became a wholly owned subsidiary of our Company.

Mr. Wang Huafu, Mr. Zhou Shugao and Mr. Zhou Jian were introduced to our Group through Mr. Xu and they established Fuzhou Catering, Jiangxi Catering and Wuhan Catering. Immediately before their respective acquisition, Fuzhou Catering has set up and was operating a Helen’s bar, whereas Jiangxi Catering and Wuhan Catering were still conducting preparation works to set up Helen’s bars. These companies had otherwise no other business operation. Subsequently, to implement our Group’s business strategy to develop our business through self-operated bars, we acquired these companies together with the Helen’s bars operated or being set up thereunder. Mr. Wang Huafu, Mr. Zhou Shugao and Mr. Zhou Jian held the following positions in our Group at the relevant time:

Name	Name of subsidiary of our Company	Position held	Period of service
Mr. Wang Huafu	Fuzhou Catering	Director, manager and authorised representative	January 12, 2018 to May 18, 2018
	Wuhan Catering	Executive director and general manager and authorised representative	February 6, 2018 to December 27, 2018
Mr. Zhou Shugao	Jiangxi Catering	Executive director, manager and authorised representative	April 9, 2018 to May 22, 2018
	Hunan Gelidisi Catering Management Co., Ltd.* (湖南格里迪斯餐飲管理有限公司) (“ <b>Hunan Gelidisi Catering</b> ”)	Supervisor	April 20, 2018 to October 15, 2018
	Hunan Eaisaisi Catering Management Co., Ltd.* (湖南額艾塞斯餐飲管理有限公司)	Supervisor	May 29, 2018 to January 25, 2021
Mr. Zhou Jian	Fuzhou Catering	Supervisor	January 12, 2018 to May 18, 2018
	Wuhan Catering	Supervisor	February 6, 2018 to present

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## HISTORY, DEVELOPMENT AND REORGANISATION

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In addition to the above, Mr. Zhou Jian was the shareholder of Hunan Gelidisi Catering before it was acquired by our Group in October 2018. Hunan Gelidisi Catering was established in the PRC with limited liability on April 20, 2018. On October 15, 2018, Shenzhen Helens entered into an equity transfer agreement with Mr. Zhou Jian and Mr. Zhang Long, pursuant to which Shenzhen Helens acquired 100% of the equity interest in Hunan Gelidisi Catering at nil consideration, as the registered capital of the company had not yet been contributed by the shareholders at the time. Upon completion of such acquisition, Hunan Gelidisi Catering became a wholly owned subsidiary of our Company. Mr. Zhang Long was the executive director, general manager and authorised representative of Hunan Gelidisi Catering and the supervisor of Jiangxi Catering, and had resigned from those positions since their respective acquisition by our Group. As at the Latest Practicable Date, Mr. Zhang Long, Mr. Zhou Jian and Mr. Zhou Shugao were employees of our Group. As at the Latest Practicable Date, save for the aforesaid and to the best knowledge and information of our Directors, Mr. Wang Huafu, Mr. Zhou Shugao and Mr. Zhou Jian have no other past or present relationship (business, employment, family, financing, trust or otherwise) with our Company, our subsidiaries, their shareholders, directors or senior management, or any of their respective associates.

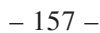
Fuzhou Catering, Jiangxi Catering and Wuhan Catering were at the preparation stage or initial operation stage at the time of the acquisitions by our Group, but their businesses had subsequently grown in size over the course of the Track Record Period. According to Rule 4.05A of the Listing Rules, the acquisition of Fuzhou Catering, Jiangxi Catering and Wuhan Catering, on an aggregated basis, would have been classified at the date of application for our listing, as a major transaction under Chapter 14 of the Listing Rules. See paragraph headed “Financial Information – Major acquisition under Rule 4.05A of the Listing Rules” in this prospectus and Section IV and Section V in Accountant’s Report in Appendix I to this prospectus for further details.

Our Company confirmed that all applicable approvals had been obtained and the acquisitions disclosed above have been properly and legally completed and settled. As confirmed by our Directors, there was no material non-compliance incident related to Fuzhou Catering, Jiangxi Catering and Wuhan Catering as at the Latest Practicable Date.

# CORPORATE STRUCTURE

## Group Structure Immediately before the Global Offering

The following chart sets forth the shareholding and beneficial ownership structure of our Group immediately following the completion of the Reorganisation and prior to the completion of the Global Offering:





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## HISTORY, DEVELOPMENT AND REORGANISATION

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*Notes:*

1. Mr. Xu's Trust is a discretionary trust set up by Mr. Xu, as the settlor and the protector, with Cantrust acting as the trustee and Mr. Xu's family members and Helens Hill (BVI) being the beneficiaries.
2. WTSJ Holding is beneficially owned by Mr. Zhang Bo (as to approximately 19.38%), Mr. Zhao Jun (as to approximately 9.30%), Mr. Liu Yi (as to approximately 9.30%), Mr. Xia Linfan (as to approximately 9.30%), Ms. Lei Xing (as to approximately 6.20%), Mr. Yang Zhigang (as to approximately 6.20%), Ms. Xie Yan (as to approximately 4.65%), Mr. Zhu Mingzhe (as to approximately 4.65%) and four individuals (comprising three employees of our Group and one Independent Third Party; as to 31.02%).
3. SHXM Holding is wholly owned by Infiniti Trust, which acts as the trustee for the Senior Management RSU Scheme. The participant and beneficiary of the Senior Management RSU Scheme includes Mr. Wang Zhenpeng only, a senior management member of our Company who is not a core connected person of our Company. As such, SHXM Holding and Infiniti Trust are not core connected persons of our Company under Listing Rules and the Shares held by SHXM Holding underlying the Senior Management RSU Scheme are counted towards public float of our Company for the purposes of Rules 8.08 and 8.24 of the Listing Rules.
4. NLNQ Holding is wholly owned by the Infiniti Trust, which acts as the trustee for the Employee RSU Scheme. The participants and beneficiaries of the Employee RSU Scheme only include existing employees of our Company or any of its subsidiaries who are not core connected persons of our Company. As such, NLNQ Holding and the Infiniti Trust are not core connected persons of our Company under Listing Rules and the Shares held by NLNQ Holding underlying the Employee RSU Scheme are counted towards public float of our Company for the purposes of Rules 8.08 and 8.24 of the Listing Rules.
5. TSLZ Holding is wholly owned by the Infiniti Trust, which acts as the trustee for the Post-IPO RSU Scheme. The participants and beneficiaries of the Post-IPO RSU Scheme shall only include employees and business associates of our Company or any of its subsidiaries who are not core connected persons of our Company. As such, TSLZ Holding and the Infiniti Trust are not core connected persons of our Company under Listing Rules and the Shares held by TSLZ Holding underlying the Post-IPO RSU Scheme are counted towards public float of our Company for the purposes of Rules 8.08 and 8.24 of the Listing Rules.
6. TLTQ Holding is wholly owned by the Cantrust, which acts as the trustee for the Director RSU Scheme. The participants and beneficiaries of the Director RSU Scheme include directors of our subsidiaries who are core connected persons of our Company. As such, TLTQ Holding and the Cantrust are core connected persons of our Company under Listing Rules and the Shares held by TLTQ Holding underlying the Director RSU Scheme will not be counted as part of the public float of our Company for the purposes of Rules 8.08 and 8.24 of the Listing Rules.
7. The remaining approximately 1.5% of the issued shares of CFPL (Cayman) were held by Wang & Partners Inc., an Independent Third Party. For further details, please refer to the paragraph headed "Our corporate reorganisation" in this section above.



**Corporate structure immediately following the Global Offering**

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## HISTORY, DEVELOPMENT AND REORGANISATION

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*Notes:*

1. Mr. Xu's Trust is a discretionary trust set up by Mr. Xu, as the settlor and the protector, with Cantrust acting as the trustee and Mr. Xu's family members and Helens Hill (BVI) being the beneficiaries.
2. WTSJ Holding Limited is beneficially owned by Mr. Zhang Bo (as to approximately 19.38%), Mr. Zhao Jun (as to approximately 9.30%), Mr. Liu Yi (as to approximately 9.30%), Mr. Xia Linfan (as to approximately 9.30%), Ms. Lei Xing (as to approximately 6.20%), Mr. Yang Zhigang (as to approximately 6.20%), Ms. Xie Yan (as to approximately 4.65%), Mr. Zhu Mingzhe (as to approximately 4.65%) and four individuals (comprising three employees of our Group and one Independent Third Party; as to 31.02%).
3. SHXM Holding is wholly owned by the Infiniti Trust, which acts as the trustee for the Senior Management RSU Scheme. The participant and beneficiary of the Senior Management RSU Scheme includes Mr. Wang Zhenpeng only, a senior management member of our Company who is not a core connected person of our Company. As such, SHXM Holding and the Infiniti Trust are not core connected persons of our Company under Listing Rules and the Shares held by SHXM Holding underlying the Senior Management RSU Scheme are counted towards public float of our Company for the purposes of Rules 8.08 and 8.24 of the Listing Rules.
4. NLNQ Holding is wholly owned by the Infiniti Trust, which acts as the trustee for the Employee RSU Scheme. The participants and beneficiaries of the Employee RSU Scheme only include existing employees of our Company or any of its subsidiaries who are not core connected persons of our Company. As such, NLNQ Holding and the Infiniti Trust are not core connected persons of our Company under Listing Rules and the Shares held by NLNQ Holding underlying the Employee RSU Scheme are counted towards public float of our Company for the purposes of Rules 8.08 and 8.24 of the Listing Rules.
5. TSLZ Holding is wholly owned by the Infiniti Trust, which acts as the trustee for the Post-IPO RSU Scheme. The participants and beneficiaries of the Post-IPO RSU Scheme shall only include employees and business associates of our Company or any of its subsidiaries who are not core connected persons of our Company. As such, TSLZ Holding and the Infiniti Trust are not core connected persons of our Company under Listing Rules and the Shares held by TSLZ Holding underlying the Post-IPO RSU Scheme are counted towards public float of our Company for the purposes of Rules 8.08 and 8.24 of the Listing Rules.
6. TLTQ Holding is wholly owned by the Cantrust, which acts as the trustee for the Director RSU Scheme. The participants and beneficiaries of the Director RSU Scheme include directors of our subsidiaries who are core connected persons of our Company. As such, TLTQ Holding and the Cantrust are core connected persons of our Company under Listing Rules and the Shares held by TLTQ Holding underlying the Director RSU Scheme will not be counted as part of the public float of our Company for the purposes of Rules 8.08 and 8.24 of the Listing Rules.
7. The remaining approximately 1.5% of the issued shares of CFPL (Cayman) were held by Wang & Partners Inc., an Independent Third Party. For further details, please refer to the paragraph headed "Our corporate reorganisation" in this section above.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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### M&A Provisions

According to the “Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors” jointly promulgated by six ministries including the Ministry of Commerce on August 8, 2006 and the amended “Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors” promulgated by the Ministry of Commerce on June 22, 2009 (collectively as “**M&A Rules**” hereinafter), a PRC company or enterprise which, or a natural person who, through an offshore company (hereinafter as the “**M&A of Connected Relationships**”) established or controlled under the name of such company or natural person, acquires a domestic company which is related to such company or natural person is subject to approval from the Ministry of Commerce. In addition, where the offshore company is listed overseas with its equity interest actually owned in the domestic company after the PRC company or natural person, through its directly or indirectly controlled offshore company, acquired a domestic company with equity for payment, approval from China Securities Regulatory Commission is required.

As advised by our PRC Legal Advisor, pursuant to the relevant laws and regulations in the PRC that are currently in effect, as Shenzhen Helens and Shenzhen Xiaoxiaohai Enterprises Management Co., Ltd.\* (深圳市逍小海企業管理有限公司) are incorporated as Foreign-Invested Enterprise and are not involved in the M&A of Connected Relationships where acquisitions are conducted by foreign investors on any domestic company as stipulated in the M&A Rules, no prior approval from the Ministry of Commerce or the CSRC is required for this issuance and the Listing.

### COMPLIANCE WITH SAFE CIRCULAR 37

According to SAFE Circular 37 promulgated by SAFE, PRC residents are required to register with competent local SAFE branches regarding establishing or controlling offshore companies. Pursuant to the Circular on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》), or Circular 13, which was promulgated by the SAFE on February 13, 2015 and effective from June 1, 2015, the aforesaid registration shall be directly reviewed and handled by qualified banks instead of the local branch of the SAFE.

As confirmed by our PRC Legal Advisor, Mr. Xu, our Controlling Shareholder who is a PRC resident under SAFE Circular 37 had completed the process of initial registration.

**OVERVIEW**

We are China's largest bar chain network. In 2018, 2019 and 2020 and the three months ended March 31, 2021, we are the market leader in China's bar industry as measured by the number of bars, according to Frost & Sullivan. Leveraging our highly standardized business model, we have rapidly grown our bar network during the Track Record Period. In 2018, 2019 and 2020 and the three months ended March 31, 2021, the total number of bars of our bar network was 162, 252, 351 and 374, respectively, and further increased to 528 as of the Latest Practicable Date. We have been operating bars under the brand "Helen's" (「海倫司」), as of the Latest Practicable Date, the number of Helen's bars in first-tier, second-tier and third- and lower-tier cities of China was 66, 296 and 165 respectively, representing 12.5%, 56.1% and 31.3% of the total number of bars as of the same date, respectively.

We believe our bar network allows us to deliver a relaxing social space and value for money product portfolio to broad customer base. By offering value for money product portfolio and a relaxing customer experience, we aim to satisfy young generation's demand for affordable alcoholic drinks, quality services and social ambience. According to the consumer survey conducted by Frost & Sullivan, we are a preferred bar brand with a satisfaction rate of up to 93.9% among the customers who have visited Helen's bars. We offer our customers premium quality and value for money product portfolio, primarily consisting of our own branded products as well as a variety of third-party products. All of our bottled beers are under RMB10 per bottle, which gives us significantly pricing advantages over similar products in the market. In 2018, 2019 and 2020 and the three months ended March 31, 2021, the revenue generated from our branded alcoholic drinks accounted for 68.4%, 64.2%, 69.8% and 74.8% of the total alcoholic drinks revenue. Our Helen's branded alcoholic drinks mainly include Helen's draft beer, Helen's craft beer, Helen's fruit-flavoured beer and Helen's milk beer. These products satisfy the young generation's demand for alcoholic drinks and have attracted massive attention and followers on social media. As of the Latest Practicable Date, our official accounts at Weixin, Douyin and Weibo accumulated over 7.5 million followers. As of the Latest Practicable Date, our popular Helen's Coke Bucket product, has gone viral on Douyin, with the streaming of relevant videos more than one billion times. We also enrich our customers' choices by providing products of third-party brands that are well known among the youth, including Budweiser, Corona, 1664 and Yeager.

In Helen's bars, we offer young customers a social space where they can gather and relax with their friends. To this end, we also adopt a decoration and interior style featuring Southeast Asian and Chinese ethnic styles. We believe these efforts may help us increase the customer experience and stickiness to us. Our employees are committed to providing efficient service to customers. We offer a variety of activities to build diversifying interaction with customers. For instance, our customers can vote on the music playlist on our Weixin mini program, and we play the music in our Helen's bars which have the most votes. In addition, we also serve free drinks to customers queueing up for tables and hold themed events during the holidays that are popular among the youth. These comprehensive activities have made our customers appreciate our sincerity and gratitude and significantly increase customer loyalty. We also believe music

plays an important role to the unique atmosphere at our Helen's bars. Utilizing our proprietary smart music management system, we have accurate and real-time control over the music played in all our bars across China, providing comfortable and enjoyable experience for our customers.

We have maintained a strong financial performance during the Track Record Period. In 2018, 2019 and 2020, our revenue significantly increased from RMB114.8 million to RMB564.8 million, and further to RMB817.9 million. In the first half of 2020, COVID-19 and the relevant prevention and control measures had affected our businesses to a certain extent. However, we experienced a strong recovery after COVID-19 began to become under control in Mainland China and managed to launch 105 new Helen's bars in 2020. Our monthly revenue continued to increase from RMB36.3 million in April to RMB139.6 million in December in 2020, and we achieved an 44.8% annual revenue growth on the year-on-year basis.

### **OUR COMPETITIVE STRENGTHS**

#### **The market leader in China's bar industry with continuous growth and great popularity among the youth**

We are China's largest bar chain network. According to Frost & Sullivan, as of December 31, 2020, we are the only bar chain network that owns over 100 bars in China, which is over four times compared to that of the second largest bar chain. According to Frost & Sullivan, we have maintained our leading position as the largest bar chain network in China for three consecutive years from 2018 to 2020 in terms of the number of bars in China. We have been operating bars under the brand "Helen's" (「海倫司」). As of the Latest Practicable Date, we have operated 528 self-operated bars across 101 cities in China.

We are committed to creating a relaxing social space for the youth by providing premium and value for money products and excellent customer experience. According to the consumer survey conducted by Frost & Sullivan, we are a preferred bar among the youth and achieve a satisfaction rate of up to 93.9% among customers who have visited Helen's bars. As of the Latest Practicable Date, we have accumulated more than 7.5 million followers in our official accounts in Weixin, Douyin and Weibo. Moreover, our popular "Helen's Coke Bucket" product has gone viral on Douyin, with the streaming of relevant videos more than one billion times. This not only reflects our excellent brand awareness and word-of-mouth reputation, but also gives us incomparable brand outreach capabilities to our key customers.

We operate in a rapidly growing industry in China. According to Frost & Sullivan, the market size of the bar industry in China increased from RMB84.4 billion in 2015 to RMB117.9 billion 2019, representing a CAGR of 8.7%. Although the market size of the bar industry in China reduced in 2020 due to the impact of COVID-19, it is expected to promptly recover and increase to RMB183.9 billion in 2025, achieving a CAGR of 18.8% from 2020 to 2025. We have achieved rapid growth during the Track Record Period. Our revenue had grown significantly from RMB114.8 million in 2018 to RMB817.9 million in 2020. By leveraging our leading market position, our strong brand awareness among the youth as well as our highly attractive products portfolio and superior customer experience, we believe we can fully capture the robust growth opportunities in China's bar industry.

In the first half of 2020, COVID-19 and the implementation of relevant prevention and control measures had adversely impacted the bar industry in China, which, to a certain extent, also affected our business. However, we experienced a strong recovery after COVID-19 became under control in Mainland China and successfully opened 105 new Helen's bars in 2020. Our monthly revenue continuously increased from RMB36.3 million in April to RMB139.6 million in December in 2020, and we achieved a 44.8% annual revenue growth in 2020 as compared to 2019, thereby further consolidating our leading market position.

#### **Premium-quality and value for money product portfolio**

One of our core competitive strengths is the premium-quality and value for money product portfolio that we offer to the young customers.

We have established a product matrix mainly featured our branded products and supplemented by third-party products. During the Track Record Period, the revenue generated from the sales of our branded alcoholic drinks represents a large portion in our alcoholic drinks revenue. In 2018, 2019 and 2020 and the three months ended March 31, 2021, the revenue generated from our branded alcoholic drinks accounted for 68.4%, 64.2%, 69.8% and 74.8% of the total alcoholic drinks revenue. We enrich our customers' choices by offering third-party products that are popular among the young customers, including Budweiser, Corona, 1664, and Yeager.

For Helen's branded products, we have been tracking the trends of the young customers' demands. Through efficient and in-depth customer interaction, we are able to identify the changes in target customers' demand at early stage, which allows us to launch a variety of branded alcoholic drinks and strategically expand our presence in a number of market segments during the Track Record Period, including the launch of Helen's draft beer, Helen's craft beer, Helen's fruit-flavoured beer and Helen's milk beer. In particular, our branded alcoholic drinks have achieved rapid growth due to their appealing taste and diversified flavours. We also cooperate with well-known third-party suppliers to provide customers with selected snacks. We believe that a high-quality and diversified product portfolio will increase customer stickiness and develop a more comprehensive brand image.

Our premium-quality product portfolio consists of various affordable products. The prices of all our bottled beer are under RMB10 per bottle, which gives us significant pricing advantages over similar products in the market. For example, the price of our 275ml Helen's craft beer is only RMB7.8 per bottle, and the price of 275ml Budweiser beer offered at our bars is RMB9.8 per bottle. In contrast, the average price of Budweiser beer of the same specification ranges between RMB15 to RMB30 per bottle according to Frost & Sullivan. Our price for Budweiser beer is about 35%-67% lower than the average price in the market.

Our economics of scales and product matrix enable us to offer value for money products portfolio. During the Track Record Period, the rapid expansion of our bar network and the continuous growth of our sales volume allow us to quickly achieve economics of scale, cost reduction and improved efficiency. Our branded products eliminates unnecessary intermediary parties, helping us achieve a competitive pricing, as well as enhances our profitability. The improvement in our economics of scales and the increase in proportion of our branded products in our revenue mix enable us to adhere to our long-term strategy of offering affordable products.

### **Highly standardized business model**

We have established a highly standardized business model under which we have achieved rapid expansion of our bar network. The number of our bars has rapidly increased from 101 from the beginning of the Track Record Period to 374 as of March 31, 2021, and further increased to 528 as of the Latest Practicable Date, including 66 bars in first-tier cities (Beijing, Shanghai, Guangzhou, Shenzhen), 296 bars in second-tier cities (the provincial capitals and municipalities such as Wuhan and Changsha), 165 bars in third and lower-tier cities (such as Quanzhou and Yichang) and one bar in Hong Kong. We continue our expansion in established markets to satisfy the needs of customers in those regions. As of the Latest Practicable Date, we had 63, 42 and 28 bars in Wuhan, Changsha and Shenzhen, respectively, and we plan to continue to open new bars in those areas, in order to utilize the market capabilities in these first and second-tier cities in the future. In addition, as of the same date we have eight and seven bars in Quanzhou and Yichang, respectively, to continue to explore the business opportunities in the third-tier or below cities.

We achieve revenue growth along with our rapid business expansion. As we continue to improve our brand image, standardized operation and efficient bar expansion process, the initial breakeven period of each new self-operated bar in 2018, 2019 and 2020 kept reducing, which is generally six months, five months and three months, respectively.



Our standardized operation model is one of the key drivers for the rapid expansion of our business. Based on the standardized operational standards employed by our entire bars network across China as well as our proprietary operation system, we have achieved standardized operation in every major aspects of bar operation, including but not limited to:

- *Optimized product portfolio.* We provide unified and signature product portfolio to customers in Helen's bars across China, thereby simplifying our procurement and logistics procedures while improving the inventory turnover. Currently, our Helen's bars provide 41 products, including 24 alcoholic drinks, 8 snacks, 6 soft drinks, and 3 other products. Meanwhile, we monitor the key sales status of our Helen's bars across China, such as the sales volume and the mix of sales amount. We also analyze the changes in the consumption trends of our customers, allowing us to introduce new products that meets customer preference in a timely manner. For example, we have seized the trend of spirituous drinks and developed a series of Helen's fruit-flavoured beers. We believe that the signature product portfolio enables us to meet diversified customer needs.
- *Integrated bar operation.* We implement an integrated bar operation system. We have a professional team at the our headquarter to manage bar location selection, bar decoration, logistics and procurement and in-store music. For instance, based on our modularized and standardized bar operation, we have successfully increased the efficiency of bar decoration that typically involves complicated processes. This allows us to complete the bar decoration process within approximately 40 days, and to complete the process from signing the rent lease to satisfying opening conditions for new bars within approximately two to three months. By using the data collected through our proprietary Future BI, we decide whether new Helen's bars can be opened around our existing bars based on relevant information such as the accumulative number of ordering users and the queuing status of existing bars. We open new bars around the existing ones when certain predetermined thresholds relating to such existing bars have been met, such as the repurchase ratio of the existing bar's customers and its queuing status. This approach allows us to fully satisfy and stimulate customers' needs and promote the network effect of our bars in core commercial areas, therefore making the social space we offer being part of young generation's daily life.
- *Efficient bar management.* We adopt a standardized day-to-day bar management system. We partner with professional third-party logistics service providers to achieve effective bar logistics distribution. The alcoholic drinks we procure are all finished products and we carry out a standardized and strict quality and safety control for these products. We purchase snack that are customized and easy for processing. Moreover, we have formulated a highly standardized and streamlined operating procedure for our kitchens. Our efficient supply chain can effectively enhance the operation efficiency of our bars. Our Future BI provides real time and effective data analysis and decision-making during our operation process, allowing



our bars to apply unified assessment, supervision, food safety control, supply chain management and pricing. By adopting such unified management method, we ensure sustainable growth in an integrated and standardized manner.

- *Systematized training for store managers.* We train store managers through an integrated training, mentorship and rotation system, thereby forming a sustainable talent training system. Relying on a highly standardized training system and clear and concise procedures and guidelines, it usually takes only about nine months to complete the training of a new bar manager. We have an extensive reserve of bar management staff. As of the Latest Practicable Date, we have 554 store managers as well as 365 reserved store managers, who will be promoted to store manager, laying a solid foundation for the continued expansion of our bar network.

### **A unique style of outstanding consumer experience**

We are committed to creating a relaxing social space for young customers and striving to improve customer experience and interaction in order to strengthen our customers' connection with us.

- *Unique decoration style.* We pay great attention to decor design and ambience in our bars. We create unique styles in bar decoration, and continuously optimize and upgrade bar decoration. We use wooden tables and chairs and warm-toned decoration materials, and select exotic art sculptures and flower engravements as decorations, which are rich in colour touch, and give customers a visible and tactile experience, thus creating a more comfortable environment for customers.
- *Comprehensive bar events.* We offer a variety of activities to build diversifying interaction with customers. For instance, our customers can vote on the music that we choose on Weixin mini program, and we play the music in our Helen's bars which have the most votes. In addition, we also serve free drinks to customers queueing up for tables and hold themed events during the holidays that are popular among the youth. These comprehensive activities have made young customers feel our heartfelt sincerity and gratitude, thereby greatly enhancing the loyalty of our customers.
- *Cordial and efficient service.* Our employees provide efficient services to customers with a sunny, positive and modest image. The average age of our employees is approximately 22 years old. We believe that young employees bring more effective interaction and establish connection with young customers. We advocate a modest and efficient service based on the principle of minimal disturbance in order to ensure that customers experience a comfortable and natural social ambience.

Excellent consumer experience enable us to achieve a high level of brand loyalty and customer stickiness. According to the Frost & Sullivan Survey, 93.9% of customers who had visited our bars were satisfied with their consumption experience.

### **Excellent operational efficiency powered by digitalization and technological innovation**

We embrace technology development with a focus on innovation. We deploy advanced technology to gain insights into the underlying market trends and guide our strategic policy-making. By leveraging our data analytics capabilities and smart management applications, our standardized bar management system allows us to substantially improve our operation efficiency, making our standardized bar operation capable of embracing diversified management needs.

The technology we have developed and applied are focused on the following aspects:

- *Future BI.* Our proprietary Future BI integrates our ERP system and CRM to form a unified data analysis and management platform. We use Future BI to enhance our real-time monitor of our operations. For example, the system allows us to have the real-time information relating to the sales, customer traffic, weather, staff and power consumption of each of our bars, allowing us to determine whether the staffing and energy consumption are reasonable. Future BI also helps us improve operational efficiency, allowing our employees to focus on their own work without having to deal with internal coordination and communication. For example, the system will automatically generate raw material order data based on product sales in bars, and real-time inventory of raw materials, so that store managers do not need to perform inventory checks and calculations. After the store managers place orders, the system forwards the order to the procurement department for further processing, thereby improving procurement efficiency.

Our Future BI is connected with the following two operation systems.

- *ERP system.* We have tailored our ERP system to our bar operation, allowing us to achieve the digitalization and visualization of the entire business process from queuing up, drinks ordering and preparation, to inventory, logistics, financial and human resources on cloud basis, so that the operation team at our headquarters can have real-time access to the data regarding revenue, SKU sales and cost structure of more than 500 bars across China at any time, thereby improving the efficiency of bar management.
- *CRM.* Based on the customers' purchase records, we apply flexible, diversified and precise marketing strategy and implement an effective analysis and review process based on our customers' consumption behaviours. This allows us to achieve synergy of online and offline marketing, enabling us to formulate creative, precise and effective micro-marketing in the bar industry.

- *Centralized music management system.* We have built an integrated and visualized intelligent music management system which only takes five employees to achieve accurate and real-time control over the background music of all of the Helen's bars across China. We develop an integrated music library to be used for all Helen's bars. Our music management system automatically tests the track BPM and assign appropriate mood tag to each sound track, allowing our bars to choose and play the music that is most suitable for the in-store ambience according to the specific business hour, peak hours, customer group and whether it is a holiday. This brings our customers the atmosphere and sentiment that are perfectly matched with their moods. We also automatically adjust the volume and rhythm of the in-store music according to the customer traffic, thus helping our customer become immersed into a relaxing and joyful ambience and enjoy an excellent leisure time.

### **Enterprising and people-oriented management team**

We are led by an experienced, professional and enterprising management team. Mr. Xu, our founder and chairman, has more than 15 years of experience in the bar industry. He has deep insights into the development of bar industry in China and has focused on the innovation of business models of bar industry for a substantial amount of time, and his strategic guidance is significant and meaningful to our success. Our management team includes veteran industry experts who have worked in the catering industry for many years, technical experts who have worked in large internet companies, and employees who have been working with us for an extended period of time. Under their leadership, we have developed into the largest bar chain network in China.

Our employees are our first-line teams and also our most important assets. We consistently adhere to treating our employees with sincerity, and are committed to building an equal, free, open and embracing corporate culture. We have tried our best to take care of and support the development of each employee while letting them work in a joyful atmosphere. We believe that our dedicated and happy staff team will contribute significantly to our long-term development in the future.

### **OUR GROWTH STRATEGIES**

#### **Continue to expand our bar network**

We will continue to focus on opening new bars in the future in order to consolidate our leading position and satisfy the growing customer needs. Our bar expansion plan mainly includes the following aspects:

- *Open more bars in the regions under our deployment.* Based on our mature bar-locating and development strategy, we have operated bars in regions with higher concentration of young customers in different tiers of cities (mainly the first- and second-tier cities). For instance, as of the Latest Practicable Date, we have launched 63 bars in Wuhan, 42 bars in Changsha and 28 bars in Shenzhen. These regions have

an extensive amount of target customer groups and sufficient market demand. Meanwhile, our value for money and high quality product portfolio and our relaxing social space are competitive in these markets. Furthermore, in the future, we plan to open more bars in the areas where we have already made deployment.

- *Expand the bar network to the new regions.* As of the Latest Practicable Date, we have 165 bars in the third and below-tiers cities, such as Huaihua in Hunan and Xiantao in Hubei. In the future, we plan to develop the lower-tier markets and continue to launch more bars in China's third and below-tiers cities. Meanwhile, our value for money and high quality product portfolio and our relaxing social space are even more competitive in these markets. We will fully seize the broad market prospects in these regions and continue to meet the increasing demand in the lower-tier markets.

Based on the mature and highly standardized bar expansion model, we expect to achieve the target of opening approximately 400 new bars for 2021 and increase the total number of bars to approximately 2,200 by the end of 2023. While continuing to expand the bar network, we will further strengthen the management of our supply chain by deploying more warehousing centres to better support the supply of materials for our new bars across the country. We will also further expand the pool of our bar management talent and continue to optimize our talent training system in order to reinforce the rapid expansion of our bar network. To execute this strategy, approximately 70.0% of the net proceeds received from this offering will be used for opening new bars and realizing our expansion plan over the next three years. For a detailed discussion, see the section headed "Future Plans and Use of Proceeds" of this prospectus.

### **Continuous investments in our underpinning capacities**

We will continue to invest in our underpinning capacities with a view to further improving our operational efficiency and management capabilities, thereby continuing to enhance our core competitiveness for long-term development.

We plan to continue to invest in research and development of technology. We will stay focused on improving customer experience and optimizing cost-effectiveness, and actively explore the potentials of emerging technologies such as artificial intelligence and the Internet of Things to empower bar operations and cost management. We are currently considering to launch the following research and development plans, including an intelligent ambience management system that can automatically optimize the music tracks and streaming conditions according to the number of customers in the bar and on-site ambience, an intelligent expansion model that can effectively delineate locations for new bars, a smart cleaning system capable of automatic cleaning restrooms, and an automatic kitchen system with smart fryers and other devices. To execute this strategy, approximately 5.0% of the net proceeds received from this offering will be used for further enhancing the research and development of technologies used in the operation of our bars. For a detailed discussion, see the section headed "Future Plans and Use of Proceeds" of this prospectus.

We plan to continue to invest in the construction of talent pool and optimize the human resource management system. A united, mutually trusted, and enterprising talent team is an important cornerstone for our business to achieve sustainable growth. We will attract and retain more employees who agree with our corporate cultures as well as recruiting talents with expertise and experience in the fields of supply chain management, brand communication, and technology research and development. We will further optimize our human resource management system to provide more competitive reward and benefit packages for our employees, set up fair and effective incentive mechanisms, and room for the self-growth and promotion of our employees. To execute this strategy, approximately 10.0% of the net proceeds received from this offering will be used for further enhancing the construction of the talent pool of our bars to optimize the human resource management system. For a detailed discussion, see the section headed “Future Plans and Use of Proceeds” of this prospectus.

### **Strengthening brand image and consumer awareness**

We plan to further enhance the awareness of our Helen’s brand. We will continue to steadily promote the bar expansion plan in the regions where there are high concentration of young customers, and at the same time, open more bars in certain regions in response to the expectations and feedback of loyal customers in order to continue to increase the awareness among target customer groups and customers stickiness. We will also continue to adhere to serving our customers sincerely, establish effective communications with customers in daily operations, and convey our gratitude and feedbacks to our customers. We believe that sincerity in service can inspire customers to recognize the values of Helen’s brand, thereby effectively enhancing customers’ spontaneous promotion of our brand. This is also our constant brand belief from day one.

As an important part of the brand image, we will continue to optimize and iterate our branded product portfolio. We plan to continue to research and develop products through big data analysis and interactions with customers so as to enrich our branded product portfolio. Our new product development plans include to develop the craft beers with a wide audience and unique tasting experience, alcoholic drinks with diverse flavours and a low alcoholic level, and seasonal snacks with local flavours to be served with alcoholic drinks. In order to preserve and enhance the image of our branded product portfolio, we will continue to refine and optimize product formulations, processing, and packaging based on consumer experience and preferences. We believe that a high-quality and continuously enriched branded product portfolio can enhance the brand awareness, increase customer stickiness, and maintain our sustained profitability under a value for money business strategy. At the same time, our branded product portfolio also helps to create “breaking the circle” and “diversion” effects, allowing more customers to enjoy excellent alcoholic drinks, disseminating our brand culture and values, thereby making our brand image more stylish and well-rounded.

We will also further broaden our marketing channels and increase our outreach to target customers. We plan to utilize the influences of emerging social media and private domain traffic to develop digitalized marketing, accurately capture target customers based on their locations, hobbies and ages, and to implement targeted advertising on the favourite social platforms of the youth. We plan to continue to enrich the events held at our bars and creative holiday activities, and to organize various promotional campaigns surrounding the places where young people gather in order to increase our brand exposure and heighten interactions

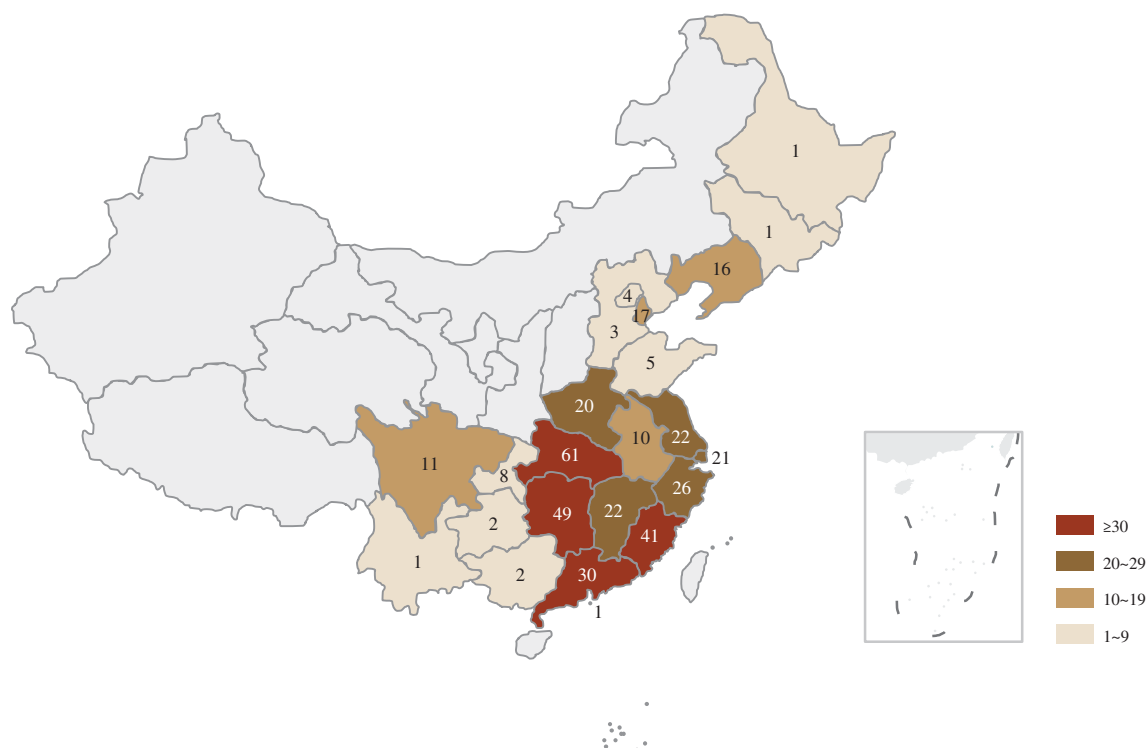
with young customers. Moreover, we also plan to conduct diversifying promotional campaigns including cooperation with KOLs, crossover activities and hotspot marketing to keep narrowing the distance between our brand and its target customer groups. To execute this strategy, approximately 5.0% of the net proceeds received from this offering will be used for further strengthening the brand awareness of the Helen's. For a detailed discussion, see the section headed "Future Plans and Use of Proceeds" of this prospectus.

## **HELEN'S BARS**

### **Our Bar Network**

We have built Helen's into an extensive bar chain network targeting the youth across China. According to Frost & Sullivan, we have been the market leader in China's bar industry for three consecutive years in 2018, 2019 and 2020 as measured by the number of bars. Through our unified management and operation model, the total number of Helen's bars in our bar network achieved rapid growth during the Track Record Period, which increases from 162 as of December 31, 2018 to 374 as of March 31, 2021. As of the Latest Practicable Date, we had a total number of 527 self-operated bars in Mainland China, covering 24 provincial-level administrative regions and 100 cities as well as one self-operated bar in Hong Kong, China.

The following map shows the distribution of our bar network in China as of March 31, 2021.



We have always been committed to serving a broader market. Our network covers not only first and second-tier cities, but also a wide range of third- and lower-tier cities across China.

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The following table sets out the number of bars in our Helen's bar network by geographic location during the Track Record Period and as of the Latest Practicable Date.

	As of December 31,			As of March 31,	As of the Latest Practicable Date
	2018	2019	2020	2021	
<b>Mainland China</b>					
Bars in first-tier cities	26	35	56	53	66
Bars in second-tier cities	82	143	200	214	296
Bars in third and lower-tier cities	53	73	94	106	165
<b>Hong Kong, PRC</b>	1	1	1	1	1
<b>Total</b>	<b>162</b>	<b>252</b>	<b>351</b>	<b>374</b>	<b>528</b>

### Our Business Model

In 2009, our founder, Mr. Xu, established the first Helen's bar and, in the subsequent years, our founder and his business partners established a number of Helen's bars across China successively. After our Company's incorporation in 2018, the Helen's bars established by Mr. Xu and his business partners initially operated as our franchised bars. Under the franchise arrangements, we charge franchisees one-off franchise fees and service fees. Meanwhile, based on our deep understanding of industry trends and our overall strategy, we set down our business strategy to develop our business through self-operated bars as well as continue to establish new self-operated bars. We started operation of our first self-operated Helen's bars in May 18, 2018. Through a series of integration, we gradually convert those franchised bars into our self-operated bars. As of the Latest Practicable Date, all of our Helen's bars are self-operated bars.

We believe that we can achieve rapid and high-quality expansion through the operation of self-operated bar. As compared with the franchise model, we have a stronger management and more effective supervision over the products, operation, services, supply chain and personnel training, enabling our services and operational standards to have high uniformity and better business scalability. By continuously promoting our direct operation business model, we achieve a highly standardized operation model, and effectively improve the operational efficiency, profitability and sustainable long-term development of Helen's bars.

Since we established our direct operation business model, the number of our self-operated bars achieved rapid growth during the Track Record Period. As of December 31, 2018, 2019 and 2020, March 31, 2021 and the Latest Practicable Date, we had 84, 221, 337, 374 and 528 self-operated bars, respectively. In 2018, 2019 and 2020 and the three months ended March 31,



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2021, our revenue generated from self-operated bars amounted to RMB69.1 million, RMB540.3 million, RMB812.9 million and RMB368.1 million, representing 60.2%, 95.7%, 99.4% and 99.9% of our total revenue for the corresponding periods, respectively.

As of December 31, 2018, 2019 and 2020, the number of the franchised bars had continuously decreased from 78 to 31 and further to 14, which represented 48.1%, 12.3% and 4.0% of our total number of bars as of the same dates, respectively. In 2018, 2019 and 2020, March 31, 2021 our franchise fees generated from the franchised bars amounted to RMB45.7 million, RMB24.5 million, RMB5.1 million and RMB0.5 million, representing 39.8%, 4.3%, 0.6% and 0.1% of our total revenue for the corresponding periods, respectively. As of March 31, 2021, all the bars in our Helen's network are self-operated bars.

### Operation Performance

The following table sets forth our profit/(loss) before income tax of our self-operated bars by city-tiers for the periods indicated.

	For the years ended December 31,			For the three months ended March 31,	
	2018	2019	2020	2020	2021
	<i>RMB'000</i>				
<b>Profit/(loss) before income tax, self-operated bars</b>					
Bars in first tier cities	(8,520)	(12,902)	(25,582)	(8,612)	(4,770)
Bars in second tier cities	(10,497)	64,892	78,001	(9,498)	27,162
Bars in third and lower-tier cities	(9,373)	21,498	51,370	(3,067)	27,107
<b>Total</b>	<b>(28,390)</b>	<b>73,488</b>	<b>103,789</b>	<b>(21,177)</b>	<b>49,499</b>

The following table sets forth number of our self-operated bars by city-tiers as well as revenue contribution among self-operated bars for the periods indicated.

	For the years ended December 31,			For the three months ended March 31,
	2018	2019	2020	2021
<b>Numbers of self-operated bars</b>				
Bars in first tier cities	11	26	50	53
Bars in second tier cities	42	129	194	214
Bars in third and lower-tier cities	30	65	92	106
<b>Total</b>	<b>83</b>	<b>220</b>	<b>336</b>	<b>373</b>



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	For the years ended December 31,			For the three months ended March 31,
	2018	2019	2020	2021
<b>Revenue contribution among self-operated bars</b>				
Bars in first tier cities	3.2%	9.5%	10.6%	11.9%
Bars in second tier cities	61.7%	63.5%	60.6%	57.7%
Bars in third and lower-tier cities	34.1%	26.5%	28.6%	30.4%

We use profit before tax to monitor the operation of Helen's bars, and we believe it represents a more accurate reflection of our ability to generate profitability and results of operation after taking into account the costs and expenses that primarily affect our profit/(loss) before tax. During the Track Record Period, our profit before tax fluctuates as it was generally affected by the rapid expansion of our bar network, the changing market condition and the negative impact of COVID-19. As our business continues to scale up, we expect our profit before tax will become more stable and positive going forward.

The profit before tax of our self-operated bars in different tiers of cities is subject to various factors, such as the operating days, the initial breakeven period in relevant periods, the fluctuation in market conditions and the level of operating expenses in different tiers of cities. For instance, the profit/(loss) before tax of our self-operated bars in first-tier cities was generally lower than that in other tiers of cities partially due to (i) a number of our self-operated bars in first-tier cities were operated on pilot basis to cultivate local market during the Track Record Period and (ii) the comparative high rental and manpower expenses.

- *First-tier cities.* (i) The loss before tax of Helen's bars in first-tier cities was RMB8.5 million in 2018 when we strategically launched a number of our self-operated bars in first tier cities on pilot basis to cultivate local markets in the long term. The majority of these bars were launched in the last quarter of 2018 and had not reached initial breakeven by the end of the year, leading to a negative profit before tax. (ii) The loss before tax of our self-operated bars in first-tier cities increased to RMB12.9 million in 2019 as we continued to open new bars in first tier cities. However, the profit before tax margin increased with the growth of our bar network. (iii) The loss before tax increased to RMB25.6 million in 2020 due to the negative impact of COVID-19. (iv) For the three months ended March 31, 2021, the loss before tax of our self-operated bars in first-tier cities was RMB4.8 million compared to the loss before tax of RMB8.6 million for the same period in 2020. This was due to (i) the operation of our self-operated bars improved with the organically growth of our business and (ii) the negative impact of COVID-19 was relatively lower in the first quarter of 2021 compared to the same period in 2020.

During the Track Record Period, the revenues generated from the self-operated bars in first-tier cities represented 3.2%, 9.5%, 10.6% and 11.9% of our total revenue generated from self-operated bars for the same periods, respectively.

- *Second-tier cities.* (i) The loss before tax of our self-operated bars in second-tier cities was RMB10.5 million in 2018. Since the PRC entity that manages our self-operated bars was established in April 2018, a large number of our self-operated bars in second-tier cities were launch in the second half of 2018 and had not reached or just reached initial breakeven by end of the year. (ii) We recorded the profit before tax of our self-operated bars in second-tier cities of RMB64.9 million in 2019 when the number of our self-operated bars in second-tier cities tripled from 42 in 2018 to 129 in 2019. As we enjoy a high brand awareness and market reputation, our self-operated bars in second-tier cities had a better profit before tax in 2019 compared to other tiers of cities. (iii) As the number of our self-operated bars further grew to 194 in 2020, the profit before tax of our bars in second-tier cities increased to RMB78.0 million in 2020. (iv) The profit before tax was RMB27.2 million for the three months ended March 31, 2021 compared to a loss before tax of RMB9.5 million for the same period in 2020, which was because the negative impact of COVID-19 was relatively lower in the first quarter of 2021 compared to the same period in 2020.

During the Track Record Period, the revenues generated from the self-operated bars in second-tier cities represented 61.7%, 63.5%, 60.6% and 57.7% of our total revenues generated from self-operated bars for the same periods, respectively.

- *Third and below-tier cities.* (i) The loss before tax of our self-operated bars in third and lower-tier cities was RMB9.4 million in 2018 as a large number of our self-operated bars in third and lower-tier cities were launched in the second half of 2018 and had not reached breakeven by the end of year. (ii) The profit before tax of our self-operated bars in third and lower-tier cities was RMB21.5 million in 2019 with the number of our self-operated bars increasing from 30 in 2018 to 65 in 2019. (iii) The profit before tax increase to RMB51.4 million in 2020, which is consistent with our business growth for the same period. (iv) The profit before tax was RMB27.1 million for the three months ended March 31, 2021 compared to a RMB3.1 million loss before tax for the same period in 2020, which was due to the negative impact of COVID-19 was relatively lower in the first quarter of 2021 compared to the same period in 2020.

During the Track Record Period, the revenues generated from the self-operated bars in third and below-tier cities represented 34.1%, 26.5%, 28.6% and 30.4% of our total revenues generated from self-operated bars for the same periods, respectively.

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The following table sets out our key operating metrics during the Track Record Period, which we believe reflect the most important aspects of our business.

	For the years ended December 31,			For the three months ended March 31,	
	2018	2019	2020	2020	2021
<b>Average daily sales per self-operated bar</b>					
<b>Mainland China (RMB'000)</b>					
Bars in first-tier cities	5.0	7.8	8.5	5.4	9.7
Bars in second-tier cities	6.3	11.7	11.4	9.6	11.5
Bars in third and lower-tier cities	5.2	9.0	10.9	9.9	13.0
<b>Total<sup>(2)</sup></b>	<b>5.7</b>	<b>10.4</b>	<b>10.9</b>	<b>9.2</b>	<b>11.7</b>
<b>Sales per self-operated bar per hour (RMB)</b>	820.3	1,489.3	1,551.3	1,308.7	1,670.4
<b>Average daily ordering users per self-operated bar<sup>(3)</sup></b>					
<b>Mainland China</b>					
Bars in first-tier cities	72.2	80.6	83.1	48.4	82.2
Bars in second-tier cities	63.6	106.2	112.2	78.9	100.7
Bars in third and lower-tier cities	53.4	83.2	99.5	81.2	122.3
<b>Total<sup>(2)</sup></b>	<b>61.1</b>	<b>96.4</b>	<b>104.4</b>	<b>75.6</b>	<b>104.2</b>
<b>Daily spending per ordering user (RMB)</b>	<b>93.2</b>	<b>108.1</b>	<b>109.6</b>	<b>119.8</b>	<b>112.9</b>

*Notes:*

- (1) Sales of self-operated bars consist of the revenue generated from offering our products to our customers in self-operated bars includes Helen's branded products, third-party brand alcoholic drinks and others (including consumer goods such as paper towels and playing cards that we offer to customers in our bars).
- (2) As of the Latest Practicable Date, the Helen's bar in Hong Kong does not use our Future BI to record their operational data. Therefore the operating data here only concerns the Helen's bars in Mainland China.
- (3) Almost all customers at Helen's bars place orders, and making payments, through online platforms by scanning codes. In our business scenario, most of the customers come to our Helen's bars to hold social gatherings or parties, in which case one customer typically pays the bill for the entire group. Therefore, each of these paying user may relate to a number of customers who come to our Helen's bars. Please see "– Product pricing and payment methods" for online payment methods of our customers.

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During the Track Record Period, our average daily sales per self-operated bar and average daily ordering users per self-operated bar maintained an increasing trend, primarily due to the growth of our brand awareness and recognition, as well as the revenue-generating capabilities of our self-operated bars after their ramp-up period.

The following table sets for the key operating metrics with respect to the franchised bars during the Track Record Period.

	For the year ended December 31,			For the three months ended March 31,	
	2018	2019	2020	2020	2021
				<i>(unaudited)</i>	
Average daily sales per franchised bar (before tax)					
Mainland China (RMB'000)					
Bars in first-tier cities	4.9	11.6	12.2	11.2	10.7
Bars in second-tier cities	8.9	18.2	14.2	12.4	11.5
Bars in third and lower-tier cities	5.7	11.9	10.4	12.9	14.2
Total	7.2	15.0	12.8	12.1	11.6
Sales per franchised bar per hour (before tax) (RMB)					
	1,029.8	2,148.6	1,826.1	1,732.0	1,652.8
Average daily ordering users per franchised bar					
Mainland China					
Bars in first-tier cities	49.9	81.4	86.9	77.9	76.3
Bars in second-tier cities	90.5	132.9	105.7	88.5	86.1
Bars in third and lower-tier cities	65.6	91.0	83.4	101.3	116.8
Total	76.3	110.4	95.3	88.2	86.3
Daily spending per ordering user (before tax) (RMB)					
	88.0	132.8	130.9	131.2	133.0

In 2018, 2019 and 2020, the average opening hours for both the self-operated bars and the franchised bars were approximately seven hours per day.

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The following table sets forth the number of loss-making bars during the Track Record Period, which refer to self-operated bars open during the Track Record Period that were in operation during the relevant period and did not achieve initial breakeven as of the end of the relevant period, and their losses incurred for the periods indicated.

	For the year ended December 31,			For the three months ended March 31,
	2018	2019	2020	2021
Bars in first-tier cities	10	8	8	2
Bars in second-tier cities	8	17	28	5
Bars in third and lower-tier cities	10	10	4	8
<b>Number of loss-making bars</b>	<b>28</b>	<b>35</b>	<b>40</b>	<b>15</b>
Bars in first-tier cities	7,771	9,861	6,884	1,747
Bars in second-tier cities	5,000	7,470	13,594	1,621
Bars in third and lower-tier cities	6,713	6,206	1,536	3,274
<b>Loss before tax attributable to loss-making bars (RMB'000)</b>	<b>19,484</b>	<b>23,537</b>	<b>22,014</b>	<b>6,642</b>

Our losses incurred by these loss-making bars are primarily due to the following:

- (i) In 2018, 2019, 2020 and the three months ended March 31, 2021, 21, 27, 32 and nine of the above loss-making bars were the new self-operated bars that did not achieve initial breakeven at the end of the corresponding periods, respectively. This is mainly because the operation days of these bars in the periods when they were launched were shorter than the average initial breakeven period in the corresponding periods. For instance, a number of newly opened bars in 2018 were launched in the second half of the year since the PRC entity that manages the self-operated bars were founded in April 2018, and the average initial breakeven period in 2018 was six months. For the same periods, the loss before tax attributable to these loss-making bars amounted to RMB14.1 million, RMB12.6 million, RMB11.8 million and RMB2.9 million, respectively. By the end of May 2021, the foregoing nine loss-making bars have subsequently achieved initial breakeven.
- (ii) In 2020 and the three months ended March 31, 2021, four and five of the above loss-making bars were attributable to the self-operated Helen's bars that took a longer time to initially break even than the average initial breakeven period in the corresponding periods, mainly due to the negative impact and recurrence of COVID-19 in 2020 and the three months ended March 31, 2021. For the same

periods, the loss before tax attributable to these loss-making bars amounted to RMB6.1 million and RMB2.3 million, respectively. By the end of May 2021, the foregoing five loss-making bars have subsequently achieved initial breakeven.

- (iii) In 2018, 2019 and 2020 and the three months ended March 31, 2021, seven, eight, four and one of the above loss-making bars were attributable to the self-operated Helen's bars that took a longer time to initially break even than the average initial breakeven period in the corresponding periods, mainly due to factors relating to our business strategy, such as that we operated these bars on a pilot basis. For the same periods, the loss before tax attributable to these loss-making bars amounted to RMB5.3 million, RMB10.9 million, RMB4.1 million and RMB1.4 million, respectively.
- (iv) In addition, the majority of newly opened bars in 2018 were launched in the second half of the year since the PRC entity that manages the self-operated bars were founded in April 2018, and the majority of newly opened bars in 2020 were launched in the second half of the year due to the negative impact of COVID-19.

As of June 30, 2021, we have turned around the financial condition of the foregoing loss-making bars except for one bar in Shanghai. As part of our efforts to explore more possibilities with respect to bar locations, we purposely locate this loss-making bar outside of the commercial area with condensed young customers and plan to leverage this bar to cultivate the local market in the long term. Since launch, this bar has not achieved initial breakeven since it was negatively affected by COVID-19 pandemic in 2020 and the recurrence of COVID-19 in the first quarter in 2021.

As we continue to improve our brand image, standardized operation and efficient bar expansion process, the initial breakeven period of each new self-operated bar in 2018, 2019 and 2020 kept reducing, which is generally six months, five months and three months, respectively, which is in line with industry norm. To turn around the financial performance of the loss-making bars, we take various measure to reduce the initial break-even period for the newly opened bars, including but not limited to (i) leverage our established and increasing brand effect to attract more customers to new Helen's bars once they are launched, (ii) rely on the word-of-mouth referrals of the existing customers to achieve sales and marketing for new Helen's bars in a efficient and cost efficient manner, (iii) use the existing Helen's bars to help promote new Helen's bars in close proximity and (iv) increase our overall operating capabilities to continuously decrease the costs associated with new Helen's bars.

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The following table sets forth the same-store sales of Helen’s bars during the Track Record Period. “Same-store” refers to self-operated bars that meet the following conditions: (i) stayed open for at least 200 days in 2018 (as our PRC operating entity that manage our Helen’s bars was established on April 20, 2018) and 300 days in 2019; or (ii) stayed open for at least 300 days in both 2019 and 2020; or (iii) stayed open for at least 30 days in the three months ended March 31, 2020 and March 31, 2021, respectively.

	For the years ended December 31,				For the three months ended March 31,	
	2018	2019	2019	2020	2020	2021
<b>Number of same-stores</b>	16		41		93	
<b>Same-store sales (RMB’000)</b>	19,360.2	52,274.2	147,062.3	146,115.8	31,054.0	111,086.3
<b>Growth of same-store sales (%)</b>	170.0%		(0.6)%		257.7%	
<b>Same-store sales per day (RMB’000)</b>	83.6	144.0	406.2	473.2	864.1	1,254.8
<b>Growth of same-store sales per day (%)</b>	72.2%		16.5%		45.2%	

Our same-store sales increased by 170.0% from RMB19.4 million in 2018 to RMB52.3 million in 2019, while the same-store sales per day increased by 72.2% from RMB83.6 thousand in 2018 to RMB144 thousand in 2019. The foregoing increase was mainly due to (i) our PRC operating entity that manage our bars was established on April 20, 2018, therefore, the operating period of our bars in 2019 is significantly higher than that in 2018, and (ii) our self-operated bars have experienced a ramp-up period since 2018, and with the expansion of our brand influence, the sales of these bars have increased significantly in 2019. Our same-store sales decreased by 0.6% from RMB147.1 million in 2019 to RMB146.1 million in 2020, which was mainly due to the impact of COVID-19. In order to combat COVID-19, we chose to suspend the operation of certain bars before the Chinese government adopted prevention policies such as restricting offline consumption. Therefore, the operating period and customer traffic of our bars decreased in the first half of 2020 compared to the same period in 2019. During the same years, the same-store sales per day increased by 16.5% from RMB406.2 thousand to RMB473.2 thousand. For the three months ended March 31, 2020 and 2021, our same-store sales increased by 257.7% from RMB31.1 million to RMB111.1 million, while the same-store sales per day increased by 45.2% from RMB864.1 thousand to RMB1.3 million during the same periods. The foregoing increase was primarily due to (i) the operation days of Helen’s bars were significantly lower in the three months ended March 31, 2020 than the same period in 2021 due to the negative impact of COVID-19 and (ii) the significant growth we experienced since the COVID-19 began to moderate in the first quarter of 2021 when compared to the same period in 2020. For details on the impact of the COVID-19 outbreak on our business operations, see “Financial Information — Impacts of the COVID-19 Outbreak on Our Business.” In 2018, 2019 and 2020 and for the three months ended March 31, 2021, the same-store sales per day maintained an increasing trend, which is consistent with our business growth during the same periods.



### Bar Decor Style

The unique decoration style of Helen's bars is an important aspect that distinguishes Helen's from other bars. We use unified interior decors across all of our Helen's bars which feature Southeast Asian and Chinese ethnic styles. Our distinctive decoration style is inspired by the personal experience of our founder. In order to bring the unique local bar culture that our founder savored in Southeast Asia in his early years to China, we have gradually established Helen's current decoration style after years of design and upgrades.

The following photo shows the decoration style of Helen's bars.



Through continuous improvement and taking into account customer feedback, Helen's bars fashion an exterior bar design with a combination of both Southeast Asian artistic elements and Chinese ethnic styles. The interior bar design is featured with both Chinese classical style and natural original style to create an atmosphere suitable for gathering among friends. Our professional in-house design team carefully chooses all of the facilities used in our Helen's bars, including tables, chairs, lighting, and ornaments, and wooden tables and chairs with unique styles, such as hollow-carved wooden flowers. Our Helen's bars are characterized by warm-toned ornaments and lighting as well as meticulously-designed entrances, doorposts and embellishments such as artistic statues, allowing our customers to quickly relax. Through this unique style, we create a special and casual social environment for our customers, and deliver Helen's unique brand impression to our customers.

Over the years, we have constantly taken into account customer feedback and continuously updated our bar design. We operate two prototype bars in Shenzhen, Guangdong and Wuhan, Hubei to develop our inhouse design skills, and develop the current decoration style of Helen's bars by constantly absorbing our inhouse opinion and customer feedback. Our bar decoration



style has continuously and gradually upgraded from version 1.0 and version 2.0 to the current standardized, industrial and modularized version 3.0 decoration style. In particular, our version 1.0 decoration style is inspired by the ethnic decoration in China's southern provinces such as Yunnan and Guizhou. In version 2.0 decoration style, we strategically add the artistic elements from Southeast Asian, primarily including wooden flowers and artistic statues. Our version 3.0 style further imbues our bar decoration with embellishments featuring European retro designs. In addition, our in-house design team regularly visits Thailand and Chicago to seek the professional advice from local consultant teams. In order to achieve a diversification of bar styles, we are currently planning to complement new styles to our Helen's bars, such as the European-style decoration that has been used in three bars in Guangzhou, Xiamen and Changsha.

We conduct renovation in Helen's bars to ensure the customer experience and maintain the bars' operation condition, and determine the necessity of renovating our bars based on various factors such as the bars' operation years and the customers' feedback. Typically, we renovate the Helen's bars with respect to decor style upgrade and facilities replacement after the bars were launched for two to five years, and the specific period of renovation process depends on the amount of necessary workload. The renovation process does not have any material disruption or other impact on the ordinary operation of our bars since we choose to carry out the relevant renovation outside the normal opening hours. In 2018, 2019 and 2020 and the three months ended March 31, 2021, a total number of 121 Helen's bars were renovated with an average cost of approximately RMB180 thousand per bar during the same years.

The gross floor area of each Helen's self-operated bar generally ranges from about 300 to 500 sq.m., which can accommodate 150 to 200 customers at the same time. Each bar generally has 36 to 50 tables. During the Track Record Period, the average number of seats per self-operated bar typically ranges between 144 to 180, and the average GFA per self-operated bar typically ranges between 331 square meters to 384 square meters. As of December 31, 2018, 2019 and 2020 and March 31, 2021, each Helen's self-operated bar has an average of 36, 41, 45 and 45 tables, respectively, and each table can accommodate four to six customers on average.

### **Bar Location and Planning**

We attach great importance to site selection of Helen's bars. The feasibility of our expansion plan is also supported by the availability of prospective areas or locations for the new Helen's bars. Our bars are popular among China's youth and our location strategy is to open bars in areas where the young customers often gather. Sufficient and stable customer traffic is our most important consideration in the process of selecting the location of our bars. For example, there are approximately 6,700 shopping malls in China in 2020, and this number is expected to reach 8,300 in 2023, according to Frost & Sullivan. The surrounding areas of these shopping malls are suitable for us to launch new Helen's bars and consistent with the features of the existing Helen's bars. To achieve our goal of creating a social space for youth, we strategically place the majority of our Helen's bars in urban area where young generation like to gather. These young customers have a strong desire to socialize, strong word-of-mouth publicity, and a high level of customer activeness. Through this approach, we acquire a consistent and high customer traffic, stable profitability, and positive word-of-mouth referral. In addition, it offers us the capability to rent space in cost-effective location and achieve low-cost and high-efficiency operation.

For instance, our Helen's bars span across various urban commercial area, such as shopping malls and developed residential areas. In the process of selecting potential sites, we consider a number of factors, including the number, location, ranking, and transportation convenience of nearby shopping malls, the number and brand of similar business as well as the floor areas and lease terms of potential sites available for rent in nearby shopping malls. We also evaluate the number of surrounding residential area, the number of residents and their relevant level of business activities. We grade the target location based on these indicators and determine whether such location is suitable for opening new Helen's bars.

We also consider the factors relating to the young groups during the selection of our potential sites. For example, during the location selection process, we examine the number of youth in the target area. These young groups are more active on social media, therefore providing us with effective word-of-mouth publicity. In addition, serving young groups facilitates our strategy to expand the age span of our target customer base. We believe the establishment of our brand image and exposure among young generation helps us cultivate a loyal customer base and bring us long-term sustainable competitive advantages.

By leveraging our site selection strategy, we operate multiple bars at the same time in prime commercial areas with high concentration of young customers while fully stimulating and satisfying customers' need. For example, as of March 31, 2021, there are a total number of ten Helen's bars in the commercial area at Jiefang West Road, Changsha. As our bar network grows in density, we place a premium on avoiding cannibalization between current and new bars, particularly in markets where we have a more established presence. To ensure that competition among our Helen's bars is kept to a minimum, we carefully select locations for each new bar, taking into account the following factors:

- *Customer traffic of comparable bars.* Customer traffic is one of the primary indicators we consider when deciding whether to increase our footprint inside a given commercial district. To avoid potential cannibalization between new and existing bars, we first determine the capacity of a single bar using the city's customer conversion rate (calculated as single-day customer flow divided by target customer group size), and then compare it to the model of existing sample bars.
- *Selected shopping malls with proven business success.* As currently the majority of our Helen's bars are located at shopping malls, we place paramount importance on selection of shopping malls to achieve desired operational results and prevent cannibalization. We evaluate a shopping mall's past retail sales to see whether a new Helen's bar may prosper there once opened. By carefully selecting shopping malls with a track record of business success, we believe we can leverage the thorough market analyses conducted by the relevant real estate developer when selecting a shopping mall's location, enabling us to ensure customer visits sufficient for the profitable growth of a new Helen's bar and to manage the distance between Helen's bars located at different shopping malls.
- *Distance.* We establish physical distances between new and existing bars based on market analysis and a strategic assessment of our primary competitors. Additional bars may be opened in close proximity to existing bars to meet the high demand for our products and services in certain locations.

The following picture shows the distribution of our bars in the commercial district at Jiefang West Road, Changsha.

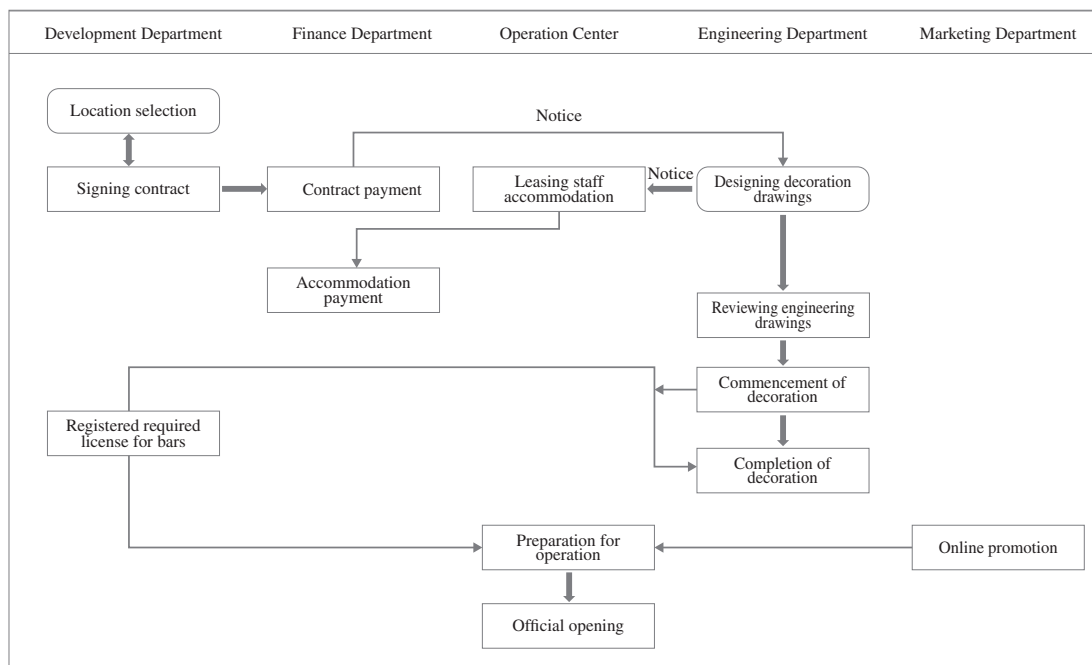


*Note:* The commercial district at Jiefang West Road, Changsha refers to the commercial area centered around Wuyi Square, Changsha with a radius of three kilometers.

As of the Latest Practicable Date, we had a total of 527 self-operated bars in Mainland China, covering 24 provincial-level administrative regions and 100 cities, as well as one self-operated bar in Hong Kong, China. Our network cover the first and second-tier cities as well as third- and lower-tier cities. As of March 31, 2021, the number of Helen's bars in first-tier, second-tier and third- and lower-tier cities of China was 53, 214, 106, respectively, representing 14.2%, 57.2%, and 28.3% of the total number of bars as of the same date, respectively.

Through our analysis on the market in which we have established our network, we believe there is still great potential in these existing markets for us to further expand our network and increase our market share. Depending on the market condition, we plan to open more bars in target areas in the future to fully explore the potential of these cities. Meanwhile, we plan to focus on entering into market where we have not yet established Helen's network.

The following diagram shows our general process of expanding new bars.



Generally, to complete the entire process from site selection to satisfying opening condition for a new self-operated Helen's bar takes approximately two to three months. Leveraging our constantly improving brand image, standardized and efficient expansion process, the initial breakeven period of each new self-operated Helen's bar in 2018, 2019 and 2020 keep reducing, which is generally six, five and three months, respectively. In addition, we estimate the breakeven period with respect to the new Helen's bars launched according to our expansion plan will be consistent with our prior performance during the Track Record Period. We expect to use the cash flow generated from our operations and the proceeds from the Global Offering to support our expansion plan. We will expand our bars under self-operated bar model to ensure our unified business management and high-quality bar service.

Our expansion plan, such as the actual number, location and establishment timing for the new Helen's bars to be launched in the future, is subject to significant management judgment and a series of factors, many of which are outside our control. We do not plan our bar network expansion in an existing market with a strict target number of Helen's bars. Rather, we consider various strategic, financial and commercial factors to determine if we continuously implement our expansion plan in a prudent and dynamic manner. These factors include, but are not limited to (i) the capacities of existing markets, such as demography, availability of suitable bar locations and local commercial development, (ii) our business growth strategies, (iii) competitive landscape in a particular market, and (iv) business and financial performance of existing Helen's bars in existing markets, including sales volume and associated expenses and costs. In particular, for those cities we have not entered, we also estimate the market capacity and formulate expansion plan with reference to the conditions of cities of same tiers.

Furthermore, we plan to enhance the structure of our talent reserve and attract new talents to support our expansion plan. For instance, we plan to retain more employees who agree with our values and have expertise and experience in the fields of supply chain management, brand communication, and technology research and development. For details of our recruiting plans to support our bar expansion plan, see the section headed "Future Plans and Use of Proceeds — Use of Proceed."

Currently, we do not find any market that has reached its full capacity, but we will continue to monitor the market condition and adjust our expansion plans accordingly. Subject to market condition, regulatory policies and our market strategy, the actual situation of our bar expansion may be different from our existing expansion plan, and we continuously review and adjust the above plan from time to time. For details, see the section headed "Risk Factors — Risks Related to Our Business — Our future growth depends on our ability to expand new bars and achieve profitability."

### **Bar Network Expansion Process**

We believe that the efficient bar expansion process ensures our expansion at an industry-leading pace. In general, our bar expansion starts with formulating an annual expansion plan. In order to ensure the sound and sustainable expansion of our business, different departments, including development, operation, marketing and finance departments, hold strategy meetings

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every year to formulate our development plan in the near to mid-term. The major considerations for such plans mainly include feedback from customers, business performance of existing bars in the past year and market research result. Upon the formulation of expansion plan, the expansion department analyze the available locations and prospective customer base in the target areas. Our expansion department will also estimate future revenue, operating costs and floor area of the prospective bars.

We have a comprehensive internal approval process to review the feasible expansion plan. Once the feasible plan is approved internally, we will conduct on-site inspection and evaluation of the property to be leased, and enter into a lease contract with the lessor for a term of normally more than five years. According to such lease contracts, we pay to the lessor and bear the necessary expenses such as property charges and utilities within the lease term. After signing the lease contract, we promptly begin preparations for the decoration, administrative approval and marketing of the new bar.

We prevent competition between new Helen's bars and existing ones through carefully designed research on the capacity of target markets, covering key indicators such as the number of potential customers, their consumption capability and customers' waiting time of existing Helen's bars. We also use our proprietary data analysis capabilities to analyze the service capacity and the maximum number of potential customers in the areas of existing Helen's bars to ensure that new Helen's bars will not compete with existing ones.

The following table sets forth the total number of bars in our Helen's bar network during the Track Record Period.

	For the years ended December 31,			For the three months ended March 31,	For the period from March 31, 2021 to the Latest Practicable Date
	2018	2019	2020	2021	
<b>Number of bars at the beginning of the period</b>	<b>101<sup>(1)</sup></b>	<b>162</b>	<b>252</b>	<b>351</b>	<b>374</b>
Number of new bars opened during the period	62	93	105	38	161
Number of bars closed during the period	1	3	6	15	7
<b>Number of bars at the end of the period</b>	<b>162</b>	<b>252</b>	<b>351</b>	<b>374</b>	<b>528</b>

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*Note:*

- (1) The number of Helen's bars at the beginning of 2018 was counted from April 20, 2018, the date when our domestic operating entity that manage our Helen's bars was incorporated. The 101 Helen's bars under operation at the beginning of 2018 were established and managed by Mr. Xu and his business partners immediately prior to the incorporation of our Company, all of which were initially operated as our franchised bars upon our incorporation in 2018

The following table sets forth the movement in the number of self-operated bars during the Track Record Period and up to the Latest Practicable Date.

	For the years ended December 31,			For the three months ended March 31,	For the period from March 31, 2021 to the Latest Practicable Date
	2018	2019	2020	2021	
<b>Number of bars at the beginning of the period</b>	– <sup>(1)</sup>	84	221	337	374
Number of new bars opened during the period	58	93	104	38	161
Number of bars closed during the period	–	–	3	5	7
Number of bars converted from franchised bars to self-operated bars	26	44	15	4	–
<b>Number of bars at the end of the period</b>	<b>84</b>	<b>221</b>	<b>337</b>	<b>374</b>	<b>528</b>

*Note:*

- (1) The number of Helen's bars at the beginning of 2018 was counted from April 20, 2018, the date when our domestic operating entity that manage our Helen's bars was incorporated.

Immediately prior to the incorporation of our Company in 2018, there were 101 Helen's bars established and managed by Mr. Xu and his business partners, all of which were initially operated as our franchised bars upon our incorporation in 2018. During the operation of these 101 Helen's bars prior to our incorporation, Mr. Xu authorized his business partners to use "Helen's" trademark, for which Mr. Xu received royalty fees from these business partners. After our incorporation in 2018, a number of Mr. Xu's business partners joined the Company for their recognition of our business strategy and corporate value, and they currently serve as our directors, executive officers and employees, respectively.

To ensure the healthy and sustainable development of Helen's bars in the long term, we used consistent standards to assess the 101 Helen's bars established prior to the incorporation of the Company whether a certain bar was owned by Mr. Xu or his business partners. Based on the operation and financial performances of the 101 Helen's bars as well as various business and commercial considerations, we either converted these bars into self-operated bars through a



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series of integration or took the initiative to terminate our collaboration with those bars during the Track Record Period. In 2018, 2019, 2020 and the three months ended March 31, 2021, we terminated the collaboration with one, three, three, and ten of franchised bars for the foregoing reasons.

The following table sets forth the movement in the number of franchised bars during the Track Record Period.

	For the year ended December 31,			For the three months ended March 31,	For the period from March 31, 2021 to the Latest Practicable Date
	2018	2019	2020	2021	
<b>Number of franchised bars at the beginning of the period</b>	<b>101<sup>(3)</sup></b>	<b>78</b>	<b>31</b>	<b>14</b>	<b>–</b>
Number of franchised bars opened during the period	4	–	1	–	–
Number of franchised bars converted into self-operated bars <sup>(1)</sup>	26	44	15	4	–
Number of franchised bars closed during the period <sup>(2)</sup>	1	3	3	10	–
<b>Number of franchised bars at the end of the period</b>	<b>78</b>	<b>31</b>	<b>14</b>	<b>–</b>	<b>–</b>

*Note:*

- (1) In 2018, 2019 and 2020 and the three months ended March 31, 2021, the costs incurred with respect to converting the franchised bars into self-operated bars amounted to RMB9.4 million, RMB11.2 million, RMB3.7 million and RMB1.1 million, respectively. During the Track Record Period, we did not provided any compensation to the franchisees for the cease of operations for the franchised bars.
- (2) The number of franchised bars closed during the indicated periods represents the number of franchised bars with which we took the initiative to terminate the collaboration due to their failure to meet our requirements with respect to operation and financial performance.
- (3) Out of the 101 Helen's bars established and managed by Mr. Xu and his business partners at the beginning of 2018, (i) three of these bars were owned by Mr. Xu, (ii) 32 of these bars were owned by Mr. Xu's business partners who currently serve as our directors, (iii) 51 of these bars were owned by Mr. Xu's business partners who are currently engaged by us as executive officers and employees, and (iv) 15 of these bars were owned by third-party business partners who are not currently associated with us. In particular, for the three bars owned by Mr. Xu, (i) we terminated the collaboration with one bar in Xiamen in 2018 since its decoration did not meet our requirements for standardized decor style. After the termination of collaboration, we launched another self-operated bar in the nearby area; and (ii) we converted the rest two bars in Beijing and Shanghai into self-operated bars as they met our requirements with respect to business and financial performance. Following the negotiation with relevant parties, such as with the lessors for lease agreement renewal, and the application of necessary licenses, those two bars were converted into our self-operated bars in 2019 and 2020, respectively.



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The following table sets forth financial performance of our newly opened self-operated bars in 2018, 2019 and 2020, respectively.

	<b>For the years ended December 31,</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>Sales of self-operated bars</b>			
<b>(RMB'000)</b>			
Self-operated bars newly opened in 2018	27,087.0	150,446.4	132,424.1
Self-operated bars newly opened in 2019	–	118,944.5	258,122.5
Self-operated bars newly opened in 2020	–	–	105,564.0
<b>Average daily sales per self-operated bar (RMB'000)</b>			
Self-operated bars newly opened in 2018	4.3	7.2	8.0
Self-operated bars newly opened in 2019	–	9.0	9.8
Self-operated bars newly opened in 2020	–	–	10.0
<b>Average daily ordering users per self-operated bar</b>			
Self-operated bars newly opened in 2018	56.8	62.1	66.3
Self-operated bars newly opened in 2019	–	102.0	80.8
Self-operated bars newly opened in 2020	–	–	134.0
<b>Daily spending per ordering user (RMB)</b>			
Self-operated bars newly opened in 2018	78.8	113.9	120.0
Self-operated bars newly opened in 2019	–	90.6	119.0
Self-operated bars newly opened in 2020	–	–	83.5

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In 2018, 2019 and 2020, the average historical initial breakeven period for the newly opened self-operated bars were six months, five months and three months, respectively. The following table sets forth a breakdown of the initial breakeven period for the newly operated self-operated bars by city tiers for the periods indicated.

City-tier	For the years ended December 31,		
	2018	2019	2020
Bars in first-tier cities	6	5	4
Bars in second-tier cities	6	4	3
Bars in third and lower-tier cities	6	6	3
<b>Total</b>	<b>6</b>	<b>5</b>	<b>3</b>

The new Helen's bars launched during the Track Record Period have successfully maintained a stable business performance. For the years ended December 31, 2018, 2019 and 2020, a total number of ten bars were closed for the following reasons:

- *Reasons relating to property lessors.* During Track Record Period, a total of three direct operated bars were closed resulting from reasons relating to property lessors, for example, an individual lessor did not renew the lease due to personal reasons.
- *Some bars no longer satisfy our strategy.* During Track Record Period, we took the initiative to terminate the cooperation with seven franchised bars due to their failure to meet our strategy to operate our bar network entirely through self-operated bars and their failure to meet our requirements with respect to operation and financial performance. Currently, all of these franchised bars have ceased their business operations.

We further closed a total number of 15 bars for the three months ended March 31, 2021 for the following reasons:

- *Some bars no longer satisfy our strategy.* For the three months ended March 31, 2021, we continue to implement the strategy to operate our bar network entirely through self-operated bars. Accordingly, we terminated our collaboration with ten franchised bars during the same period. Currently, all of the bars in our Helen's bar network are self-operated bars.
- *Fire safety requirements.* Three Helen's bars were closed due to the failure to meet the fire safety requirements. For details of our fire safety non-compliance, see "— License, Permits and Approvals — Fire Safety."

- *Reasons relating to leased properties.* In addition to the above, we closed two Helen's bars due to reasons relating to the properties that we leased to operate bars. For instance, we ceased one Helen's bar as the property where it located become dilapidated.

### **Franchised Bars**

To maintain a consistent management of our self-operated Helen's bars, we applied the similar set of monitoring controls on the franchised bars during their course of business, including but not limited to annual and quarterly operation plans, daily operation checking system and cross-check from other bars on safety, health matters. To ensure the our management policies are applied across our self-operated bars and franchised bars, we provide the internal policies relating to the supervision and management of franchised bar in a number of our internal guidance, such as the Operation Center Guidance, Regional Manager Manual, Bar Manager Guidelines and various guidances governing the operation and management of franchised bars. Our operation center performs regular the review to ensure the compliance with the relevant policy and procedures.

In addition, we typically entered into franchise agreements with the franchisees during the operation of those franchised bars, which allows us to supervise and monitor the daily operation of franchised bars in terms of their product pricing, staff training, marketing, procurement as well as interior decoration.

The franchise agreements during the Track Record Period generally include the following key terms.

- *Operational guidance and supervision.* We supervise and manage the business operation of franchised bars, including but not limited to product pricing, personnel training, marketing activities and raw materials procurement. We are responsible for formulating detailed systems and plans for the operation and management of franchised bars. In the case where they fail to comply with our supervision and management plans, it will be regarded as a material breach of contract, and we have the right to terminate their franchise agreements.
- *Consistent decoration style.* In order to ensure consistency of the bar decoration style, franchisees need to use the decoration design plan and standards provided by us in the process of decorating the bars. We have the right of inspection during the decoration process of franchised bars.
- *Trademark licensing.* We grant non-exclusive right to use our trademarks to franchisees, who shall not harm our reputation and interest in the process of using our trademarks, and use our trademarks beyond the normal business scope.

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- *Charge of franchise fee.* According to franchisee agreements entered into with our franchisees during the Track Record Period, the fee we charged to them include (1) one-off fixed franchise fee and (2) a management service fee charged during the operation of franchised bars, including:

One-off fixed franchise fee . . . . . An one-off fee of RMB66,000 if, from the date of the agreement, the performance of the franchise agreement has lasted for six months or less; another one-off fee of RMB66,000 will be charged after six months of the performance of the agreement

Management service fee. . . . . 6% – 15% of franchised bar's turnover (tax inclusive) will be charged

- *Termination of agreement.* The franchise agreement can be terminated after unanimous consent between both parties. In the event of a material breach of agreement by the franchisee, such as unauthorized use of our trademarks, unauthorized opening of bars, leak of trade secrets or damage to our reputation, we have the right to unilaterally terminate the agreement.

The following table sets forth the movement in the number of franchised bars during the Track Record Period.

	For the year ended December 31,			For the three months ended March 31,
	2018	2019	2020	2021
<b>Number of franchised bars at the beginning of the period</b>	<b>101</b>	<b>78</b>	<b>31</b>	<b>14</b>
Number of franchised bars opened during the period	4	–	1	–
Number of franchised bars converted into self-operated bars <sup>(1)</sup>	26	44	15	4
Number of franchised bars closed during the period <sup>(2)</sup>	1	3	3	10
<b>Number of franchised bars at the end of the period</b>	<b>78</b>	<b>31</b>	<b>14</b>	<b>–</b>

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*Note:*

- (1) In 2018, 2019 and 2020 and the three months ended March 31, 2021, the costs incurred with respect to converting the franchised bars into self-operated bars amounted to RMB9.4 million, RMB11.2 million, RMB3.7 million and RMB1.1 million, respectively. During the Track Record Period, we did not provided any compensation to the franchisees for the cease of operations for the franchised bars.
- (2) The number of franchised bars closed during the indicated periods represents the number of franchised bars with which we took the initiative to terminate the collaboration due to their failure to meet our requirements with respect to operation and financial performance.

### **Bar Operation Assessment**

We believe that standardized and unified bar service is a key element for the development of Helen's bars. Therefore, we develop a complete set of internal assessment system to ensure that customers receive consistent services across all Helen's bars. Our internal management system covers all important aspects of bar operations, including not only the requirements of relevant laws and regulations on food safety, fire protection and finance, but also employee guidelines formulated based on years of our operating experience. For example, in order to help our staff improve the standard of services, we have formulated the Helen's internal service system, which provides complete and detailed guidelines for our staff in response to various possible situations encountered in the daily operations of bars, and ensures that our staff respond to the various needs of customers and that our services are in compliance with laws and regulations and our corporate culture.

In addition, we assess and inspect the operation of the bars through site visit and daily supervision. Through such measures, our Helen's bars effectively follow our corporate culture, comply with management system and offer customers with high-quality services.

#### ***Bar inspection***

Our regional managers who are promoted from the bar employees perform key management function including the bi-weekly site visit when they inspect the bars in their responsible area. Regarding the operating condition of each bar, the regional managers consider the overall situation of the bar in multiple aspects such as sanitation, service quality, in-store music, implementation of internal standard, team spirit, safety and personnel training. Within two days after site visit, the regional managers will compile inspection report based on the issues found during site visit, including text and photos evidencing the operation of the bars. Such reports are kept in the bars, and will be checked during the next site visit for whether or not the previous issues have been addressed.

#### ***Day to day supervision***

Our day to day supervision of bars includes cross-supervision within the region and supervision by the operational center. Similar to our daily bar inspection, managers, area managers and store managers conduct monthly inspections of the operation of each bar. Our

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store managers participate in the regional cross-supervision as they are most familiar with common issues in bar operations and are able to effectively identify issues in our Helen's bars. In addition to environmental, safety and health aspects, the regional cross-supervision also examines the detail of daily operation, such as the communication between our staff and customers and the implementation of our marketing activities. In particular, we focus on evaluating the capabilities of existing managers in the cross-supervision process, which helps us identify personnel with the potential to assume management roles. After regional cross-supervision, we compile the reports on the status of the bars and suggested rectification plans, along with personnel designated for follow-up. In addition, our operation center conducts monthly inspection on the daily operating conditions, safety, fire protection and other aspects of Helen's bars, and requires the bars to conduct rectification assessment for unsolved issues.

### FEATURED PRODUCTS AND SERVICES OF HELEN'S BARS

We offer the following featured products to our customers in Helen's bars across China, (i) a variety of Helen's branded products, including Helen's branded alcoholic drinks and snacks and (ii) third-party brand alcoholic drinks.

The following table sets out the breakdown of our revenue by main products provided by self-operated bars in 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021.

	For the year ended December 31,						For the three months ended March 31,			
	2018		2019		2020		2020		2021	
	Revenue	%	Revenue	%	Revenue	%	Revenue	%	Revenue	%
<i>(RMB'000, except for the percentage)</i>										
Helen's branded products	49,410	72.0	369,145	68.8	594,720	73.5	40,546	66.6	285,310	78.1
Helen's beers	20,062	29.3	132,173	24.6	200,619	24.7	11,758	19.3	55,511	15.3
Spirituuous drinks	12,584	18.3	130,737	24.4	238,204	29.5	17,064	28.0	156,186	42.7
Snacks	16,764	24.4	106,235	19.8	155,897	19.3	11,724	19.3	73,613	20.1
Third-party brand alcoholic drinks	15,143	22.1	146,648	27.3	189,835	23.5	18,448	30.3	71,392	19.5
Budweiser	4,195	6.1	33,676	6.3	63,391	7.8	4,633	7.6	26,215	7.2
1664	3,107	4.5	14,938	2.8	20,828	2.6	2,379	3.9	9,934	2.7
Corona	2,462	3.6	36,022	6.7	41,420	5.1	4,052	6.7	16,746	4.6
Other third-party brand alcoholic drinks	5,379	7.9	62,012	11.5	64,196	8.0	7,384	12.1	18,497	5.0
Others <sup>(1)</sup>	4,054	5.9	20,930	3.9	24,261	3.0	1,876	3.1	8,840	2.4
<b>Total<sup>(2)</sup></b>	<b>68,607</b>	<b>100.0</b>	<b>536,723</b>	<b>100.0</b>	<b>808,816</b>	<b>100.0</b>	<b>60,870</b>	<b>100.0</b>	<b>365,542</b>	<b>100.0</b>

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*Notes:*

- (1) Including consumer goods such as paper towels and playing cards that we offer to customers in our bars.
- (2) The discrepancies between our total revenue by main products and our revenue from self-operated bars was primarily due to our revenue generated from providing mobile device charging service in our Helen's bars, amounted to RMB0.5 million, RMB3.6 million, RMB4.1 million and RMB2.5 million in 2018, 2019 and 2020 and the three months ended March 31, 2021 .

### **Helen's Branded Products**

We launch a series of Helen's branded products, primarily consisting of Helen's beers and spirituous drinks that are offered in both our self-operated bars and the franchised bars. By leveraging our in-depth understanding of the young generation's preference and years of experience in China's bar industry, we continue to deliver products that meet our customers' expectations. We constantly collect the feedback from our customers and bar employees to help us gain precise insight into the marketing trends. In addition, we use the extensive data from our Future BI, such as the sales volume and the inventory, to closely monitor and track the market trends. Once we found the products with the potential to gain popularity among customers, we collaborate with our manufacture service providers to develop new alcoholic drinks with a variety taste and flavors.

In our cooperation with the manufacture service providers, we decide the formulation, flavor and packaging design of the new products, while the manufacture service providers are in charge of the product manufacture.

Our agreements with the manufacture service providers typically contain the following salient terms.

- *Product manufacturing.* We provide the production specifications in the agreements, such as the recipes, ingredients, flavors, quality standards and packaging. The manufacture service providers shall manufacture the products strictly following our instructions.
- *Payment.* We shall make the payment to the manufacture service providers for manufacturing the products upon the completion of production and after we inspect the quality of the products. We shall make a prepayment to the service providers expressed as a pre-agreed percentage of the total service fees.

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- *Quality control.* The manufacture service providers shall produce the products according to our requirements and applicable laws and regulations, and be liable for failure to meet the foregoing specifications and standards.
- *Product delivery.* Upon the completion of manufacture and inspection of products, we shall arrange the products to be delivered to us and bear the logistics expenses.

The following table sets out the category, appearance and unit price of our major branded alcoholic drinks.

<u>Type of product</u>	<u>Product Sub-category</u>	<u>Volume per bottle</u>	<u>Appearance</u>	<u>Unit price</u>
Helen's beers	100% Malt Craft Beer	420 ml		RMB9.8
	Helen's Craft Beer	275ml		RMB7.8
	Helen's Draft Beer	N/A		RMB78
Spirituos drinks	Helen's Fruit Beer	270ml		RMB8.9
	Helen's Milk Beer	300ml		RMB8.9
	Hi-dou	N/A		RMB59
	Whisky Coke	N/A		RMB78
	Whisky Coke Bucket	N/A		RMB26
	Vodka Red Bull	N/A		RMB39



### *Helen's beers*

Since our inception, we have been committed to introducing a series of beers with classic flavors to meet the most basic preference of beer-loving customers in bars. Benefiting from our product development capabilities and understanding of customer preferences, our Helen's beers have the following unique advantages:

- *Ingredient:* We only use four main ingredients in Helen's beers, namely yeast, hops, malt and water, and all of these four ingredients are imported from foreign manufacturers.
- *Yeast:* We brew Helen's beer with Ale yeast and suitable kind of Ale yeast in different beers to enhance their aroma.
- *Fermentation:* It usually takes two months to ferment the yeast in Helen's beers to ensure thorough fermentation.
- *Concentration:* Typically, beers with higher original wort concentration have more nutrient in the yeast and richer aroma and taste. Therefore, we only develop beers with 10% or more original wort concentration.

### *Spirituos drinks*

We are the pioneer in the development of spirituous drinks in China. According to Frost & Sullivan, we are one of the first in China's bar industry to promote the spirituous beverages.

Based on years of industry experience, we have found that spirituous drinks are more in line with the preferences of young customers. In the social gatherings of China's youth, there is a huge demand for beers with low alcohol content and a variety of diversified flavors. By analyzing in-store consumption data, we have found that mixed alcoholic drinks sold in our bars are popular with customers, such as the Whisky Coke Bucket and vodka red bull. After a series of product development and taste testing, we have introduced a series of spirituous drinks such as white peach, grape and strawberry-flavored fruit beers, and gradually built Helen's unique fruit beer series.

Spirituos drinks are Helen's specialty products. In 2018, 2019 and 2020 and the three months ended March 31, 2021, our revenue from spirituous drinks amounted to RMB12.6 million, RMB130.7 million, RMB238.2 million and RMB156.2 million, respectively, accounting for 25.5%, 35.4%, 40.1% and 54.7% of revenue generated from sales of Helen's branded products from Helen's branded products for the corresponding periods, respectively.

### *Snacks*

In order to further meet the diverse demand of our customers in their social activities, we also offer customers a selection of snacks. We offer eight basic snacks uniformly across China, such as spicy peanuts, cucumber with mustard, fruit salad, and popcorn chicken. At the same time, some of our bars also offer one or two local-flavor snacks customized for different regional taste preferences, such as the spicy bean curd and sauce-flavoured bean in Helen's bars in Sichuan. In 2018, 2019 and 2020 and the three months ended March 31, 2021, our revenue from the sale of snacks amounted to RMB16.8 million, RMB106.2 million, RMB155.9 million and RMB73.6 million, accounting for 33.9%, 28.8%, 26.2% and 25.8% of revenue generated from sales of Helen's branded products for the corresponding periods, respectively. In order to offer customers the most friendly experience, we also encourage customers to bring their own favourite snacks and enjoy them in Helen's bars.

The following photo shows our most popular snacks in our bars.



**Third-Party Brand Alcoholic Drinks**

We offer customers with a variety of alcoholic drinks of well-known brands with high market recognition, including Budweiser, Corona, 1664 and Yeager. By virtue of our strong bargaining power and economics of scale, we effectively control the purchase price of such third-party brand alcoholic drinks, allowing us to offer these alcoholic drinks to customers at a reasonable price.

**Menu Design**

Our bar menus are carefully designed by the marketing department to ensure that the diverse demand of different customers are met. Through the convenient e-menu, customers browse all the products that we offer by scanning a code using their mobile phones. For the detailed explanation of our automatic code-scanning ordering system, please see “– Our Technology — Key Technology Applications — Future BI.” We also continuously refines our menu to cater for the rapidly changing consumer taste and preferences.

Our menus consist of 41 products, including 24 alcoholic drinks, eight basic snacks uniformly across China, six soft drinks and three other products. At the same time, we also offer one or two types of local-flavor snacks in bars in certain provinces such as Hunan, Shanghai and Fujian based on regional cultural characteristics.

The following screenshot shows the electronic menu in our Helen’s bars.

热门推荐

啤酒

鸡尾酒

嗨斗

伏特加红牛

威士忌可乐

洋酒（瓶）

洋酒辅料

软饮

小吃

主食

纸巾扑克

热门推荐 最好的，值得与你分享

第二份半价



海带纯麦精酿420ml

¥9.8/瓶

+

第二份90元



海伦司青梅酒

¥49/瓶

+

啤酒 泡沫升腾，倾听啤酒的呼吸



大扎

¥78/扎

+

第二份半价



海带纯麦精酿420ml

¥9.8/瓶

+



嗨啤套餐

¥108.2

+



海伦司奶啤

¥8.9/罐

+



海伦司啤酒（白桃味）

¥8.9/瓶

+



海伦司啤酒（草莓味）

¥8.9/瓶

+



海伦司啤酒（葡萄味）

¥8.9/瓶

+



海伦司精酿

¥7.8/瓶

+

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### **In-Store Music**

In-store music is an important element of the unique ambience of Helen's bars. Through utilizing proprietary intelligent music management system, we accurately control the background music of every bar across China in real-time, bringing customers the most comfortable and pleasant experience.

We have established a unified music library for our bars across China, including current popular tracks and customer-recommended tracks. We choose carefully arranged playlists based on our music library according to the conditions of each bar. We obtain authorization to play music tracks from Music Copyright Society of China. In 2018, 2019 and 2020 and the three months ended March 31, 2021, we paid RMB123,300, RMB189,400, RMB426,400 and RMB54,000 for music licenses, respectively.

To meet the specific needs of each Helen's bar and bring the best experience to our customers, we carefully prepare our music library based on a series of factors such as the opening hours, duration of peak hours and consumer group structure of our Helen's bars. For example, for bars with earlier opening hours, the time for playing the music library is shifted earlier; and for bars with later opening hours, we extend the playing of music during peak and later hours. We update our music library at the beginning of each week and design the themed music selection library in advance of holidays.

In addition, we also play special music on different holidays and customers' birthdays. Our bar staff play birthday songs for the customers who celebrate birthdays in Helen's bars. If it is a holiday, we also play special tracks that meet the festive atmosphere in our bars across China uniformly through the music system. We also provide customers with a Weixin mini-program that connects with our internal music management system, so that customers can recommend music. Our customers can also comment and like the tracks via Weixin Mini-program, and recommend the information of tracks to their friends on social media.

Through our visualization system, we manage and monitor music content intelligently. For each new track in the music library, we test the bpm of such track through software and add an emotional tag to it before uploading it to our music system. Various tags of the tracks help us select the appropriate tracks to play according to the time and customer traffic. This proprietary music management system allows us to collect the real-time volume and decibel data and intelligently adjust the volume and control the playlist according to the number of customers on site.

Specifically, we manage the music played in our bars through the following methods.

- *Monitoring in-store music playback.* The system helps us monitor whether the music playback properly functions. If there is a system error, we would contact the bar in time to facilitate its normal music playback.

- *Monitoring the stereo devices in our bars.* The system monitors the operation and state of charge of the stereo devices in our bars in real-time. If there is a device failure, the system can send an automatic reminder.
- *Monitoring the real-time noise level.* We are facilitating a real-time noise monitoring system in some of our bars, which can transmit the decibel data of our bars in real time. If the decibel value of a bar exceeds the standard decibel value of such daypart, the system would send an automatic alert. The intelligent music management system enables real-time monitoring of the number of customers and noise decibel level in a bar. Based on this, our music system automatically adjusts the volume of music, so that every customer at the same table can enjoy our carefully selected music while having a clear conversation.

### Seasonality

The sales of our featured products and the operation of Helen's bars are affected by seasonal factors. The customer traffic and our profitability are typically lower in the first quarter in each year during the Track Record Period because of the Chinese new year holidays. For instance, in the three months ended March 31 and December 31, 2019, we generated revenues of RMB54.1 million and RMB78.3 million from our self-operated bars that were already under operation as of January 1, 2019, representing 19.8% and 28.6% of the revenues generated in 2019, respectively. Despite the foregoing, our business operation and financial performance are not subject to any material adverse impact of seasonality. For instance, as we have developed a bar network across China, severe seasonal weathers in certain regions or provinces would not affect the overall product sales and bar operation in a material and adverse manner.

### PERFORMANCE DURING COVID-19

Our strong vitality and sense of social responsibility are strongly proven during the first half of 2020 when COVID-19 had a severe impact on China's bar industry as a whole. After the PRC government lifted the major prevention and control measures for COVID-19, we have maintained a sound business performance leveraging our market position and consumer reputation. In 2020, our monthly revenue continued to grow from RMB36.3 million in April to RMB139.6 million in December, and we also achieved a 44.8% year-on-year growth in annual revenue compared to 2019.

With our strong sense of social responsibility, we are committed to fighting against COVID-19 together with the whole society. We took the initiative to suspend the operation of Helen's bars prior to the Chinese government imposing lockdown measures in January. We suspended the operation of all of the Helen's bars in China as of January 20, 2020 and began to lift the suspension in March 2020, during which time our customer traffic experienced a sharp decrease.



As of January 30, 2020, we suspended the operation of 256 Helen's bars in China, representing all of the Helen's bars as of the same date. In particular, we suspend the operation of seven, 158 and 256 Helen's bars by January 20, 2020, January 25, 2020 and January 30, 2020, respectively. Since March 2020 to May 2020, 129, 63 and 46 Helen's bars resumed their business operation, respectively, and we resumed the operation of substantially all of Helen's bars in June 2020. In December 2019, we recorded a total number of 781,072 ordering users and 113 ordering users per franchise bars per day and 100 ordering users per self-operated bars per day. In comparison, the total number of ordering users amounted to 73,418, 309,356 and 487,227 and the total number of ordering users per store per day amounted to 58, 75 and 90 in franchised bars and 58, 70 and 70 in self-operated bars, in March, April and May in 2020, respectively. In June 2020 when we resumed the operation of all of our Helen's bars, we recorded 615,064 ordering users and 95 ordering users per franchised bars per day and 78 ordering users per self-operated bars per day, which was comparable to that before the outbreak of COVID-19.

Due to the pandemic, 199 employees were stranded in Wuhan from February to April 2020. We provided these employees with a full range of assistance, including personal protective supplies such as medical masks, meal preparation, and physical and mental health care, and the relevant costs incurred associated with supporting such employees amounted to approximately RMB269.8 thousand.

To better care the wellbeing of our employees and our customers, and discharge our social responsibilities during the COVID-19 outbreak, we have adopted a set of carefully designed measures to prevent and control COVID-19, including but not limited to the following:

- *Employee healthcare.* We conduct a comprehensive health check on our employees before they resume work to ensure they do not have any potential health issues, such as fever or coughing. For those employees who demonstrate these symptoms, we require them to remain at home for 14 days before further check. In addition, we conduct a thorough sterilization on the packages of those employees who returned to work from other provinces. During the opening hours of Helen's bars, we require all of our staff to wear facial mask while on-duty and to change the facial masks every four hours. We also require our staff to wash their hands every thirty minutes and report the frequency of their hand-washing to the bar managers.
- *Quarantine Measures.* Once our employees display symptom such as fever, coughing or respiratory discomfort, we require them to attend hospital and remain quarantined in isolated rooms in the employees' dormitory, which we specifically modified to meet the requirements for isolation. For instance, the air-conditioning system of these rooms are separated from the centralized AC system in the employees' dormitory to ensure safety and ventilation, and these isolated rooms are sterilized on a daily basis to maintain hygiene. We arrange designated personnel to deliver food who are required to wear facial masks and keep three meters' distance from those employees in quarantine.

- *Employees' Dormitory Management.* We also carried out measures to maintain the healthiness of the employees who live in our employees' dormitory. For instance, we measure their daily body temperature before they enter the dormitory from our bars and keep record of their body temperature to monitor any irregularities. During the daytime, we require the windows in each dormitory to stay open. We also require our employees to take care of their personal hygiene, such as cleaning their personnel belongings and rooms, washing hands and wearing facial masks once they go out.
- *Customer Healthcare.* During the COVID-19 outbreak, we measure the body temperature of the customers who come to our Helen's bars. In addition, to prevent potential spread of diseases in our bars, our bar manager would make inquiries on the health condition of the customers if they had symptoms such as coughing or running nose.

During COVID-19, none of our employees chose to terminate their employment with us due to the hardship associated with COVID-19. During the outbreak of COVID-19, there is no suspected or confirmed COVID-19 cases with our employees and our outsourced staff, and we did not experience any disruption in our supply chain due to the outbreak. In addition, our measures during the pandemic were publicly reported on the website owned by China's Xinhua News Agency in February 2020.

### MARKETING AND PROMOTION

We believe that market reputation and consumer recognition are the key drivers of our development. Therefore, since our establishment, we have consistently achieved high-speed and low-cost business expansion through word-of-mouth referrals from customers. We have formed a set of standardized precision marketing processes, allowing us to implement specific marketing measures designed for Helen's bars in difference stages of development, such as newly opened bars, bars experiencing business growth and bars with stable operation performance. We launch marketing campaigns, such as a time-limited "buy one get one free" policy, to quickly attract customer traffic for the Helen's bars that have been open for less than a week. In holiday seasons, we also promote a series of themed events to express our gratitude to customers and to improve customer stickiness and loyalty. For example, we hold special events at Helen's bars nationwide on the holidays popular among the young generation, such as Halloween and Thanksgiving.

With the rise of online marketing in recent years, we have made full use of the accumulation of customers' word-of-mouth referrals on online platforms such as Weixin official accounts, Weibo and Douyin to expand our awareness among target customer groups. We also review and evaluate the effectiveness of our marketing campaigns through the Future BI. Through the above marketing approaches, we have maintained a rapid pace of development in recent years. With the continuous increase in our number of bars, we have gradually achieved a flywheel effect in terms of business growth.



As we continue to expand the network of Helen's bars in the market, Helen's has gradually become a popular trend among the youth relying on our brand reputation and word-of-mouth referrals, which, in turn, drives the rapid growth of our bar chain network. In 2018, 2019 and 2020 and the three months ended March 31, 2021, we launched 62, 93, 105 and 38 new bars, respectively.

Through these marketing approaches, the proportion of our marketing costs over our total operating costs continues to decline during the Track Record Period. In 2018, 2019 and 2020 and the three months ended March 31, 2021, our marketing costs amounted to RMB5.2 million, RMB12.1 million, RMB15.4 million and RMB6.0 million, respectively.

### OUR TECHNOLOGY

We attach great importance to using our own and third-party technology to optimize the operation of our bars. As of March 31, 2021, we had a team comprised of approximately 19 experienced professional technical personnel, whose expertise covered a wide range of fields such as data analysis, software development and network engineering.

#### Key Technology Applications

##### *Future BI*

We have developed our proprietary business intelligence management system, or Future BI, to achieve visualized and intelligent bar management and to provide data support for our business operations. Future BI allows our employees of different roles and levels to obtain respective data access, and also enables our employees to directly access this system on their smart phones.

Our Future BI combines the following operation systems.

- *ERP systems.* Our ERP systems are integrated with key data and functionalities with respect to the automation and intelligent management of bar operations, product sales and marketing campaigns. For instance, our customers are able to view our e-menu and place orders by scanning the codes in Helen's bars. During the ordering process, we neither collect, store, process or use any sensitive personal information, including but not limited to customers' identification, age or gender, nor do we own or operate any proprietary or third-party APPs which may access customers' personal information. As of the Latest Practicable Date, there is a total number of 5.8 million ordering users who placed orders in Helen's bars through the foregoing code scanning process. For a detailed discussion of the laws and regulations relating to information security and privacy protection, see also the section headed "Regulatory Overview — Regulations related to Information Security and Privacy Protection" of this prospectus. Based on the operational data collected by the ERP systems, such as products consumed, number of visits and arrival time of each customer, we use our proprietary data center to perform secondary processing and

calculation for the data collected from our bar operations. This offers us actionable data and enables us to respond more flexibly and quickly to the data demand of our business departments. Through ERP systems, we achieve various functions that help us to realise low cost and high efficiency operation functions such as precise marketing, automatic inventory management, internal financial management.

- *CRM.* We can push flexible and diverse precision marketing information through online methods according to customers' preferences. It also helps us achieve precision marketing through analysis and reviewing customers' in-store purchasing records.

Through the comprehensive application of the above data, the Future BI helps us achieve efficient management in product development, management and operations. We utilize the Future BI to keep an eye on the sales of newly launched products across China. For products with rapid sales growth, we analyze the reasons for the popularity of such products based on the data collected by the Future BI, and quickly formulate follow-up marketing strategies. For example, the Future BI helped us seize the rapid changes in the sales volume of the Whisky Coke Bucket, enabling us to formulate targeted marketing strategies in a timely manner. Our Helen's Coke Bucket has gone viral on Douyin, and the related videos have been streamed for more than one billion times. We also use Future BI to supervise and manage other work in bars. We track the recruitment rate and turnover rate of our bars, with automatic reminders sent to regional managers to adjust the team structure promptly.

### *Intelligent music management*

The intelligent music management system is one of the key applications in our bar operations. The system helps us manage the music playing in all bars across China in a unified manner. The system generates unique playlists designed by our disc jockey, and sends music playlists to the streaming system of each bar according to pre-set conditions such as style and type of bar. The disc jockey controls the music and the volume in real time, and instantly adjusts the tracks played in each bar. Moreover, the music volume in the bars can be automatically adjusted according to the current number of customers. For details, please see “— Featured Produces and Services of Helen's Bars — In-Store Music”.

### *Other products*

We have used a series of intelligent equipment at Helen's bars to improve our operational efficiency and customer experience. For example, we are developing customized automatic fryer designed for the products offered in the bars, so as to ensure that the equipment can automatically make and deliver French fries and popcorn chicken upon the placement of orders by customers. We are also developing intelligent cleaning equipment that can perform automatic cleaning according to the sanitation requirements of the environment without the need for human cleaning.

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### OUR CUSTOMERS

We primarily offer products and services to our customers through Helen's bar network across China. As a bar chain network, our customer base is primarily comprised of individual customers and is highly fragmented. During the Track Record Period, our five largest customers consist of franchisees who historically operated the franchised bars. During the operation of franchised bars, we generate revenues from such franchisees by charging (1) one-off fixed franchise fee and (2) a management service fee. With the development of our direct operation business model, the revenue generated from these franchised bars as a percentage of our total revenue has been continuously decreasing. As of the Latest Practicable Date, we do not have any franchised bars in our Helen's bar network and we will not generated such revenue in the future. For details, see the section headed "— Helen's Bars — Our Bar Network" of this prospectus. In 2018, 2019 and 2020 and the three months ended March 31, 2021, the revenue generated from our five largest customers accounted for 22.5%, 2.4%, 0.5% and 0.1% of the total revenue for the year, respectively.

During the Track Record Period, save for our franchisees Mr. Zhang Bo and Mr. Zhao Jun, being our executive Directors and Mr. Xia Linfan, Mr. Yan Xinyang and Mr. Zhong Yiming, being directors of our subsidiaries, all of our five largest customers were Independent Third Parties, and none of our Directors, their close associates or any Shareholder which, to the knowledge of our Directors, owns more than 5% of the issued share capital of our Company, has any interest in any of our five largest customers. During the Track Record Period, revenue generated from the aforementioned related-parties, regardless of whether they were related parties of the Group during the respective years or periods, amounted to RMB17.6 million, RMB11.5 million, RMB3.4 million and RMB0.3 million, representing 15.4%, 1.9%, 0.5% and 0.1% of our revenue, respectively.

The following table sets forth the details of our top five customers during the Track Record Period:

**For the year ended December 31, 2018**

<u>Customers</u>	<u>Service/product provided</u>	<u>Transaction amount</u> (RMB'000)	<u>Percentage of total revenue</u>
Customer A <sup>1</sup>	Franchise management	6,741	5.9%
Customer B	Franchise management	6,300	5.5%
Customer C <sup>2</sup>	Franchise management	4,561	4.0%
Customer D	Franchise management	4,128	3.6%
Customer E	Franchise management	3,966	3.5%
<b>Total</b>		<b>25,696</b>	<b>22.5%</b>

*Notes:*

1. Customer A is the director of our subsidiaries who operated franchised bars during the year indicated.
2. Customer C is our executive director who operated franchised bars during the year indicated.

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**For the year ended December 31, 2019**

<u>Customers</u>	<u>Service/product provided</u>	<u>Transaction amount</u>	<u>Percentage of total revenue</u>
		<i>(RMB'000)</i>	
Customer B	Franchise management	4,643	0.8%
Customer E	Franchise management	2,825	0.5%
Customer C <sup>1</sup>	Franchise management	2,501	0.4%
Customer A <sup>2</sup>	Franchise management	2,461	0.4%
Customer F <sup>3</sup>	Franchise management	1,880	0.3%
<b>Total</b>		<b>14,310</b>	<b>2.4%</b>

*Notes:*

- Customer C is our executive director who operated franchised bars during the year indicated.
- Customer A is the director of our subsidiaries who operated franchised bars during the year indicated.
- Customer F is the director of our subsidiaries who operated franchised bars during the year indicated.

**For the year ended December 31, 2020**

<u>Customers</u>	<u>Service/product provided</u>	<u>Transaction amount</u>	<u>Percentage of total revenue</u>
		<i>(RMB'000)</i>	
Customer B	Franchise management	1,305	0.2%
Customer G <sup>1</sup>	Franchise management	817	0.1%
Customer C <sup>2</sup>	Franchise management	657	0.1%
Customer F <sup>3</sup>	Franchise management	628	0.1%
Customer E	Franchise management	302	0.0%
<b>Total</b>		<b>3,709</b>	<b>0.5%</b>

*Notes:*

- Customer G is the director of our subsidiaries who operated franchised bars during the year indicated.
- Customer C is our executive director who operated franchised bars during the year indicated.
- Customer F is the director of our subsidiaries who operated franchised bars during the year indicated.

## BUSINESS

**For the three months ended March 31, 2021**

<b>Customer</b>	<b>Service/product provided</b>	<b>Transaction amount</b>	<b>Percentage of total revenue</b>
		<i>(RMB'000)</i>	
Customer B	Franchise management	172	0.1%
Customer G <sup>1</sup>	Franchise management	117	0.0%
Customer E	Franchise management	47	0.0%
Customer H	Franchise management	43	0.0%
Customer I	Franchise management	30	0.0%
<b>Total</b>		<b>409</b>	<b>0.1%</b>

*Note:*

- Customer G is the director of our subsidiaries who operated franchised bars during the period indicated.

In line with our business strategy, most of our customers are the youth aged 18 to 28. As we continuously cultivate a highly loyal customer base, we plan to further expand the age distribution of our major customer base to 18 to 38 in the future.

### **Customer Feedback**

Customer feedback is crucial to improving our service quality. We are committed to continuously collecting customer opinions through various online or offline platforms commonly used by the youth. After years of operation, we have accumulated a large number of loyal customers on major social media. We use these social media to gain a comprehensive understanding of customer demands. As of the Latest Practicable Date, we have accumulated more than 7.5 million followers in our official accounts in Weixin, Douyin and Weibo. Our “Helen’s Coke Bucket” has gone viral on Douyin, and the related videos have been streamed more than one billion times.

In addition, we also collect customers’ opinions and feedback through various forms of offline methods, such as distributing feedback forms and hosting the 315 Roast (315吐槽大會). Our store managers comprehensively evaluate the overall performance of our bars based on customer opinion and adjust the quality of service in a timely manner.

**MANAGEMENT AND PREVENTION OF ILLEGAL ACTIVITIES**

We have been abiding by the responsibilities and obligations of bar operators stipulated by the Chinese laws and regulations (for details, please see “Regulatory Overview – Regulations Related to Customer Rights Protection” and “Regulatory Overview – Regulations Related to Minors Protection”), and has formulated relevant measures and systems to ensure that we continue to comply with the provisions and requirements of the law, such as

- (i) We prohibit minors from entering the bar, and set up signs of prohibiting entry of minors in a prominent place in the bar. As for those who are difficult to determine whether they are minors, the employees will require the customers to show their identity documents as required under the PRC Minors Protection Law. We stipulate this in the Customer Needs and Special Scenario Handling Guidelines (顧客需求及特殊場景處理指南),
- (ii) For customers who drink excessively, we set up “Don’t drink excessively” signs in a prominent place in the bar. If the employees find those who may drink excessively, they will dissuade the customers and even stop selling alcohol to them. In view of the good implementation of the above system requirements, during the Track Record Period and up to the Latest Practicable Date, we have not been punished by the competent authority for failing to comply with the laws on such illegal activities.
- (iii) We advocate the culture of honesty and integrity. In accordance with the Anti-Money Laundering Law of the People’s Republic of China, the Law of the People’s Republic of China Against Unfair Competition and other relevant laws and regulations, we continued to improve anti-corruption management and optimize reporting mechanism, while enhanced integrity education to promote honest operation. During the Track Record Period and up to the Latest Practicable Date, we had no litigation involving corruption, bribery, blackmail, fraud and money laundering.

We make every effort to create a healthy social space and atmosphere to our customers, and adopt a zero tolerance policy towards any form of illegal or inappropriate activities in Helen’s bars, especially those relating to unhealthy drinking cultures.

To this end, we have established comprehensive internal policies and guidelines to help us promptly detect and address illegal or inappropriate activities upon their occurrence in Helen’s bars. For instance, we assign security personnel to inspect respective in-store areas for suspected illegal or inappropriate activities and emergencies during business hours. Our in-store security team performs hourly inspection inside and around Helen’s bars to check improper customer behaviors, including but not limited to hangover, confrontation, legal violations or other prohibited behaviors. They also inspect fire safety hazards, such as open flames and unextinguished cigarette butts, as well as the conditions of firefighting facilities, equipment and emergency exits. If the security team discovered any prohibited customer behavior during inspection, they would immediately report it to the bar managers who would contact proper authorities to maintain in-store order and peace.

Compared to the post-work drinking events between superiors and subordinates, our customer base primarily consists of individual young customers who typically come to Helen's bars to hold social gatherings among friends, and our product portfolio mainly includes the alcoholic drinks with relatively low alcoholic content. This helps us maintain a positive environment in Helen's bars without the issues associated with unhealthy drinking cultures. In addition, Helen's bars use the open floor design with no private rooms, which also reduces the possibility of the occurrence of illegal or inappropriate activities. During the Track Record Period and up to the Latest Practicable Date, we did not experience any claims, lawsuits or complaints in respect of illegal or inappropriate activities occurred in Helen's bars. Furthermore, as advised by our PRC Legal Advisor, we would not be liable for any illegal activities in Helen's bars as long as we did not assist or participate in such illegal activities. For the discussion of customer misconducts and relevant risks, see also "Risk Factors – Risks related to our Business – We may not be able to detect, stop or prevent all fraud or other misconduct by our employees, customers or other third parties" of this prospectus.

Save for the recent amendment to PRC Fire Prevention Law in April 2021, our Directors are of the view that there has been no material changes in the laws and regulations in the jurisdiction that we operate other than those already disclosed in this prospectus. Should the PRC relevant authorities promulgate new laws and regulations that regulate our business operation, including those relating to drinking or illegal or inappropriate activities in bars, we will further enhance our internal control measures, policies or guidelines to maintain compliance with the new laws and regulations. For details of the amendment to PRC Fire Prevention Law, see the section headed "Regulation Overview – Regulation related to Fire Prevention – Fire Inspection" of this prospectus.

### **QUALITY CONTROL AND FOOD SAFETY**

We monitor food safety in all aspects of procurement, logistics, warehousing and bar services. Our food safety is managed by our operation department, which reports directly to the Board, and has the right to decide all matters and decisions related to quality control. We also conduct periodic reviews and daily quality control at the operational level. The quality control and food safety are under the direct supervision and management of the vice president and senior manager of our operation center, each of whom generally has an average of six years of experience in the fields such as food safety, management of standardization and business management. Specifically, the management and employees participating in the quality control and food safety include (i) the vice president and one senior manager of our operation center who are in charge of formulating the internal policies relating to quality control and food safety, employee training and overall supervision, (ii) one area manager who monitors the implementation of internal measures relating to quality control and food safety and (iii) the bar manager who monitors the in-store quality control and food safety matters.

In respect of various aspects of food safety, we have formulated a comprehensive quality management system to maintain our food safety and quality standards.

- *Procurement.* We have established comprehensive standards for the selection and management of suppliers. To ensure food safety, all of our suppliers must comply with the quality standards for alcoholic drinks, food ingredients and other supplies imposed by the regulatory authorities. Before entering into cooperation relationship with our suppliers, we conduct quality reviews of our suppliers' business licenses, manufacturing licenses and food operation licenses and conduct background checks on suppliers through public information search. As of the Latest Practicable Date, all suppliers of third-party brand alcoholic drinks cooperated with us had obtained relevant authorization documents or import qualifications. We require suppliers to provide products that meet the corresponding national and industry quality standards and our requirements. For example, the current shelf life of the alcoholic drinks or snacks supplied to us shall not be less than 1/4 to 1/3 of the product expiration date. Pursuant to the agreements, if there is any quality issue with our purchased products, we shall take measures, such as returning the products, claiming compensation for loss or terminating the contract, and require the suppliers to bear the costs incurred by the return. Please see "— Supply Chain Management — Suppliers."
- *Alcoholic drinks.* We have stringent food safety control measures for alcoholic drinks sold in our bars. Before providing alcoholic drinks to our customers, our staff conduct detailed inspections on the shelf life, appearance, and temperature of alcoholic drinks. For the Helen's branded products and third-party alcoholic drinks we provide, we stop selling the products within seven days prior to the end of the shelf life. For draft beer and other alcoholic drinks that require a high degree of freshness, if the draft beer is left for more than ten minutes after being taken out of the barrel, we will no longer provide it to customers. In the event that the packaging of the alcoholic drink is damaged, rusted, or has collided during transportation, we will exchange it immediately. We maintain a proper inventory level according to the daily sales of alcoholic drinks in our bars. If the alcoholic drinks have not been sold on one day, we require our staff to store them at room temperature or low temperature according to the storage requirements of alcoholic drinks. For alcoholic drinks that have been opened but not consumed on the same day (such as the alcoholic drinks deposited by customers), we will indicate the date of opening on the label of the packaging of the alcoholic drinks and strictly monitor their validity period. For alcoholic drinks that have exceeded the validity period of storage, we will no longer provide them to customers. We also sterilize the packaging and glasses of alcoholic drinks.
- *Snacks.* We purchase snacks from suppliers and offer to our customers, and process them in the kitchen of our bars. We have formulated detailed guidelines for the processing and storage methods of each snack. We require staff to sterilize utensils before processing snacks and wear operating utensils such as mouth shields and chef hats. We prohibit the sale of leftover fruit salad from the previous day. The kitchen



and other related facilities in our bars are designed, constructed, maintained and inspected in accordance with applicable food safety standards, laws and regulations. We require our employees to follow strict hygiene standards. In addition, we require all raw materials and food ingredients used in the processing procedures to comply with applicable laws and regulations related to safety and quality, so as to prevent and rectify any possible quality problems.

- *Warehousing and logistics.* Our third-party warehousing and logistics service providers are responsible for delivering food ingredients and other materials to designated locations including our bars. Thereafter, our employees store the food ingredients at appropriate temperatures and storage conditions according to our standards, and keep a record log thereof. Our employees conduct a careful check on the alcoholic drinks, snacks and other consumables delivered to our bars with respect to their quality, quantity, freshness and shelf life, and we only accept those products that are in appropriate conditions. We store the products, such as alcoholic drinks, soft drinks and snacks in our warehouses in a organized manner to ensure their quality. For instance, the boxes of the alcoholic drinks are separately stored according to their weight, categories and shelf life, and the boxes of these drinks are placed from each other from certain distance to avoid the compression of packages and compromise of product quality. In addition to strict adherence to the shelf life and storage methods, we also develop a labeling procedure to ensure the proper warehousing of drinks and foods in our Helen's bars. Once the alcoholic drinks, snacks or ingredients are unsealed or unfrozen, our employees place label on their package which illustrates the necessary information to help maintain proper storage, such as the opening date, the expiration date, the required storage temperature and the suggested storage methods.
- *Food processing.* We adopt a complete set of standard operational procedures stipulating operational procedures and quality standards relating to the processing of drinks and food offered in Helen's bars, which range from the preparation of food and drinks to the required steps with respect to the storage and sterilization of ingredients. Firstly, we require our bar staff who directly process the foods and drinks to strictly comply with the procedures and standards in the internal guidelines. For instance, they need to complete a number of personal hygiene steps before work, such as hand washing and the sterilization of utensils and kitchen facilities. Our bar manager is in charge of checking the personal health of our employees and report promptly if any health issue is discovered. Pursuant to our internal policies, all these required procedures have to be completed before the opening hour to ensure the proper operation condition of Helen's bars. Secondly, once the customers place order, our employee will examine the quantity, quality and temperature of the alcoholic drinks. For each kind of alcoholic drinks, we require our employees to serve them within respective time limits to maintain their taste and freshness, and, when necessary, we serve alcoholic drinks in sealed containers so they stay fresh and hygienic during the course of consumption. We also have

processing procedures for each kind of snacks we offer, including the processing of ingredients, cooking steps and storage methods. For instance, we require our employees to wear plastic gloves when preparing salads and prohibit using overnight ingredients.

- *Sterilization.* Our internal guidelines provide detailed sterilization procedures to be conducted in our Helen's bars on daily, weekly, semi-monthly, monthly, quarterly and semi-annually basis, each kind of which is focused on specific aspects of our facility hygiene. We sterilize the items most frequently used in Helen's bars on a daily basis, such as the kitchen appliances, kitchenware, floor or restroom facilities, and we set down different standard procedures for the sterilization of each of these items. For instance, to achieve thorough cleaning, our employees use the flashlight to discover the hidden corners in our bars that are generally out of sight, and our guidelines require to use one gallon clean water and disinfectant to clean every 15-table area. Each Helen's bars is equipped with the same set of cleaning tools, such as disinfectant, kitchen degreasing agent and disinfection spray, which allows us to apply our standardized hygiene protocols across all of our Helen's bars.

We have engaged third-party food safety technical service providers with industry-renowned reputation. We purchase professional cleaning equipments and supplies necessary for bar disinfection and hygiene from these technical service providers. Meanwhile, these technical service providers offer us food safety supervision and testing, bar cleaning, evaluation, bar review and staff trainings services. If any issues are identified in food safety testing, our technical service providers will issue a review report and provide rectification suggestions to us.

Applicable laws and regulations such as the Food Safety Law of the PRC has stipulated certain provisions for food operators, the Group has fulfilled the inspection obligations and established an inspection system of food and drinks safety in accordance with the relevant provisions. With regard to the food and drink purchased by the Group from third parties, the Group has verified the production qualifications of these suppliers, such as the food operation licenses and the food production licenses, and the product quality inspection certificates; as for the food heated or cut by the employees in the bars, we require the employees to operate in accordance with our standardized procedures, which are formulated according to the applicable laws and regulations, and these bars have obtained the Food Business Permit. According to the applicable laws and regulations, the relevant PRC authorities, with respect to product quality, adopts a supervision and inspection system with random inspection as the main method. During the Track Record Period and up to the Latest Practicable Date, none of the products produced or sold by us was found to be unqualified after the supervision and random inspection by the market supervision and management department.

During the Track Record Period and up to the Latest Practicable Date, we do not receive any third-party complaint regarding food and drink safety which makes us subject to formal notice, investigation or penalty by any competent government authorities.

During the Track Record Period and up to the Latest Practicable Date, we are not subject to any material proceedings by any government authorities on the sanitary conditions of our bars or products, and we have not encountered any material product safety incidents.

### PRODUCT PRICING AND PAYMENT METHODS

To offer value for money products and services is our core consideration in pricing strategy. Our most active customers are young people in China who pays attention to the value of money. Therefore, our products pursue maximum value of money. We have adopted a consistent pricing policy among all Helen's bars operated in different cities. This is also in line with our core strategy of creating a social space for the youth. At present, all our bottled beer products are priced under RMB10 per bottle, which is competitive when compared with the prices of similar products of our competitors. For example, our 275ml Helen's craft beer is priced at only RMB7.8 per bottle, and 275ml Budweiser is priced at RMB9.8 per bottle. According to Frost & Sullivan, the average price of Budweiser of the same specification is RMB15 to RMB30 per bottle in the same industry. We manage to offer Budweiser to our customers on a price which is about 35%-67% lower than the average price in the market leveraging our scale of economics and bargaining power.

Pursuant to the current cooperation agreements with third-party brands, such as Budweiser or Carlsberg, we typically purchase third-party alcoholic drinks from authorized distributors of these third-party brands at the prices that we directly settled with Budweiser or Carlsberg. The relevant authorized distributors are in charge of delivering the alcoholic drinks and shall not amend the foregoing pre-agreed price. With respect to our cooperation with Budweiser, (i) we may collaborate with Budweiser in marketing campaigns of Budweiser products and receive market service fees, and (ii) in the event that the volume of Budweiser products purchased from Budweiser and its authorized distributors exceeded a pre-agreed threshold, Budweiser shall give us a discount on top of the agreed price. During the Track Record Period and up to the Latest Practicable Date, Budweiser and us have not initiated any of the foregoing marketing campaigns and we have not received any marketing fees, and we have not triggered the aforementioned discount provision. For the purchase of these products, we settle the payment on a monthly basis directly with the authorized distributors, rather than with the third-party brands. During the Track Record Period, the total purchase amount of Budweiser products were RMB2.6 million, RMB13.6 million, RMB29.5 million and RMB10.3 million, respectively, and the total purchase amount of 1664 were RMB3.0 million, RMB11.3 million, RMB14.8 million and RMB6.4 million, respectively.

Our customers can pay with online payment methods such as WeChat Pay and Alipay as well as other payment methods such as cash. As we continuously implement the online settlement method, the proportion of cash payment over total payment continued to decrease. For the year ended December 31, 2020, the amount of bills settled by cash accounted for 0.3% of the total amount of bills.

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The following table sets forth the breakdown of revenue from self-operated bars by payment methods during the Track Record Period.

	For the year ended December 31,						For the three months ended March 31,			
	2018		2019		2020		2020		2021	
	Revenue	%	Revenue	%	Revenue	%	Revenue	%	Revenue	%
<i>(RMB'000, except for percentage)</i>										
<b>Online Payment</b>										
WeChat Pay	50,830	74.1%	398,644	74.3%	589,727	72.9%	45,430	74.6%	294,889	80.7%
AliPay	15,687	22.9%	128,729	24.0%	209,638	25.9%	14,657	24.1%	66,028	18.1%
Others	436	0.6%	3,446	0.6%	6,782	0.8%	314	0.5%	3,574	1.0%
<b>Total online payment</b>	<b>66,954</b>	<b>97.6%</b>	<b>530,819</b>	<b>98.9%</b>	<b>806,147</b>	<b>99.7%</b>	<b>60,401</b>	<b>99.2%</b>	<b>364,491</b>	<b>99.7%</b>
Cash Payment	1,653	2.4%	5,904	1.1%	2,669	0.3%	469	0.8%	1,051	0.3%
<b>Total</b>	<b>68,607</b>	<b>100.0%</b>	<b>536,723</b>	<b>100.0%</b>	<b>808,816</b>	<b>100.0%</b>	<b>60,870</b>	<b>100.0%</b>	<b>365,542</b>	<b>100.0%</b>

We enter into service agreements with the online payment platforms that typically contain the following salient terms.

- *Opening account.* To use their services, we open an official account by submitting to these platforms our business license, tax registration, legal representation identification and other information required to demonstrate the legality and authenticity of our business. Our official account on these platforms are connected to our bank account to facilitate the transfer of payment.
- *Customer payment.* Our customers can make payment in Helen's bars through these third-party platforms once our official account is opened. For instance, our customers may make orders and make payment via our official Weixin account, and the payment from customers will be transferred to our designated bank account.
- *Service fees.* The third-party platforms charge a service fee to us for facilitating the customer payments, which is expressed as a pre-agreed percentage of and deducted from the customer payment.
- *Integrity and honesty.* The agreements with the third-party payment platforms typically contain integrity and honesty provision that prohibits sham transactions, money laundry and other illegal acts relating to cash management.

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The following table sets forth the service fees paid to each of these third-party payment platforms during the Track Record Period.

	For the years ended December 31,			For the three months ended March 31,	
	2018	2019	2020	2020	2021
	<i>(RMB)</i>				
WeChat Pay	236,809	1,342,238	1,407,976	143,514	995,174
Alipay	11,430	272,762	496,857	49,486	111,826
Others	152,974	451	617,311	397	496
<b>Total service fees</b>	<b>401,213</b>	<b>1,615,451</b>	<b>2,522,144</b>	<b>193,397</b>	<b>1,107,496</b>

By directly connecting with the system of our financial department, we monitor the payment in bars in real time. In order to avoid cash embezzlement, we check the cash received on a daily basis, and ask store managers to deposit the cash into our bank account in a timely manner after receiving the cash. In order to avoid misappropriation and use of cash, our financial staff will reconcile the cash deposits, bank statements and in-bar sales records reported by bars to monitor the discrepancies between cash and the accounts. We have also installed surveillance cameras in office areas of our bars to monitor and prevent improper behavior including misappropriation and theft of cash.

During the Track Record Period and up to the Latest Practicable Date, we have not encountered any incident with respect to embezzlement or misappropriation of cash that has a material adverse effect on our business, results of operation or financial condition.

## SUPPLY CHAIN MANAGEMENT

### Procurement

We mainly purchase the following goods from our suppliers during our operation: (1) customized Helen's own products that we purchase from third-party suppliers, including alcoholic drinks and snacks; (2) third-party branded alcoholic drinks; and (3) other consumables for Helen's bar operations.

We typically enter into contracts with eligible third-party service providers to develop, manufacture and deliver the alcoholic drinks in our Helen's own products. For a detailed discussion with respect to the selection of our partnering service providers, see the section headed “– Suppliers – Supplier Selection” to this prospectus. The contracts between such service providers and us contain the specific requirements with respect to the alcoholic drinks that we set down based on our understanding of the customer preference and market trends, such as the flavor, alcoholic content, packaging and weight of the alcoholic drinks that we plan to manufacture through our partnering service providers. To maintain the product quality, we also require the service providers to manufacture the alcoholic drinks according to relevant production standards, which include the applicable national and industry standards as well as our internal product policies. Once the production process is complete, we are entitled to inspect quality, quantity, expiration date and other product specifics, and to reject the alcoholic drinks that do not meet the necessary standards. According to these contracts, the third-party manufacturer shall be liable for defects in these alcoholic drinks, such as counterfeits, infringement on third-party rights or food safety deficiencies. We also purchase snacks, raw materials and other raw materials from our suppliers, such as frozen fries, seasoning, dressing and utensils. Before serving to our customers, the raw materials purchased from suppliers are unfrozen, heated or otherwise processed in the kitchens in our Helen's bars. For a detailed discussion of the food safety measures during the food processing, see the section headed “Quality Control and Food Safety” to this prospectus.

We primarily conduct our procurement through a standardized and integrated process. We conduct integrated management of bar procurement through our in-house control center and leverage on the fully automated processes of our ERP systems to improve our operational efficiency. Particularly, our ERP systems can automatically export orders according to necessities of our bars. Based on such requirement of orders, our control center confirms the order quantity of various goods every week and formulates a procurement plan. Upon internal approval of such procurement plan, the control center records the procurement plan into the ERP systems and issues the procurement plan to the relevant suppliers. According to such orders, the third-party logistics service provider or suppliers will arrange delivery to the bar. After the goods have passed our inspection and acceptance, the ERP systems can help us with automatic code-scanning of goods for input storage.

For the year ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2021, our costs of raw materials and consumables amounted to RMB31.7 million, RMB195.9 million, RMB271.4 million and RMB108.2 million, respectively.

### **Cost control on procurement**

We update our pricing from time to time to reflect market trends and general economic conditions. As is customary in the catering service market, we typically do not pass on short-term price increase of our major ingredients to our customers. Set out below is the sensitivity analysis of fluctuation on raw materials cost during the Track Record Period, where

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the hypothetical impacts on our profit/losses owing to different upward and downward movements of raw materials cost are illustrated. As multiple assumptions have been applied, this sensitivity analysis is for illustration only and the actual results may differ from the results indicated below.

### Hypothetical change ratio of raw materials and consumables used in

10%	5%	2%	1%	-1%	-2%	-5%	-10%
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(RMB'000)

### 2018

Raw materials and consumables used	34,920	33,332	32,380	32,062	31,428	31,110	30,158	28,571
Change of raw materials and consumables used	(3,175)	(1,587)	(635)	(317)	317	635	1,587	3,175
Change of profit for the year	(2,381)	(1,190)	(476)	(238)	238	476	1,190	2,381

### 2019

Raw materials and consumables used	215,452	205,658	199,782	197,824	193,906	191,948	186,072	176,279
Change of raw materials and consumables used	(19,587)	(9,793)	(3,917)	(1,959)	1,959	3,917	9,793	19,587
Change of profit for the year	(14,690)	(7,345)	(2,938)	(1,469)	1,469	2,938	7,345	14,690

### 2020

Raw materials and consumables used	298,524	284,954	276,813	274,099	268,671	265,957	275,816	244,247
Change of raw materials and consumables used	(27,139)	(13,569)	(5,428)	(2,714)	2,714	5,428	13,569	27,139
Change of profit for the year	(20,354)	(10,177)	(4,071)	(2,035)	2,035	4,071	10,177	20,354

### Three months ended March 31, 2021

Raw materials and consumables used	118,990	113,582	110,336	109,255	107,091	106,010	102,764	97,356
Change of raw materials and consumables used	(10,817)	(5,409)	(2,163)	(1,082)	1,082	2,163	5,409	10,817
Change of profit for the period	(8,113)	(4,056)	(1,623)	(811)	811	1,623	4,056	8,113

Consistent with industry practice, we are usually not able to transfer the raw material cost due to price fluctuation to our customers. As a result, we generally take advantage of our cost control on procurement in order to maintain and enhance our profitability.

To mitigate the impacts on price fluctuation, we have implemented multiple measures for cost control on procurement. Set out below are the major measures taken by us to manage procurement cost:

- We conduct concentrated and uniform procurement for raw materials and consumables, which enable us to purchase the best supplies available at prevailing market prices. With our continuously enhanced leading position in the market, bargaining power and economies of scale, we have been continuing and will continue to optimize our procurement cost.
- We continuously monitor the market prices and trend of raw materials, and we will usually increase our inventory of raw materials in the event that the prices are expected to potentially get higher, without prejudice to our undertakings to the quality of raw materials used in our products.

We plan to continuously conduct cost control on procurement to maintain the long-term growth of our earnings.

### ***Suppliers***

#### *Supplier selection*

In order to ensure the quality of our suppliers, we have established a complete set of supplier selection procedures. The main steps include supplier channel screening, supplier qualification review, product sample testing and approval. We select renowned suppliers in the market through methods such as commercial tender and commence our selection procedures before establishing any cooperation. For example, we require suppliers to provide us with relevant information such as their business licenses, manufacturing licenses, and food operation licenses, in order to verify their qualifications of suppliers. We will also conduct background investigations on suppliers through public searches. Suppliers who failed to meet our requirements will not be able to enter into the supplier approval procedure. In addition, before placing orders of goods with suppliers, we will test the sample products provided by suppliers, and require suppliers to supply goods with the standards passed by us for our tested sample products. We will also perform examinations on suppliers cooperating with us semi-annually to examine the KPI and procurement profile of suppliers.

In addition, to prevent commercial bribes during the cooperation with suppliers, we include written undertakings in contracts from time to time, which expressly require suppliers to comply with the laws and regulations related to commercial bribes during our cooperation, and keep our staff and their relatives and acquaintance free from any form of commercial bribe, including but not limited to cash, gifts, marketable securities, and various sponsorships,



subsidies or reimbursement, commercial hospitality or any discount on the sale of goods to our staff. Any of such circumstances found among suppliers will be regarded as material breaches of supply contracts and the default party will be held liable for legal obligations.

In order to minimize our reliance on specific suppliers, we procure alcoholic drinks, snacks and other necessities from multiple suppliers. Since our establishment, we have determined and built up a stable and trustworthy business relationship with reliable suppliers for those major products. During the Track Record Period, we have not encountered any material disruptions, earlier termination of contractual arrangements with suppliers or failure to obtain sufficient raw materials.

### *Principal terms of the supply agreement*

In general, the agreements we enter into with suppliers mainly include the following key terms:

- *Contract term.* We usually enter into fixed-term procurement agreements with our suppliers that generally include automatic renewal terms.
- *Products.* Our bars will place orders to suppliers according to their actual needs, and the supply agreements will specify the specifications of the purchased goods, such as the brand, weight, taste and packaging.
- *Pricing.* We determine with the supplier the pricing of the purchased goods in advance. For different types of products, we sometimes also stipulate in the contract the product pricing methods according to different specifications, such as pricing per bottle or per box.
- *Delivery and inspection and acceptance.* We specify in the agreement the time and place of delivery. In general, we require suppliers to deliver the goods to our bars. Our staff will check the quantity, quality, and shelf life of the goods when they are delivered.
- *Quality assurance terms.* We require suppliers to provide goods that meet national and industry quality standards and our requirement in quality. If we identify quality issues in the purchased products, according to the agreement, we can take measures such as returning the products, claiming compensation or terminating the contract, and require suppliers to bear the costs incurred by the return. Particularly, we require that the current shelf life of the alcoholic drinks or snacks supplied to us by suppliers shall not be less than 1/4 to 1/3 of the product expiration date.
- *Payment.* We usually settle payment with suppliers on a monthly or per order basis. For alcoholic drinks provided by suppliers, we sometimes need to pay a deposit when the agreement is signed.

## BUSINESS

### *Our suppliers*

For the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2021, our purchases from the top five suppliers of each year accounted for 41.4%, 37.3%, 26.8% and 36.5% of the total purchases during the periods, respectively.

The following table sets out the details of our five largest suppliers during the Track Record Period:

#### *For the year ended December 31, 2018*

<u>Suppliers</u>	<u>Materials and services provided</u>	<u>Transaction amount</u> (RMB '000)	<u>Percentage of total purchase</u>	<u>Length of Business Relationship</u>
Supplier A	Alcoholic drinks	18,237	22.9%	From 2018 to 2020
Supplier B	Alcoholic drinks	4,555	5.7%	From 2018 to 2019
Supplier C	Alcoholic drinks	3,971	5.0%	Since 2018
Supplier D	Others	3,616	4.5%	Since 2018
Supplier E	Foods and drinks	2,615	3.3%	Since 2018
<b>Total</b>		<b>32,994</b>	<b>41.4%</b>	

#### *For the year ended December 31, 2019*

<u>Suppliers</u>	<u>Materials and services provided</u>	<u>Transaction amount</u> (RMB '000)	<u>Percentage of total purchase</u>	<u>Length of Business Relationship</u>
Supplier A	Alcoholic drinks	58,734	19.7%	From 2018 to 2020
Supplier E	Foods and drinks	20,459	6.8%	Since 2018
Supplier F	Alcoholic drinks	11,342	3.8%	Since 2019
Supplier G	Alcoholic drinks	10,885	3.6%	Since 2019
Supplier H	Alcoholic drinks	10,275	3.4%	Since 2019
<b>Total</b>		<b>111,695</b>	<b>37.3%</b>	

## BUSINESS

*For the year ended December 31, 2020*

<u>Suppliers<sup>1</sup></u>	<u>Materials and services provided</u>	<u>Transaction amount</u> (RMB '000)	<u>Percentage of total purchase</u>	<u>Length of Business Relationship</u>
Supplier E	Foods and drinks	35,023	7.9%	Since 2018
Supplier H	Alcoholic drinks	23,358	5.3%	Since 2019
Supplier F	Alcoholic drinks	22,026	5.0%	Since 2019
Supplier I	Human resources service	19,315	4.3%	Since 2020
Supplier J	Alcoholic drinks	19,241	4.3%	Since 2019
<b>Total</b>		<b>118,963</b>	<b>26.8%</b>	

*Note:*

- Supplier A ceased to be one of our five largest suppliers in 2020 primarily since we began to engage suppliers with lower costs and larger business scale as our bargaining power increases with the expansion of our business.

*For the three months ended March 31, 2021*

<u>Suppliers</u>	<u>Materials and services provided</u>	<u>Transaction amount</u> (RMB '000)	<u>Percentage of total purchase</u>	<u>Length of Business Relationship</u>
Supplier K	Human resources service	21,560	8.9%	Since 2020
Supplier I	Human resources service	20,543	8.4%	Since 2020
Supplier L	Decoration and construction	19,234	7.9%	Since 2019
Supplier E	Foods and drinks	14,105	5.8%	Since 2018
Supplier H <sup>1</sup>	Alcoholic drinks	13,300	5.5%	Since 2019
<b>Total</b>		<b>88,742</b>	<b>36.5%</b>	

*Note:*

- an entity ultimately controlled by the same party as Supplier H.

Among the top five suppliers during the Track Record Period, (i) our spirituous drinks are purchased from Supplier B, Supplier C, Supplier F and Supplier J and (ii) the third-party branded alcoholic drinks are purchased from Supplier A, Supplier B, Supplier C, Supplier G and Supplier H. During the same periods, we settle the payment with our top five suppliers through bank transfer to their designated bank accounts. We typically settle the payment on a monthly basis and are sometimes are required to make a prepayment to these suppliers.

During the Track Record Period, all of our five largest suppliers were Independent Third Parties, and none of our Directors, their close associates or any Shareholder which, to the knowledge of our Directors, owns more than 5% of the issued share capital of our Company, has any interest in any of our five largest suppliers.

### **Warehousing and Logistics**

In order to ensure the timely delivery of raw materials, we have entered into long-term cooperation agreements with renowned domestic third-party logistics service providers. Pursuant to such cooperation agreements, our suppliers are responsible for directly delivering food ingredients and supplies to our designated bars or storage locations according to the instructions of the procurement department. We pay these logistics service providers on a monthly basis. Risks related to transportation are borne by third-party transportation companies, and related transported goods shall be covered by insurance policies.

Our agreements with these third-party warehousing and logistics service providers typically contain the following salient terms.

- *Product delivery.* We place online orders through the service providers' internal systems, which shall specify the items, quantity, specification, time and venue of delivery. The service providers shall deliver the products according to the specific requirements in the online orders.
- *Quality assurance.* The service providers shall make sure the products are delivered to us at the same quality conditions as the products were sent, and make compensation to us for any compromise in the products' quality.
- *Warehousing.* We also engage the third-party service providers to provide warehousing services. The service providers shall store the products at their warehousing facilities specified in the agreements and pursuant to proper warehousing conditions. The service providers shall pay the insurance relating to the warehoused products and deliver the products to our designated places.
- *Payment.* We pay the service fees to the service providers on a monthly basis according to the quantity of the products delivered. We sometimes pay a prepayment to the service providers expressed as a pre-agreed percentage of the total service fees.

### OUR EMPLOYEE

Our well-trained staff are important for us to offer high-quality services. Through continuous training and assessment of staff, we ensure that our staff offer standardized and high-quality services. Almost of our employees are located in China. As of December 31, 2018, 2019 and 2020 and the Latest Practicable Date, we had a total of 972, 2,637, 1,565 and 2,037 full-time employees, respectively. In addition to our own full-time employees, we began to engage outsourcing staff from human resource outsourcing service providers since 2020. During the Track Record Period, we engaged Jiangxi Boruizhi Human Resources Service Co., Ltd and Xuzhou Renchuang Cheng Enterprise Management Co. Ltd. to provide human resource outsourcing service.

Our engagements with these human resource outsourcing service providers, or the Service Providers, contain the following key terms.

- *Human resource supply.* The human resource outsourcing service providers shall provide sufficient outsourcing staff to support the daily operation of the Helen's bars. We are entitled to request the Service Providers, through prior written notice, to provide sufficient number of outsourcing staff.
- *Management and supervision.* The outsourcing staff shall perform service pursuant to our internal policies and service guidelines. We have the right to supervise, review and assess the works of the outsourcing staff provided by the Service Providers, and the Service Providers shall make sure the outsourcing staff follow our operation standard in Helen's bars.
- *Payment.* We shall make the pre-agreed payment to the Service Providers on a monthly basis based on the number of and the workload provided by the outsourcing staff, primarily consisting of the salary and compensation associated with the outsourcing staff. The amount of payment to the Service Providers is subject to annual renewal.
- *Termination of contract.* Both parties may terminate the engagements by mutual consent and other specific conditions in the agreements between the Service Provider and us.

To the best of our knowledge, the foregoing two Service Providers do not have any pre-existing or present relationships, including, without limitation, business, employment, family, financing, trust or otherwise, with us or our subsidiaries, their shareholders, directors or senior management, or any of their respective associates during the Track Record Period. As of December 31, 2020 and as of the Latest Practicable Date, we had a total number of 2,794 and 5,525 outsourcing staff, respectively.

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## BUSINESS

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The increase in the total number of our employees is consistent with the rapid growth of the number of our self-operated Helen's bars, which amounted to 84, 221, 337, 374 and 528 as of December 31, 2018, 2019 and 2020, March 31 and the Latest Practicable Date. We believe the outsourcing staff we began to engage since 2020 allows us to increase our operation efficiency and is in line with the industry practice in China. Our PRC Legal Advisor is of the view that, during the Track Record Period and up to the Latest Practicable Date, save as disclosed in "– Legal Proceedings – Social Insurance and Housing Provident Funds" of this prospectus, we were in compliance with applicable PRC labor laws and regulations in all material aspects.

The following table sets out our full-time employees by functions as of the Latest Practicable Date.

Functions	Number of employees	Percentage of total number of employees (%)
Operation	1,808	88.8
Bar expansion	81	4.0
Technology and marketing	66	3.2
Administration and others	82	4.0
<b>Total</b>	<b>2,037</b>	<b>100.0</b>

In order to ensure that bar employees can provide high-quality services, we have set up a complete set of training system for staff of different levels and functions. Our talent training system not only helps staff master the key skills in the bar operation process, but also provides a clear career development plan for outstanding staff. Specifically, our staff training system includes:

- *Staff recruitment.* We also adopted formal human resource management policies and procedures that provide basic guidelines and requirements for employee recruiting, preparation, assessment, and advancement. Such policies and practices are implemented in all Helen's bars across the network to ensure that our employees, including our in-store staff, completely support our corporate values and long-standing dedication to product and service quality. Our area human resource operations, which are overseen by our human resource department at headquarters, are responsible for recruiting, educating, and maintaining employees for Helen's bars within their respective jurisdictions. This organizational control mechanism helps to ensure continuity of customer care standards while allowing for greater flexibility in meeting the unique needs of in-store employees in various locations.

- *Basic training.* The basic training we provide to our staff includes introductory training for newly recruited staff and special bar training. For newly recruited staff, we provide them with a seven-day induction training through the online system, including a set of courses that involve our daily operations, basic skills and corporate culture. We also provide basic bar operation training for new staff to master basic job skills. Through this introductory training, new staff can quickly understand our business and culture. At the same time, we also provide on-the-job monthly special training based on the insufficient operation need. After the special training is over, we will evaluate the training's effectiveness on a continuous basis and provide timely feedback.
- *“Helen's Talent Scheme” (海星計劃).* Our “Helen's Talent Scheme” helps staff improve their basic job skills through online courses and offline meetings. Particularly, through “Helen's Talent Scheme”, our staff gain a clearer understanding of bar management knowledge and are prepared to serve as bar foremen.
- *Bar manager training.* For bar foremen and store managers with different length of service, we provide tailor-made training courses to help them better master bar business skills and corporate management knowledge. These trainings ensure our staff can achieve professional growth, as well as allow us to effectively select future management talent.
- *“Management Training Camp” (亮劍集中營).* The “Management Training Camp” provides management ability training for senior store managers and above middle-level officers, including courses based on the actual needs of corporate management and management concepts from well-known institutions in the industry.

Apart from the above training courses, we also designate a dedicated senior staff for each staff to provide guidance to the staff in the actual service process. We have prepared special guidance documents and assessment indicators for the training in the actual service process, so that new staff can provide better services under the leadership of senior staff.

Our success mainly depends on our ability to attract, motivate and retain a sufficient number of qualified employees. We believe that we provide employees with competitive wages and other benefits, and provide discretionary performance bonuses as further incentives. Our employee benefit and manpower service expenses mainly include all salaries and benefits payable to all of our employees and staff and the manpower service expenses we paid to human resources companies.

In 2018, 2019 and 2020 and the three months ended March 31, 2021, our employee benefit expenses and manpower service expenses were RMB25.1 million, RMB92.3 million, RMB178.9 million and RMB190.4 million, respectively, representing 21.8%, 16.3%, 21.9% and 51.6% of our total revenue in the same periods, respectively.

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Our PRC Legal Advisor is of the view that, during the Track Record Period and up to the Latest Practicable Date, save as disclosed in “– Legal Proceedings – Social Insurance and Housing Provident Funds” of this prospectus, we were in compliance with applicable PRC labor laws and regulations in all material aspects. Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, there were no material labor disputes or strikes which would have a material adverse impact on our business, financial condition or results of operation.

### COMPETITION

The bar industry in China is highly fragmented, consisting of a large number of independent bars and a few bar chain network. According to Frost & Sullivan, by the end of 2020, there were approximately 35,000 bars in China, of which over 95% were independent bars. In 2020, the aggregate market share of the top five bar operators in China’s bar industry was approximately 2.2% in 2020 in terms of revenue.

Our main competitors include other independent bars and bar chain network in mainland China. We believe that we have strong competitiveness in China’s bar industry due to our unique brand design capabilities, successful bar development strategy, scalable and standardized business model and strong operational management capabilities.

### USER PRIVACY AND DATA SECURITY

The Cybersecurity Law of the People’s Republic of China (《中華人民共和國網絡安全法》) and other laws and regulations govern the collection, use, retention, sharing and security of personal data we obtain from or related to users. Government authorities have stepped up censorship of the way companies connect personal identities and data associated with specific users to data collected through the internet. We expect that the censorship will continue to rise. We have adopted policies, procedures and guidelines to comply with these laws and regulations and protect the privacy of customers and the security of their data.

### INTELLECTUAL PROPERTY RIGHTS

We currently operate our bar network under the Helen’s brand. As of the Latest Practicable Date, we had registered two patents, 57 trademarks, nine copyrights and two software copyrights in China. For details, please refer to “Appendix IV – Statutory and General Information – B. Further Information about Our Business – 2. Intellectual Property Rights.” During the Track Record Period and up to the Latest Practicable Date, there were no disputes or infringements in connection with our intellectual property rights which could have a material adverse impact on us.



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A number of know-how and trade secrets are also vital to our operations. We have not applied for patents on know-how and trade secrets to avoid possible information leakage during the application process. We rely on protection provided by applicable trademark laws, implementation of intellectual property management policies, installation of secure information technology systems and confidentiality arrangements with employees who can obtain relevant information and third parties who can obtain our exclusive know-how and trade secrets to protect relevant intellectual property rights.

### INSURANCE

For our bars in mainland China, we mainly purchase public liability insurance, property insurance and employer's liability insurance. Our Directors believe that our insurance coverage is in line with industry practice and standard business practices of relevant countries. Please see "Risk Factors — Risks Related to Our Business — Our Insurance Policies may not Provide Adequate Coverage for all Claims associated with Our Business Operations."

### PROPERTIES

Our headquarters is located in Shenzhen. As of April 30, 2021, we leased 436 properties in China with a total gross floor area of approximately 210,800 square meters, for business operation and office use. Such properties are leased from third parties.

As of March 31, 2021, we did not have any single property with a book value accounting for 15% or more of our total assets. Therefore, pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the Third Schedule, which requires a valuation report with respect to all of the Group's interests in land or properties.

The lessors of 353 leased properties (with a total gross floor area of approximately 177,400 square meters, accounting for approximately 84.16% of the total leased gross floor area) have a valid title certificate or relevant authorization documents, proving that they are entitled to lease the properties and that the use of the leased properties is in compliance with the planned use set out in the relevant title certificate. Our PRC Legal Advisor is of the view that the lease agreements of the properties are legally binding on the parties to such agreements.

## BUSINESS

During the Track Record Period, we are generally able to renew our leases on terms similar to our existing leases. The following table sets forth the maturity profile of lease agreements for our Helen's bars during the Track Record Period.

	As of December 31,									As of March 31,		
	2018			2019			2020			2021		
	Outstanding	Number of		Outstanding	Number of		Outstanding	Number of		Outstanding	Number of	
	lease	lease		lease	lease		lease	lease		lease	lease	
GFA	liabilities	agreements	GFA	liabilities	agreements	GFA	liabilities	agreements	GFA	liabilities	agreements	
(sq.m.)	(RMB '000)		(sq.m.)	(RMB '000)		(sq.m.)	(RMB '000)		(sq.m.)	(RMB '000)		
Due within one year	-	18,597	-	2,215	46,888	4	3,426	78,862	8	1,855	94,146	6
Due after one year but												
within two years	550	22,293	1	3,842	69,644	8	5,658	115,650	15	7,871	146,902	22
Due after two years but												
within five years	9,526	71,359	31	39,680	196,627	120	73,125	273,944	204	89,982	365,803	243
Due after five years	18,502	35,297	57	43,314	71,017	123	55,500	70,785	143	82,110	99,761	204
<b>Total</b>	<b>28,578</b>	<b>147,546</b>	<b>89</b>	<b>89,051</b>	<b>384,176</b>	<b>255</b>	<b>137,709</b>	<b>539,241</b>	<b>370</b>	<b>181,818</b>	<b>706,612</b>	<b>475</b>

The following table sets forth the breakdown of rental expenses per square meter by city tiers.

	For the			
	three months			
	ended			
	For the years ended December 31,			March 31,
	2018	2019	2020	2021
<b>Rental expense per month</b>				
<b>per sq.m. (RMB)</b>				
Bars in first-tier cities	98.3	127.0	138.7	146.3
Bars in second-tier cities	68.8	71.5	77.5	80.2
Bars in third and lower-tier cities	54.6	62.6	62.3	63.4

### Title defects

Among the aforementioned 436 leased properties, the actual use of 18 leased properties (with a total gross floor area of approximately 7,300 square meters, accounting for approximately 3.46% of the total gross floor area) is inconsistent with the purpose stated in the relevant title certificate or relevant authorization documents. With respect to such properties, our PRC Legal

Advisor is of the view that we will not be subject to any fines or penalties for such properties, but if any such lease is challenged by any interested parties or if the lessor is penalized by competent government authorities, we may not be able to lease, occupy and use the relevant properties.

The lessors of 65 leased properties (with a total gross floor area of approximately 26,100 square meters, accounting for approximately 12.38% of the total leased gross floor area) have not provided a valid title certificate or sublease authorization or other relevant certificate. As advised by our PRC Legal Advisor, we will not be subject to any fines or penalties for such properties, but if the title or the lessor's right to rent is challenged by any third-party right owner, our lease may be affected.

According to the Administrative Measures for Commodity Housing Tenancy (商品房屋租賃管理辦法), if the lessor rents out the housing, which is an illegal structure or the usage is changed in violation of applicable regulations, the competent construction departments shall urge the lessor to make corrections within a specified time limit, and impose a fine below RMB5,000 on those who have not obtained illegal gains; a fine between 3 and 5 times of the illegal gains but is below RMB30,000 may be imposed on those who have obtained illegal gains. And the Administrative Measures for Commodity Housing Tenancy does not stipulate the corresponding responsibilities of the tenant. Based on the above, the PRC legal advisors are of the view that we will not be subject to any fines or penalties for title defects.

Having considered the above, the Directors and our PRC Legal Advisor are of the opinion that the abovementioned title defects will not have a material impact on our business and results of operations for the following reasons: (i) during the Track Record Period and up to the Latest Practicable Date, to the best of the Directors' knowledge, our leases involving such defective leased properties have not been challenged by any third parties, (ii) having considered that such defective leased properties are scattered throughout the PRC and are subject to different local government authorities, we consider it unlikely that we would simultaneously face claims from various third parties or be required to relocate by government authorities in respect of the defective leased properties, (iii) we can find alternative properties in the event that we were required to relocate, and (iv) we have strengthened our internal control measures and procedures to prevent new leasing properties with title defects in the future, and (v) our Controlling Shareholders have agreed to indemnify the Group for any claims, fines and other liabilities arising from the relevant non-compliance.

### **Non-filing of lease agreements**

As of the Latest Practicable Date, 651 lease agreements we entered into had not been filed with relevant authorities. Our PRC Legal Advisor is of the view that the non-filing of lease agreements would not affect the validity of such lease agreements, but relevant local housing authorities may require us to complete the filing within the prescribed period and we may be subject to penalties of RMB1,000 to RMB10,000 as a result of delay in filing for each of such properties. The aggregate maximum penalty of the Company for the non-filing of its lease

agreements is RMB6.5 million. Therefore, we have the right to use the relevant properties in accordance with the lease agreements, but if the lease filing has not been completed in accordance with the requirements of relevant local housing authorities, we may be subject to the risk of penalties.

Having considered the above, the Directors are of view that the above unregistered leases will not have a material impact on our business and results of operation for the following reasons: (i) we have not been penalized for our failure to register and file the relevant lease agreements during the Track Record Period and up to the Latest Practicable Date, (ii) we have been advised by our PRC Legal Advisor that if the lease registration can be completed within a reasonable period of time from the date of application as required by the relevant laws and regulations or within the prescribed period of time as required by the government authorities, the risk that the government authorities will impose significant penalties on us in respect of such leased properties is remote, (iii) we have designated a dedicated team to actively communicate with the lessors for lease registration in order to cooperate with them and collect application documents for the relevant lease registration, and we have submitted application documents for lease registration where the relevant documents are complete, (iv) we have strengthened our internal control measures and procedures to avoid recurrence of such non-compliance and (v) our Controlling Shareholders have agreed to indemnify the Group for any claims, fines and other liabilities arising from the relevant non-compliance.

#### **Internal control measures**

We have required all of our lessors to provide necessary documents and valid title certificates before entering into lease agreements with us, and we will not enter into lease agreements for properties with title defects. In addition, we have more strictly required our lessors to register our lease agreements with relevant housing authorities.

### **ENVIRONMENTAL, SOCIAL AND GOVERNANCE**

#### **Identification and Assessment of ESG Risks and Issues**

We are regulated by the environmental protection and occupational health and safety laws and regulations in mainland China and the places where we operate our bars outside mainland China. During the Track Record Period and up to the Latest Practicable Date, we complied with relevant environmental and occupational health and safety laws and regulations in all material aspects, and we did not encounter any incidents or complaints that would have any material adverse impact on our business, financial condition or results of operation during the same period. In addition, climate change has resulted in harsh weather, which has a direct effect on our business operation. We identified climate change risks that could have a considerable impact on the Group, the majority of which are located in shopping centers or malls and so already possessed certain earthquake resistance and temperature adjustment properties. Our Operation Center assumes the responsibility to formulate, update and implement internal ESG measures and to ensure the compliance with ESG policies. In particular, our Operation Center is in charge of (i) evaluate and monitor matters relating to ESG issues, (ii) identification of key

deficiencies with respect to the Company's ESG matters and (iii) ESG strategy formation procedures, the relevant measurements and mitigating measures. The Board is responsible for developing ESG strategies, as well as assessing, governing and determining the ESG risks, including environmental-related and social-related risks and climate-related issues, with which the Company may involve.

### **ESG Measures**

The Company has established the following measures to enhance the communication with stakeholders and facilitate the fulfilment of social responsibilities and sustainable development:

- (a) *Environmental and climate issues.* The Company advocates the concept of green development and continue to promote the low-carbon and eco-friendly operation of the Group, and is devoted to reducing the use of disposable materials. The Company monitored information relating to pollutants emissions and resources consumption to assess and manage such risks. For example, the Company has replaced the plastic utensils and straws with the ones made of recyclable papers at its bars. Due to the nature of our operations, the waste that we generate is harmless and has a remote impact on the environment. Our environmental protection expenses include sewage treatment, garbage disposal and cleaning expenses, which were immaterial during the Track Record Period and are expected to remain at a similar level. If required by relevant laws or institutions in the future, we will allocate operational and financial resources to environmental compliance. As of the Latest Practicable Date, we have entered into disposal and recycling agreements with respect to 32 of our Helen's bars to handle the kitchen waste generated in each Helen's bar. Kitchen waste, including used oil and other food waste, is handed over to the third parties with relevant qualifications for disposal and recycling. We will continue to reduce the generation of kitchen waste from the source. In response to local policies, many Helen's bars have also posted "Empty Plate Campaign" promotional prompts in prominent places in bars, calling on everyone to spend frugally. In August 2020, we are conducting a survey among our customer on the choice of packaging materials for our Helen's branded products to better reduce the carbon footprint of our product manufacturing process and to response our responsibility for climate change. We are gradually replacing beer bottles made of glass with recyclable cans based on the feedback from our customer. In addition, we installed new air system in kitchens to increase the air circulation and adjust humidity and temperature indoor, air-conditioning equipment in kitchens to assure suitable temperature and humidity through the exchange of heat and moisture in the air.
- (b) *Social issues and employee welfare.* To protect the interests and rights of employees, the Company has established and improved career development channels and talent training systems to facilitate the self-growth of employees and create a harmonious and progressive working atmosphere. The Company adheres to equal recruitment principles and actively expand recruitment channels to provide guarantees to the sustainable development of the talent team. The Company also established

Remuneration Management Policy (薪酬管理制度), with a view to providing employees with competitive remuneration and welfare and respect the work and contribution of employees. We strive to provide employees with a safe working environment. We have implemented our work safety guidelines that set out our safety practices, accident prevention and incident reports. We conduct safety checks on a regular basis and rank our bars based on the results of the checks. Bars that are continuously at the bottom of the ranking or have encountered any safety incident will be fined or even closed depending on the severity of issues.

- (c) *Regulatory compliance.* Pursuant to the Corporate Governance Code in Appendix 14 to the Listing Rules and other laws and regulations in operation, the Company established Listed Company Continuing Obligations Manual under Hong Kong Listing Rules (香港上市規則持續合規操作程序), and designated a staff to be in charge of the Group's compliance matters. The Company also established a scientific, standardized and reasonable governance structure and procedural rules covering the management, functional departments at the headquarters, brand functional departments and subsidiaries. The Company plans to form an designated internal committee, which, after the Listing, who will be officially established, responsible for the ESG-related matters and report directly to the Directors. Meanwhile, the Company consistently improves on the internal management systems in line with the development of the Group by specifying the scope of duties and authorities on decision-making, implementation, supervision and other aspects to improve the level of governance of the Group and provide organizational supports and system guarantees for the Group's development.
- (d) *Supplier and procurement.* The Company also formulated and implemented the Systems on Supplier Management Procedures (供應商管理規程), the Management Policy for the Supplier Due Diligence and Assessment of Suppliers (供應商盡職調查及供應商能力評估管理辦法) and other relevant internal policies to standardize supplier management. The Company considers food safety as the foundation for survival as well as the code of conduct to be followed by all employees of the Group. The Company established Operation Center, which reports directly to the Board, and has the right to decide all matters and decisions related to quality control. For further details, please refer to the section headed “— Quality Control and Food Safety” in the Prospectus.
- (e) *Customer involvement.* Under our ESG policy, we have launched a wide array of sustainability initiatives and campaigns to engage customers and drive customer awareness of ESG matters. For instance, to fully embrace a environmental-friendly approach, we replaced the plastic utensils and straws with the ones made of recyclable papers. The Company is committed to improve the customer experience and values customer feedbacks. The Company established a special section “Helen's Listen To You (Helen's 聽你說)” in its Weixin Official Accounts to collect feedback or complaints from customer at the bars. The Company also set up channels through its hotline, Meituan App, Weibo App, Weixin Official Accounts or fans group via Weixin.

- (f) *Public welfare and social responsibility.* The Group actively participates in various public welfare activities in relation to environmental protection. Meanwhile, we actively mobilize employees to participate in voluntary services, encourage them to help those in need and strive to raise the degree of social tolerance. During the COVID-19 outbreak, the Company proactively promoted a series of measure to help prevent and control the pandemic. For instance, we measure the body temperature of the customers who come to our Helen's bars. In addition, to prevent potential spread of diseases in our bars, our bar manager would make inquiries on the health condition of the customers if they had symptoms such as coughing or running nose.
- (g) *Smart drinking.* Promoting smart drinking is one of the key goals we endeavor to achieve as a responsible participant in China's bar industry. In the daily operation of Helen's bars, we make a variety of efforts to advocate responsible drinking, such as by illustrating our customers about the danger of underage and excessive drinking. To address the harmful impact arising from these issues, we post in-store signs in prominent places regarding no underage and excessive drinking. We also place similar warnings on our WeChat page, official website, electronic menu and ordering system, which remind our customers that minor customers are not allowed to buy alcoholic drinks or enter Helen's bars for drinking and no excessive drinking is permitted in Helen's bars. If our employees find those who may drink excessively, they will dissuade the customers and even stop selling alcohol to them. We believe these efforts help us offer positive influence to our customers and help reduce the harmful alcohol use. Compared to traditional alcoholic drinks like Chinese liquor and whiskey, our products are primarily low alcoholic content drinks which avoid negative impact on our customer's health. For instance, we have recently launched Helen's Fruit Beer and Helen's Milk Beer during the Track Record Period, each with the alcoholic content of approximately 2% VOL and 0.3% VOL, respectively. For details of our product portfolio, see the section headed "— Helen's Branded Products" of this prospectus. Going forward, we intend to further strengthen our efforts with respect to smart drinking, which will include a variety of initiatives and campaigns in collaboration with government and private organizations. For instance, we plan to initiate campaigns regarding the danger of drinking and driving in Helen's bars. We are also in the process of continuously developing new Helen's branded products with low alcoholic content or no alcoholic content. In this regard, we will periodically review and adjust our menu to launch new alcoholic drinks with low alcoholic content.

Based on the above, the Directors are of the view that the Company's ESG policies are sufficient and effective, and the Company would continue to proactively monitor and assess the implementation of its ESG measures. Based on the due diligence conducted, including among others, (i) reviewing the relevant internal environmental, social and governance measures of the Group, (ii) discussing with the management of the Company on its compliance with environmental, social and governance policies, and (iii) conducting background and litigation searches on the Company and its Directors, nothing material has come to the Sole Sponsor's attention that caused the Sole Sponsor to disagree with the view of the Company.



Upon Listing, we will continue to report to our management on an annual basis on the implementation of our ESG Policy and preparing the ESG report to include quantitative analysis of our ESG-related matters.

### LEGAL PROCEEDINGS

We might be subject to legal proceedings, investigations and claims arising in the ordinary course of our business from time to time. As of the Latest Practicable Date, we were not involved in any litigation, arbitration or administrative proceedings pending or, to our knowledge, threatened against us or any of our Directors that could have a material adverse impact on our business, financial condition or results of operation.

### LICENCES, PERMITS AND APPROVALS

#### Fire Safety

##### *Background and reasons for non-compliance*

As of the Latest Practicable Date, we have suspended the business operations of seven bars which fail to complete fire safety inspections, pass the Construction Fire Service Completion Inspections or obtain permission from the fire service department (the “Fire Safety Non-compliance”), until these seven bars rectify the Fire Safety Non-compliance. As a result, there is no Helen’s bar that have Fire Safety Non-compliance as of the Latest Practical Date.

The Fire Safety Non-compliance of these seven bars was due to the following.

- *Competent authority does not accept applications for re-finishing relevant procedures.* On April 23, 2019, the then in-effect PRC Fire Protection Laws was amended, pursuant to which the supervising authority in charge of inspecting the fire safety issue upon the completion of the building construction was changed from the fire department of public security department to the housing and urban-rural development department. During the time of transition, certain local authorities did not accept our application for fire safety approval.
- *Property owners did not completed the initial Fire Protection As-built Acceptance Check of the property.* The owners of certain properties which we leased to operate Helen’s bars failed to complete the Fire Protection As-built Acceptance Check upon the completion of the building construction. Pursuant to the Provisions for Fire Protection Supervision and Examination, before Helen’s bars which as a public gathering place are put into use or commence operation, the public securities



department needs to inspect the fire safety issue in the buildings and to determine whether the buildings are qualified to set up public gathering places such as bars. However, due to the lack of full understanding of the complicated PRC laws and regulations applicable to the fire safety issues and the detailed application procedures which vary from city to city, when we selected the property for opening a bar, we did not ask the property owners to provide the documents evidencing the completion of the Fire Protection As-built Acceptance Check of the buildings. When we made applications to complete fire safety inspections, pass the Construction Fire Service Completion Inspections or obtain permission from the fire service departments afterwards, the local fire service departments required us to provide the Fire Protection As-built Acceptance Check documents of the building where the bar was located. However, we were only then informed by the property owner that these buildings had not completed the Fire Protection As-built Acceptance Check and they were unable to provide relevant documents.

- *Issues relating to the property rights of leased properties.* Certain properties which we leased to operate Helen's bars are subject to disputes. When we applied to complete fire safety inspections, pass the Construction Fire Service Completion Inspections or obtain permission from the fire service department, the local fire service department requires us to provide the real estate certificate of the leased property. However, we were unable to provide the real estate certificate due to some practical difficulties or disputes. For example, (i) the property was mortgaged and the real estate certificate was kept by the bank, therefore the lessor was temporarily unable to provide it; or (ii) the lessor had not obtained real estate certificate for the leased property. Although the foregoing property disputes does not concern us, we could not apply for the fire safety approval when the disputes are in progress.
- *Defects in the leased properties.* Certain properties which we leased to operate Helen's bars have defects with respect to the fire safety facilities, equipment, emergency exit and required fire-proof interior materials. Historically, although we installed fire-fighting equipment and facilities we deemed necessary in Helen's bars, some local fire service departments raised additional requirements that were unknown to us when we applied to complete fire safety inspections, pass the Construction Fire Service Completion Inspections or obtain permission from the fire service department. This was due to the detailed requirements vary from city to city. Therefore, we needed to take additional measures with respect to the fire safety facilities, equipment, emergency exit or required fireproof interior materials, which delayed or prevented us from completing fire safety inspections, passing the Construction Fire Service Completion Inspections or obtaining permission from the fire service department before the opening of some bars. We need the cooperation of the owner and designation of the corresponding plan to carry out corresponding rectification. This is a process and it will take some time to complete.

As result of the foregoing, as of July 31, 2021 a total of seven bars have not complete fire safety inspections, pass the Construction Fire Service Completion Inspections or obtain permission from the fire service department, representing 1.37% of our total number of opened bars. In 2018, 2019 and 2020 and the three months ended March 31, 2021, revenues generated from the aforementioned bars that have not completed fire safety inspections or obtained permission amounted to nil, RMB6.2 million, RMB18.3 million and RMB10.0 million, respectively. During the Track Record Period, 28, 70, 75 and 39 bars commenced operations without relevant fire safety certifications, and the revenue attributable to these bars were RMB17.4 million, RMB112.9 million, RMB98.6 million and RMB33.1 million, respectively. As of the Latest Practicable Date, we have rectified such Fire Safety Non-compliance.

The occurrence of the non-compliance incidents are mainly attributable to the fact that the COVID-19 pandemic affected some of our work, and the local government departments in different cities in PRC had not consistently implemented and enacted the “Suggestions On Deepening The Reform Of Fire Law Enforcement” issued by the General Office of the Central Committee of the Chinese Communist Party and the General Office of the State Council in May 2019, and we focused on the expansion of bars and business, with lack of a full understanding in the relevant PRC laws and regulations. Our management has strengthened their knowledge on the relevant PRC laws and regulations and we have reinforced internal control regarding fire safety inspection to prevent reoccurrence of such non-compliance in the future.

Having considered that (i) the Company has not been subject to any material fines relating to the non-compliances, (ii) the Company has implemented adequate and effective internal control measures, and (iii) the non-compliances were unintentional and do not raise concerns as to the integrity of Directors, Directors of the Company are of the view that the above non-compliances would not affect the suitability of Directors of the Company under Rule 3.08 and 3.09 of the Listing Rules or the Company’s suitability for listing under Rule 8.04 of the Listing Rules. Nothing has come to the Sponsor’s attention to disagree with the Directors’ view in relation to their competency under Rules 3.08 and 3.09 of the Listing Rules.

### ***Potential legal consequence***

Regarding the seven bars in the process of fire safety inspections as of July 31, 2021, the Construction Fire safety Completion Inspections or obtaining permission from the fire safety department for the opening, as advised by our PRC Legal Advisor, (i) there should be no material legal impediment for the completion of fire safety inspections, the Construction Fire safety Completion Inspections or obtaining permission from the fire service department for the opening as required, provided that we have submitted all necessary application documents to relevant government authorities and completed the on-site inspections. In this regard, as further confirmed by our Fire Safety Consultant, we are able to complete the abovementioned procedures for these seven bars as of July 31, 2021; and (ii) once we have completed the fire safety inspections, the Construction Fire Service Completion Inspections or obtained permission from the fire safety department for the opening as required, the risk of being subject to penalties from the relevant government authorities due to non-compliance in the past is remote.

Regarding the seven bars that we were unable to complete fire safety inspections, pass the Construction Fire Service Completion Inspections or obtain permission from the fire service department for the opening, as advised by our PRC Legal Advisor, we may be required to close the relevant bars and face a potential maximum penalty of RMB2.7 million, among which, the penalty for inability to complete fire safety inspection or the Construction Fire Service Completion Inspection as required for each bar is RMB30,000 to RMB300,000. In 2018, 2019 and 2020 and the three months ended March 31, 2021, the revenue generated from the above seven bars were nil, RMB6.2 million, RMB18.3 million and RMB10.0 million, respectively, which accounted for nil, 1.1%, 2.2% and 2.7% of our revenue in the relevant period, respectively. According to the opinions from our Fire Safety Consultant detailed below, and as advised by our PRC Legal Advisor, the risk of being subject to material adverse impact due to these seven bars not completing fire inspections or obtaining permission from the fire service department for opening is remote.

As of the Latest Practicable Date, we are not subject any fines or penalty that may have a material adverse impact on our business, financial condition and results of operation.

### ***Internal Control and remedial actions***

Incorporated in 1994, Taitong Construction Co., Ltd., our fire safety consultant primarily offers fire safety inspection, evaluation and consulting services and is also engaged in the development, maintenance and testing of fire safety systems. The Fire Safety Consultant holds the ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 certificates. The Fire Safety Consultant's inspection team consists of engineers, including fire safety specialist engineers, and constructors, and has undertaken fire safety evaluation work of various public infrastructure, airports and stadiums.

We have appointed Taitong Construction Co., Ltd., as our Fire Safety Consultant to conduct fire safety inspections on bars that have not obtained relevant fire safety approvals as of the Prospectus Date. Our Fire Safety Consultant has reviewed and inspected the following aspects of our operations through on-site inspections, investigations and file review: (i) our fire-fighting system's compliance with laws and regulations and industry standards, (ii) adequacy of fire-fighting equipment and systems and emergency evacuation plans in the premises of our bars, (iii) our employees (including fire management personnel and bar personnel) understanding of fire management, (iv) the fire protection and thermal insulation capabilities of our bar construction materials.

As of July 31, 2021, after conducting comprehensive assessment on all of these seven bars, our Fire Safety Consultant is of the view that (i) these bars have met the requirements of fire safety laws and regulations, and met the relevant requirements for the completion of fire safety inspections, the Construction Fire Service Completion Inspections or obtaining permission from the fire service department for the opening; (ii) these bars have not yet completed the relevant procedures for the time being due to the fact the leased property has defects of title or in fire safety procedures, or due to other reasons that are not related to fire safety issues of the bars; and (iii) after these bars submit applications to the relevant competent authority, there

will be no material impediment in procedures such as the completion of fire safety inspections, the Construction Fire Service Completion Inspections or obtaining permission from the fire service department for the opening.

None of our bars that have not completed fire safety inspections or obtained permission from the fire service department and/or completed Construction Fire Service Completion Inspection were under operation as of the Latest Practicable Date. We have used the following commercially reasonable efforts to rectify the fire safety non-compliance, including (i) negotiating fire safety issue with the property owner relating to the upgrade of fire safety equipment, (ii) consulting with local government regarding the transition period of applicable local regulations, and (iii) proactively starting the application once the relevant property dispute is settled. We have suspended the business operations of bars failed to complete fire safety inspections or obtain permission from the fire service department and/or complete Construction Fire Service Completion Inspection from August 9, 2021 until these bars mitigate the fire safety non-compliance.

In addition to the Fire Safety Consultant, the Company also engaged the Special Internal Control Consultant, to perform an independent investigation and assessment on the effectiveness of the Group's internal controls associated with the Fire Safety Non-compliance pursuant to Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-upon Procedures Regarding Financial Information", to identify deficiencies in the Group's internal control system and prevent the recurrence of the Fire Safety Non-compliance.

Our Company has strengthened internal control measures and procedures related to fire safety to manage related risks and prevent such violations from recurring. The major measures we have implemented are as follows:

- *Training.* We conduct comprehensive training for employees, including regular training on general fire safety awareness and knowledge, as well as training on the proper use of fire safety equipment and emergency evacuation plans. We also conduct fire drills at our premises to familiarize our employees with our evacuation plan.
- *Fire safety policy.* We have implemented detailed fire safety measures and procedures for our bars, including frequent inspections on our electrical appliances and fire safety equipment equipped on our premises. We have also formulated an evacuation plan, firefighting and rescue plan in case of emergency.
- *Management of licence and certificate.* Before the commencement of the operation, we have formulated a pre-opening licence and certificate management policy that governs applications for prescribed Construction Fire Services Completion Inspections. The license and certificate management policy clearly requires that each bar can only open after completing the required fire safety inspection, Construction Fire Services Completion Inspections or obtained permission from the fire service department for the opening (as the case may be).

- *Specialists.* According to our license and certificate management policy, we have designated specialists to manage the licenses and certificates required for business operations. These personnel are responsible for managing the use of licenses and certificates, monitoring their status, and renewing licenses and certificates that are about to expire in a timely manner.

In order to ensure that the bars to be opened in the future meet the fire protection regulations, we have strengthened our understanding of relevant laws and regulations in the PRC. At the same time, we have strengthened internal control measures and systems for fire protection, and strictly implemented these enhanced internal control systems in the process of bar expansion to avoid recurrence of related non-compliance in the future. In particular, for the site selection and leasing of new bars, we will inspect the fire safety of the leased property, and clearly require the lessor, in the newly signed lease agreement, to provide the Construction Fire Service Completion Inspections filing documents of the leased property and ensure that the leased property possesses the necessary conditions for handling pre-opening fire safety procedures. We will start the operation of a new bar after passing the fire safety inspections and the Construction Fire Service Completion Inspections, or obtaining permission from the competent fire service department for the opening, as required. Taking into account the above measures, the Special Internal Control Consultant is of the view that the enhanced measures (related to fire safety management) adopted by the Group are adequate and effective and the internal control mechanism regarding fire safety management of the Company is adequate and effective. The Directors concur with the view of the Special Internal Control Consultant. Based on the due diligence conducted and the view of the Special Internal Control Consultant, including but not limited to reviewing the internal procedures adopted by the Company to prevent the recurrence of the Fire Safety Non-compliance; reviewing the internal control report on fire safety prepared by the Special Internal Control Consultant; interviewing the Special Internal Control Consultant to understand the methodologies and procedures for preparing the report, nothing has come to the attention of the Sole Sponsor which caused the Sole Sponsor to disagree with the above view of the Special Internal Control Consultant and the Directors.

After considering the foregoing, the Directors are of the view that the non-compliance will not have a material adverse effect on our business, results of operation or financial condition. The reasons are as follows: (i) during the Track Record Period and up to the Latest Practicable Date, we have not been subject to any material administrative penalties, (ii) regarding the seven bars that we were unable to complete fire safety inspections, pass the Construction Fire Service Completion Inspections or obtain permission from the fire service department for the opening, we may face the highest potential penalties of RMB2.7 million only representing 0.3% of our revenue in 2020, (iii) given that these properties are geographically dispersed and managed by different authorities, we are unlikely to be required by the competent authorities to close or relocate a large number of related bars at the same time, (iv) we have a number of candidate locations for bars, and believe that when we are required to relocate by the relevant authorities, we can relocate relatively easily, (v) our Fire Safety Consultant has informed us that the seven bars that failed to complete the fire safety inspections as of July 31, 2021, the Construction Fire Service Completion Inspections or obtain permission from the fire service department for the opening have complied with applicable fire safety laws, regulations and standards, and these

bars do not have any major obstacles in passing the Construction Fire Service Completion Inspection and/or fire safety inspection (as the case may be) as required by the fire service department, (vi) we have proactively adopted internal control measures and procedures to prevent such non-compliance from recurring, and (vii) our Controlling Shareholders have agreed to indemnify the Group for any claims, fines and other liabilities arising from the relevant non-compliance.

### **Social Insurance and Housing Provident Funds**

#### ***Background and reasons for non-compliance***

During the Track Record Period, we did not make full social insurance and housing provident fund contributions for certain employees. For the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2021, our total salary compensation (which represents total employee benefit expenses and manpower service expenses minus employee welfare and social insurance and housing provident fund contributions and equity settled share-based payments) amounted to RMB20.4 million, RMB75.4 million, RMB108.7 million and RMB36.6 million, respectively. During the same periods, the ratio of social security contribution we paid as a percentage of total salary compensation was approximately 2.1%, 0.9%, 3.3% and 4.2%, respectively. We estimate that the total shortfall of social insurance and housing provident fund contributions for the years ended December 31, 2018, 2019, 2020 and the three months ended March 31, 2021 amounted to RMB0.4 million, RMB5.0 million, RMB3.0 million and nil, respectively. The non-compliance was primarily due to our large labor force and relatively high mobility, the actual operating regulations for social insurance and housing provident fund vary from region to region, and the lack of experience of our human resources personnel who did not fully understand the relevant requirements of relevant PRC laws and regulations, and many of our employees were unwilling to contribute. In those cases, we provide these employees with compensation and benefits in lieu of such contributions. In addition, we made social insurance and housing provident fund contributions for employee within the upper and lower limits of the contribution base determined by the local government authorities. In view of the above, in 2018, 2019 and 2020 and the three months ended March 31, 2021, we have made provisions in the amounts of RMB0.2 million, RMB2.6 million, RMB2.0 million and nil, respectively.

#### ***Potential legal consequences***

As advised by our PRC Legal Advisor, pursuant to relevant PRC laws and regulations, if we fail to pay the full amount of social insurance contributions as required, we may be ordered to pay the outstanding social insurance contributions within a prescribed period and may be subject to an overdue fine of 0.05% of the delayed payment per day from the date on which the payment is payable. If such payment is not made within the prescribed period, the competent authorities may further impose a fine from one to three times the amount of any overdue payment. As further advised by our PRC Legal Advisor, pursuant to relevant PRC laws and regulations, if we fail to pay the full amount of housing provident fund as required, the housing provident fund management center may order us to make the outstanding payment



within a prescribed period. If the payment is not made within such period, the housing provident fund management center may make an application for compulsory enforcement to PRC courts. In view of the above and based on the estimation of our Directors, the potential maximum penalty with respect to fines that our Group may be exposed to due to shortfall of social insurance during the Track Record Period, would be approximately RMB3.5 thousand, RMB0.2 million, RMB0.8 million and RMB1.0 million in 2018, 2019, 2020 and the three months ended March 31, 2021 respectively.

Having considered the above, the Directors are of the opinion that such non-compliance will not have a material adverse effect on our business, results of operations or financial condition or listing for the following reasons: (i) during the Track Record Period and up to the Latest Practicable Date, we have not been subject to any administrative penalties related to social insurance and housing provident fund contributions, (ii) during the Track Record Period and up to the Latest Practicable Date, we are not aware of any employee complaints against us in relation to social insurance and housing provident fund, nor are we involved in any labor disputes with employees in relation to social insurance and housing provident fund, (iii) as of the Latest Practicable Date, we have not received any notice from the relevant PRC authorities requiring us to pay the outstanding amounts or any late payment in respect of social insurance and housing provident fund, (iv) as advised by PRC Legal Advisor, taking into account the relevant regulatory policies and the above facts, if no employee complaint has arisen, in the relevant districts, the risk that we will be subject to the collection of historical arrears and any significant penalties for failing to provide full social insurance and housing provident fund contributions is remote, and (v) we have obtained the undertaking from our existing Controlling Shareholders to indemnify the Group for any claims, fines and other liabilities arising from non-compliance.

#### ***Internal control and remedial measures***

We have taken the following rectification measures to prevent future occurrences of such non-compliances:

- We have strengthened our human resources management policy and explicitly stipulated that social insurance and housing provident funds should be contributed in full in accordance with applicable local regulations;
- We are communicating with employees to seek their understanding and cooperation to comply with the applicable contribution base, which also requires our employees' additional contributions;
- We have assigned the human resources department to review and monitor social insurance and housing provident fund reports and contributions on a monthly basis;
- We will continue to keep abreast of the latest changes in PRC laws and regulations regarding social insurance and housing provident funds; and

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- We will regularly consult our PRC Legal Advisor on relevant PRC laws and regulations, so that we can keep abreast of relevant regulatory developments.

We actively encourage and make such contributions for our employees. For example, we established the “Helens Social Insurance and Housing Provident Fund Management Policy” (《海倫司社會保險和公積金管理制度》) as the guidance of management and monitoring the failure to make adequate social insurance and housing provident fund contribution. The Company’s human resources department is responsible for the social insurance and housing provident fund management and review of the change of government requirement to ensure local practices are consist with local government requirement. There is a regular review procedure by the human resources department in place to ensure adequate social insurance and housing provident fund contribution that compliance with local government requirement. If there is any non-compliance incident noted, they will be reported to Directors and head of finance department for remediation immediately. In view of the above rectification and internal control measures, the Directors are satisfied that the Group’s internal control measures are adequate and effective. Based on the due diligence conducted, including among others, reviewing the internal control report of the Group, reviewing the internal control and remedial measures adopted by the Company, discussing with the management of the Company and the PRC Legal Advisor, and taking into account the opinion of the Company’s PRC Legal Advisor, nothing material has come to the Sole Sponsor’s attention that caused the Sole Sponsor to question the Group’s enhanced internal control measures to be inadequate and ineffective.

Notwithstanding the above, our Directors believe that this will not have any material adverse impact on our business and results of operation for the reasons described in the section headed “— Potential Legal Consequences” above. As of the Latest Practicable Date, we did not have any dispute with relevant social insurance and housing provident fund authorities with respect to such contributions. As of the same date, we had also not received any enquiries from local tax authorities regarding social security tax payments. For details of the relevant risks, please see “Risk Factors — Risks Related to Conducting Business in China — The relevant competent authorities may require us to pay additional social insurance fees or housing provident fund or impose late payment penalties on us.”

### RISK MANAGEMENT AND INTERNAL CONTROL

We have implemented a series of risk management policies and procedures to identify, assess and manage risks that we are exposed to in our operations. For details on the major risks identified by our management, see “Risk Factors.” The measures that we have taken are related to our bar operations, procurement, logistics and food safety and quality.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Listing, we have adopted and will adopt (among others) the following risk management measures:



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- We will establish the audit committee to review and monitor our financial reporting process and internal control system. Our audit committee will be composed of three independent non-executive Directors. For the qualifications and experience of these committee members, please refer to “Directors and Senior Management”;
- We will adopt a number of policies to ensure compliance with the Listing Rules, including but not limited to requirements related to risk management, connected transactions and information disclosure; and
- We will continue to organize training courses for our Directors and senior management, covering the relevant requirements of the Listing Rules and the duties of directors of companies listed in Hong Kong.

In preparing for the Global Offering, we have engaged an independent third party consultant (the “**Internal Control Consultant**”) to perform a review of selected areas of our internal control over financial reporting in November 2020 (the “**Internal Control Review**”). The scope of internal control review performed by the Internal Control Consultant was agreed among us, the Sole Sponsor, and the Internal Control Consultant. The selected areas of our internal control review over financial reporting that were reviewed by the Internal Controls Consultant included entity level controls and business processes controls, including general controls of information technology, sale management, shops management, purchase and payable, inventory management, fix assets, treasury, payroll, financial reporting and tax management. The Internal Control Consultant performed the follow-up review in February 2021 to review the status of management actions taken by us to address the finding of the Internal Control Review (the “**Follow-up Review**”). The Internal Control Consultant did not have any further recommendations in the Follow-up Review.

The Internal Control Review and the Follow-up Review were conducted based on information provided by us and no assurance or opinion on internal controls were expressed by the Internal control consultant.

After considering the nature and reasons of the aforementioned non-compliance incidents as well as the internal control and remedial measures that we have adopted and plan to adopt, our Directors are of the view that our strengthened internal control system is sufficient and effective for our existing operations.

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## DIRECTORS AND SENIOR MANAGEMENT

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### OVERVIEW

The Board currently consists of seven Directors, amongst whom four are executive Directors, and three are independent non-executive Directors. The Board is responsible and has the general authority for the management and operation of the Company. Our Directors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office.

Our senior management is responsible for the management of day-to-day operations of the Company.

### DIRECTORS AND SENIOR MANAGEMENT

The following table shows the key information of our Directors as of the Latest Practicable Date. All of our Directors meet the qualification requirements under the Listing Rules for their positions:

Name	Age	Date of joining the Group	Date of appointment as Director of the Company	Position	Responsibility
Mr. Xu Bingzhong (徐炳忠)	47	December 29, 2017	January 16, 2018	Chairman of the Board, executive Director and chief executive officer	Formulating the overall development strategies and business plans of our Company and responsible for the management and strategic development of our Group
Mr. Zhang Bo (張波)	34	April 20, 2018	March 24, 2021	Executive Director and senior vice president	Responsible for the IT research and development
Mr. Zhao Jun (趙俊)	47	April 20, 2018	March 24, 2021	Executive Director and senior vice president	Responsible for the business development of our Group
Ms. Lei Xing (雷星)	30	April 20, 2018	March 24, 2021	Executive Director and senior vice president	Responsible for sales and marketing
Mr. Li Dong (李東)	44	the date of this prospectus	March 24, 2021 and with effect from the date of this prospectus	Independent non-executive Director	Offering independent advice to the Board
Mr. Wang Renrong (王仁榮)	54	the date of this prospectus	March 24, 2021 and with effect from the date of this prospectus	Independent non-executive Director	Offering independent advice to the Board
Mr. Wong Heung Ming, Henry (黃向明)	52	the date of this prospectus	March 24, 2021 and with effect from the date of this prospectus	Independent non-executive Director	Offering independent advice to the Board

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## DIRECTORS AND SENIOR MANAGEMENT

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The following table shows the key information of our senior management:

Name	Age	Date of joining the Group	Date of appointment as senior management of our Company	Position	Responsibilities
Mr. Xu Bingzhong (徐炳忠)	47	December 29, 2017	March 24, 2021	Chief executive officer	Formulating the overall development strategies and business plans of our Company and responsible for the management and strategic development of our Group
Mr. Zhang Bo (張波)	34	April 20, 2018	March 24, 2021	Senior vice president	Responsible for the information technology research and development of our Group
Mr. Zhao Jun (趙俊)	47	April 20, 2018	March 24, 2021	Senior vice president	Responsible for the business development of our Group
Ms. Lei Xing (雷星)	30	April 20, 2018	March 24, 2021	Senior vice president	Responsible for sales and marketing
Mr. Liu Yi (劉毅)	44	April 20, 2018	March 24, 2021	Operation director	Responsible for overall operations and management
Mr. Yang Zhigang (楊志剛) (Note)	33	April 20, 2018	March 24, 2021	Senior vice president	Responsible for the daily operation of our Group and formulating the management mechanism and routine mechanism of the Group
Mr. Zhu Mingzhe (朱明哲)	32	April 20, 2018	March 24, 2021	Engineering director	Responsible for stores designs, decoration and construction, and daily maintenance
Ms. Xie Yan (解艷) (Note)	32	April 20, 2018	March 24, 2021	Human resources director	Responsible for the human resources and administrative matters of our Group
Mr. Wang Zhenpeng (王振鵬)	44	April 20, 2018	March 24, 2021	Senior vice president	Responsible for the finance and investors relationship of our Company

*Note:* Mr. Yang Zhigang and Ms. Xie Yan are spouse.

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## DIRECTORS AND SENIOR MANAGEMENT

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### DIRECTORS

#### Executive Directors

**Mr. Xu Bingzhong** (徐炳忠), aged 47, is the founder of our Group, our chairman, executive Director, chief executive officer and one of the Controlling Shareholders. He was appointed as a Director on January 16, 2018 and was re-designated as the chairman of the Board, executive Director and chief executive officer of our Company on March 24, 2021. Mr. Xu is responsible for formulating the overall development strategies and business plans of our Company and overseeing the management and strategic development of our Group.

Mr. Xu has over 15 years of experience in the bar operating market and corporate management. Mr. Xu set up the first bar under the brand “Helen’s” in 2009, and has been expanding the business operation of the bars ever since. As of the Latest Practicable Date, we operated 528 self-operated bars under the leadership of Mr. Xu.

**Mr. Zhang Bo** (張波), aged 34, is an executive Director and senior vice president of our Company. He is responsible for the information technology research and development of our Group. Mr. Zhang Bo joined our Group in April 2018 and has successively served as the sales and marketing director, IT director and general manager of Shenzhen Helens Enterprise Management Co., Ltd., a subsidiary of our Company, and an executive director of Jiangxi Suleiyige Catering Management Co., Ltd., a subsidiary of our Company.

From April 2014 to December 2020, Mr. Zhang Bo operated the Helen’s branded bars. Prior to that, Mr. Zhang Bo served as a front-end development engineer in Baina (Wuhan) Information Technology Co., Ltd. (百納(武漢)信息技術有限公司) from June 2013 to December 2013, and served as a front-end development engineer in Alibaba (China) Technology Co., Ltd. (阿里巴巴(中國)網絡技術有限公司) from July 2011 to May 2013.

Mr. Zhang Bo obtained a bachelor’s degree in electronics science and technologies and a master’s degree in microelectronics and solid-state electronics, both from Huazhong University of Science and Technology (華科技大學), in June 2008 and March 2011, respectively.

**Mr. Zhao Jun** (趙俊), aged 47, is an executive Director and senior vice president of our Company. He is responsible for the business development of our Group. Mr. Zhao Jun joined our Group in April 2018 and has successively served as the business development manager and business development director.

From April 2012 to December 2020, Mr. Zhao Jun operated the Helen’s branded bars. Prior to that, between July 2007 and June 2010, Mr. Zhao Jun was engaged in postdoctoral research works on material science and engineering in the Huazhong University of Science and Technology (華科技大學). From May 2010 to January 2013, Mr. Zhao Jun taught at Huazhong University of Science and Technology (華科技大學) in the PRC, where he also took part in various research projects in the high technology field.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Zhao Jun obtained a bachelor's degree in measuring technology and instrumentation from Huazhong University of Science and Technology (Hankou branch) in June 1997. He subsequently obtained his doctorate degree in microelectronics and solid-state electronics from Huazhong University of Science and Technology in June 2007.

**Ms. Lei Xing (雷星)**, aged 30, is an executive Director and senior vice president of our Company. She is responsible for the sales and marketing of our Group. Ms. Lei Xing joined our Group in April 2018 and served as the marketing director of Shenzhen Helens Enterprise Management Co., Ltd., a subsidiary of our Company.

Prior to joining our Group, Ms. Lei Xing served as a software development engineer in Ping An Technology (Shenzhen) Co., Ltd. (平安科技(深圳)有限公司) from July 2013 to January 2017. From December 2017 to April 2018, Ms. Lei Xing served as the IT development engineer for a Helen's branded bar.

Ms. Lei Xing obtained a bachelor's degree in software engineering from Wuhan University (武漢大學) in June 2013.

### **Independent non-executive Directors**

**Mr. Li Dong (李東)**, aged 44, is the independent non-executive Director. He was appointed as an independent non-executive Director on March 24, 2021 with effect from the date of this prospectus. Mr. Li Dong is responsible for supervising and providing independent advice to the Board.

Mr. Li Dong has more than 20 years' management experience in public accounting, investment banking and corporate finance. Mr. Li has served as the chief financial officer of Ximalaya (Hong Kong) Limited, a non-music audio platform in the PRC since September 2009 and its co-chief financial officer since March 2021. Prior to joining Ximalaya (Hong Kong) Limited, Mr. Li served as the chief financial officer for several companies, including OneSmart International Education Group Limited, a leading premium K-12 education company in the PRC listed on the New York Stock Exchange (NYSE: ONE) from July 2017 to June 2019; Pegasus Media Group Limited, a company focuses on movie and TV show production, investment, licensing, marketing and derivatives from April 2016 to April 2017; and Ecovacs Robotics Holdings Limited, a leading consumer robotics company in the PRC listed on the Shanghai Stock Exchange (SSE: 603486) from March 2015 to February 2016. From September 2008 to February 2015, Mr. Li worked as an associate and later vice president in investment banking at Bank of America Merrill Lynch and ICBC International Securities Limited in Hong Kong respectively. Prior to that, Mr. Li worked in KPMG's auditing practice group from August 1999 to April 2006 in its Beijing and Silicon Valley offices, respectively.

Mr. Li has served as an independent director of GreenTree Hospitality Group Ltd., a leading hospitality management group in the PRC listed on the New York Stock Exchange (NYSE: GHG) since March 2018; and has served as an independent director of Boqii Holding Limited, China's leading pet-focused platform listed on the New York Stock Exchange (NYSE: BQ) since September 2020.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Li received a bachelor's degree in accounting from School of Economics and Management, Tsinghua University in the PRC in July 1999, as well as a master's degree in business administration in finance from Kellogg School of Management, Northwestern University in the United States in June 2008. Mr. Li is a member of the Chinese Institute of Certified Public Accountants and the Certified General Accountants Association of Canada.

**Mr. Wang Renrong (王仁榮)**, aged 54, was appointed as an independent non-executive Director on March 24, 2021 with effect from the date of this prospectus. Mr. Wang has solid experience in strategic investment, merger and acquisition, business development, legal affairs, compliance, communications and external affairs. Mr. Wang has approximately 18 years of experience serving in the beer industry since November 2003. Prior to his resignations in June 2021, Mr. Wang was the chairman of Budweiser Investment (China) Co., Ltd. (百威投資(中國)有限公司) and held directorship of several Chinese subsidiaries of Budweiser Brewing Company APAC Limited (“**Budweiser**”, a beer company in Asia Pacific listed on the Main Board of the Stock Exchange (SEHK: 1876)). Prior to joining the Group, Mr. Wang was an executive director of Budweiser from April 2019 to May 2020. Mr. Wang then served as its General Counsel and one of its joint company secretaries from May 2019 to February 2021. Between January 2005 and January 2021, Mr. Wang served as the Vice President of Legal and Corporate Affairs (APAC) of the Budweiser Group. Mr. Wang has been serving as an independent director of Shanghai Fudan Forward S&T Co., Ltd. (上海復旦復華科技股份有限公司) a company listed on the Shanghai Stock Exchange (SSE: 600624) between October 2014 and November 2020 and a director of Guangzhou Zhujiang Brewery Co., Ltd. (廣州珠江啤酒股份有限公司), a company listed on the Shenzhen Stock Exchange (SZSE: 002461) from September 2005 to June 2020. Between 2001 and 2003, Mr. Wang worked in Colgate-Palmolive (China) Co., Ltd (高露潔棕欖(中國)有限公司). From 2000 to 2001, he worked in Guangdong Swire Coca-Cola Co., Ltd. (廣東太古可口可樂有限公司). From 1997 to 2000, he worked in Avon Products (China) Co., Ltd. (雅芳(中國)有限公司).

Mr. Wang obtained a bachelor's degree in Philosophy from Nanjing University (南京大學) in the PRC in July 1989 and a master's degree in Law from KU Leuven in Belgium in July 2008. He also obtained a PhD in Law from Fudan University (復旦大學) in the PRC in June 2012.

**Mr. Wong Heung Ming, Henry (黃向明)**, aged 52, was appointed as an independent non-executive Director on March 24, 2021 with effect from the date of this prospectus. Mr. Wong has more than 27 years of experience in finance, accounting, internal controls and corporate governance in mainland China and Hong Kong. Since April 2021, Mr. Wong has been a director of TD Holdings, Inc. (a company listed on NASDAQ: GLG). Since July 2020, Mr. Wong has been the chief financial officer of Meten EdtechX Education Group Ltd. (a company listed in NASDAQ: METX). He has been an independent non-executive director of Raffles Interior Limited, a company listed on the Main Board of the Stock Exchange (SEHK: 1376) since March 2020, and has also been an independent non-executive director of Shifang Holding Limited, a company listed on the Main Board of the Stock Exchange (SEHK: 1831), since November 2010. From April 2009 and August 2010, Mr. Wong also served as an independent non-executive director of China Industrial Waste Management, Inc. (OTCMKTS: CIWT), a U.S. over-the-counter listed company. Mr. Wong has been the chief financial officer of Mindai

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## DIRECTORS AND SENIOR MANAGEMENT

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Global Finance Technology Holding Limited, a company engaged in internet finance in the PRC since November 2018. Prior to that, Mr. Wong was the chief financial officer of the Frontier Services Group Limited, a company listed on the Main Board of the Stock Exchange (SEHK: 0500), from March 2017 to September 2018. From February 2016 to February 2017, Mr. Wong was the vice president of Finance of Tiens Group, a multi-national Chinese conglomerate engaged in direct selling and property development, with branches in 110 countries and regions. Between November 2015 and February 2016, Mr. Wong was the chief financial officer of Chiho Environmental Group Limited, a company listed on the Main Board of the Stock Exchange (SEHK: 0976), previously known as Chiho-Tiande Group Limited, the parent company of Germany Scholz Group. Prior to that, between July 2014 and September 2015, Mr. Wong served as the chief financial officer of Beijing Oriental Yuhong Waterproof Technology Co., Ltd., the leading waterproof materials manufacturer in China and a company listed on the Shenzhen Stock Exchange (SZSE: 002271). During the period between October 2011 and April 2013 and between May 2013 and February 2014, Mr. Wong served in a number of senior positions at U.S.-based beauty and nutrition manufacturer and distributor, Shakelee (China) Co. Ltd.; and Danish brewery manufacturer, Carlsberg Brewery Hong Kong Limited, respectively.

Mr. Wong began his career in an international accounting firm and moved along in audit fields. From October 2009 to May 2010, Mr. Wong served as the general internal audit manager of Maoye International Holdings Limited, a company listed on the Main Board of the Stock Exchange (SEHK: 0848). From September 2007 to July 2009, Mr. Wong served as the internal audit director at Xinhua Finance Media Ltd. From September 2004 to September 2007, Mr. Wong served as a senior manager and an auditor at PricewaterhouseCoopers, Beijing office. From 2003 to 2004, Mr. Wong served as a senior internal audit manager of Amway (China) Co., Limited. From 2002 to 2003, Mr. Wong served as an internal audit manager of the Hong Kong and China Gas Company Limited, a company listed on the Main Board of the Stock Exchange (SEHK: 0003). From 1993 to 2002, Mr. Wong joined as the junior accountant and an auditor and later became a manager of Deloitte Touche Tohmatsu, Hong Kong.

Mr. Wong graduated from City University of Hong Kong in November 1993 with a bachelor's degree in accountancy in Hong Kong and also obtained a master's degree in Electronic Commerce from The Open University of Hong Kong in June 2003 in Hong Kong. He is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

### SENIOR MANAGEMENT

Our Group also has the following senior management members to carry out our daily operation. Our senior management is responsible for the day-to-day management of our business.

**Mr. Xu Bingzhong (徐炳忠)**, aged 47, is the founder of our Group, our chairman of the Board, executive Director, chief executive officer and one of the Controlling Shareholders. For biographical details of Mr. Xu, please refer to the paragraph headed "Executive Directors" in this section above.



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## DIRECTORS AND SENIOR MANAGEMENT

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**Mr. Zhang Bo (張波)**, aged 33 is the executive Director and senior vice president of our Group. For biographical details of Mr. Zhang Bo, please refer to the paragraph headed “Executive Directors” in this section above.

**Mr. Zhao Jun (趙俊)**, aged 47, is the executive Director and senior vice president of our Group. For biographical details of Mr. Zhao Jun, please refer to the paragraph headed “Executive Directors” in this section above.

**Ms. Lei Xing (雷星)**, aged 30, is the executive Director and senior vice president of our Group. For biographical details of Ms. Lei Xing, please refer to the paragraph headed “Executive Directors” in this section above.

**Mr. Liu Yi (劉毅)**, aged 44, is the operation director of our Company. He is responsible for the overall operation and management of our Group.

Mr. Liu Yi has over 15 years of experience in the catering service industry and operation management. From May 2016 to June 2020, Mr. Liu Yi operated the Helen’s branded bars. Prior to that, Mr. Liu served in Shenzhen Yonghe Restaurant Co., Ltd. (深圳市永和酒樓有限公司), a company which operated restaurants in the PRC, for over 15 years, where his last position held was human resources manager.

**Mr. Yang Zhigang (楊志剛)**, aged 33, is a senior vice president of our Company. He is responsible for the daily operation of our Group and formulating the management mechanism and routine mechanism of our Group. Mr. Yang Zhigang joined our Group in April 2018, and has successively served as the acting deputy general manager and general manager of Shenzhen Helens Enterprise Management Co., Ltd., a subsidiary of our Company.

From September 2013 to June 2020, Mr. Yang Zhigang operated the Helen’s branded bars.

Mr. Yang is the spouse of Ms. Xie Yan, our other senior management.

Mr. Yang graduated from Tianjin Agricultural University (天津農學院) in the PRC in July 2010 and obtained a college degree in human resources management.

**Mr. Zhu Mingzhe (朱明哲)**, aged 32, is the engineering director of our Company. He is responsible for overseeing bar designs, decoration and construction, and daily maintenance of our Group. Mr. Zhu joined our Group in April 2018, and has successively served as the head of the engineering department, engineering manager and engineering director of Shenzhen Helens Enterprise Management Co., Ltd., a subsidiary of our Company.

Prior to joining our Group, Mr. Zhu Mingzhe served as the designer and subsequently head of engineering of a Helen’s branded bar between June 2015 and April 2018.



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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Zhu obtained a bachelor's degree in art design from Wuhan Donghu University (武漢大學東湖分校) in June 2012. He subsequently obtained a master's degree in design from Huazhong University of Science and Technology (華科技大學) in the PRC in June 2015.

**Ms. Xie Yan (解艷)**, aged 32, is the human resources director of our Company. She is responsible for overseeing the human resources and administrative matters of our Group. Ms. Xie joined our Group in April 2018 and has successively served as the senior training manager and human resources general manager of Shenzhen Helens Enterprise Management Co., Ltd., a subsidiary of our Company.

Prior to joining our Group, Ms. Xie Yan served as the internal trainer and subsequently the training manager of a Helen's branded bar between October 2015 and April 2018.

Ms. Xie is the spouse of Mr. Yang Zhigang, our other senior management.

Ms. Xie obtained a bachelor's degree in international economics and trade from Hubei University (湖北大學) in June 2012. She subsequently obtained a master's degree in English translation from Huazhong University of Science and Technology (華科技大學) in the PRC in June 2014.

**Mr. Wang Zhenpeng (王振鵬)**, aged 44, is a senior vice president of our Company. He is responsible for the finance and investors' relations of our Group.

Prior to joining our Group in April 2018, Mr. Wang served as the manager and director of the Macau branch of a Singapore-based group from 2010 to 2017. Mr. Wang Zhenpeng also has over ten years of experience working in international accounting firms, including Guangzhou Branch of Deloitte Touche Tohmatsu and PricewaterhouseCoopers Zhong Tian, where he had accumulated extensive experience in financial accounting and initial public offering.

Mr. Wang Zhenpeng graduated from the Guangdong University of Foreign Studies (廣東外語外貿大學) in the PRC in June 2000 with a bachelor's degree in economics.

### COMPANY SECRETARY

**Mr. Chan Kong (陳江)**, aged 35, was appointed as the company secretary of our Company on March 24, 2021. Mr. Chan joined our Group since May 2018 as our financial controller and is responsible for overseeing our operation and performing administrative and financial functions. From January 2011 to April 2018, Mr. Chan worked for the Assurance Department of PricewaterhouseCoopers, Hong Kong and PricewaterhouseCoopers Zhongtian LLP, Shenzhen Branch, where his last position held was a manager of the Assurance Department.

Mr. Chan obtained his bachelor's degree in business administration from the Chinese University of Hong Kong in Hong Kong in 2009. He has been a practicing certified public accountant of the Hong Kong Institute of Certified Public Accountants since September 2009.

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## DIRECTORS AND SENIOR MANAGEMENT

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### COMPETING INTERESTS

None of our Directors or any of their respective associates had interests in any other companies as of the Latest Practicable Date that may, directly or indirectly, compete with our business and would require disclosure under Rule 8.10 of the Listing Rules.

### BOARD COMMITTEES

We have established the following committees within our Board of Directors: an audit committee, a remuneration committee and a nomination committee. The committees operate in accordance with the terms of reference established by our Board of Directors and Rule 3.21 and Rule 3.25 of the Listing Rules.

#### Audit Committee

We have established an audit committee (the “**Audit Committee**”) in compliance with Rule 3.21 of the Listing Rules and with written terms of references in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of the Group, review and approve connected transactions and to advise the Board. The Audit Committee consists of three members, namely, Mr. Li Dong, Mr. Wang Renrong and Mr. Wong Heung Ming, Henry. Mr. Li Dong, who is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules, serves as the chairman of the Audit Committee.

#### Remuneration Committee

We have established a remuneration committee (the “**Remuneration Committee**”) in compliance with Rule 3.25 of the Listing Rules and with written terms of references in compliance with the Code on Corporate Governance set out in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management. The Remuneration Committee consists of three members, namely Mr. Wang Renrong, Mr. Li Dong and Mr. Xu. Mr. Wang Renrong currently serves as the chairman of the Remuneration Committee.

#### Nomination Committee

We have established a nomination committee (the “**Nomination Committee**”) in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee are to make recommendations to our Board regarding the appointment of Directors and Board succession. The Nomination Committee will also consider the candidate(s)’ ability to devote sufficient time to fulfill the duties of the Directors and members of the special committees of the Board and consider the candidate(s) of independent non-executive director(s)’ ability to devote sufficient time to the Board if the candidate(s) will

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## DIRECTORS AND SENIOR MANAGEMENT

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be holding his/her seventh (or more) listed company directorships. The Nomination Committee consists of three members, namely Mr. Xu, Mr. Li Dong and Mr. Wang Renrong. Mr. Xu currently serves as the chairman of the Nomination Committee.

### BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the “**Board Diversity Policy**”) in order to enhance the effectiveness of our Board and to maintain high standard of corporate governance. The policy provides that our Company should endeavour to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy. The Board Diversity Policy sets out the criteria in selecting candidates to our Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board, and will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Our Board comprises of seven members, including four executive Directors and three independent non-executive Directors. Our three Independent non-executive Directors have different industry backgrounds, with solid experiences in the fields of investment, accounting and/or finance, representing more than one-third of the members of our Board. Furthermore, our Board has a wide range of age, ranging from 30 years old to 54 years old, and comprises of one female Director and six male Directors. We will continue to take steps to promote diversity at all levels of our Company to enhance the effectiveness of our corporate governance as a whole.

Our nomination committee is responsible for ensuring the diversity of our Board members. After Listing, our nomination committee will review the board diversity policy from time to time to ensure its continued effectiveness and we will disclose the implementation of the board diversity policy in our corporate governance report on annual basis.

### COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

For details of the service contracts and appointment letters that we have entered into with our Directors, see “Statutory and General Information – C. Further Information about our Directors and substantial shareholders – 2. Particulars of Service Contracts” in Appendix IV to this prospectus.

The aggregate amount of fees, salaries, allowances, retirement benefits scheme contributions and benefits in kind payable to our Directors in respect of the year ended December 31, 2018, December 31, 2019 and December 31, 2020 and the three months ended March 31, 2021 were approximately RMB307,000, RMB587,000, RMB1,617,000 and RMB1,050,000, respectively. Further information on the remuneration of each Director during the Track Record Period is set out in the Accountant’s Report in Appendix I to this prospectus.

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## DIRECTORS AND SENIOR MANAGEMENT

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Under the arrangements currently in force, the aggregate amount of remuneration (excluding any discretionary bonus which may be paid) payable by our Group to our Directors for the financial year ending December 31, 2021 is expected to be approximately RMB2.73 million.

The five highest paid individuals of our Group for the year ended December 31, 2018, December 31, 2019 and December 31, 2020 and the three months ended March 31, 2021 included 1, 1, 2 and 2 Directors, respectively, whose remuneration is included in the aggregate amount of fees, salaries, allowances, retirement benefits scheme contributions and benefits in kind payable to the relevant Directors as set out above. For the year ended December 31, 2018, December 31, 2019, December 31, 2020, and the three months ended March 31, 2021 the aggregate amount of fees, salaries, allowances, retirement benefits scheme contributions and benefits in kind payable to the remaining 4, 4, 3 and 3 individuals were RMB907,000, RMB1,214,000, RMB2,009,000 and RMB689,000, respectively. Further details on the remuneration of the five highest paid individuals during the Track Record Period is set out in the Accountant's Report in Appendix I to this prospectus.

During the Track Record Period, no remuneration was paid to any Director or any of the five highest paid individuals of our Group as an inducement to join or upon joining our Group. No compensation was paid to or receivable by any Director or any of the five highest paid individuals during the Track Record Period for the loss of any office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period.

Save as disclosed above, no other payments have been paid or are payable in respect of the Track Record Period to our Directors by our Group.

### COMPLIANCE ADVISER

We have appointed Somerley Capital Limited as our compliance adviser (the “**Compliance Adviser**”) pursuant to Rule 3A.19 of the Listing Rules. The Compliance Adviser will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rules 3A.23 of the Listing Rules, the Compliance Adviser will advise the Company in certain circumstances and/or matters including:

- (a) before the publication of any regulatory announcement, circular, or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, development or results of the Group deviate from any forecast, estimate or other information in this prospectus; and

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## DIRECTORS AND SENIOR MANAGEMENT

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- (d) where the Stock Exchange makes an inquiry to the Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

### CORPORATE GOVERNANCE CODE

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, the Company intends to comply with the corporate governance requirements under the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Hong Kong Listing Rules after the Listing.

Our Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group to achieve effective accountability. Our Company intends to comply with all code provisions in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules after the Listing except for Code Provision A.2.1 of the Corporate Governance Code, which provides that the roles of chairman of the board and chief executive officer should be separate and should not be performed by the same individual.

The roles of chairman of the Board and president of our Company (an equivalent to chief executive officer of our Company) are currently performed by Mr. Xu. In view of Mr. Xu's substantial contribution to our Group since our establishment and his extensive experience, we consider that having Mr. Xu acting as both our chairman and chief executive officer will provide strong and consistent leadership to our Group and facilitate the efficient execution of our business strategies. We consider it appropriate and beneficial to our business development and prospects that Mr. Xu continues to act as both our chairman and president after the Listing, and therefore currently do not propose to separate the functions of chairman and chief executive officer.

While this would constitute a deviation from Code Provision A.2.1 of the Corporate Governance Code, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of our Company, given that: (i) there are sufficient checks and balances in the Board, as a decision to be made by our Board requires approval by at least a majority of our Directors, and our Board comprises three independent non-executive Directors, which is in compliance with the requirement under the Listing Rules; (ii) Mr. Xu and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of our Company and will make decisions for our Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of our Company. Moreover, the overall strategic and other key business, financial, and operational policies of our Group are made collectively after thorough discussion at both

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## DIRECTORS AND SENIOR MANAGEMENT

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Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether separation of the roles of chairman of the Board and chief executive officer is necessary.

### EMPLOYEE INCENTIVE SCHEMES

Our Company has adopted the Pre-IPO RSU Schemes and the Post-IPO RSU Scheme (collectively the “**Schemes**”). The purpose of the Schemes is to reward the participants defined under the Schemes for their past contribution to the success of our Group and to provide incentives to them to further contribute to our Group. For details, please refer to the paragraph head “D. Share Incentive Schemes” in Appendix IV to this prospectus.

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## CONNECTED TRANSACTIONS

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### OVERVIEW

During the Track Record Period, our Group had entered into a number of transactions with various connected persons of our Company which will continue and constitute fully exempt continuing connected transactions (as defined under Chapter 14A of the Listing Rules) of our Company upon the Listing. The details of such transactions are set out below.

### FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Upon Listing, it is expected that the following transactions will be carried out by our Group and regarded as fully exempt continuing connected transactions of our Group which will be exempt from all annual review, reporting, announcement, circular and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

The table set out below is a summary of the connected transactions between our Group and the relevant connected person during the Track Record Period:

Item	Connected person	Relationship with our Group	Nature of transaction
1	Mr. Feng Shaoming	The father-in-law of Mr. Wang Zhenpeng, our senior vice president and former director of certain of our subsidiaries in the last 12 months	We entered into a security and guarantee agreement with, among others, Mr. Feng Shaoming, pursuant to which Mr. Feng Shaoming pledged his own property as security for an entrusted loan granted to our Group.
2	Mr. Xu	Controlling Shareholder of the Company, our executive Director and chief executive officer	Mr. Xu executed an authorisation letter pursuant to which Mr. Xu irrevocably and unconditionally authorised Shenzhen Helens Enterprise Management Co., Ltd. (深圳海倫司企業管理有限公司) and its subsidiaries and branches to use certain copyrights owned by him in the PRC during the valid period of the relevant copyrights.

### 1. Property pledge by Mr. Feng Shaoming under the security and guarantee agreement

#### *Background of the transaction*

On January 11, 2021, we (as borrower) entered into an entrusted loan agreement with Shenzhen Credit Guarantee Group Co., Ltd. (深圳擔保集團有限公司, “SCGG”) (as the entrusting lender) and China Construction Bank Corporation, Shenzhen Shangbu Branch (“CCB”, as the entrusted agent), pursuant to which CCB granted a bank facility in the amount of RMB30 million with an interest rate of 6.3% per annum to our Group (the “**Entrusted Loan Agreement**”). The term of the Entrusted Loan Agreement is one year since its execution. Pursuant to the terms of the Entrusted Loan Agreement, it is a condition that the loan shall be secured by a property pledge. As we do not own any property to satisfy the loan condition, Mr. Feng Shaoming has agreed to, at our request and without consideration, enter into a security and guarantee agreement with us, CCB and Shenzhen Credit Guarantee Group Co., Ltd. (深圳擔保集團有限公司) (the “**Security and Guarantee Agreement**”), pursuant to which Mr. Feng Shaoming pledged his own properties as securities for the loan granted to us under the Entrusted Loan Agreement (the “**Property Pledge**”).

#### *Background of the connected person*

Mr. Feng Shaoming is the father-in-law of Mr. Wang Zhenpeng, our senior vice president and former director of certain of our subsidiaries in the last 12 months. As confirmed by our Directors, Mr. Feng Shaoming was a retired entrepreneur in the service industry, who agreed to provide the Property Pledge (i) as a gesture of support to his son-in-law’s business; and (ii) due to his confidence to the future growth and prospect of our Group and (iii) considering the term of the Entrusted Loan Agreement only lasts for 12 months.

#### *Reason of the Entrusted Loan Agreement and the Property Pledge by Mr. Feng Shaoming*

The loan under the Entrusted Loan Agreement was one of the measures under the COVID-19 relief policy supported by the Shenzhen government, whereby enterprises which satisfy the eligibility criteria set out under the policy would be qualified to apply for an entrusted loan of up to RMB30 million. As confirmed by our Directors, our Group decided to apply for such entrusted loan and sought the assistance from Mr. Feng Shaoming to provide the Property Pledge after considering that:

- (i) the entrusted loan is one of the COVID-19 relief measures supported by the Shenzhen government, as a result its terms are better than general loan facilities offered by the banks. The loan under the Entrusted Loan Agreement would therefore provide us with additional capital at better terms which could be used to finance the business operation and development of our Group, in particular to support the anticipated high capital needs during the peak season of the Lunar New Year. Pursuant to the terms of the Entrusted Loan Agreement,



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## CONNECTED TRANSACTIONS

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the permitted purpose of the loan is for use as working capital, and there are no onerous terms or restrictions imposed on our business operation. Our Directors therefore consider it commercially justifiable and beneficial to our Group to enter into the Entrusted Loan Agreement; and

- (ii) the property pledge is a pre-condition of the Entrusted Loan Arrangement. As we do not own any property, we sought the assistance from Mr. Feng Shaoming, the father-in-law of Mr. Wang Zhenpeng. The current financial assistance was a one-time and only connected transaction between Mr. Feng Shaoming and our Group. As confirmed by our Directors, we would be capable (through our own capital and loan from third parties) to repay the full amount of the loan under the Entrusted Loan Arrangement if it is deemed necessary.

Notwithstanding the Entrusted Loan Agreement, our Company is able to obtain financing without the support from our connected persons. In June 2021, we obtained a line of credit of RMB100 million from a commercial bank in the PRC for a period of 12 months up to June 2022, without any guarantees or securities required from our connected persons.

### *Listing Rules Implications*

The Property Pledge provided by Mr. Feng Shaoming under the Security and Guarantee Agreement constitutes financial assistance received by our Group from a connected person of our Company under Rule 14A.90 of the Listing Rules. The Property Pledge will be fully exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules because (i) the Property Pledge was provided by Mr. Feng Shaoming for our Group without consideration, and hence it is on normal commercial terms or better; and (ii) no security over our assets is granted in respect of this financial assistance arrangement.

## **2. Copyright authorisation letter**

### *Background*

On April 20, 2018, Mr. Xu executed an authorisation letter (the “**Copyright Authorisation Letter**”), pursuant to which Mr. Xu irrevocably and unconditionally authorised Shenzhen Helens Enterprise Management Co., Ltd. (深圳海倫司企業管理有限公司) and its subsidiaries and branches to use 10 copyrights mainly in relation to decoration designs registered in the PRC and owned by him (the “**Authorised Copyrights**”) during the valid period of the relevant copyrights with nil consideration. Details of the Authorised Copyrights are set out in the paragraph headed “B. Further Information about our business – 2. Intellectual property rights – (c) Copyrights” in Appendix IV to this prospectus.

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## CONNECTED TRANSACTIONS

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We have been using the Authorised Copyrights for our bars over the years, and we intend to continue to use, after the Listing, the Authorised Copyrights in such connection. Our Directors believe that the authorisation term for the Authorised Copyrights can ensure the stability of our operations, and is beneficial to the interests of our Shareholders as a whole. The Sole Sponsor is of the view that it is normal business practice for authorisation of this nature to be of such duration.

### *Listing Rules implications*

As we were authorised to use the Authorised Copyrights with nil consideration, the transactions contemplated under the Copyright Authorisation Letter will be within the *de minimis* threshold provided under Rule 14A.76 of the Listing Rules, and the Copyright Authorisation Letter will be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## CONFIRMATION FROM OUR DIRECTORS

Our Directors (including the independent non-executive Directors) confirmed that the continuing connected transactions under the Security and Guarantee Agreement and the Copyright Authorisation Letter (collectively as “**Agreements**”) as described above have been entered into in the ordinary and usual course of business of the Group and have been based on arm's length negotiations and on normal commercial terms or better, that are fair and reasonable, and the respective terms of the Agreements are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

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## **RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS**

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### **OUR CONTROLLING SHAREHOLDERS**

Following completion of the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, and on the basis that all Preferred Shares will be converted into our Shares on a one-for-one basis), Helens Hill (BVI), Mr. Xu and HLSH Holding, through HHL International, will collectively be interested in approximately 69.06% of the issued share capital of our Company. As a result, following completion of the Global Offering, HHL International, Helens Hill (BVI), HLSH Holding and Mr. Xu will be a group of Controlling Shareholders after the Listing.

Helens Hill (BVI) is wholly owned by Mr. Xu, who is the chairman of our Board and executive Director. For further information about Mr. Xu, please refer to the section headed “Directors and Senior Management” of this prospectus.

HHL International is owned as to 1% by Helens Hill (BVI) and 99% by HLSH Holding. For further information about HHL International, Helens Hill (BVI) and HLSH Holding, please refer to the section headed “History, Development and Reorganisation” of this prospectus.

Save as disclosed above, there is no other person who will, immediately following completion of the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), be directly or indirectly interested in 30% or more of the Shares then in issue.

### **NO COMPETITION AND CLEAR DELINEATION OF BUSINESS**

Each of our Controlling Shareholders and our Directors, including our independent non-executive Directors, confirmed that, as of the Latest Practicable Date, none of them or any of their respective close associates had any interest in any business, other than the business of our Group, which competes, or is likely to compete, either directly or indirectly, with our business which would require disclosure under Rule 8.10 of the Listing Rules.

### **INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS**

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from our Controlling Shareholders and their respective close associates after Listing.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### **Management Independence**

Our Board comprises four executive Directors and three independent non-executive Directors. See “Directors and Senior Management” for further details.

Each of our Directors is aware of his fiduciary duties as a Director which require, among others, that he must act for the benefit and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his personal interests. In the event that there is a potential conflict of interests arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director(s) shall abstain from voting on any Board resolution approving any contract or arrangement or any other proposal in which he or any of his/her close associates has a material interest and shall not be counted in the quorum present at the relevant Board meeting. In addition, we believe that our independent non-executive Directors can bring independent judgment to the decision-making process of our Board.

The daily operation of our Group is carried out by an independent and experienced management team. We have the capabilities and personnel to perform all essential administrative functions, including financial and accounting, human resources, business management and research and development on a standalone basis.

Based on the above, our Directors are satisfied that our Board as a whole, together with our senior management team, is able to perform the managerial role in our Group independently.

### **Operational Independence**

Although our Controlling Shareholders will retain a controlling interest in our Company after the Listing, we have full rights to make all decisions regarding, and carry out, our own business operations independently. We have established our own organisational structure, and each department is assigned to specific areas of responsibilities. We are also in possession of all necessary relevant licences, approvals and certificates to carry on our business and we have sufficient operational capacity in term of capital and employees to operate and manage independently. We do not rely on our Controlling Shareholders or their respective close associates for our operations. We have independent access to suppliers and subcontractors and an independent management team (including our Directors and senior managements) to handle our daily operations. We have our own headcount of employees for our operations and management for human resources. We have also established a set of internal control procedures to facilitate and maintain the independent operation of our business. As of the Latest Practicable Date, our Group did not share any operational resources, such as sales and marketing and general administration resources with our Controlling Shareholders and their respective close associates.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Mr. Xu has irrevocably and unconditionally authorised us to use certain copyrights owned by him in the PRC with nil consideration during the valid period of such copyrights. Since the authorisation is on a long-term and with nil consideration and in view of the time and expense involved in transferring the copyrights to us, our Directors consider that the arrangement is beneficial to our Group as a whole and we are not reliant on our Controlling Shareholders. For further details, please refer to the section headed “Connected Transactions” and the paragraph headed “B. Further information about our business – 2. Intellectual property rights – (c) Copyrights” in Appendix IV to this prospectus.

Based on the above, our Directors are satisfied that there is no operational dependence by us on our Controlling Shareholders and our Group is able to operate independently from our Controlling shareholders after Listing.

### **Financial Independence**

We have established our own finance department with a team of financial staff, who are responsible for financial control, accounting, reporting, group credit and internal control function of our Group. The finance department is independent from our Controlling Shareholders. We make financial decisions independently and our Controlling Shareholders do not intervene with our use of funds. We have also established an independent audit system, a standardised financial and accounting system and a financial management system.

During the Track Record Period, Mr. Xu, our Controlling Shareholder, and his close associate provided personal guarantees (the “**Guarantees**”) for certain bank loans of our Group. In addition, there were amounts due to Mr. Xu during the Track Record Period, which were unsecured, interest-free and repayable on demand. Please refer to Note 23 to the Accountant’s Report in Appendix I to this prospectus for further details.

As of the date of this prospectus, we have repaid the entire outstanding balance of bank loans secured by the Guarantees. All loans, advances and balances due to our Controlling Shareholders have also been fully repaid as of the Latest Practicable Date.

Save as disclosed above, we have not entered into any financing arrangements or loans with our Controlling Shareholders or any of their close associates.

Based on the above, our Directors believe that we have the ability to operate independently of our Controlling Shareholders and their respective close associates from a financial perspective and are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### CORPORATE GOVERNANCE MEASURES

Our Directors recognise the importance of good corporate governance to protect the interests of our Shareholders. We would adopt the following corporate governance measures to manage potential conflict of interests between our Group and the Controlling Shareholders:

- (i) where a Board meeting is held for the matters in which a Director has a material interest, such Director shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;
- (ii) our Board will consist of a balanced composition of executive and non-executive Directors, including not less than one-third of independent non-executive Directors, to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. Our independent non-executive Directors, individually and collectively, possess the requisite knowledge and experience. They are committed to providing impartial and professional advice to protect the interests of our minority Shareholders;
- (iii) in the event that our independent non-executive Directors are requested to review any conflict of interests between our Group and the Controlling Shareholders, the Controlling Shareholders shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors either in its annual reports or by way of announcements; and
- (iv) we have appointed Somerley Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws in Hong Kong and the Listing Rules, including various requirements relating to directors' duties and corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and the Controlling Shareholders and/or Directors to protect minority Shareholders' rights after the Listing.

## SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised, and on the basis that all Preferred Shares will be converted into our Shares on a one-for-one basis), the following persons will have interests or short positions in Shares or underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name	Nature of interest	Shares held as at the Latest Practicable Date <sup>(1)&amp;(2)</sup>		Shares held upon completion of the Global Offering <sup>(1)&amp;(3)</sup>	
		Number	Approximate percentage	Number	Approximate percentage
Mr. Xu <sup>(4)</sup>	Founder of a discretionary trust; Interest of controlled corporation	861,000,000	77.42%	861,000,000	69.06%
Cantrust <sup>(4)</sup>	Trustee	861,000,000	77.42%	861,000,000	69.06%
HLSH Holding <sup>(4)</sup>	Interest of controlled corporation	861,000,000	77.42%	861,000,000	69.06%
HHL International <sup>(4)</sup>	Beneficial owner	861,000,000	77.42%	861,000,000	69.06%
WTSJ Holding <sup>(5)</sup>	Beneficial owner	140,146,876	12.60%	140,146,876	11.24%

*Notes:*

- (1) All interests are held in long positions.
- (2) The calculation is based on the assumption that the Preferred Shares will be converted into ordinary shares of our Company on a one-for-one basis and the total number of 1,112,054,024 Shares in issue as of the Latest Practicable Date.
- (3) The calculation is based on the total number of 1,246,704,024 Shares in issue immediately after the completion of the Global Offering (without taking into account any Shares that may be issued upon any exercise of Over-allotment Option, and on the basis that all Preferred Shares will be converted into our Shares on a one-for-one basis).
- (4) HHL International will hold 861,000,000 Shares following completion of the Global offering. HHL International is owned as to (i) 1% by Helens Hill (BVI), which is wholly-owned by Mr. Xu; and (ii) 99% by HLSH Holding, which is wholly-owned by Cantrust, the trustee of the Mr. Xu's Trust. Mr. Xu's Trust is a discretionary trust set up by Mr. Xu as the settlor and protector, where Mr. Xu's family members and Helens Hill (BVI) are the beneficiaries. Under the SFO, Mr. Xu, Cantrust and HLSH Holding are deemed to be interested in all the Shares registered under the name of HHL International.



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## SUBSTANTIAL SHAREHOLDERS

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- (5) WTSJ Holding is beneficially owned by Mr. Zhang Bo (as to approximately 19.38%), Mr. Zhao Jun (as to approximately 9.30%), Mr. Liu Yi (as to approximately 9.30%), Mr. Xia Linfan (as to approximately 9.30%), Ms. Lei Xing (as to approximately 6.20%), Mr. Yang Zhigang (as to approximately 6.20%), Ms. Xie Yan (as to approximately 4.65%), Mr. Zhu Mingzhe (as to approximately 4.65%) and four individuals (comprising three employees of our Group and one Independent Third Party, as to 31.02%).

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), have interests or short positions in Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of SFO or will be, directly or indirectly, interested in 10.0% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company and/or any of our subsidiaries. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

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## SHARE CAPITAL

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### AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately after the completion of the Global Offering:

As of the Latest Practicable Date, our authorised share capital was US\$50,000 divided into (i) 499,999,974,408,968 Shares; (ii) 24,022,904 Series A Preferred Shares; and (iii) 1,568,128 Series A+ Preferred Shares.

The Preferred Shares will be converted into the Shares on a one-to-one basis before the Listing.

Assuming the Over-allotment Option is not exercised, the share capital of our Company immediately following the Global Offering will be as follows:

Description of the Shares	Number of Shares	Aggregate nominal value of the Shares (US\$)	Approximate percentage of issued share capital (%)
Shares in issue (including the Shares upon conversion of the Preferred Shares)	1,112,054,024	0.11	89.20
Shares to be issued under the Global Offering	<u>134,650,000</u>	<u>0.01</u>	<u>10.80</u>
Total	<u><u>1,246,704,024</u></u>	<u><u>0.12</u></u>	<u><u>100</u></u>

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## SHARE CAPITAL

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Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately following completion of the Global Offering will be as follows:

Description of the Shares	Number of Shares	Aggregate nominal value of the Shares (US\$)	Approximate percentage of issued share capital (%)
Shares in issue (including the Shares upon conversion of the Preferred Shares)	1,112,054,024	0.11	87.78
Shares to be issued under the Global Offering	<u>154,847,500</u>	<u>0.02</u>	<u>12.22</u>
Total	<u><u>1,266,901,524</u></u>	<u><u>0.13</u></u>	<u><u>100</u></u>

### ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and is completed in accordance with the relevant terms and conditions and that the Shares are issued pursuant to the Global Offering and that the Preferred Shares are converted into the Shares on a one-to-one basis. The above does not take into account any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

### RANKING

The Offer Shares are Shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued (including all Preferred Shares converted into Shares immediately before completion of the Global Offering) and, in particular, will rank equally for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

The above does not take into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option, or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

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## SHARE CAPITAL

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### SHARE INCENTIVE SCHEMES

#### RSU Schemes

We have granted RSUs under the Pre-IPO RSU Schemes. For further details, please refer to the paragraph headed “D. Share Incentive Schemes – 1. Pre-IPO RSU Schemes” in Appendix IV to this prospectus. We have also conditionally adopted the Post-IPO RSU Scheme. For further details, please refer to the paragraph headed “D. Share Incentive Schemes – 2. Post-IPO RSU Scheme” in Appendix IV to this prospectus.

### GENERAL MANDATE TO ALLOT AND ISSUE SHARES

Subject to the conditions stated in “Structure of the Global Offering”, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares of such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed to be allotted by the Directors other than pursuant to:

- (i) a rights issue;
- (ii) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles of Association;
- (iii) a specific authority granted by the Shareholders in general meeting,

shall not exceed the aggregate of:

- (i) 20.0% of the total nominal value of the share capital of our Company in issue upon completion of the Global Offering (excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option); and
- (ii) the total nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in the section headed “General Mandate to Repurchase Shares” below.

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## SHARE CAPITAL

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This general mandate to issue Shares will expire at the earliest of:

- (i) the conclusion of our next annual general meeting; or
- (ii) the expiration of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraph headed “A. Further information about our Group – 4. Written resolutions of our Shareholders passed on August 23, 2021” in Appendix IV to this prospectus.

### GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in “Structure of the Global Offering”, our Directors have been granted a general unconditional mandate to exercise all powers of our Company to repurchase the Shares with a total nominal value of not more than 10% of the total nominal value of our share capital in the issue immediately following the completion of the Global Offering (without taking into account any Shares to be issued upon the exercise of the Over-allotment Option).

This general mandate relates only to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange of this purpose), and made in accordance with all applicable laws and the requirements of the Listing Rules.

This general mandate to repurchase Shares will expire at the earliest of:

- (i) the conclusion of our next annual general meeting; or
- (ii) the expiration of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or
- (iii) when varied or revoked by any ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraph headed “A. Further information about our Group – 5. Repurchase of our Shares by our Company” in Appendix IV to this prospectus.

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## FINANCIAL INFORMATION

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*You should read the following discussion and analysis in conjunction with our consolidated financial statements included in “Accountant’s Report” in Appendix I to this prospectus (together with the accompanying notes). Our audited consolidated financial information has been prepared in accordance with HKFRSs.*

*The discussion and analysis included in this section contain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future development, as well as other factors that we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. In evaluating our business, you should carefully consider the information provided in this prospectus, including the sections headed “Risk Factors” and “Business.”*

*For the purpose of this section, unless the context otherwise requires, references to 2018, 2019 and 2020 refer to our financial years ended December 31 of such years.*

### OVERVIEW

We are China’s largest bar chain network. In 2018, 2019 and 2020 and the three months ended March 31, 2021, we are the market leader in China’s bar industry as measured by the number of bars, according to Frost & Sullivan. Leveraging our highly standardized business model, we have rapidly grown our bar network during the Track Record Period. In 2018, 2019 and 2020 and the three months ended March 31, 2021, the total number of bars of our bar network was 162, 252, 351 and 374, respectively, and further increased to 528 as of the Latest Practicable Date. We have been operating bars under the brand “Helen’s” (「海倫司」), as of the Latest Practicable Date, the number of Helen’s bars in first-tier, second-tier and third- and lower-tier cities of China was 66, 296 and 165, respectively, representing 12.5%, 56.1% and 31.3% of the total number of bars as of the same date, respectively.

We believe our bar network allows us to deliver a relaxing social space and value for money product portfolio to broad customer base. By offering value for money product portfolio and a relaxing customer experience, we aim to satisfy young generation’s demand for affordable alcoholic drinks, quality services and social ambience. According to the consumer survey conducted by Frost & Sullivan, we are a preferred bar brand with a satisfaction rate of up to 93.9% among the customers who have visited Helen’s bars. We offer our customers premium quality and value for money product portfolio, primarily consisting of our own branded products as well as a variety of third-party products. All of our bottled beers are under RMB10 per bottle, which gives us significantly pricing advantages over similar products in the market. In 2018, 2019 and 2020 and the three months ended March 31, 2021, the revenue generated from our branded alcoholic drinks accounted for 68.4%, 64.2%, 69.8% and 74.8% of the total

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## FINANCIAL INFORMATION

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alcoholic drinks revenue. Our Helen's branded alcoholic drinks mainly include Helen's draft beer, Helen's craft beer, Helen's fruit-flavoured beer and Helen's milk beer. These products satisfy the young generation's demand for alcoholic drinks and have attracted massive attention and followers on social media. As of the Latest Practicable Date, our official accounts at Weixin, Douyin and Weibo accumulated over 7.5 million followers. As of the Latest Practicable Date, our popular Helen's Coke Bucket product, has gone viral on Douyin, with the streaming of relevant videos more than one billion times. We also enrich our customers' choices by providing products of third-party brands that are well known among the youth, including Budweiser, Corona, 1664 and Yeager.

In Helen's bars, we offer young customers a social space where they can gather and relax with their friends. To this end, we also adopt a decoration and interior style featuring Southeast Asian and Chinese ethnic styles. We believe these efforts may help us increase the customer experience and stickiness to us. Our employees are committed to providing efficient service to customers. We offer a variety of activities to build diversifying interaction with customers. For instance, our customers can vote on the music playlist on our Weixin mini program, and we play the music in our Helen's bars which have the most votes. In addition, we also serve free drinks to customers queueing up for tables and hold themed events during the holidays that are popular among the youth. We also believe music plays an important role to the unique atmosphere at our Helen's bars. Utilizing our proprietary smart music management system, we have accurate and real-time control over the music played in all our bars across China, providing comfortable and enjoyable experience for our customers.

### **BASIS OF PREPARATION**

The historical financial information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA. The historical Financial Information has been prepared under the historical cost convention. For details of the basis of preparation, see Note 2.1 of the Accountant's Report in Appendix I to this prospectus.

The preparation of the historical financial information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires the Directors of the Company to exercise judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4 of the Accountant's Report in Appendix I to this prospectus.



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## FINANCIAL INFORMATION

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In addition, our financial statements have been prepared on the basis that we will continue as a going concern. As of December 31, 2018, 2019, 2020 and March 31, 2021, we recorded net current liabilities of approximately RMB65.8 million, RMB98.2 million, RMB168.0 million and RMB261.0 million, respectively. We also generated net cash outflows, inflows, inflows and inflows from operating activities amounting to approximately RMB8.9 million, RMB159.0 million, RMB245.9 million and RMB85.6 million for the years ended December 31, 2018, 2019, 2020 and the three months ended March 31, 2021, respectively. Our directors have reviewed its cash flow forecast, which covers a period of not less than twelve months from March 31, 2021. In preparing the cash flow forecast, the Directors have considered historical cash requirements, working capital and capital expenditures plans, estimated cash flows provided by operations and existing cash on hand. Taking into account our financial resources and internally generated cash and banking facilities, our Directors believe that we have sufficient capital to meet our liquidity needs at least twelve months from March 31, 2021.

### MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATION

#### The Expansion of Helen's Bars Network

During the Track Record Period, the majority of our revenue was generated from our self-operated bars. In 2018, 2019 and 2020 and the three months ended March 31, 2021, the revenue generated from our self-operated bars was RMB69.1 million, RMB540.3 million, RMB812.9 million and RMB368.1 million, respectively, representing 60.2%, 95.7%, 99.4% and 99.9% of our total revenue in the same periods, respectively. Therefore, our revenue and operational performance mainly relied on our ability to effectively expand the network of our self-operated bars nationwide. As of the Latest Practicable Date, all of our Helen's bars are self-operated bars.

During the Track Record Period, we realised a rapid growth in the number of self-operated bars. As of December 31, 2018, 2019 and 2020 and March 31, 2021, the number of our self-operated bars was 84, 221, 337 and 374, respectively. The network of our Helen's bars has successfully covered the extensive domestic consumer market. The scope of our bars not only covers the first and second-tier cities in China, but also broadly covers third-tier and lower-tier cities. We also own a self-operated bar in Hong Kong, China.

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The following table sets forth the total number bars in our Helen's bar network in accordance with their geographical location during the Track Record Period.

Number of bars	As of December 31,			As of March 31,
	2018	2019	2020	2021
<b>Mainland China</b>				
Bars in first-tier cities	26	35	56	53
Bars in second-tier cities	82	143	200	214
Bars in third-tier or lower-tier cities	53	73	94	106
<b>Hong Kong, PRC</b>	1	1	1	1
<b>Total</b>	<b>162</b>	<b>252</b>	<b>351</b>	<b>374</b>

During Track Record Period, the number of our bars maintained a rapid growth. In 2018, 2019 and 2020 and the three months ended March 31, 2021, we had 62, 93, 105 and 38 newly opened bars, respectively. Leveraging our strong brand value in China and industry experience, we believe that we can further expand our market share in the current market, and expand the operational network of Helen's bars into untapped domestic market, especially in second-tier cities and third-tier and lower-tier cities. Leveraging our constantly improving brand image, standardized and efficient expansion process, the initial breakeven period of each new self-operated Helen's bar in 2018, 2019 and 2020 was generally six months, five months and three months, respectively. We plan to use cash generated from our operations and proceeds from the Global Offering to support our expansion plan. See "Future Plans and Use of Proceeds."

### Same-Store Sales

Our operation and financial performance highly depend on our ability to generate stable revenue from our bars. We measure the operational performance of our bars by comparing same-store sales and growth of same-store sales. Our same-store refers to self-operated bars that meet the following conditions: (i) opened for at least 200 days in 2018 (as our PRC operating entity that manage our Helen's bars was established on April 20, 2018) and 300 days in 2019; or (ii) opened for at least 300 days in both 2019 and 2020. See "Business – Helen's Bars – Operational Performance of Bars."

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The following table sets forth the same-store sales of Helen's bars during the Track Record Period.

	For the years ended December 31.				For the three months ended March 31,	
	2018	2019	2019	2020	2020	2021
Number of same-stores	16		41		93	
Same-store sales (RMB'000)	19,360.2	52,274.2	147,062.3	146,115.8	31,054.0	111,086.3
Growth of same-store sales (%)	170.0%		(0.6)%		257.7%	
Same-store sales per day (RMB'000)	83.6	144.0	406.2	473.2	864.1	1,254.8
Growth of same-stores sales per day (%)	72.2%		16.5%		45.2%	

Our same-store sales increased by 170.0% from RMB19.4 million in 2018 to RMB52.3 million in 2019, while the same-store sales per day increased by 72.2% from RMB83.6 thousand in 2018 to RMB144 thousand in 2019. The foregoing increase was mainly due to (i) our PRC operating entity that manage our bars was established on April 20, 2018, therefore, the operating period of our bars in 2019 is significantly higher than that in 2018, and (ii) our self-operated stores have experienced a ramp-up period since 2018, and with the expansion of our brand influence, the sales of these stores have increased significantly in 2019. Our same-store sales decreased by 0.6% from RMB147.1 million in 2019 to RMB146.1 million in 2020, which was mainly due to the impact of COVID-19. In order to combat COVID-19, we chose to suspend the operation of certain bars before the Chinese government adopted prevention policies such as restricting offline consumption. Therefore, the operating period and customer traffic of our bars decreased in the first half of 2020 compared to the same period in 2019. During the same years, the same-store sales per day increased by 16.5% from RMB406.2 thousand to RMB 473.2 thousand. For the three months ended March 31, 2020 and 2021, our same-store sales increased by 257.7% from RMB31.1 million to RMB111.1 million, while the same-store sales per day increased by 45.2% from RMB864.1 thousand to RMB1.3 million during the same periods. The foregoing increase was primarily due to (i) the operation days of Helen's bars were significantly lower in the three months ended March 31, 2020 than the same period in 2021 due to the negative impact of COVID-19 and (ii) the significant growth we experienced since the COVID-19 began to moderate in the first quarter of 2021 when compared to the same period in 2020. Our same-stores sales are mainly affected by the average daily ordering users per self-operated bar and daily spending per ordering user. For details on the impact of the COVID-19 outbreak on our business operations, see “– Impacts of the COVID-19 Outbreak on Our Business.” In 2018, 2019 and 2020 and for the three months ended March 31, 2021, the same-store sales per day maintained an increasing trend, which is consistent with our business growth during the same periods.

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### Costs of Raw Materials and Consumables

We mainly purchase the following goods in the course of our operations: (i) Helen's branded products, including Helen's branded alcoholic drinks and snacks, manufactured by third-party suppliers engaged by us, (ii) third-party brand alcoholic drinks, and (iii) other consumables necessary for the operation of our bars. The prices of these goods can directly affect the cost of alcoholic drinks and snacks which we provide to the customers, and directly affect our revenue.

We have adopted several measures to control our purchasing cost. For our specific measures for controlling purchasing cost, see "Business – Supply Chain Management – Procurement." Despite the various measures we adopted, the price and supply of raw materials and consumables are affected by certain factors which are beyond our control, including but not limited to changes in demands and supplies in the general market and other external factors (such as climate and environment conditions or natural disasters) which may trigger price fluctuation. We have adopted several measures to ensure a stable supply of raw materials and consumables. For such measures, see "Business – Supply Chain Management – Suppliers."

In 2018, 2019 and 2020 and the three months ended March 31, 2021, the cost of our raw material and consumables was RMB31.7 million, RMB195.9 million, RMB271.4 million and RMB108.2 million, respectively, representing 27.7%, 34.7%, 33.2% and 29.3% of our total revenue in the same periods, respectively. The cost of our raw materials and consumables is highly related to our business growth. Following the expansion of our bars network, we expect that the cost of our raw materials and consumables will increase in the future. We will continue to leverage the advantage of the economics of scale, our pricing strategies and close monitoring on market price fluctuation, to control the cost of our raw materials and consumables and possible effect of price fluctuation.

### Lease Costs

We operate our Helen's bars through leasing third-party properties. We conduct site visits and assess the properties to be leased and enter into lease agreements with the lessors generally for a period of over five years. Under these lease agreements, we will pay the rents and deposits to the lessors, and be responsible for necessary fees including properties, water and electricity utilities during the lease period. As of the Latest Practicable Date, we leased 671 properties in China with a total gross floor area of approximately 252,663 square meters. Such properties mainly served as bar venue and office.

During the Track Record Period, our lease costs mainly included depreciation of right-of-use assets representing the depreciation of capitalised leases incurred by long-term leased properties. In 2018, 2019 and 2020 and the three months ended March 31, 2021, our depreciation of right-of-use assets was RMB15.1 million, RMB53.2 million, RMB105.3 million and RMB37.1 million, representing 13.2%, 9.4%, 12.9% and 10.1% of our total revenue in the same periods, respectively.

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## FINANCIAL INFORMATION

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### **Employee Benefit and Manpower Service Expenses**

Our success mainly depends on our ability to attract, motivate and retain a sufficient number of qualified staff. We need to attract excellent staff to continuously support the expansion of our bar network. We also rely on our qualified and well-trained staff to provide high-quality services to customers in Helen's bars and assure the continuous healthy growth of our business.

To assure the normal operations of our bars, we arrange a fixed number of staff for each bar after considering factors such as bars area and customer traffic. Therefore, with the growth in the number of our bars during the Track Record Period, the number of our staff and relevant employee benefit and manpower service expenses increased accordingly. In 2018, 2019 and 2020 and the three months ended March 31, 2021, our employee benefit and manpower service expenses were RMB25.1 million, RMB92.3 million, RMB178.9 million and RMB190.4 million, respectively, representing 21.8%, 16.3%, 21.9% and 51.6% of our total revenue in the same periods, respectively. In 2020, our revenue was adversely affected by the COVID-19 pandemic, while our employee benefit and manpower service expenses maintained a relatively stable growth.

### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

We have identified certain accounting policies that are significant to the preparation of our financial statements. Critical accounting policies that are significant for understanding our financial condition and results of operation are set forth in details in Note 2 of the Accountant's Report in Appendix I of this prospectus. For details, see Note 4 of the Accountant's Report in Appendix I to this prospectus. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider (i) our selection of key accounting policies, (ii) the judgment and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions. We believe that the significant accounting policies and estimates such as revenue recognition, consolidation and leases as detailed in Note 2 and Note 4 of the Accountant's Report in Appendix I to this prospectus are critical and involve the most important estimates and judgments we used in preparing our financial statements.

### **IMPACTS OF THE COVID-19 OUTBREAK ON OUR BUSINESS**

Since the end of December 2019, the outbreak of COVID-19 has materially and adversely affected the global economy. To contain the spread of COVID-19, the PRC government implemented mandatory quarantine, closure of work places and facilities, travel limitations and other relevant measures. These measures, such as limitation on social and gathering activities, resulted in limited hours of operation for bars and decreased customer traffic, which negatively affected the whole bar industry in China.

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The COVID-19 outbreak has affected our business operations in varying degrees:

- The limitation on the operation of consumption places in the first half of 2020 temporarily shortened the opening hours of our bars and affected our ability to serve customers. In particular, bar industry involves crowds of customers gathering for a long time and thus the bar industry in China (including us) adheres to stricter pandemic prevention measures to combat COVID-19 than other industries. In addition, the measure of work places closure has also resulted in our failure to continue our expansion of new bars temporarily, including visiting sites of new locations, decoration and opening. Affected by the COVID-19 pandemic, we suspended operation of certain bars in January 2020. As of January 31, 2020, we suspended the operation of all of our bars in China. We gradually resumed bar operations in March 2020, and recovered our business operation to normal levels in June 2020. From February 2020 to March 2020, we did not open any new bar in China. Since April 2020, the COVID-19 pandemic in China was initially under control, the limitation measures against COVID-19 pandemic launched by the PRC government were eased or lifted. Accordingly, we resumed our bar expansion plan. For our bar expansion procedures and plan, see “Business – Helen’s Bars – Network Expansion Plan.” As of the Latest Practicable Date, we did not encounter any material delay or disruption in our expansion plan.
- To protect the health of our staff and customers, we adopted a stricter food safety management control measure during COVID-19 pandemic. In particular, we enhanced requirements for hygiene and safety in our internal rules and guidelines before the bars open for business every day. For example, we require our staff to wear medical masks during the whole process of preparing alcoholic drinks and snacks in kitchen. We require our staff to thoroughly disinfect and clean our bars according to steps and standards in internal guidelines before the bars open for business every day. At the same time, we proactively strengthen our cooperation with suppliers, to ensure the stable supply of our raw materials and consumables (including alcoholic drinks and snacks). During COVID-19 pandemic and as of the Latest Practicable Date, we did not encounter any supply shortage or material price fluctuation.

Despite the temporary suspension in business, we still maintained a satisfactory business performance due to our irreplaceable market position and excellent consumer word of mouth.

Throughout the pandemic, we proactively arranged internal resources and adjusted strategies to assure the health of our staff and customers. Before the Chinese government adopted pandemic prevention policies such as restricting offline consumption, we proactively suspended the operation of certain bars. We also provided a full range of living support for staff stranded in Wuhan due to the pandemic, such as providing personal protective supplies such as medical masks, arranging meals and taking care of the physical and mental health of our staff, and the relevant costs incurred associated with supporting these employees amounted to approximately RMB269.8 thousand. During the pandemic outbreak, none of our staff resigned

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due to factors caused by the pandemic. During the outbreak of COVID-19, there is no suspected or confirmed COVID-19 cases with our employees and our outsourced staff, and we did not experience any disruption in our supply chain due to the outbreak. Our measures during the pandemic were publicly reported by the media under Xinhua News Agency.

Since late July to August in 2021, there is a recurrence of the COVID-19 pandemic in several provinces in China, which led to a slight decrease in the number of total ordering users from approximately 1.5 million in June 2021 to approximately 1.3 million in July 2021. During this period, we temporarily suspended the business operation of certain Helen's bars to help contain the COVID-19 recurrence, the number of which peaked at 161 as of August 13, 2021. We shortly after resumed the business operation of these suspended Helen's bars with the COVID-19 recurrence became moderated. As of the Latest Practicable Date, we resumed the business operation of 56 Helen's bars and suspended the business operation of 105 Helen's bars. As of August 24, 2021, we resumed the business operation of 97 Helen's bars and suspended the business operation of 64 Helen's bars. Currently, there is no suspected or confirmed COVID-19 cases with our employees and our outsourced staff, and we did not experience any disruption in our supply chain due to the COVID-19 recurrence. As of the Latest Practicable Date, we are of the view that the recurrence will not have a material adverse effect on our business operations and financial performance due to (i) the PRC government has taken swift and effective counter measures to successfully control the COVID-19 recurrence and mitigate its impact and (ii) the COVID-19 recurrence affected a limited number of regions in China.

Save for the foregoing, we do not believe there is other material impact on our business operations and our growth and expansion plans. However, there are many uncertainties related to the COVID-19 pandemic, such as the eventual spread of the virus, the severity and duration of the pandemic and possible further action by governments around the world to contain the virus, and the extent that the COVID-19 directly or indirectly affect our business, results of operation, cash flow and financial condition will also depend on highly unstable and unpredictable future developments. See "Risk Factors — Risks Relating to Our Business — We are exposed to the risks relating to the foodborne diseases, sanitary epidemics and other outbreak of illnesses."

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### SUMMARY OF OUR CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The following table sets forth the summary of our consolidated statements of comprehensive income.

	Year ended December 31,			Three months ended March 31,	
	2018	2019	2020	2020	2021
	<i>(RMB in thousands)</i>			<i>(unaudited)</i>	
Revenue	114,810	564,809	817,945	62,038	368,571
Raw materials and consumables used	(31,745)	(195,865)	(271,385)	(20,812)	(108,173)
Government grants and concessions	68	1,476	36,442	6,824	2,568
Employee benefit and manpower service expenses	(25,077)	(92,271)	(178,930)	(20,123)	(190,358)
Depreciation of right-of-use assets	(15,119)	(53,233)	(105,276)	(21,141)	(37,081)
Depreciation of plant and equipment	(3,050)	(17,362)	(32,017)	(6,935)	(12,946)
Amortisation of intangible assets	(4)	(17)	(17)	(4)	(4)
Short-term rental and other related expenses	(4,859)	(13,474)	(31,762)	(4,344)	(13,700)
Utilities expenses	(3,574)	(15,376)	(23,893)	(3,863)	(10,139)
Travelling and related expenses	(1,485)	(5,459)	(6,244)	(510)	(2,952)
Listing expenses	–	–	(5,680)	–	(14,331)
Advertising and promotion expenses	(5,193)	(12,053)	(15,398)	(1,152)	(6,008)
Other expenses	(11,275)	(39,893)	(58,173)	(4,516)	(28,964)
Finance income	9	14	34	7	12
Finance costs	(4,023)	(16,378)	(28,659)	(6,675)	(11,817)
<b>Profit/(loss) before income tax</b>	<b>9,483</b>	<b>104,918</b>	<b>96,967</b>	<b>(21,206)</b>	<b>(65,322)</b>
Income tax credit/(expense)	251	(25,782)	(26,895)	4,637	(11,010)
<b>Profit/(loss) for the year/period attributable to owners of the Company</b>	<b>9,734</b>	<b>79,136</b>	<b>70,072</b>	<b>(16,569)</b>	<b>(76,332)</b>



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	Year ended December 31,			Three months ended March 31,	
	2018	2019	2020	2020	2021
	<i>(RMB in thousands)</i>			<i>(unaudited)</i>	
<b>Net profit/(loss) margin</b>	<b>8.5%</b>	<b>14.0%</b>	<b>8.6%</b>	<b>(26.7%)</b>	<b>(20.7%)</b>
<b>Non-HKFRS measure<sup>(1)</sup></b>					
<b>(reconciliation items)</b>					
<b>Profit/(loss) for the year/period</b>					
<b>attributable to owners of the</b>					
<b>Company</b>	9,734	79,136	70,072	(16,569)	(76,332)
Listing expense	–	–	5,680	–	14,331
Equity settled share-based payments	1,100	–	–	–	91,683
<b>Adjusted net profit/(loss)</b>	<b>10,834</b>	<b>79,136</b>	<b>75,752</b>	<b>(16,569)</b>	<b>29,682</b>
<b>Adjusted net profit/(loss) margin</b>	<b>9.4%</b>	<b>14.0%</b>	<b>9.3%</b>	<b>(26.7%)</b>	<b>8.1%</b>

*Note:*

- (1) We consider listing expenses and equity settled share-based payments as non-operational or non-recurring expenses which do not affect our ongoing operating performance. We believe the net profit as adjusted by eliminating potential impacts of the listing expenses and equity settled share-based payments provides useful information to investors in facilitating a comparison of our operating performance from period to period. See “– Non-HKFRS Measure” immediately below for detailed discussion of the adjustments of non-recurring items.

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### Non-HKFRS Measure

To supplement our consolidated statements of profit or loss which are presented in accordance with HKFRS, we also use adjusted net profit as a non-HKFRS measure, which is not required by, or presented in accordance with, HKFRS. We believe that the presentation of non-HKFRS measures when shown in conjunction with the corresponding HKFRS measures provides useful information to investors and management in facilitating a comparison of our operating performance from period to period by eliminating potential impacts of certain non-operational or non-recurring expenses that do not affect our ongoing operating performance, including equity settled share-based payments, and listing expenses. Such non-HKFRS measures allow investors to consider metrics used by our management in evaluating our performance.

- (1) Equity settled share-based payments represented one-off awards we granted to qualified employees in 2018, which is non-recurring and non-operational in nature.
- (2) Listing expenses were in relation to the Listing and the Global Offering, which are non-recurring upon Listing.

Therefore, we do not consider equity settled share-based payments and listing expenses to be indicative of our ongoing core operating performance and exclude them in reviewing our financial results. From time to time in the future, there may be other items that we may exclude in reviewing our financial results. The use of the non-HKFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for or superior to analysis of, our results of operations or financial condition as reported under HKFRS. In addition, the non-HKFRS financial measures may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

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We define adjusted net profit as profit for the year adjusted by adding back listing expenses and equity settled share-based payments. The following table reconciles our adjusted net profit presented to the most directly comparable financial measure calculated and presented in accordance with HKFRSs.

	Year Ended December 31,			Three months ended March 31,	
	2018	2019	2020	2020	2021
	<i>(RMB in thousands)</i>				
	<i>(Unaudited)</i>				
<b>Profit/(loss) for the period</b>	9,734	79,136	70,072	(16,569)	(76,332)
Listing expenses	–	–	5,680	–	14,331
Equity settled share-based payments	1,100	–	–	–	91,683
<b>Adjusted net profit/(loss)</b>	<u>10,834</u>	<u>79,136</u>	<u>75,752</u>	<u>(16,569)</u>	<u>29,682</u>

## DESCRIPTION OF THE MAJOR COMPONENTS OF OUR RESULTS OF OPERATION

### Revenue

The following table sets forth a breakdown of our revenue, in absolute amounts and as percentages of total revenue, for the periods indicated.

	Year ended December 31,						Three months ended March 31,			
	2018		2019		2020		2020		2021	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except for percentages)</i>									
Self-operated bars	69,066	60.2	540,290	95.7	812,877	99.4	61,512	99.2	368,063	99.9
Franchised bars	45,744	39.8	24,519	4.3	5,068	0.6	526	0.8	508	0.1
<b>Total</b>	<u>114,810</u>	<u>100.0</u>	<u>564,809</u>	<u>100.0</u>	<u>817,945</u>	<u>100.0</u>	<u>62,038</u>	<u>100.0</u>	<u>368,571</u>	<u>100.0</u>

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We generate our revenue from two sources.

- *Self-operated bars.* Our revenue from self-operated bars during the Track Record Period consists of revenue from Helen's branded products, third-party brand alcoholic drinks and others. See "Business — Featured Products and Services of Helen's Bars." In 2018, 2019 and 2020 and the three months ended March 31, 2021, our revenue from self-operated bars was RMB69.1 million, RMB540.3 million, RMB812.9 million and RMB368.1 million, respectively, representing 60.2%, 95.7%, 99.4% and 99.9% of our total revenue in the same periods, respectively.
- *Franchised bars.* Our revenue from franchised bars represents franchise fees and service fees we collected from our franchisees. Under the franchise arrangements, we charge franchisees one-off franchise fees and service fees. See "Business – Helen's Bars – Our Business Model." As of the Latest Practicable Date, all of our Helen's bars are self-operated bars.

As of December 31, 2018, 2019 and 2020, the number of franchised bars was 78, 31 and 14, respectively, representing 48.1%, 12.3%, and 4.0% of the total number of our bars as of the same dates, respectively. In 2018, 2019 and 2020 and the three months ended March 31, 2021, our revenue from franchised bars was RMB45.7 million, RMB24.5 million, RMB5.1 million and RMB0.5 million, respectively representing 39.8%, 4.3%, 0.6% and 0.1% of our total revenue in the same periods. As of the Latest Practicable Date, all of our Helen's bars are self-operated bars. We will not generate any revenue from franchised bars in the future. For details of our self-operated bars and franchised bars, see "Business — Helen's Bars — Our Operation Model."

The following table sets forth our revenue per self-operated bar during the Track Record Period.

	For the years ended December 31,			For the three months ended March 31,	
	2018	2019	2020	2020	2021
	(in RMB'000)				
Revenue generated from self-operated bars	69,066	540,290	812,877	61,512	368,063
Number of self-operated bars at the end of period	84	221	337	231	374
Revenue per self-operated bar <sup>(1)</sup>	1,644.4	3,542.9	2,913.5	1,088.7 <sup>(2)</sup>	4,141.4 <sup>(2)</sup>

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### Notes:

- (1) The revenue per self-operated bar is calculated by dividing the revenue generated from self-operated bars by the average of the number of self-operated bars at the beginning of the given period and the number of self-operated bars at the end of the given period.
- (2) The revenue per self-operated bar for the three months ended March 31, 2021 is an annualized figure.

Our revenue per self-operated bar significantly increased from RMB1,644.4 in 2018 to RMB3,542.9 in 2019 since (1) the business operation and financial performance of our bar network increased due to the increase in the number of customers for the same years, which is further driven by the increase in our brand recognition, and (2) the operating days of our self-operated bars were longer than that of 2018 as the PRC entity that manages the self-operated bars were founded in April 2018.

Our revenue per self-operated bar decreased to RMB2,913.5 in 2020 from RMB3,542.9 in 2019 since (1) the operation of our self-operated bars were temporarily suspended in the first quarter in 2020 due to the negative impact of COVID-19, and (ii) the majority of our new self-operated bars were launched in the latter half of 2020 due to COVID-19. For a detailed discussion of the temporary suspension during COVID-19 pandemic, see the section headed “Business — Performance during COVID-19.”

In the three months ended March 31, 2021, our revenue per self-operated bar increased to RMB4,141.4. This significant increase was primarily due to our strong business recovery after COVID-19 pandemic. For a detailed discussion of our post COVID-19 recovery, see the section headed “Business — Performance during COVID-19.” The increase was also driven by a continuously shortening initial breakeven period and the increase of our existing bars’ operation performance. For a detailed discussion of the initial breakeven period and operation performance of Helen’s bars, see the section headed “Business — Helen’s bars — Operation Performance.”

### Government Grants and Concessions

The following table sets forth the details of our government grants and concessions for the periods indicated.

	Year ended December 31,			Three months ended	
	2018	2019	2020	2020	2021
	<i>(RMB in thousands)</i>			<i>(Unaudited)</i>	
Government grants	68	1,476	25,825	1,677	2,204
Gains on COVID-19 rent concessions	—	—	10,597	5,147	364
<b>Total</b>	<b>68</b>	<b>1,476</b>	<b>36,422</b>	<b>6,824</b>	<b>2,568</b>

## FINANCIAL INFORMATION

Our government grants and concessions mainly consist of various government grants and tax relief benefits we received, such as the exemptions on value-added tax granted by PRC government authorities applicable to certain subsidiaries of us. In addition, we gained rent concession for certain leased properties during the COVID-19 pandemic in 2020.

In 2018, 2019 and 2020 and the three months ended March 31, 2021, our government grants and concessions were RMB68,000, RMB1.5 million, RMB36.4 million and RMB2.6 million, respectively.

### Raw Materials and Consumables Used

The following table sets forth the details of our raw materials and consumables used for the periods indicated.

	Year ended December 31,			Three months ended March 31,	
	2018	2019	2020	2020	2021
	<i>(RMB in thousands)</i>			<i>(unaudited)</i>	
Raw Materials	24,285	173,210	232,556	17,922	89,271
Helen's branded products	14,562	97,891	134,657	9,224	55,915
Third-party brand alcoholic drinks	9,200	69,272	92,111	8,227	31,280
Others <sup>1</sup>	523	6,047	5,788	471	2,076
Consumables used and others	7,460	22,655	38,829	2,890	18,902
<b>Total</b>	<b>31,745</b>	<b>195,865</b>	<b>271,385</b>	<b>20,812</b>	<b>108,173</b>

*Note:*

1. Include the cost of consumer goods, such as paper towels, that we offer to customers in our bars.

In the ordinary course of our operations, we mainly purchase the following goods from our suppliers: (i) Helen's branded products, including alcoholic drinks and snacks, manufactured by third-party suppliers engaged by us, (ii) third-party brand alcoholic drinks, and (iii) other consumables necessary for the operation of Helen's bars.

In 2018, 2019 and 2020 and the three months ended March 31, 2021, the cost of our raw material and consumables used was RMB31.7 million, RMB195.9 million, RMB271.4 million and RMB108.2 million, respectively, representing 27.7%, 34.7%, 33.2% and 29.3% of our total revenue in the same periods, respectively.

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### Employee Benefit Expenses and Manpower Service Expenses

The following table sets forth the details of our employee benefit expenses and manpower service expenses for the periods indicated.

	Year ended December 31,			Three months ended	
	2018	2019	2020	March 31,	2021
	(RMB in thousands)			(Unaudited)	
Wages, salaries and other benefits	23,312	88,971	133,651	19,322	49,545
Pension costs – defined contribution schemes	665	3,300	6,822	801	7,137
Equity settled share-based payments	1,100	–	–	–	91,683
<b>Total employee benefit expenses (including directors' remuneration)</b>	<b>25,077</b>	<b>92,271</b>	<b>140,473</b>	<b>20,123</b>	<b>148,365</b>
Manpower service expenses	–	–	38,457	–	41,993
<b>Total</b>	<b>25,077</b>	<b>92,271</b>	<b>178,930</b>	<b>20,123</b>	<b>190,358</b>

Our employee benefit expenses and manpower service expenses mainly consist of (i) wages, salaries and other benefits for our staff, (ii) provision for pension cost and social insurance for our staff, (iii) equity settled share-based payments, (iv) total employee benefit expenses including directors' remuneration, and (v) manpower service expenses, representing the manpower service expenses we paid to hire outsourcing staff from human resource outsourcing service providers.

In 2018, 2019 and 2020 and the three months ended March 31, 2021, our employee benefit expenses and manpower service expenses were RMB25.1 million, RMB92.3 million, RMB178.9 million and RMB190.4 million, respectively, representing 21.8%, 16.3%, 21.9% and 51.6% of our total revenue in the same periods, respectively.

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### **Depreciation of Right-of-Use Assets**

Our depreciation of right-of-use assets mainly consist of the deprecation of capitalised lease incurred by long-term leased properties for operating Helen's bars. In 2018, 2019 and 2020 and the three months ended March 31, 2021, our depreciation of right-of-use assets was RMB15.1 million, RMB53.2 million, RMB105.3 million and RMB37.1 million, respectively, representing 13.2%, 9.4%, 12.9% and 10.1% of our total revenue in the same periods, respectively.

### **Depreciation of Plant and Equipment**

Our depreciation of plant and equipment mainly consist of (i) the depreciation and amortisation fee of our kitchen equipment and other long-term assets and (ii) the depreciation fee of decoration cost for our bars and our offices. In 2018, 2019 and 2020 and the three months ended March 31, 2021, our depreciation of plant and equipment was RMB3.1 million, RMB17.4 million, RMB32.0 million and RMB12.9 million, respectively, representing 2.7%, 3.1%, 3.9% and 3.5% of our total revenue in the same periods, respectively.

### **Amortisation of Intangible Assets**

Our amortisation of intangible assets mainly consists of the amortisation fee incurred from office softwares and internal office systems. In 2018, 2019 and 2020 and the three months ended March 31, 2021, our amortisation of intangible assets was RMB4,000, RMB17,000, RMB17,000 and RMB4,000, respectively.

### **Short-term Rental and Other Related Expenses**

Our short-term rental and other related expenses mainly consist of rent and related fees in relation to short-term leases for our staff dormitories. In 2018, 2019 and 2020 and the three months ended March 31, 2021, our short-term rental and other related expenses were RMB4.9 million, RMB13.5 million, RMB31.8 million and RMB13.7 million, respectively, representing 4.2%, 2.4%, 3.9% and 3.7% of our total revenue in the same periods, respectively.

### **Utilities Expenses**

Our utilities expenses include electricity, water and internet charges paid by us for Helen's bars and staff dormitories. In 2018, 2019 and 2020 and the three months ended March 31, 2021, our utilities expenses were RMB3.6 million, RMB15.4 million, RMB23.9 million and RMB10.1 million, respectively, representing 3.1%, 2.7%, 2.9% and 2.8% of our total revenue in the same periods, respectively.



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### **Travelling and Related Expenses**

Our travelling and related expenses mainly consist of (i) expenses incurred for site visits of our staff to selected locations for potential new bars in order to expand our bars network, and (ii) the related fees such as accommodation, transportation and documentation incurred to obtain mandatory qualifications and licenses for opening new bars. In 2018, 2019 and 2020 and the three months ended March 31, 2021, our travelling and related expenses were RMB1.5 million, RMB5.5 million, RMB6.2 million and RMB3.0 million, respectively, representing 1.3%, 1.0%, 0.8% and 0.8% of our total revenue in the same periods, respectively.

### **Listing Expenses**

Our listing expenses mainly represent the expense incurred in relation to this Listing. In 2018, 2019 and 2020 and the three months ended March 31, 2021, our listing expenses were nil, nil, RMB5.7 million and RMB14.3 million, respectively.

### **Advertising and Promotion Expenses**

Our advertising and promotion expenses represent the expenses incurred by us for the marketing of Helen's bars. We promote our awareness mainly through word-of-mouth referral and online promotion, including promotion on online platforms such as Weixin official accounts, Weibo and Douyin, and incur advertising and promotion expenses as a result of these online promotions. Our marketing events also include (i) the promotions we launch for promoting new bars, and (ii) marketing activities organized for festivals such as Thanksgiving. In addition, our marketing activities include some daily promotion. For details of our advertising and promotion, see "Business – Marketing and Promotion."

In 2018, 2019 and 2020 and the three months ended March 31, 2021, our advertising and promotion expenses were RMB5.2 million, RMB12.1 million, RMB15.4 million and RMB6.0 million, respectively, representing 4.5%, 2.1%, 1.9% and 1.6% of our total revenue in the same periods, respectively.

### **Other Expenses**

Our other expenses consist of (i) office expenses, representing expenses incurred to support different departments in daily work, (ii) logistics and warehousing expenses, representing the expenses incurred to engage third-party logistics companies to provide delivery and warehousing services, (iii) repair and maintenance expenses, representing expenses incurred for repairing and maintaining the equipment of our bars, (iv) training expenses, representing expenses incurred for the regular training of our staff, and (v) others.

In 2018, 2019 and 2020 and the three months ended March 31, 2021, our other expenses were RMB11.3 million, RMB39.9 million, RMB58.2 million and RMB29.0 million, respectively, representing 9.8%, 7.1%, 7.1% and 7.9% of our total revenue in the same periods, respectively.

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The following table sets forth the details of our other expenses for the periods indicated.

	Year ended December 31,			Three months ended March 31,	
	2018	2019	2020	2020	2021
	<i>(RMB in thousands)</i>				
	<i>(Unaudited)</i>				
Office expenses	2,337	5,598	9,242	1,827	4,222
Logistics and warehousing expenses	1,253	11,934	18,827	1,270	9,355
Repair and maintenance	585	2,976	3,669	388	1,073
Training expenses	932	2,139	3,471	13	985
Others	6,168	17,246	22,964	1,018	13,349
<b>Total</b>	<b>11,275</b>	<b>39,893</b>	<b>58,173</b>	<b>4,516</b>	<b>28,964</b>

### Finance Income

Our finance income represents interest income generated from our bank deposits. In 2018, 2019 and 2020 and the three months ended March 31, 2021, our finance income was RMB9,000, RMB14,000, RMB34,000 and RMB12,000, respectively.

### Finance Costs

Our finance costs mainly consist of (i) interest of lease liabilities, and (ii) interest of borrowings. In 2018, 2019 and 2020 and the three months ended March 31, 2021, our finance costs were RMB4.0 million, RMB16.4 million, RMB28.7 million and RMB11.8 million, respectively, representing 3.5%, 2.9%, 3.5% and 3.2% of our total revenue in the same periods, respectively.

### Income Tax (Credit)/Expense

In 2018, our income tax credit was RMB0.3 million. In 2019 and 2020 and the three months ended March 31, 2021, our income tax expense was RMB25.8 million, RMB26.9 million and RMB11.0 million, respectively. As of the Latest Practicable Date, we did not have any material dispute with any tax authorities. Our income tax represents the income tax paid or payable at the applicable rate in accordance with the relevant laws and regulations of each tax jurisdiction in which we operate or are registered. The following summary discusses the key factors that apply to our tax rates in the Cayman Islands, Hong Kong and China.

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### *Cayman Islands*

We are incorporated in the Cayman Islands as a limited company under the Cayman Islands Companies Act. Under the current law of the Cayman Islands, we are not subject to income or capital gains tax. In addition, dividend payments are not subject to withholding tax in the Cayman Islands.

### *Hong Kong*

In 2018, 2019 and 2020 and the three months ended March 31, 2021, no provision for Hong Kong profits tax was made at the rate of 16.5% as we did not derive any income subject to Hong Kong profits tax during the Track Record Period. Since the Hong Kong subsidiary did not record assessable profit during the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2021, it was not subject to Hong Kong profits tax.

### *China*

In 2018, 2019 and 2020 and the three months ended March 31, 2021, our subsidiaries in China are subject to enterprise income tax at a standard rate of 25%, except for Shenzhen Helens Management Co., Ltd. which is an enterprise established in the Qianhai Shenzhen-Hong Kong Modern Services Industry Cooperation Zone (“**Qianhai Zone**”) and is engaged in business that falls within the catalogue for EIT preferential treatments of Qianhai Zone and therefore subject to a preferential corporate income tax rate of 15%. During the Track Record Period and up to the Latest Practicable Date, we had not have any material dispute with any tax authority.

## PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATION

### **Three months ended March 31, 2021 compared with three months ended March 31, 2020**

#### *Revenue*

Our revenue increased by 494.1% from RMB62.0 million for the three months ended March 31, 2020 to RMB368.6 million for the three months ended March 31, 2021, primarily due to the substantial increase in revenue from our self-operated bars, partially offset by a decrease in revenue from franchised bars.

- *Revenue from self-operated bars.* Our revenue from self-operated bars increased by 498.4% from RMB61.5 million for the three months ended March 31, 2020 to RMB368.1 million for the three months ended March 31, 2021, primarily due to the increase in the number of our self-operated bars from 230 as of March 31, 2020 to 374 as of March 31, 2021.

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- *Revenue from franchised bars.* Our revenue from franchised bars decreased by 3.4% from RMB526 thousand for the three months ended March 31, 2020 to RMB508 thousand for the three months ended March 31, 2021, primarily because the number of franchised bars decreased from 27 as of March 31, 2020 to nil as of March 31, 2021 as we established the strategy of direct operation business model.

### ***Government grants and concessions***

Our government grants and concessions decrease from RMB6.8 million for the three months ended March 31, 2020 to RMB2.6 million for the three months ended March 31, 2021, primarily since we no longer have the one-off rent concession provided to us by the landlords of certain of our leased properties during the COVID-19 pandemic.

### ***Raw materials and consumables used***

The cost of our raw materials and consumables used increased by 419.8% from RMB20.8 million for the three months ended March 31, 2020 to RMB108.2 million for the three months ended March 31, 2021. The increase in the cost of raw materials and consumables used was primarily driven by the significant increase in (i) the costs associated with the purchase of Helen's branded products and third party alcoholic drinks and (ii) the costs incurred by the consumables used in the Helen's bars, both of which, in turn, were due to the growth of our business and the increase in the number of our bars.

### ***Employee benefit and manpower service expenses***

Our employee benefit and manpower service expenses increased by 846.0% from RMB20.1 million for the three months ended March 31, 2020 to RMB190.4 million for the three months ended March 31, 2021. The substantial increase in employee benefit and manpower service expenses was mainly attributable to the following reasons:

- from the three months ended March 31, 2020 our wages, salaries, other benefits and pension costs increased from RMB20.1 million from the three months ended March 31, 2020 to RMB148.4 million for the three months ended March 31, 2021. Such increase was primarily due to the increase in our staff's compensation level;
- we incurred manpower service expenses of RMB42.0 million for the three months ended March 31, 2021 as we hired outsourcing staff from human resource outsourcing service providers and incurred the equity settled share-based payments of RMB91.7 million.

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### *Depreciation of right-of-use assets*

The depreciation of our right-of-use assets increased by 75.4% from RMB21.1 million for the three months ended March 31, 2020 to RMB37.1 million for the three months ended March 31, 2021. The increase was because we leased more properties for our bar operation in line with the increase in the number of our bars. The number of our self-operated bars increased from 230 as of March 31, 2020 to 374 as of March 31, 2021.

### *Depreciation of plant and equipment*

The depreciation of our plant and equipment increased by 86.7% from RMB6.9 million for the three months ended March 31, 2020 to RMB12.9 million for the three months ended March 31, 2021. The increase was primarily due to the increase in our plant and equipment, including plant and equipment used in bars and depreciation charges of decoration costs. Along with the rapid increase in the number of our bars, the depreciation of our plant and equipment increased accordingly.

### *Amortisation of intangible assets*

Our amortization of intangible assets for the three months ended March 31, 2021 and 2020 remained unchanged at RMB4,000. We did not purchase new intangible assets for the three months ended March 31, 2021.

### *Short-term rental and other related expenses*

Our short-term rental and other related expenses increased significantly from RMB4.3 million for the three months ended March 31, 2020 to RMB13.7 million for the three months ended March 31, 2021. The increase in the number of bars from March 31, 2020 to March 31, 2021 led to an increase in the number of our bar staff and the number of dormitories we leased for them, and increased rental expenses.

### *Utilities expenses*

Our utilities expenses increased by 162.5% from RMB3.9 million for the three months ended March 31, 2020 to RMB10.1 million for the three months ended March 31, 2021. Such increase was in line with the expansion of our bar network: (i) the electricity and network utilities expenses incurred for our bar operations increased as the number of bars increased; and (ii) we leased more staff dormitories as the number of our bar staff increased, which further resulted in an increase in dormitory electricity and water utilities expenses.

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### *Travelling and related expenses*

Our travelling and related expenses increased by 478.8% from RMB0.5 million for the three months ended March 31, 2020 to RMB3.0 million for the three months ended March 31, 2021. Such increase was primarily due to the acceleration in our expansion of new bars. The number of newly-opened bars for the three months ended March 31, 2021 was 38, which was higher than the number of newly-opened bars for the three months ended March 31, 2020 of seven.

### *Listing expenses*

Our listing expenses was nil and RMB14.3 million for the three months ended March 31, 2020 and 2021, respectively, which mainly included the professional services fees we incurred in connection with the Listing.

### *Advertising and promotion expenses*

Our advertising and promotion expenses increased by 421.5% from RMB1.2 million for the three months ended March 31, 2020 to RMB6.0 million for the three months ended March 31, 2021. To combat the COVID-19 pandemic, we proactively suspended the operation of certain bars before the Chinese government adopted pandemic prevention policies such as restricting offline consumption. After we resumed bar operations, in order to attract customers and recover revenue to normal levels as soon as possible, we cooperated with more marketing service providers and strengthened our marketing and publicity efforts.

### *Other expenses*

Our other expenses increased by 541.4% from RMB4.5 million for the three months ended March 31, 2020 to RMB29.0 million for the three months ended March 31, 2021. Such increase was primarily due to the increased daily operating and maintenance expenses, especially logistics and warehousing expenses and other expenses incurred to support bar operations, as the number of our bars increased.

### *Finance income*

Our finance income increased from RMB7,000 for the three months ended March 31, 2020 to RMB12,000 for the three months ended March 31, 2021. The increase was primarily due to the increase in interest income from bank deposits as our revenue increased.

### *Finance costs*

Our finance costs increased by 77.0% from RMB6.7 million for the three months ended March 31, 2020 to RMB11.8 million for the three months ended March 31, 2021. The increase was primarily due to an increase in interest expenses resulting from increased number of our bars and increased lease liabilities.

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### *Loss before income tax*

As a result of the foregoing, our loss before income tax increased by 208.0% from RMB21.2 million for the three months ended March 31, 2020 to RMB65.3 million for the three months ended March 31, 2021, the loss before income tax margin was 34.2% and 17.7% for the same periods, respectively.

### *Income tax (credit)/expense*

We had income tax credit of RMB4.6 million in the three months ended March 31, 2020 and income tax expenses of RMB11.0 million for the three months ended March 31, 2021. The increase was mainly due to an increase in current income tax for the three months ended March 31, 2021 as a result of our business growth, and increased profits, partially offset by an income tax credit of RMB6.0 million as a result of an increase in deferred income tax assets. The increase in deferred income tax assets was primarily related to the tax losses of certain bars caused by the COVID-19 pandemic and the tax losses of certain newly opened bars.

## YEAR-TO-YEAR COMPARISON OF RESULTS OF OPERATION

### **Year ended December 31, 2020 compared with year ended December 31, 2019**

#### *Revenue*

Our revenue increased by 44.8% from RMB564.8 million in 2019 to RMB817.9 million in 2020, primarily due to the substantial increase in revenue from our self-operated bars, partially offset by a decrease in revenue from franchised bars.

- *Revenue from self-operated bars.* Our revenue from self-operated bars increased by 50.5% from RMB540.3 million in 2019 to RMB812.9 million in 2020, primarily due to the increase in the number of our self-operated bars from 221 as of December 31, 2019 to 337 as of December 31, 2020.
- *Revenue from franchised bars.* Our revenue from franchised bars decreased by 79.2% from RMB24.5 million in 2019 to RMB5.1 million in 2020, primarily because the number of franchised bars decreased from 31 as of December 31, 2019 to 14 as of December 31, 2020 as we established the strategy of direct operation business model. As of the Latest Practicable Date, all of our Helen's bars are self-operated bars.

#### *Government grants and concessions*

Our government grants and concessions increased significantly from RMB1.5 million in 2019 to RMB36.4 million in 2020. The increase was primarily due to the government policy for one-off value-added tax exemption during the COVID-19 pandemic in 2020.

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In addition, during the COVID-19 pandemic in 2020, the landlords of certain of our leased properties provided us with a one-off rent concession, which amounted to RMB10.6 million in 2020. As the COVID-19 pandemic is brought under control in China, we expect that we will no longer enjoy such rent concessions in the future.

### *Raw materials and consumables used*

The cost of our raw materials and consumables used increased by 38.5% from RMB195.9 million in 2019 to RMB271.4 million in 2020. The increase in the cost of raw materials and consumables used was primarily driven by the increase in (i) the costs associated with our spirituous drinks in Helen's branded products, in particular Helen's Fruit Beer and Helen's Milk Beer due to the increasing customer acceptance of these products and (ii) the costs of consumables used in Helen's bars, both of which, in turn, were due to the growth of our business and the increase in the number of our bars.

### *Employee benefit and manpower service expenses*

Our employee benefit and manpower service expenses increased by 93.8% from RMB92.3 million in 2019 to RMB178.9 million in 2020. The substantial increase in employee benefit and manpower service expenses was mainly attributable to the following reasons:

- our wages, salaries, other benefits and pension costs increased from RMB92.3 million in 2019 to RMB140.5 million in 2020. Such increase was primarily due to the increase in our staff's compensation level;
- we incurred manpower service expenses of RMB38.5 million in 2020 as we hired outsourcing staff from human resource outsourcing service providers.

### *Depreciation of right-of-use assets*

The depreciation of our right-of-use assets increased by 97.9% from RMB53.2 million in 2019 to RMB105.3 million in 2020. The increase was because we leased more properties for our bar operation in line with the increase in the number of our bars. The number of our self-operated bars increased from 221 as of December 31, 2019 to 337 as of December 31, 2020.

### *Depreciation of plant and equipment*

The depreciation of our plant and equipment increased by 83.9% from RMB17.4 million in 2019 to RMB32.0 million in 2020. The increase was primarily due to the increase in our plant and equipment, including plant and equipment used in bars and depreciation charges of decoration costs. Along with the rapid increase in the number of our bars, the depreciation of our plant and equipment increased accordingly.



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### *Amortisation of intangible assets*

Our amortization of intangible assets in 2019 and 2020 remained unchanged at RMB17,000. We did not purchase new intangible assets in 2020.

### *Short-term rental and other related expenses*

Our short-term rental and other related expenses increased significantly from RMB13.5 million in 2019 to RMB31.8 million in 2020. The increase in the number of bars from December 31, 2019 to December 31, 2020 led to an increase in the number of our bar staff and the number of dormitories we leased for them, and increased rental expenses.

### *Utilities expenses*

Our utilities expenses increased by 55.2% from RMB15.4 million in 2019 to RMB23.9 million in 2020. Such increase was in line with the expansion of our bar network: (i) the electricity and network utilities expenses incurred for our bar operations increased as the number of bars increased; and (ii) we leased more staff dormitories as the number of our bar staff increased, which further resulted in an increase in dormitory electricity and water utilities expenses.

### *Travelling and related expenses*

Our travelling and related expenses increased by 12.7% from RMB5.5 million in 2019 to RMB6.2 million in 2020. Such increase was primarily due to the acceleration in our expansion of new bars. The number of newly-opened bars in 2020 was 105, which was higher than the number of newly-opened bars in 2019 of 93. Since the second half of 2020, we have sent more staff to identify locations suitable for opening new bars, and as a result, incurred more travelling and related expenses.

### *Listing expenses*

Our listing expenses was nil and RMB5.7 million in 2019 and 2020, respectively, which mainly included the professional services fees we incurred in connection with the Listing.

### *Advertising and promotion expenses*

Our advertising and promotion expenses increased by 27.3% from RMB12.1 million in 2019 to RMB15.4 million in 2020. To combat the COVID-19 pandemic, we proactively suspended the operation of certain bars before the Chinese government adopted pandemic prevention policies such as restricting offline consumption. After we resumed bar operations, in order to attract customers and recover revenue to normal levels as soon as possible, we cooperated with more marketing service providers and strengthened our marketing and publicity efforts.

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### *Other expenses*

Our other expenses increased by 45.9% from RMB39.9 million in 2019 to RMB58.2 million in 2020. Such increase was primarily due to the increased daily operating and maintenance expenses, especially logistics and warehousing expenses and other expenses incurred to support bar operations, as the number of our bars increased.

### *Finance income*

Our finance income increased from RMB14,000 in 2019 to RMB34,000 in 2020. The increase was primarily due to the increase in interest income from bank deposits as our revenue increased.

### *Finance costs*

Our finance costs increased by 75.0% from RMB16.4 million in 2019 to RMB28.7 million in 2020. The increase was primarily due to an increase in interest expenses resulting from increased number of our bars and increased lease liabilities.

### *Profit before income tax*

As a result of the foregoing, our profit before income tax decreased by 7.5% from RMB104.9 million in 2019 to RMB97.0 million in 2020, and the profit before income tax margin were 18.6% and 11.9% for the same years, respectively. Affected by the COVID-19 outbreak, we gradually suspended our bar operation in January 2020 and resumed business operation to normal levels in June 2020 after the relevant pandemic prevention measures were eased or lifted, which shortened the operating hours of our bars and affected our ability to serve customers and generate revenue. Meanwhile, although some operating costs, such as the cost of purchasing raw materials and other consumables, were decreased due to the decrease in operating days and the hours of operation, other operating costs such as employee benefit and manpower service expenses, and utilities expenses remained relatively stable, resulting in a decrease in the profit before income tax.

### *Income tax expense*

Our income tax expense increased by 4.3% from RMB25.8 million in 2019 to RMB26.9 million in 2020. The increase was mainly due to an increase in current income tax in 2020 as a result of our business growth, and increased profits, partially offset by an income tax credit of RMB9.3 million as a result of an increase in deferred income tax assets. The increase in deferred income tax assets was primarily related to the tax losses of certain bars caused by the COVID-19 pandemic and the tax losses of certain newly opened bars.

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### Year ended December 31, 2019 compared with year ended December 31, 2018

#### *Revenue*

Our revenue increased significantly from RMB114.8 million in 2018 to RMB564.8 million in 2019, primarily due to a significant increase in revenue from our self-operated bars, partially offset by a decrease in the revenue from franchised bars.

- *Revenue from self-operated bars.* Our revenue from self-operated bars significantly increased from RMB69.1 million in 2018 to RMB540.3 million in 2019. The significant increase in our revenue from self-operated bars was mainly attributable to the rapid increase in the number of our self-operated bars. The number of our self-operated bars increased from 84 as of December 31, 2018 to 221 as of December 31, 2019.
- *Revenue from franchised bars.* Our revenue from franchised bars decreased by 46.4% from RMB45.7 million in 2018 to RMB24.5 million in 2019, primarily due to the following reasons:
  - o we charged franchisees one-off fixed franchise fees and management service fees in 2018 while we only charged franchisees management service fees in 2019;
  - o we established the development strategy focusing on a direct operation business model since 2018, and therefore gradually reduced the number of franchised bars. The number of our franchised bars decreased from 78 as of December 31, 2018 to 31 as of December 31, 2019.

#### *Government grants and concessions*

Our government grants and concessions increased significantly from RMB68,000 in 2018 to RMB1.5 million in 2019. The increase was primarily due to one-off exemptions on value-added tax granted by the government authorities in China in 2019 which were applicable to certain of our subsidiaries.

#### *Raw materials and consumables used*

The cost of our raw materials and consumables used significantly increased from RMB31.7 million in 2018 to RMB195.9 million in 2019. The increase in the cost of our raw materials and consumables used was driven by the increase in (i) the costs associated with our spirituous drinks in Helen's branded products as they quickly gained popularity once launched, such as Whiskey Coke Bucket and Vodka Red Bull, and (ii) the costs of consumables used in Helen's bars, both of which, in turn, were in line with the increase in the number of our bars.

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### *Employee benefit and manpower service expenses*

Our employee benefit and manpower service expenses significantly increased from RMB25.1 million in 2018 to RMB92.3 million in 2019. The increase was mainly due to the increased number of staff to support the expansion of our bar network. The total number of our full-time employees increased from 972 to 2,637 as of December 31, 2018 to as of December 31, 2019, respectively.

### *Depreciation of right-of-use assets*

The depreciation of our right-of-use assets significantly increased from RMB15.1 million in 2018 to RMB53.2 million in 2019. The increase was primarily due to the increase in the number of bars and the increase in the long-term leases we entered into for bar operation.

### *Depreciation of plant and equipment*

The depreciation of our plant and equipment increased significantly from RMB3.1 million in 2018 to RMB17.4 million in 2019. The increase was mainly because we had more plant and equipment as the number of bars increased, and the corresponding depreciation of our plant and equipment increased significantly.

### *Amortization of intangible assets*

Our amortization of intangible assets increased significantly from RMB4,000 in 2018 to RMB17,000 in 2019. The increase was mainly due to the purchase of more office systems, software and other intangible assets in line with our business growth, and our amortisation of intangible assets increased accordingly.

### *Short-term rental and other related expenses*

Our short-term rental and other related expenses increased significantly from RMB4.9 million in 2018 to RMB13.5 million in 2019. The increase was primarily due to the significant increase in the number of our staff along with the expansion of our bar network. Therefore, the rental and related expenses incurred for the staff dormitories increased significantly.

### *Utilities expenses*

Our utilities expenses increased significantly from RMB3.6 million in 2018 to RMB15.4 million in 2019, which was primarily because we incurred more electricity, water and network expenses in bars and staff dormitories as the number of bars and the number of staff increased. Meanwhile, our utilities expenses declined as a percentage of our total revenue from 3.1% in 2018 to 2.7% in 2019.

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### *Travelling and related expenses*

Our travelling and related expenses increased significantly from RMB1.5 million in 2018 to RMB5.5 million in 2019. The increase was primarily due to the acceleration in our bar expansion. In 2019, the number of newly-opened bars was 93, which was significantly higher than that in 2018, which was 62. As a result, we incurred more expenses for business trips, site visits of potential bar locations and related procedures in 2019. Our travelling and related expenses declined as percentage of our total revenue from 1.3% in 2018 to 1.0% in 2019. The decrease was primarily due to the significant increase in our total revenue, while our travelling and related expenses remained at a steady growth rate.

### *Advertising and promotion expenses*

Our advertising and promotion expenses increased significantly from RMB5.2 million in 2018 to RMB12.1 million in 2019, which was primarily due to our various marketing and promotion activities for newly-opened bars.

### *Other expenses*

Our other expenses increased significantly from RMB11.3 million in 2018 to RMB39.9 million in 2019. Such increase was primarily due to the increase in daily operating and maintenance expenses as the number of bars increased.

### *Finance income*

Our finance income increased from RMB9,000 in 2018 to RMB14,000 in 2019. The increase was mainly due to the increase in interest income from bank deposits as our total revenue increased.

### *Finance costs*

Our finance costs increased significantly from RMB4.0 million in 2018 to RMB16.4 million in 2019. The increase was primarily due to an increase in interest expenses resulting from increased number of bars and increased lease liabilities.

### *Profit before income tax*

With our enhanced brand recognition, our total revenue increased significantly. Meanwhile, benefiting from the economies of scale, our operating costs and expenses were maintained at a relatively stable level. As a result of the foregoing, our profit before tax increased significantly from RMB9.5 million in 2018 to RMB104.9 million in 2019, and the profit before income tax margin was 8.3% and 18.6% in 2018 and 2019, respectively.

## FINANCIAL INFORMATION

### *Income tax (credit)/expense*

We had income tax credit of RMB0.3 million in 2018 and income tax expenses of RMB25.8 million in 2019. Certain of our newly opened bars in 2018 incurred tax losses and recognized deferred income tax assets in such year, resulting in an income tax credit of RMB0.3 million. After these bars achieved breakeven in 2019, the deferred income tax previously incurred were offset in 2019. Therefore, we incurred income tax expenses in 2019 as compared to income tax credit in 2018.

### DISCUSSION OF KEY ITEMS OF THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated, which have been extracted from the Accountant's Report in Appendix I to this prospectus.

	As of December 31,			As of
	2018	2019	2020	March 31,
				2021
	<i>(RMB in thousands)</i>			
<b>ASSETS</b>				
<b>Non-current assets</b>				
Plant and equipment	45,888	114,565	188,843	260,803
Intangible assets	40	126	109	105
Right-of-use assets	146,604	386,229	554,506	729,086
Deposits and prepayments	5,105	14,732	26,852	38,092
Deferred tax assets	7,388	9,029	18,322	20,280
	<b>205,025</b>	<b>524,681</b>	<b>788,632</b>	<b>1,048,366</b>
<b>Current assets</b>				
Inventories	7,280	23,405	36,855	37,160
Prepayments, deposits and other receivables	1,370	4,426	10,200	14,667
Cash and cash equivalents	10,121	22,257	24,255	152,858
	<b>18,771</b>	<b>50,088</b>	<b>71,310</b>	<b>204,685</b>
<b>Total assets</b>	<b>223,796</b>	<b>574,769</b>	<b>859,942</b>	<b>1,253,051</b>

## FINANCIAL INFORMATION

	As of December 31,			As of March 31,
	2018	2019	2020	2021
	(RMB in thousands)			
<b>EQUITY</b>				
<b>Equity attributable to owners of the Company</b>				
Share capital	1	1	1	1
Reserves	10,285	89,214	160,237	174,942
<b>Total equity</b>	<b>10,286</b>	<b>89,215</b>	<b>160,238</b>	<b>174,943</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Lease liabilities	128,949	337,288	460,379	612,466
<b>Current liabilities</b>				
Trade payables	6,723	18,244	36,456	36,641
Other payables and accruals	52,038	66,341	85,850	64,063
Borrowings	149	–	13,000	30,000
Lease liabilities	18,597	46,888	78,862	94,146
Financial liabilities at fair value through profit or loss	–	–	–	215,566
Current income tax liabilities	7,054	16,793	25,157	25,226
	<b>84,561</b>	<b>148,266</b>	<b>239,325</b>	<b>465,642</b>
<b>Total liabilities</b>	<b>213,510</b>	<b>485,554</b>	<b>699,704</b>	<b>1,078,108</b>
<b>Total equity and liabilities</b>	<b>223,796</b>	<b>574,769</b>	<b>859,942</b>	<b>1,253,051</b>

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The following table sets forth our current assets and liabilities as of the dates indicated.

	As of December 31,			As of March 31,	As of June 30,
	2018	2019	2020	2021	2021
	<i>(RMB in thousands)</i>				<i>(unaudited)</i>
<b>Current assets</b>					
Inventories	7,280	23,405	36,855	37,160	39,671
Prepayments, deposits and other receivables	1,370	4,426	10,200	14,667	27,481
Cash and cash equivalents	10,121	22,257	24,255	152,858	26,229
	<b>18,771</b>	<b>50,088</b>	<b>71,310</b>	<b>204,685</b>	<b>93,381</b>
<b>Current liabilities</b>					
Financial liabilities at fair value through profit or loss	–	–	–	215,566	201,698
Trade payables	6,723	18,244	36,456	36,641	52,026
Other payables and accruals	52,038	66,341	85,850	64,063	80,241
Borrowings	149	–	13,000	30,000	55,000
Lease liabilities	18,597	46,888	78,862	94,146	116,736
Current income tax liabilities	7,054	16,793	25,157	25,226	18,331
	<b>84,561</b>	<b>148,266</b>	<b>239,325</b>	<b>465,642</b>	<b>524,032</b>
<b>Net current liabilities</b>	<b>(65,790)</b>	<b>(98,178)</b>	<b>(168,015)</b>	<b>(260,957)</b>	<b>(430,651)</b>

As of December 31, 2018, 2019 and 2020, we recorded net current liabilities of RMB65.8 million, RMB98.2 million and RMB168.0 million, respectively. As of June 30, 2021, we recorded net current liabilities of RMB430.7 million.

Our net current liabilities increased from RMB65.8 million as of December 31, 2018 to RMB98.2 million as of December 31, 2019, mainly due to the increase in our other payables and accruals from RMB52.0 million to RMB66.3 million, the increase in trade payables from RMB6.7 million to RMB18.2 million, and the increase in our current lease liabilities from



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RMB18.6 million to RMB46.9 million. These increases are in turn driven by our overall business expansion and newly-opened bars. The increase was partially offset by the increase in our inventories from RMB7.3 million to RMB23.4 million.

Our net current liabilities increased from RMB98.2 million as of December 31, 2019 to RMB168.0 million as of December 31, 2020, mainly due to the increase in our other payables and accruals from RMB66.3 million to RMB85.9 million, the increase in trade payables from RMB18.2 million to RMB36.5 million and the increase in our current lease liabilities from RMB46.9 million to RMB78.9 million. These increases are in turn driven by our overall business expansion and newly-opened bars. The increase was partially offset by the increase in our inventories from RMB23.4 million to RMB36.9 million.

We had net current liabilities of RMB261.0 million as of March 31, 2021 as compared to net current liabilities of RMB168.0 million as of December 31, 2020, which was primarily due to the increase in financial liabilities at fair value through profit or loss from nil to RMB215.6 million.

We had net current liabilities of approximately RMB430.7 million as of June 30, 2021, which was primarily due to the decrease in cash and cash equivalents from RMB152.9 million to RMB26.2 million.

### **Plant and Equipment**

Our plant and equipment represents (i) office equipment, such as printers, (ii) computer equipment, (iii) furniture and fixtures used in bars, such as tables, chairs and kitchen facilities, etc., and (iv) leasehold improvements, i.e., the expenses we incurred for decorating our bars. As of December 31, 2018, 2019 and 2020 and March 31, 2021, our plant and equipment was RMB45.9 million, RMB114.6 million, RMB188.8 million and RMB260.8 million, respectively. Such increase was generally in line with the growth trend of the number of our bars.

### **Intangible Assets**

Our intangible assets mainly include the office system and software we purchased. As of December 31, 2018, 2019 and 2020 and March 31, 2021, our intangible assets was RMB40,000, RMB126,000, RMB109,000 and RMB105,000, respectively. Our intangible assets increased from RMB40,000 as of December 31, 2018 to RMB126,000 as of December 31, 2019 mainly due to the upgraded office finance system we purchased to improve our operational efficiency. Our intangible assets remained generally stable from December 31, 2019 to December 31, 2020 and March 31, 2021.

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### Right-of-Use Assets

Our right-of-use assets represent the long-term leased properties we recognised. After we enter into a long-term lease agreement for bar operation, we are required to recognise the leased property as our assets in the form of financial lease, and depreciate it within the term of the lease agreement. From December 31, 2018 to December 31, 2020, we leased more properties as the number of our bars increased. Therefore, our right-of-use assets increased from RMB146.6 million as of December 31, 2018 to RMB386.2 million as of December 31, 2019, and further increased to RMB554.5 million as of December 31, 2020 and RMB729.1 million as of March 31, 2021. Such increase was generally in line with the growth trend of the number of our bars.

### Deposits and Prepayments

Our deposits and prepayments primarily represent the deposits we paid for leasing properties for our bar operation. The term of our bar lease agreements is generally more than one year, and such deposits shall be returned by the lessor upon the expiry of the lease agreements. Therefore, we recognised the deposits as non-current assets.

Our deposits and prepayments increased from RMB5.1 million as of December 31, 2018 to RMB14.7 million as of December 31, 2019, and further increased to RMB26.9 million as of December 31, 2020 and RMB38.1 million as of March 31, 2021. Such growth trends were generally in line with the overall increase in the number of our bars.

### Inventories

Our inventories represent the alcoholic drinks, food and consumables used in our bar operations, and mainly include (i) alcoholic drinks, including Helen's branded alcoholic drinks and third-party brand alcoholic drinks, (ii) a variety of snacks, and (iii) other inventories.

The following table sets forth our inventory balance as of the date indicated.

	As of December 31,			As of
	2018	2019	2020	March 31,
				2021
	<i>(RMB in thousands)</i>			
<b>Inventories</b>				
Alcoholic drinks	6,287	19,342	32,874	13,843
Food	905	3,632	3,378	5,958
Consumables	88	431	603	798
<b>Total</b>	<b>7,280</b>	<b>23,405</b>	<b>36,855</b>	<b>37,160</b>

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Our inventories increased from RMB7.3 million as of December 31, 2018, to RMB23.4 million as of December 31, 2019 and further to RMB36.9 million as of December 31, 2020 and RMB37.2 million as of March 31, 2021. In order to meet the operational demands, each bar will reserve a certain amount of inventory. During the Track Record Period, the increase in our inventories was mainly driven by the increased amount of alcoholic drinks, in particular the spirituous drinks in our Helen's branded products, that were reserved in Helen's bars for our business operation, which, in turn, was also due to the increase in the number of our self-operated bars. We believe that maintaining an appropriate level of inventory will help us better serve customers and satisfy their demand, and that an appropriate level of inventory will not adversely affect our liquidity. We have established a set of policies and procedures to manage inventory. For details, see "Business — Supply Chain Management — Warehousing and Logistics."

The following table sets forth our inventory turnover days for the periods indicated:

	Year ended December 31,			Three months ended March 31,
	2018	2019	2020	2021
Inventory turnover days <sup>(1)</sup>	41.9	28.6	40.5	30.8

*Note:*

- (1) Our inventory turnover days for each period equals the average of the beginning and ending balances of inventory for that period divided by the cost of raw materials and consumables used for that period and multiplied by the number of days in that period.

As of December 31, 2018, 2019 and 2020 and March 31, 2021, our inventory turnover days were 41.9 days, 28.6 days, 40.5 days and 30.8 days, respectively. With the expansion of our bar network, our management capabilities and experience are enhanced and we can more effectively manage and assess the amount of inventory required by each bar to avoid excessive inventory, which led to a significant reduction in inventory turnover days from 2018 to 2019. Our inventory turnover days increased from 28.6 days in 2019 to 40.5 days in 2020 mainly due to the temporary decrease in customer demand and product sales during the COVID-19 outbreak, which led to decreased materials used for the same period. Since the we began to recover from the negative impact from COVID-19, our inventory turnover days in the three months ended March 31, 2021 decreased to 30.8 days.

As of June 30, 2021, all of our inventories outstanding as of March 31, 2021 was sold or utilized.

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### Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables primarily include (i) rent and other deposits, i.e., the deposit we paid for the staff dormitory lease, utility deposit and other short-term deposits, (ii) our deferred listing expenses, and (iii) other tax receivables.

The following table sets forth our prepayments, deposits and other receivables as of the dates indicated.

	As of December 31,			As of
	2018	2019	2020	March 31,
				2021
	<i>(RMB in thousands)</i>			
Rent and other deposits	774	3,474	7,073	7,165
Prepayments	451	703	147	1,237
Deferred listing expenses	—	—	1,002	2,515
Other tax receivables	—	—	1,585	3,068
Others	145	249	393	682
<b>Total</b>	<b>1,370</b>	<b>4,426</b>	<b>10,200</b>	<b>14,667</b>

From December 31, 2018 to March 31, 2021, our prepayments, deposits and other receivables increased, which was in line with the expansion of our bars and the increase in the number of our staff. In particular, our rent and other deposits increased from RMB0.8 million as of December 31, 2018 to RMB3.5 million as of December 31, 2019, and further increased to RMB7.1 million as of December 31, 2020 and RMB7.2 million as of March 31, 2021. Such increases were in line with the increasing number of our staff and expenses related to the staff dormitories.

### Cash and Cash Equivalents

Our cash and cash equivalents as of December 31, 2018, 2019 and 2020 and March 31, 2021 were RMB10.1 million, RMB22.3 million, RMB24.3 million and RMB152.9 million, respectively. The increases were mainly due to the increase in the number of bars and the increase in revenue as well as the proceeds with an aggregate amount of approximately US\$32.8 million received from our Series A and Series A+ preferred share financings. For analysis of our cash flow during the Track Record Period, see “— Liquidity and Capital Resources — Cash Flows Analysis.”

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### **Financial Liabilities at Fair Value through Profit or Loss**

As of March 31, 2021, we had financial liabilities at fair value through profit or loss of RMB215.6 million, which was primarily in connection with our Series A and Series A+ financing.

The financial liabilities at fair value through profit or loss comprise convertible preferred shares which were initially issued and recognized on February 10, 2021 and their fair value were subsequently re-measured as at March 31, 2021.

Within the short period between February 10, 2021 and March 31, 2021, there were no material changes in the business of the Company nor any milestone events that would materially change the underlying equity value of the Company and the significant inputs (i.e. expected volatility and risk-free rate) used in the valuation of the level 3 fair value measurements of the convertible preferred shares. As such there were no material changes in the fair value of the convertible preferred shares from the date of issuance to March 31, 2021 and no fair value change was recognised during the period from the date of issuance to March 31, 2021.

We used valuation techniques to measure the the fair value of financial instruments that are not traded in an active market. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include

- Dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for financial instruments.

### ***Valuation processes of the Group (Level 3)***

Level 3 instruments comprise convertible preferred shares which are classified as financial liabilities at FVPL. These instruments are not traded in an active market and their valuation was undertaken by ValQuest Advisory (Hong Kong) Limited (“ValQuest Advisory”), an independent qualified professional valuer.

Market approach was used to determine the underlying equity value of the Company and black-scholes option model and equity allocation model were adopted to determine the fair value of the convertible preferred shares as at the date of issuance and March 31, 2021.

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The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Description	Fair value at March 31, 2021 <i>RMB'000</i>	Unobservable inputs	Inputs as of three months ended March 31, 2021	Relationship of unobservable inputs to fair value
Convertible preferred shares	215,566	Expected volatility	76.03%	Increasing/decreasing expected volatility by 5% would increase/ decrease the fair value of convertible preferred shares by RMB471,000 and RMB474,000 respectively.
		Risk-free rate	2.67%	The higher the risk-free rate, the lower the fair value

The Company uses valuation methodologies, primarily the market approach, which requires management to use unobservable inputs (level 3) such as selection of comparable companies and multiples, expected volatility, discount for lack of marketability and probability of exit events as it relates to liquidation and redemption preferences when applicable.

The Directors oversee the valuation process by ensuring that the management selects a qualified financial reporting team, maintaining robust processes and internal controls, and overseeing significant valuations. Under the supervision of the Directors, the management team conducts the estimation of fair values of financial liabilities, including evaluation and selection of appropriate valuation methodologies and significant unobservable inputs of such non-recurring fair value measurements (level 3), with the assistance of the Company's valuation specialists for those valuations that are significant to the financial statements.

In determining the fair value of our financial liabilities, our Directors adopted the following procedures: (i) reviewed the valuation working papers and results prepared by the management and the financial reporting teams; (ii) carefully considered all information especially those non-market related information input; and (iii) analyzed and discussed with the management and the financial reporting teams regarding the contents of the valuation analysis including but not limited to, the basis of computation, assumptions and valuation methodologies on which the valuation is based, the basis of the discount rates.

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Based on the above, the Directors believe that their duty of care and diligence in determining the valuation of certain assets and liabilities categorized within Level 3 of fair value measurement has been discharged and financial statements of the Group are properly prepared.

In relation to the fair value measurement of financial liabilities of the Company, the Sole Sponsor has conducted due diligence, including among others, (i) reviewing the relevant disclosure and notes in the Accountant's Report to understand the relevant considerations, valuation techniques and process adopted by the Company for the valuation for such financial instruments; (ii) reviewing the relevant valuation report prepared by an independent qualified professional valuer, to understand its basis of valuation, methodologies taken by the valuer, key valuation inputs/parameters used, and market comparables; and (iii) discussing with the Directors to understand the procedures performed for such valuation. Having considered the above work done by the Directors and the relevant due diligence conducted by the Sole Sponsor, nothing material has come to the attention of the Sole Sponsor that would cause them to disagree with the Company in respect of the valuation of such financial liabilities.

Details of the fair value measurement of financial liabilities at fair value through profit or loss categorised within level 3, including but not limited to the fair value hierarchy, the valuation techniques, the significant unobservable inputs and the relationship of unobservable inputs to fair value, are disclosed in Note 3.3 to the Historical Financial Information of the Group for the Track Record Period as set out in the Accountants' Report which the Reporting Accountants have carried out relevant procedures in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants in Appendix I. The Reporting Accountants' opinion on the Historical Financial Information of the Group for the Track Record Period as a whole is set out on I-2 of Appendix I.

### **Lease Liabilities**

We had lease liabilities of RMB147.5 million, RMB384.2 million, RMB539.2 million and RMB706.6 million as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively. The growth of lease liabilities during the Track Record Period was due to the increase in our leased properties for bar operation. For further information regarding our lease liabilities, see Note 19 to the Accountant's Report in Appendix I to this prospectus.

### **Trade Payables**

Our trade payables mainly represent the expenses payable to our suppliers to purchase raw materials, equipment and other supplies that are necessary for our bar operations. Our trade payables increased from RMB6.7 million as of December 31, 2018 to RMB18.2 million as of December 31, 2019. The increase was mainly because (i) the amount of goods that we purchased increased significantly in the same period, which was in line with the increased number of bars, and (ii) we prepared inventory in advance in 2019 for the bar operation during

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the Chinese New Year in January 2020. As of December 31, 2020 and March 31, 2021, our trade payables further increased to RMB36.5 million and RMB36.6 million, respectively, mainly due to the increase in the number of our bars and purchase amount in 2020.

The following table sets forth an aging analysis of trade payables as of the date indicated and turnover days for the periods indicated.

	As of /Year ended December 31,			As of/Three months ended March 31,
	2018	2019	2020	2021
	(RMB in thousands)			
0-90 days	6,723	18,244	36,456	36,641
Trade payables turnover days <sup>(1)</sup>	38.7	23.3	36.8	30.4

*Note:*

- (1) Our trade payables turnover days for each period equals the average of the beginning and ending balances of trade payables for that period divided by the cost of raw materials and consumables used for that period and multiplied by the number of days in that period.

The turnover days of our trade payable decreased from 38.7 days in 2018 to 23.3 days in 2019. Such decrease was because (i) our management capabilities and experience continued to be enhanced as Helen's bar network expands and the number of bars increases and thus we can manage our procurement and make payment more efficiently, and (ii) we established partnerships with third-party logistics companies, which shortened the transportation time and payment cycle for our procurement.

The turnover days of our trade payables increased to 36.8 days in 2020, mainly due to the reduced consumption of raw materials and consumables as a result of the temporary decrease in customer demand during the outbreak of COVID-19 pandemic, while the trade payables at the beginning and the end of 2020 remained at a normal level. Since the operation of our Helen's bars began to recover from the negative impact from COVID-19 as well as the increase in the number of Helen's bars, our turnover days of trade payables in the three months ended March 31, 2021 decreased to 30.4 days.

As of June 30, 2021, all of our trade payables as of March 31, 2021 was settled.



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### Other Payables and Accruals

The following table sets forth other payables and accruals as of the dates indicated.

	As of December 31,			As of
	2018	2019	2020	March 31,
	(RMB in thousands)			2021
<b>Other payables and accruals</b>				
Amount due to a director	42,555	44,591	35,136	–
Salary and staff welfare payables	4,534	16,627	28,404	21,370
Manpower service expenses payables	–	–	10,735	14,265
Accrued listing expenses	–	–	2,390	11,465
Others	4,949	5,123	9,185	16,963
<b>Total</b>	<b>52,038</b>	<b>66,341</b>	<b>85,850</b>	<b>64,063</b>

Other payables and accruals include (i) amount due to a director, representing a loan provided by our founder to support our business operations, (ii) salary and staff welfare payables to our employees, (iii) manpower service expenses payables, and (iv) accrued listing expenses.

Other payables and accruals increased from RMB52.0 million as of December 31, 2018 to RMB66.3 million as of December 31, 2019. Such increase was mainly due to the increase in salary and staff welfare payables, resulting from the increase in the number of our staff.

Other payables and accruals increased from RMB66.3 million as of December 31, 2019 to RMB85.9 million as of December 31, 2020. Such increase was mainly due to (i) the increase in salary and staff welfare payables of RMB16.6 million as of December 31, 2019 to RMB28.4 million as of December 31, 2020 in connection with accrued annual bonus at the end of 2020 to reward the performance of our employees in 2020, especially for their support during the COVID-19 outbreak, (ii) the increase of manpower service expenses payables of RMB10.7 million in connection with hiring outsourcing staff in 2020, and (iii) accrued listing expenses. Amount due to a director decreased from RMB44.6 million as of December 31, 2019 to RMB35.1 million as of December 31, 2020, as we repaid part of the amount due to a director using cash generated from operating activities in 2020.

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Other payables and accruals decrease from RMB85.9 million as of December 31, 2020 to RMB64.1 million as of March 31, 2021. Such decrease was mainly due to the balance of the foregoing amount due to a director was settled as of March 31, 2021.

### **Borrowings**

As of December 31, 2018, 2019 and 2020 and March 31, 2021, our borrowings were RMB149,000, nil, RMB13.0 million and RMB30.0 million, respectively. Such borrowings were used to support our daily operations. All borrowings are denominated in RMB.

### **LIQUIDITY AND CAPITAL RESOURCES**

During Track Record Period, we mainly used cash generated from operating activities for our business. As of December 31, 2018, 2019, 2020 and March 31, 2021, we had cash and cash equivalents of RMB10.1 million, RMB22.3 million, RMB24.3 million and RMB152.9 million, respectively. Our cash is mainly used to meet the needs of business operation. After the Listing, we intend to finance our future capital requirements through cash generated from operating activities, the net proceeds from Global Offering, and other future equity or debt financings. We currently do not anticipate any changes to the availability of financing to fund our operations in the near future.

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### Cash Flow Analysis

The following table sets forth our cash flow for the periods indicated.

	Year ended December 31,			Three months ended March 31,	
	2018	2019	2020	2020	2021
	<i>(RMB in thousands)</i>				
	<i>(Unaudited)</i>				
Cash (used in)/generated from operations	(8,794)	176,707	273,678	33,671	98,496
Income tax paid	(83)	(17,684)	(27,824)	(10,188)	(12,899)
<b>Net cash (used in)/generated from operating activities</b>	<b>(8,877)</b>	<b>159,023</b>	<b>245,854</b>	<b>23,483</b>	<b>85,597</b>
Net cash used in investing activities	(49,175)	(87,041)	(109,874)	(9,576)	(96,522)
New cash generated from/ (used in) financing activities	68,026	(59,701)	(134,004)	(33,517)	136,893
Net increase in cash and cash equivalents	9,974	12,281	1,976	(19,610)	125,968
<b>Cash and cash equivalents at the beginning of the year</b>	<b>–</b>	<b>9,972</b>	<b>22,257</b>	<b>22,257</b>	<b>24,255</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>9,972</b>	<b>22,257</b>	<b>24,255</b>	<b>2,781</b>	<b>152,858</b>
<b>Analysis of balances of cash and cash equivalents</b>					
Cash and cash equivalents in the consolidated statement of financial position	10,121	22,257	24,255	2,781	152,858
Bank overdrafts	(149)	–	–	–	–
<b>Cash and cash equivalents in the consolidated statements of cash flows</b>	<b>9,972</b>	<b>22,257</b>	<b>24,255</b>	<b>2,781</b>	<b>152,858</b>

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### *Operating Activities*

In the three months ended March 31, 2021, our net cash generated from operating activities amounted to RMB85.6 million. The difference between our net cash generated from operating activities and our loss before income tax of RMB150.9 million primarily resulted from (i) certain adjustments, such as depreciation of right-of-use assets of RMB37.1 million which primarily represented the long-term leased properties in relation to the expansion of our bar network, depreciation of plant and equipment of RMB12.9 million which primarily comprised office and computer equipments as well as leasehold improvements and finance costs of RMB11.8 million, (ii) changes in working capital that positively affected cash flow such as an increase in other payables and accruals RMB14.9 million which primarily comprised salary and staff welfare in relation to the recruitment of new employees and additional usage of manpower services due to our business expansion, and an increase in trade payables of RMB0.2 million, (iii) changes in working capital that negatively affected cash flow such as an increase in inventories as we opened new Helen's bars of RMB0.3 million and an increase in prepayments, deposits and other receivables of RMB4.1 million, and (iv) the equity settled share base payment of RMB91.7 million.

In the three months ended March 31, 2020, our net cash generated from operating activities amounted to RMB23.5 million. The difference between our net cash generated from operating activities and our loss before income tax of RMB44.7 million primarily resulted from (i) certain adjustments, such as depreciation of right-of-use assets of RMB21.1 million, which primarily represented the long-term leased properties in relation to the expansion of our bar network, depreciation of plant and equipment of RMB6.9 million which primarily comprised office and computer equipments as well as leasehold improvements and finance costs of RMB6.7 million including interest of lease liabilities, and interest of borrowings, (ii) changes in working capital that positively affected cash flow such as an increase in trade payables of RMB10.5 million and an increase in other payables and accruals of RMB6.1 million which primarily comprised salary and staff welfare as well as manpower service expenses due to the increase of our employees.

In 2020, our net cash generated from operating activities amounted to RMB245.9 million. The difference between our net cash generated from operating activities and our profit before income tax of RMB148.9 million primarily resulted from (i) certain adjustments, such as depreciation of right-of-use assets of RMB105.3 million which primarily represented the long-term leased properties in relation to the expansion of our bar network, depreciation of plant and equipment of RMB32.0 million which primarily comprised office and computer equipments as well as leasehold improvements and finance costs of RMB28.7 million including interest of lease liabilities, and interest of borrowings, (ii) changes in working capital that positively affected cash flow such as an increase in other payables and accruals of RMB30.9 million which primarily comprised salary and staff welfare in relation to the recruitment of new employees and additional usage of manpower services due to our business expansion, as well as manpower service expenses and an increase in trade payables of RMB18.2 million, and (iii)

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changes in working capital that negatively affected cash flow such as a decrease in inventories of RMB13.5 million as we opened new Helen's bars and a decrease in prepayments, deposits and other receivables of RMB14.3 million.

In 2019, our net cash generated from operating activities amounted to RMB159.0 million. The difference between our net cash generated from operations and our profit before income tax of RMB54.1 million primarily resulted from (i) certain adjustments, such as depreciation of right-of-use assets of RMB53.2 million which primarily represented the long-term leased properties in relation to the expansion of our bar network, depreciation of plant and equipment which primarily comprised office and computer equipments as well as leasehold improvements of RMB17.4 million and finance costs of RMB16.4 million including interest of lease liabilities, and interest of borrowings, (ii) changes in working capital that positively affected cash flow such as an increase in other payables and accruals of RMB12.0 million which primarily comprised salary and staff welfare in relation to the recruitment of new employees and additional usage of manpower services due to our business expansion, and an increase in trade payables of RMB11.5 million, and (iii) changes in working capital that negatively affected cash flow such as an increase in inventories of RMB16.1 million and an increase in prepayments, deposits and other receivables of RMB22.6 million.

In 2018, our net cash used in operating activities amounted to RMB8.9 million. The difference between our net cash used in operations and our profit before income tax of RMB18.4 million primarily resulted from (i) certain adjustments, such as depreciation of right-of-use assets of RMB15.1 million which primarily represented the long-term leased properties in relation to the expansion of our bar network and depreciation of plant and equipment of RMB3.1 million which primarily comprised office and computer equipments as well as leasehold improvements, (ii) changes in working capital that positively affected cash flow such as an increase in other payables and accruals of RMB8.8 million which primarily comprised salary and staff welfare in relation to the recruitment of new employees and additional usage of manpower services due to our business expansion, and an increase in trade payables of RMB6.7 million, and (iii) changes in working capital that negatively affected cash flow such as an increase in inventories of RMB7.3 million as we opened new Helen's bars in 2018 and an increase in prepayments, deposits and other receivables of RMB49.8 million.

### *Investing Activities*

In 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021, our net cash used in investing activities was RMB49.2 million, RMB87.0 million, RMB109.9 million, RMB9.6 million and RMB96.5 million, respectively. It mainly includes RMB39.5 million, RMB75.8 million, RMB106.2 million, RMB8.9 million and RMB95.4 million used for our purchase of plant and equipment required for bar operations. With the expansion of our bar network, the cash we invested in purchasing the plant and equipment required for bar operations continued to increase during the Track Record Period, which was in line with the trend of our bar expansion. In addition, the cash we used to purchase intangible assets was RMB44,000, RMB103,000, nil, nil and nil in 2018, 2019 and 2020 and the three months ended

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March 31, 2020 and 2021, respectively. These intangible assets mainly include the office finance system for bar operations. We did not purchase any intangible asset in 2020, because our existing financial system can meet the needs of our bar operations.

### *Financing Activities*

In the three months ended March 31, 2021, our net cash generated in financing activities of RMB136.9 million was primarily attributable to (i) repayment of principal element of lease liabilities, (ii) repayments to a director, (iii) repayments of borrowings, and (iv) payment of interest element of lease liabilities.

In the three months ended March 31, 2020, our net cash used in financing activities of RMB33.5 million was primarily attributable to (i) payment of principal element of lease liabilities amounted to RMB20.9 million, (ii) payment of interest element of lease liabilities amounted to RMB6.7 million, and (iii) repayments to a director amounted to RMB6.0 million.

In 2020, our net cash used in financing activities of RMB134.0 million was primarily attributable to (i) payment of principal element of leased liabilities of RMB107.9 million and interest element of RMB28.2 million, and (ii) repayments of the amount due to a director of RMB9.5 million, partially offset by our proceeds from borrowings of RMB16.0 million.

In 2019, our net cash used in financing activities of RMB59.7 million was primarily attributable to payment of principal element of leased liabilities of RMB56.2 million and interest element of RMB16.4 million, partially offset by advance from a director of RMB12.9 million.

In 2018, our net cash generated from financing activities of RMB68.0 million was primarily attributable to advance from a director of RMB86.2 million, partially offset by payment of principal element of leased liabilities of RMB14.2 million and interest element of RMB4.0 million.

### **MAJOR ACQUISITION UNDER RULE 4.05A OF THE LISTING RULES**

In 2018, we completed certain acquisitions which enabled us to further expand our bar network. The target companies, including Fuzhou Catering, Wuhan Catering and Jiangxi Catering (the “**Target Companies**”), are primarily engaged in bar operations. Such acquisitions, on an aggregated basis, constituted a major transaction under Rule 4.05A of the Listing Rules. See “History, Development and Reorganization – Material Acquisitions during the Track Record Period.”

To facilitate our investors to understand the financial performance of the Target Companies during the Track Record Period and before the acquisitions are completed, we set forth the pre-acquisition financial information of the Target Companies as follows. For further information of Target Companies’ pre-acquisition financial information, see Section IV and Section V in Accountant’s Report in Appendix I to this prospectus.

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### Fuzhou Catering

Fuzhou Catering was incorporated on January 12, 2018 and was acquired by us on May 18, 2018. The following table is a summary of the major components of the consolidated financial statements of comprehensive income of Fuzhou Catering for the pre-acquisition period from January 12, 2018 to May 18, 2018.

#### *Consolidated Financial Statements of Comprehensive Income*

	<b>Period ended May 18, 2018</b>
	<i>(RMB in thousands)</i>
Revenue	2,255
Raw materials and consumables used	(653)
Employee benefit expenses	(286)
Depreciation of right-of-use assets	(265)
Depreciation of plant and equipment	(24)
Short-term rental and other related expenses	(209)
Utilities expenses	(35)
Travelling and related expenses	(13)
Advertising and promotion expenses	(3)
Other expenses	(129)
Finance costs	(107)
	<hr/>
<b>Profit before income tax</b>	531
Income tax expense	(131)
	<hr/>
<b>Profit and total comprehensive income for the year attributable to owners of the Company</b>	<b>400</b>
	<hr/> <hr/>

During the pre-acquisition period from January 12, 2018 to May 18, 2018, Fuzhou Catering was engaged in bar operation and the financial information above reflected the revenue generated from and the cost and expenses incurred in its ordinary course of business.

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### *Consolidated Statements of Financial Position*

The following table is a summary of major components of the consolidated statements of financial position of Fuzhou Catering as of May 18, 2018.

	<b>As of May 18, 2018</b>
	<i>(RMB in thousands)</i>
<b>ASSETS</b>	
<b>Non-current assets</b>	
Plant and equipment	118
Right-of-use assets	2,178
	<hr/> 2,296
<b>Current assets</b>	
Prepayments, deposits and other receivables	299
Cash and cash equivalents	37
	<hr/> 336
<b>Total assets</b>	<hr/> <b>2,632</b> <hr/>
<b>EQUITY</b>	
<b>Equity attributable to owners of the Company</b>	
Share capital	—
Reserves	400
<b>Total equity</b>	<hr/> <b>400</b> <hr/>
<b>LIABILITIES</b>	
<b>Non-current liabilities</b>	
Lease liabilities	1,991
<b>Current liabilities</b>	
Other payables and accruals	72
Lease liabilities	169
	<hr/> 241
<b>Total liabilities</b>	<hr/> <b>2,232</b> <hr/>
<b>Total equity and liabilities</b>	<hr/> <b>2,632</b> <hr/>



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### Wuhan Catering

Wuhan Catering was incorporated on February 6, 2018 and was acquired by us on May 25, 2018. At the time of our acquisition, Wuhan Catering had not commenced operation and its share capital was paid. As of May 25, 2018, Wuhan Catering had cash and cash equivalent of approximately RMB928,000, share capital of RMB1.0 million and accumulated losses of approximately RMB72,000 representing initial set-up costs incurred.

### Jiangxi Catering

Jiangxi Catering was incorporated on April 9, 2018 and was acquired by us on May 23, 2018. At the time of our acquisition, Jiangxi Catering had not commenced operation and its share capital was not yet paid, and thus had no pre-acquisition financial information.

## INDEBTEDNESS

### Bank Borrowings

As of December 31, 2018, 2019 and 2020 and March 31 and June 30, 2021, our total bank borrowings amounted to RMB149 thousand, nil, RMB13.0 million, RMB30.0 million and RMB55.0 million.

The following table sets forth our bank borrowings as of the dates indicated.

	<b>As of December 31,</b>			<b>As of</b>	<b>As of</b>
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>March 31,</b>	<b>June 30,</b>
				<b>2021</b>	<b>2021</b>
	<i>(RMB in thousands)</i>				<i>(unaudited)</i>
Current:					
Bank overdraft	149	—	—	—	—
Borrowings	—	—	13,000	30,000	55,000
<b>Total</b>	<b>149</b>	<b>—</b>	<b>13,000</b>	<b>30,000</b>	<b>55,000</b>

In 2020, Mr. Xu, our Controlling Shareholder, provided a personal guarantee for our bank borrowings with a principal amount of RMB16.0 million, the balance of which was RMB13.0 million as of December 31, 2020, nil as of March 31, 2021 and nil as of June 30, 2021. As of March 31, 2021, our bank borrowings amounted to RMB30.0 million were secured by personal guarantee from Mr. Feng Shaoming, the father-in-law of Mr. Wang Zhenpeng, our senior vice president of finance and a director of a subsidiary of the Group during the Track Record Period. The aforementioned personal guarantee from Mr. Feng Shaoming will be discharged when we

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repays the corresponding bank borrowings which are repayable in January 2022. For details, see “Connected Transactions — Fully Exempt Continuing Connected Transactions — 1. Property pledge by Mr. Feng Shaoming under the security and guarantee agreement” of this prospectus. As of the Latest Practicable Date, we repaid such bank borrowings and such personal guarantee was discharged. As of December 31, 2018, 2019 and 2020 and March 31, 2021, there were no unutilised banking facilities available to our Group.

### Lease Liabilities

The following table sets forth our current and non-current lease liabilities as of the dates indicated.

	As of December 31,			As of March 31,	As of June 30,
	2018	2019	2020	2021	2021
	<i>(RMB in thousands)</i>				<i>(unaudited)</i>
<b>Lease liabilities</b>					
Non-current portion	128,949	337,288	460,379	612,466	704,190
Current portion	18,597	46,888	78,862	94,146	116,736
<b>Total</b>	<b>147,546</b>	<b>384,176</b>	<b>539,241</b>	<b>706,612</b>	<b>820,926</b>

For details, see “– Discussion of Key Items of the Consolidated Statements of Financial Position – Lease Liabilities.”

### Amount Due to a Director

As of December 31, 2018, 2019 and 2020, March 31, 2021 and June 30, 2021, we had amount due to a director of RMB42.6 million, RMB44.6 million, RMB35.1 million, nil and nil, respectively, representing advance provided by our founder to support our business operations. These balances were non-trade in nature and were already settled as of the Latest Practicable Date.

### Convertible Preferred Shares

As of March 31, 2021 and June 30, 2021, we had convertible preferred shares issued to investors of RMB215.6 million and RMB201.7 million. For further details regarding the convertible preferred shares, see “History, Development and Reorganisation — Pre-IPO Investments.”

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As of June 30, 2021, being the latest practicable date for determining our indebtedness, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities on a consolidated basis. Our Directors have confirmed that we did not have any material defaults in payment of trade and non-trade payables and borrowings, and/or breaches of covenants during the Track Record Period and up to the Latest Practicable Date, and there is no material change in our indebtedness since June 30, 2021 and up to the Latest Practicable Date.

### CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any significant contingent liabilities.

### CONTRACTUAL OBLIGATIONS

#### Capital Commitments

Our capital commitments outstanding as of December 31, 2018, 2019 and 2020 and March 31, 2021 not provided for in the financial statements was as follows. During the Track Record Period, our capital commitments mainly represented the leasehold improvement which had been authorized and contracted for.

	<u>As of December 31,</u>			<u>As of</u>
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>March 31,</u>
				<u>2021</u>
	<i>(RMB in thousands)</i>			
Capital commitments	<u>1,301</u>	<u>3,499</u>	<u>16,178</u>	<u>16,895</u>

### CAPITAL EXPENDITURES

Our capital expenditures are incurred primarily for opening new bars, acquiring equipment, refurbishing existing bars and purchasing furniture and equipment required for bar operations.

Our total capital expenditures increased from RMB48.9 million in 2018 to RMB86.0 million in 2019, and further increased to RMB106.3 million in 2020 and RMB84.9 million in the three months ended March 31, 2021. Such increase results from rapid expansion and opening new bars in the relevant periods. We plan to finance our future capital expenditures through cash generated from our operations, bank borrowings and proceeds from the Global Offering. Our actual capital expenditures may differ from the amounts set forth above due to various factors, including our future cash flows, results of operation and financial condition.

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### RELATED PARTY TRANSACTIONS

For discussion about related party transactions, see Note 30 to the Accountant’s Report set out in Appendix I to this prospectus.

During the Track Record Period, we had certain transactions with franchisees operated by our related parties, including our provision of management services to franchisees and our purchase of plant and equipment, mainly decorations and fixtures of franchised bars, from such franchisees. See “History, Reorganization and Corporate Structure — Purchase of Certain Assets From Franchised Bars.”

The following table sets forth details of the transactions we had with our related parties as franchisees during the Track Record Period. As of the Latest Practicable Date, as we had ceased our franchise business, such transactions were discontinued.

	<b>Year ended December 31,</b>			<b>Three months ended</b>
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>March 31,</b>
				<b>2021</b>
	<i>(RMB in thousands)</i>			
Provision of services to franchisees	19,290	10,129	2,109	117
Purchase of plant and equipment	3,059	4,943	1,226	294
	<b>22,349</b>	<b>15,072</b>	<b>3,335</b>	<b>411</b>

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The following table sets forth a reconciliation on the revenue generated from Mr. Zhang Bo, Mr. Zhao Jun, Mr. Xia Linfan, Mr. Yan Xinyang and Mr. Zhong Yiming (collectively “**Related Top-Five customers**”), who were among the Group’s five largest customers as franchisees during the Track Record Period as disclosed on page 210, to the Group’s revenue from provision of services to franchisees who were related parties during the Track Record Period:

	Year ended December 31,			Three months ended March 31,
	2018	2019	2020	2021
	(RMB’000)			
<b>Revenue generated from provision of services to Related Top-Five customers during the Track Record Period (regardless of whether they were related parties of the Group during the respective years/period)</b>	<b>17,602</b>	<b>11,485</b>	<b>3,407</b>	<b>289</b>
Less: Revenue generated from Related Top-Five customers before they became related parties of the Group via their appointment as executive directors of the Company or directors of the Group’s subsidiaries	(7,772)	(4,643)	(1,305)	(172)
Add: Revenue generated from other related parties who were not among the five largest customers during the Track Record Period	9,460	3,287	7	–
<b>Revenue generated from the provision of services to franchisees who were related parties during the respective years/period</b>	<b>19,290</b>	<b>10,129</b>	<b>2,109</b>	<b>117</b>

In 2020, Mr. Xu, our Controlling Shareholder, provided a personal guarantee for our bank borrowings with a principal amount of RMB16.0 million. As of the Latest Practicable Date, we repaid such bank borrowings and such personal guarantee was discharged.

As of March 31, 2021, our bank borrowings amounted to RMB30.0 million were secured by personal guarantee from Mr. Feng Shaoming, the father-in-law of Mr. Wang Zhenpeng, our senior vice president of finance and a director of a subsidiary of the Group during the Track Record Period. The aforementioned personal guarantee from Mr. Feng Shaoming will be

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discharged when we repays the corresponding bank borrowings which are repayable in January 2022. For details, see “Connected Transactions — Fully Exempt Continuing Connected Transactions — 1. Property pledge by Mr. Feng Shaoming under the security and guarantee agreement” of this prospectus.

The Directors believe that these related party transactions were carried out on an arm’s length basis and would not distort our results of operation during the Track Record Period or make such results not reflective of our future performance.

Other than the related party transactions aforementioned, as of December 31, 2020, we had outstanding balance of amount due to a director of RMB35.1 million, representing a loan provided by our founder to support our business operations. As of the Latest Practicable Date, such balance was settled.

### KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the dates or for the periods indicated.

	Year ended/As of December 31,			Three months ended/As of March 31,
	2018	2019	2020	2021
Return on assets ratio <sup>(1)</sup>	8.7%	19.8%	9.8%	N/A <sup>(6)</sup>
Return on equity ratio <sup>(2)</sup>	189.3%	159.1%	56.2%	N/A <sup>(6)</sup>
Current ratio <sup>(3)</sup>	0.22	0.34	0.30	0.44
Quick ratio <sup>(4)</sup>	0.14	0.18	0.14	0.36
Gearing ratio <sup>(5)</sup>	1.4%	0	8.1%	17.1%

*Notes:*

- (1) The calculation of return on assets is based on profits for the year divided by average total assets as of the beginning and end of the year and multiplied by 100.0%. Accordingly, the trend with respect to our return on assets ratio during the Track Record Period remain consistent with the development of our profits during the same period.
- (2) The calculation of return on equity ratio is based on profits for the year divided by average total equity as of the beginning and end of the year and multiplied by 100%.
- (3) The calculation of current ratio is based on current assets divided by current liabilities as of year/period end.
- (4) The calculation of quick ratio is based on current assets less inventories divided by current liabilities as of year/period end.
- (5) The calculation of gearing ratio is based on total debt (including interest-bearing bank and other borrowings) divided by total equity as of year/period end and multiplied by 100%.
- (6) These ratios are not meaningful as numbers for the period are not comparable to the numbers for the year.

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### OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. We also have not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners' equity. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

### QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISKS

We are exposed to a variety of market risks, including currency risk, interest rate risk and liquidity risk in the ordinary course of business. Our risk management strategy aims to minimize the potential adverse effects of such risks on our financial performances. The Board regularly reviews these risks and our financial risk management policy to ensure that adequate resources are available to manage the risks.

For more details, see Note 3 to the Accountant's Report set out in Appendix I to this prospectus.

#### Foreign Exchange Risk

During the Track Record Period, we mainly operate in China, with only one bar located in Hong Kong. We are not exposed to significant foreign exchange risks because financial assets and liabilities denominated in currencies other than the functional currency of our Company and our subsidiaries are not significant.

#### Interest Rate Risk

Our interest rate risk is mainly attributable to our cash and cash equivalents (excluding cash on hand) and borrowings with floating interest rates. Details about our cash and cash equivalents and borrowing are disclosed in Notes 17 and 23 to the Accountant's Report set out in Appendix I to this prospectus. Our lease liabilities are also interest-bearing but with fixed rates.

#### Credit Risk

Our credit risk mainly arises from cash and cash equivalents (excluding cash on hand), rental and other deposits. The carrying amounts of each financial asset represent our maximum exposure to credit risk in relation to financial assets.

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### **Liquidity Risk**

Our policy is to regularly monitor current and expected liquidity requirements to ensure that we maintain sufficient reserves of cash to meet its liquidity requirements.

As of December 31, 2018, 2019 and 2020 and the three months ended March 31, 2021, we had cash and cash equivalents of RMB10.1 million, RMB22.3 million, RMB24.3 million and RMB152.9 million, respectively. As of December 31, 2018, 2019 and 2020 and March 31, 2021, our net current liabilities were approximately RMB65.8 million, RMB98.2 million, RMB168.0 million and RMB261.0 million, respectively. In addition, we had net cash used in operating activities of RMB8.9 million in 2018 and had net cash generated from operating activities in 2019 and 2020 and March 31, 2021 of RMB159.0 million, RMB245.9 million and RMB85.6 million, respectively. As of the Latest Practicable Date, the amount due to a director of nil as of March 31, 2021 was settled. Taking into account our financial resources and our internally generated cash, our Directors are of the view that we have sufficient capital to satisfy our liquidity needs.

### **DIVIDENDS**

We are a holding company incorporated under the laws of the Cayman Islands. During Track Record Period, we did not distribute or declare any dividends.

Future dividend payments will depend upon the availability of dividends received from our subsidiaries in China. PRC laws require foreign invested enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Act. In addition, our Directors may from time to time pay such interim dividends on shares of the Company outstanding and authorize payment of the same out of the funds of the Company lawfully available.

Subject to the above limitations, our Directors expect that, in the future, we may pay dividends from time to time in an aggregate amount of approximately 40% of future profits (excluding past historical profit accumulated up to June 30, 2021) attributable to the equity holders of our Company. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all.



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### WORKING CAPITAL SUFFICIENCY CONFIRMATION

Taking into account the financial resources available to us, including the estimated net proceeds from the Global Offering, cash flows generated from our operations, and our cash and cash equivalents on hand, our Directors are of the view that we will have sufficient working capital to meet our present and future requirements for at least the next 12 months from the date of this prospectus.

### DISTRIBUTABLE RESERVES

As of March 31, 2021, our statutory reserve and retained earnings were RMB70.2 million, which represents the distributable reserve of our Group as of the same date.

### LISTING EXPENSES

Our listing expenses mainly include professional fees paid and payable to the professional parties, and commissions payable to the Underwriter(s), for their services rendered in relation to the Listing and the Global Offering. The estimated total listing expenses (based on the mid-point of the indicative Offer Price range and assuming that the Over-allotment Option is not exercised) are approximately HK\$149.2 million, of which (i) approximately HK\$24.0 million has been charged to our consolidated statements of comprehensive income during the Track Record Period, and (ii) approximately HK\$24.5 million is expected to be charged to our consolidated statements of comprehensive income and the remaining amount of HK\$51.8 million is expected to be recognized directly as a deduction from equity upon the Listing. Our Directors do not expect such expenses to have a material and adverse impact on our financial results for the year ending December 31, 2021.

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### UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set forth below to illustrate the effect of the Global Offering on the net tangible assets of our Group attributable to the owners of the Company as of March 31, 2021 as if the Global Offering had taken place on March 31, 2021, assuming the Over-allotment Option is not exercised.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group as of March 31, 2021 or at any future dates following the Global Offering. It is prepared based on the consolidated net assets of our Group as of March 31, 2021 as set out in the Accountant's Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as of March 31, 2021 (Note 1) RMB'000	Estimated net proceeds from the Global Offering (Note 2) RMB'000	Estimated impact on the conversion of Preferred Shares into ordinary shares upon the Global Offering (Note 3) RMB'000	Unaudited pro forma adjusted net tangible assets attributable to owners of the Company as of March 31, 2021 RMB'000	Unaudited pro forma adjusted net tangible assets per Share RMB (Note 4)	HK\$ (Note 6)
Based on an Offer						
Price of HK\$18.82						
per Share	174,838	2,017,964	215,566	2,408,368	2.02	2.42
Based on an Offer						
Price of HK\$20.72						
per Share	174,838	2,223,910	215,566	2,614,314	2.19	2.63

**Notes:**

- (1) The audited consolidated net tangible assets attributable to owners of the Company as of March 31, 2021 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to owners of the Company as of March 31, 2021 of RMB174,943,000 with an adjustment for the intangible assets as of March 31, 2021 of RMB105,000.

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## FINANCIAL INFORMATION

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- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$18.82 and HK\$20.72 per Share, being the low and high end of the indicative Offer Price range respectively, after deduction of the underwriting fees and other related expenses payable by the Company (exclude those listing expenses of approximately RMB20,011,000 which have been accounted for in the consolidated statements of comprehensive income prior to March 31, 2021) and takes no account of any shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be granted and issued or repurchased by the Company pursuant to the General Mandate.
- (3) All Preferred Shares will be automatically converted into ordinary shares on a one-for-one basis upon completion of the Global Offering. The Preferred Shares were accounted for as a liability to the Group. Accordingly, for the purpose of the unaudited pro forma adjusted net tangible assets, the adjustment represents the impact of the conversion of all Preferred Shares into ordinary shares. The estimated impact is RMB215,566,000, being the carrying amount of the Preferred Shares as of March 31, 2021.
- (4) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,194,872,007 Shares were in issue assuming that the Global Offering had been completed on March 31, 2021 but takes no account of the 47,652,017 shares to be issued pursuant to the Post-IPO RSU Scheme subsequent to March 31, 2021, any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be granted and issued or repurchased by the Company pursuant to the General Mandate.
- (5) The pro forma net tangible asset per share presented above has not taken into account the 47,652,017 shares to be granted and issued pursuant to the Post-IPO RSU Scheme subsequent to March 31, 2021.

However, had such the 47,652,017 shares to be granted and issued pursuant to the Post-IPO RSU Scheme subsequent to March 31, 2021 been taken into account, such that 1,246,704,024 Shares are in issue immediately following the completion of the Global Offering, the unaudited pro forma adjusted net tangible assets per Share would have been RMB1.94 (equivalent to HK\$2.33) (based on the Offer Price of HK\$18.82 per Share) and RMB2.10 (equivalent to HK\$2.52) (based on the Offer Price of HK\$20.72 per Share), respectively. This does not take into account any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares that may be granted and issued or repurchased by the Company pursuant to the General Mandate.

- (6) For the purpose of this unaudited pro forma adjusted net tangible assets per Share, the amounts stated in Renminbi are converted into Hong Kong dollars at the rate of HK\$1.00 to RMB0.83426. No representation is made that Renminbi has been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (7) Save as disclosed above, no adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to March 31, 2021.

### NO MATERIAL AND ADVERSE CHANGE

Our Directors confirm that, as of the date of this prospectus, there has been no material adverse change in the financial position or prospects since March 31, 2021 (the end of reporting period of the Accountant's Report set forth in Appendix I to this prospectus), and no event has occurred since March 31, 2021, which would significantly affect the information shown in the Accountant's Report set forth in Appendix I to this prospectus.

### DISCLOSURE REQUIRED UNDER THE LISTING RULES

The Directors confirm that as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

See the section headed “Business – Our Growth Strategies” for a detailed description of our future plans.

### USE OF PROCEEDS

The table below sets forth the estimated net proceeds of the Global Offering which we will receive after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering (assuming the Over-allotment Option is not exercised):

Assuming an Offer Price of HK\$19.77 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus)	HK\$2,512.9 million
Assuming an Offer Price of HK\$20.72 per Offer Share (being the high-end of the Offer Price range stated in this prospectus)	HK\$2,636.1 million
Assuming an Offer Price of HK\$18.82 per Offer Share (being the low-end of the Offer Price range stated in this prospectus)	HK\$2,389.6 million

We intend to use the net proceeds we will receive from this offering for the following purposes:

- Approximately 70.0%, or HK\$1,759.0 million will be used for opening new bars and realizing our expansion plan over the next three years. The bar industry in China is a large and fast-growing market, with a total of 35,000 bars nationwide in 2020 and an estimated 47,900 bars nationwide by 2023, according to Frost & Sullivan. Benefiting from the increase in disposable income of Chinese residents and in the number of bars in China, total revenue of the bar industry in China increased from approximately RMB84.4 billion in 2015 to approximately RMB117.9 billion in 2019, representing a CAGR of 8.7%. It is expected that such growth trend will remain robust in the near future. Revenue of the bar industry in China is expected to reach RMB183.9 billion in 2025, representing a CAGR of 18.8% as compared to approximately RMB77.6 billion in 2020. In view of the huge market potential, we believed that continuously expanding the business scale to boost the long-term growth through our established brand awareness would be in our best interests. We expect to open 400, 630 and 900 bars in 2021, 2022 and 2023, respectively, and increase the total number of bars to approximately 2,200 by the end of 2023 assuming the capital expenditure incurred by opening each Helen’s bar amounted to RMB0.9 million. Our Directors’ are of the view, and the industry consultant, Frost & Sullivan concurs, that there is significant potential for us to further expand our business and market share, and we are able to become a long-lasting popular bar

## FUTURE PLANS AND USE OF PROCEEDS

brand under the brand name of “Helen’s” with our measures to maintain and enhance its brand awareness. For details of the expansion plan for our bars, see “Business — Our Growth Strategies — Continue to expand our bar network.”

The following table sets forth the number of newly opened bars during the periods indicated, respectively.

<b>Location</b>	<b>During the month ended</b>			
	<b>April 30, 2021</b>	<b>May 31, 2021</b>	<b>June 30, 2021</b>	<b>July 31, 2021</b>
<b>First-tier cities</b>	3	7	1	2
<b>Second-tier cities</b>	11	19	21	21
<b>Third-tier or lower-tier cities</b>	6	14	15	17
<b>Total</b>	<b>20</b>	<b>40</b>	<b>37</b>	<b>40</b>

To ensure the newly opened bars are appropriately distant from the existing ones, we monitor the key performance indicators of the existing Helen’s bars before launching new ones. We carefully examine the key operating data relating to the existing bars, including but not limited to customer traffic and potential market demand, to determine whether new bars can be launched around existing bars without the competition between new bars and existing ones. For details, see also “Business – Helen’s Bars – Bar Location and Planning.” For these newly opened bars, we typically enter into lease contracts for a term from five to eight years. We pay to the lessor and bear the necessary expenses such as property charges and utilities within the lease term.

In 2018, 2019 and 2020, the average investment expenditure cost relating to the opening of new Helen’s bars amounted to RMB0.6 million, RMB0.7 million and RMB0.9 million, respectively, the growth of which is primarily driven by the increase in the floor areas of the newly open bars. Going forward, we estimate the investment expenditure cost relating to the opening of new Helen’s bars to be approximately RMB0.9 million, which is consistent with the historical level.

We expect to open approximately 10% of our new Helen’s bars in first tier cities, which is consistent with the geographical presence of our bars during the Track Record Period. The following table sets forth our expansion plan in terms of geographical locations and timeline for each of the periods indicated on a non-cumulative basis, respectively.

## FUTURE PLANS AND USE OF PROCEEDS

Geographical Location	For the year ended December 31,		
	2021	2022	2023
Jiangsu Province	26	56	81
Zhejiang Province	15	37	61
Shanghai	11	14	19
Hubei Province	40	36	50
Hunan Province	35	20	26
Jiangxi Province	5	7	11
He'nan Province	18	23	34
An'hui Province	12	24	36
Fujian Province	35	17	23
Guangdong Province	45	86	120
Hainan Province	4	7	5
Guangxi Province	9	23	32
Beijing	3	12	17
Tianjin	11	12	18
Shandong Province	10	44	71
Hebei Province	11	22	31
Liaoning Province	29	31	45
Jilin Province	14	14	21
Heilongjiang Province	10	27	23
Sichuan Province	11	32	48
Chongqing	10	13	19
Yunnan Province	8	13	18
Guizhou Province	10	8	12
Shanxi Province	6	13	23
Inner Mongolia	0	8	8
Gansu Province	0	13	18
Shaanxi Province	12	18	30
<b>Total</b>	<b>400</b>	<b>630</b>	<b>900</b>
Timeline	For the year ended December 31,		
	2021	2022	2023
First Quarter	38 <sup>(1)</sup>	130	180
Second Quarter	97 <sup>(1)</sup>	160	240
Third Quarter	126	170	240
Fourth Quarter	139	170	240
<b>Total</b>	<b>400</b>	<b>630</b>	<b>900</b>

*Note:*

- (1) Represent the actual number of Helen's bars opened in the first quarter and second quarter in 2021, respectively.

## FUTURE PLANS AND USE OF PROCEEDS

In connection with the expansion plan of our bar network:

- (i) approximately 35.0%, or HK\$879.5 million will be used for opening more bars in the regions under our deployment over the next three years. Our existing bars are mainly concentrated in the regions of China's first- and second-tier cities where there are higher concentrations of young customers. Furthermore, in the future, we plan to open more bars in the regions under our deployment to fully explore the development potential of those regions.
- (ii) approximately 35.0%, or HK\$879.5 million will be used for expanding the bar network to the new regions over the next three years. We plan to further develop the lower-tier markets and continue to open more bars in China's third-tier and below cities. We will fully seize the broad market prospects in these regions and continue to meet the increasing demand in the lower-tier markets.
- approximately 10.0%, or HK\$251.3 million will be used for further enhancing the construction of the talent echelon of our bars to optimize the human resource management system. Specifically, to support the expansion of our bar chain network we will attract and retain more employees who agree with our values as well as recruiting talents with expertise and experience in the fields of supply chain management, brand communication, and technology research and development. In the next three years, we plan to recruit 151 experts with expertise in the fields of supply chain management, brand communication, and technology research and development. For details of the construction of talent echelon, see "Business – Our Growth Strategies – Continuous Investments in Our Underpinning Capacities."

The following table sets forth the detailed plan of our talent recruitment in the next three years to support our expansion plan.

	For the year ended December 31,					
	2021		2022		2023	
	Expected number of new hires	Expected average compensation per person	Expected number of new hires	Expected average compensation per person	Expected number of new hires	Expected average compensation per person
		(RMB'000)		(RMB'000)		(RMB'000)
<b>Supply chain management</b>	13	130	20	150	14	170
<b>Brand communication</b>	8	130	40	150	15	170
<b>Technology research and development</b>	12	160	19	180	10	200

## FUTURE PLANS AND USE OF PROCEEDS

The following table sets forth the number of employees in the above fields of expertise and their average compensation per person in 2018, 2019 and 2020.

Field of Expertise	For the year ended December 31,					
	2018		2019		2020	
	Number of Employees	Average	Number of Employees	Average	Number of Employees	Average
		compensation per person		compensation per person		compensation per person
		(RMB'000)		(RMB'000)		(RMB'000)
<b>Supply chain management</b>	3	100	8	91	13	116
<b>Technology research and development</b>	7	86	11	103	14	140
<b>Brand Communication</b>	9	123	16	98	22	114

For details of our recruiting policies and historical recruiting records, see the section headed “Business – Our Employee” to this prospectus.

- approximately 5.0%, or HK\$125.6 million will be used for further enhancing the construction of infrastructural capacity of our bars. We plan to continue to invest in research and development of technology. During the Track Record Period, we utilized a proprietary business intelligence management system (Future BI), a proprietary smart music management system and customized automatic fryers, going forward, we plan to deploy an intelligent ambience management system that can automatically optimize the music tracks and streaming conditions according to the number of customers and on-site ambience, an intelligent expansion model that can effectively delineate the bar location planning and predict the performance trend of new bars at the outset of their operation, a smart cleaning system capable of doing automatic detection and cleaning and an automatic inventory control system. We believe these planned research and development projects can better serve our goal to provide a relaxing social space for young customers, promote their consumption and social interaction experience. For details of enhancing the construction of our infrastructural capacity, see “Business – Our Growth Strategies – Continuous Investments in Our Underpinning Capacities.”
- approximately 5.0%, or HK\$125.6 million will be used for further strengthening the brand awareness of the Helen’s. We will further enhance the awareness of the Helen’s brand in the minds of customers and continue to increase the awareness among target customer groups and consumer stickiness. Specifically, we plan to use i) approximately 3.5%, or HK\$87.9 million to broaden our marketing channels and increase our outreach to customers, which include Weixin and Douyin advertising and other social media promotions, in details, and ii) approximately 1.5%, or



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## FUTURE PLANS AND USE OF PROCEEDS

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HK\$37.7 million to expand and optimize our branded product portfolio through the big data analysis and continuous communications with customers, which include advertising in office buildings, public transportation and cooperation with third-party platforms, in details. For details of plans to strengthen our brand awareness, see “Business – Our Growth Strategies – Strengthening Brand Image and Consumer Awareness.”

- the remaining approximately 10.0%, or HK\$251.3 million will be used for working capital and general corporate purposes.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range.

If the Over-allotment Option is exercised in full, and net proceeds that we will receive will be approximately HK\$2,897.5 million, assuming an Offer Price of HK\$19.77 per Share (being the mid-point of the indicative Offer Price range). In the event that the Over-allotment Option is exercised in full, we intend to apply the additional net proceeds to the above purpose in the proportions stated above.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by the relevant law and regulations, we intend to deposit the net proceeds into short-term demand deposits with licensed banks or authorized financial institutions in Hong Kong or the PRC. We will make an appropriate announcement if there is any change to the above proposed use of proceeds or if any amount of the proceeds will be used for general corporate purposes.

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## UNDERWRITING

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### HONG KONG UNDERWRITER

China International Capital Corporation Hong Kong Securities Limited

### UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriter on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriter(s). If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (on behalf of the Underwriter(s)) and our Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 13,465,000 Hong Kong Offer Shares and the International Offering of initially 121,185,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed “Structure of the Global Offering” of this prospectus as well as to the Over-allotment Option (in the case of the International Offering).

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### Hong Kong Public Offering

##### *Hong Kong Underwriting Agreement*

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering the Hong Kong Offer Shares for subscription on the terms and conditions set out in this prospectus and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (a) the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) on the Main Board of the Stock Exchange and such approval not having been subsequently revoked prior to the commencement of trading of the Shares on the Stock Exchange and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriter have agreed severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus and the Hong Kong Underwriting Agreement.

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## UNDERWRITING

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The Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

### *Grounds for termination*

If any of the events set out below occur at any time prior to 8:00 a.m. on the Listing Date, the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriter) shall be entitled by notice to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect:

- (a) there develops, occurs, exists or comes into effect:
  - (i) any event, or series of events, whether in continuation or in the nature of force majeure (including, without limitation, any acts of government, declaration of a local, regional, national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreaks of diseases or its escalation, mutation or aggravation (including without limitation, contagious coronavirus (COVID-19), SARS, swine or avian flu, H5N1, H1N1, H7N9, Ebola virus, Middle East respiratory syndrome (MERS) and such related or mutated forms), accident or interruption or delay in transportation, economic sanctions, strikes, labour disputes, lock-outs, fire, explosion, flooding, tsunami, earthquake, volcanic eruption, civil commotion, riots, rebellion, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed)) in or affecting Hong Kong, Russia, Singapore, Japan, the PRC, the Cayman Islands, the United States, Ireland, the United Kingdom or the European Union (or any member thereof) (collectively, the “**Relevant Jurisdictions**”);
  - (ii) any change or development involving a prospective change, or any event or circumstances or series of events likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market matters or conditions, equity securities or exchange control or any monetary or trading settlement system or other financial markets (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting any of the Relevant Jurisdictions;
  - (iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Singapore Stock Exchange or the Tokyo Stock Exchange;

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## UNDERWRITING

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- (iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at the U.S. Federal or New York State level or by any other competent authority), London, the PRC, the European Union (or any member thereof), Japan, Singapore or any of the other Relevant Jurisdictions (declared by the relevant authorities) or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions;
- (v) any new law or regulation or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or any governmental authority in or affecting any of the Relevant Jurisdictions;
- (vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions in respect of any jurisdiction relevant to the business operations of any member of our Group;
- (vii) any change or development involving a prospective change or amendment in or affecting taxation or foreign exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or RMB against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or RMB is linked to any foreign currency or currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions or adversely affecting an investment in the Offer Shares;
- (viii) a Director or a member of our Group's senior management as named in this prospectus being charged with an indictable offence or prohibited by operation of laws or otherwise disqualified from taking part in the management or taking directorship of a company;
- (ix) the issue or requirement to issue by our Company of a supplement or amendment to this prospectus, any GREEN Application Form or other documents in connection with the offer and sale of the Offer Shares pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange and/or the SFC;
- (x) a valid demand by any creditor for repayment or payment of any material indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity;

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## UNDERWRITING

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- (xi) any change or development involving a prospective change in, or a materialization of, any of the risks set out in the section headed “Risk Factors” of this prospectus;
- (xii) any litigation, dispute, legal action or claim being threatened or instigated against any member of our Group;
- (xiii) any contravention by our Company or any member of our Group of any applicable laws and regulations including the Listing Rules;
- (xiv) any non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws and regulations;

which, individually or in the aggregate, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriter):

- (1) has or will or may have a material adverse effect on the assets, liabilities, general affairs, business, management, prospects, shareholders’ equity, profit, losses, earnings, results of operations, performance, position or condition, financial or otherwise, of our Group as a whole;
  - (2) has or will have or may have a material adverse effect on the success or marketability of the Global Offering or the level of applications or the distribution of the Offer Shares under the Hong Kong Public Offering or the level of interest under the International Offering;
  - (3) makes or will make or is likely to make it inadvisable, inexpedient, impracticable or incapable for the Hong Kong Public Offering and/or the International Offering to proceed or to market the Global Offering or the delivery or distribution of the Offer Shares on the terms and in the manner contemplated by this prospectus; or
  - (4) has or will or may have the effect of making any material part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or
- (b) there has come to the notice of the Sole Global Coordinator or the Sole Sponsor that:
- (i) any statement contained in the Offering Documents (as defined in the Hong Kong Underwriting Agreement), the Operative Documents (as defined in the Hong Kong Underwriting Agreement), the Preliminary Offering Circular (as defined in the Hong Kong Underwriting Agreement) and/or any notices, announcements, advertisements, communications or other documents (including any announcement, circular, document or other communication pursuant to the Hong Kong Underwriting Agreement) issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering and the Global Offering (including any supplement or amendment thereto (the

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## UNDERWRITING

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“Offer-related Documents”) but excluding information relating to the Underwriter(s)) was, when it was issued, or has become, untrue, incorrect, inaccurate, incomplete in any material respects or misleading or deceptive, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of such documents is not fair and honest and based on reasonable grounds or reasonable assumptions;

- (ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from, or misstatement in, any of the Offer-related Documents;
- (iii) there is a breach of any of the obligations imposed upon our Company or our Controlling Shareholders under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;
- (iv) there is an event, act or omission which gives or is likely to give rise to any material liability of our Company or our Controlling Shareholders pursuant to the indemnities given by any of them under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;
- (v) there is any material adverse change or development or likely to be any prospective material adverse change or development in the assets, liabilities, general affairs, business, management, prospects, shareholders' equity, profits, losses, earnings, solvency, liquidity position, funding, results of operations, performance, position or condition, financial or otherwise, of our Group as a whole;
- (vi) there is a breach of, or any event or circumstance rendering untrue, incorrect, incomplete or misleading in any respect, any of the warranties given by our Company and the Controlling Shareholders in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;
- (vii) the approval of the Stock Exchange of the listing of, and permission to deal in the Shares in issue and the Shares to be issued pursuant to the Global Offering (including the additional Shares which may be issued upon the exercise of the Over-allotment Option) is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; and
- (viii) any person has withdrawn its consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears;

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## UNDERWRITING

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- (ix) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering;
- (x) that a material portion of the orders placed or confirmed in the bookbuilding process have been withdrawn, terminated or cancelled;
- (xi) there is a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares (including any additional Shares to be issued pursuant to the Over-allotment Option) pursuant to the terms of the Global Offering;
- (xii) the Chief Executive Officer, any Director or members of senior management of our Company is vacating her/his office which would affect or could reasonably be expected to affect the suitability or eligibility of our Company for the Listing;
- (xiii) any Director or member of senior management of our Company is being charged with an indictable offence or is prohibited by operation of law or otherwise disqualified from taking part in the management of a company or there is the commencement by any governmental, political or regulatory body of any investigation or other action against any Director in his or her capacity as such or any member of our Group or an announcement by any governmental, political or regulatory body that it intends to commence any such investigation or take any such action; or
- (xiv) there is any order or petition for the winding-up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group.

### ***Undertakings pursuant to the Listing Rules***

#### ***(A) Undertakings by our Company***

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that it will not exercise its power to issue any further Shares, or securities convertible into equity securities of our Company or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except (a) pursuant to the Global Offering and the Over-allotment Option or (b) under any of the circumstances provided under Rule 10.08 of the Listing Rules.

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## UNDERWRITING

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### *(B) Undertakings by the Controlling Shareholders*

Pursuant to Rule 10.07 of the Listing Rules, the Controlling Shareholders have undertaken to the Stock Exchange, our Company and the Sole Global Coordinator that except for the circumstances permitted under the Listing Rules or pursuant to the Stock Borrowing Agreement, he/it will not and will procure that the relevant registered holder(s) will not:

- (i) in the period commencing on the date by reference to which disclosure of his/its holding of Shares is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or other securities of our Company in respect of which he/it is shown by this prospectus to be the beneficial owners (whether direct or indirect); and
- (ii) in the period of six months commencing on the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or other securities of our Company referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a Controlling Shareholder.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, the Controlling Shareholders have undertaken to the Stock Exchange, our Company and the Sole Global Coordinator that, within the period commencing on the date by reference to which disclosure of his/its holding of Shares is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/it will:

- (i) when he/it (or through the relevant registered holder(s)) pledges or charges any securities of the Company beneficially owned by him/it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules for a bona fide commercial loan, immediately inform our Company in writing of such pledge or charge together with the number of Shares so pledged or charged; and
- (ii) when he/it (or through the relevant registered holder(s)) receives indications, either verbal or written, from the pledgee or chargee of any Shares or other securities of our Company that will be disposed of, immediately inform our Company in writing of such indications.



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## UNDERWRITING

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### *Undertakings pursuant to the Hong Kong Underwriting Agreement*

#### *(A) Undertakings by our Company*

Our Company has undertaken to each of the Sole Global Coordinator, the Sole Sponsor, the Hong Kong Underwriter, the Sole Bookrunner and the Sole Lead Manager not to and to procure each other member of the Group not to, (save for the issue, offer or sale of the Offer Shares by our Company pursuant to the Global Offering (including pursuant to the Over-allotment Option), without the prior written consent of the Sole Sponsor (on behalf of the Sole Global Coordinator and the Hong Kong Underwriter) and unless in compliance with the requirements of the Listing Rules, at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six-Month Period**”):

- (i) offer, allot, issue, sell, accept subscription for, contract to allot, issue or sell, contract or agree to allot, issue or sell, assign, grant or sell any option, warrant, right or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, or otherwise transfer or dispose of, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interests in any of the foregoing (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of such other member of our Group, as applicable), or deposit any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, with a depositary in connection with the issue of depositary receipts); or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership (legal or beneficial) of any Shares or other securities of our Company or any shares or other securities of such other member of the Group, as applicable, or any interest therein (including, without limitation, any securities of which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable); or
- (iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or
- (iv) offer to or contract to or agree to announce, or publicly disclose that our Company will or may enter into any transaction described in paragraphs (i), (ii) or (iii) above, in each case, whether any such transaction described in paragraphs (i), (ii) or (iii)

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## UNDERWRITING

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above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other member of the Group, as applicable, in cash or otherwise (whether or not the issue of such Shares or other securities of our Company will be completed within the First Six-Month Period).

In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), our Company enters into any such transactions or offers to or agrees to or contracts to, or announces, or publicly discloses, any intention to, enter into any such transactions, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

*(B) Undertakings by the Controlling Shareholders*

Each of our Controlling Shareholders have undertaken to our Company, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner and Sole Lead Manager and the Hong Kong Underwriter that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option and the Stock Borrowing Agreement), at any time after the date of the Hong Kong Underwriting Agreement up to and including the First Six Month Period:

- (a) during the First Six-Month Period, he/it will not, and will procure that the relevant registered holder(s) will not:
  - (i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase any of its share capital or other securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein); or
  - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of such share capital or securities or any interest therein, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or
  - (iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or
  - (iv) offer to or agree to do any of the foregoing or announce any intention to do so;

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## UNDERWRITING

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- (b) During the Second Six Month Period, our Controlling Shareholders will not enter into any of the foregoing transactions in paragraphs (i), (ii) or (iii) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, any of our Controlling Shareholders will cease to be a “controlling shareholder” (as the term is defined in the Listing Rules) of our Company.

### *(C) Undertaking by BA Capital*

BA Capital has entered into a lock-up undertaking letter (the “**Lock-up Undertaking**”) in favor of the Company, the Sole Sponsor and the Sole Global Coordinator (acting on behalf of all the Underwriter(s)). Pursuant to the Lock-up Undertaking, BA Capital is subject to lock-up arrangements for a period of twelve (12) months after the Listing Date, subject to certain exceptions.

### *Hong Kong Underwriter’s interests in our Company*

Save for their respective obligations under the Hong Kong Underwriting Agreement and the Stock Borrowing Agreement, as of the Latest Practicable Date, save as disclosed in the section headed “History, Development and Reorganisation – Pre-IPO Investments” in this prospectus, the Hong Kong Underwriter was not interested, legally or beneficially, directly or indirectly, in any Shares or any securities of any member of our Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any Shares or any securities of any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriter and its affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement.

## **International Offering**

### *International Underwriting Agreement*

In connection with the International Offering, our Company and the Controlling Shareholders expect to enter into the International Underwriting Agreement with the International Underwriter(s) on the Price Determination Date. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriter(s) would, subject to certain conditions set out therein, agree severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the International Offer Shares initially being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. See “Structure of the Global Offering – The International Offering.”

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## UNDERWRITING

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### ***Over-allotment Option***

Our Company is expected to grant to the International Underwriter(s) the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Underwriter(s) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, pursuant to which our Company may be required to issue up to an aggregate of 20,197,500 Shares, representing not more than 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price, to cover over-allocations in the International Offering, if any. See “Structure of the Global Offering – Over-allotment Option.”

### **Commissions and Expenses**

The Underwriter(s) will receive an underwriting commission of 2.5% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option), out of which they will pay any sub-underwriting commissions and other fees.

The Underwriter(s) may receive a discretionary incentive fee of up to 1.0% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option).

For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriter but will instead be paid, at the rate applicable to the International Offering, to the relevant International Underwriter(s).

The aggregate underwriting commissions payable to the Underwriter(s) in relation to the Global Offering (assuming an Offer Price of HK\$19.77 per Offer Share (which is the mid-point of the Offer Price range), the full payment of the discretionary incentive fee and the exercise of the Over-allotment Option in full) will be approximately HK\$107.15 million.

The aggregate underwriting commissions and fees together with the Stock Exchange listing fees, the SFC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to be approximately HK\$163.85 million (assuming an Offer Price of HK\$19.77 per Offer Share (which is the mid-point of the Offer Price range), the full payment of the discretionary incentive fee and the exercise of the Over-allotment Option in full) and will be paid by our Company.

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## UNDERWRITING

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### Indemnity

Our Company and the Controlling Shareholders have agreed to indemnify the Hong Kong Underwriter for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by any of our Company and the Controlling Shareholders of the Hong Kong Underwriting Agreement.

### ACTIVITIES BY SYNDICATE MEMBERS

The underwriter(s) of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of our Company and/or persons and entities with relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with our Group’s loans and other debt.

In relation to the Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the Shares (which financing may be secured by the Shares) in the Global Offering, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares, which may have a negative impact on the trading price of the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

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## UNDERWRITING

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In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed “Structure of the Global Offering” of this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilization Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and each of its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. China International Capital Corporation Hong Kong Securities Limited is the Sole Global Coordinator of the Global Offering.

The listing of the Shares on the Stock Exchange is sponsored by the Sole Sponsor. The Sole Sponsor has made an application on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option).

134,650,000 Offer Shares will initially be made available under the Global Offering comprising:

- (a) the Hong Kong Public Offering of initially 13,465,000 Shares (subject to reallocation) in Hong Kong as described in the sub-section “The Hong Kong Public Offering” in this section below; and
- (b) the International Offering of initially 121,185,000 Shares (subject to reallocation and the Over-allotment Option) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as described in the sub-section headed “The International Offering” this section below.

Investors may either:

- (i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or
- (ii) apply for or indicate an interest for International Offer Shares under the International Offering,

but may not do both.

The Offer Shares will represent approximately 10.80% of the total Shares in issue immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 12.22% of the total Shares in issue immediately following the completion of the Global Offering.

References in this prospectus to applications, **GREEN** Application Form, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE HONG KONG PUBLIC OFFERING

#### Number of Offer Shares initially offered

Our Company is initially offering 13,465,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 1.08% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in the sub-section headed “Conditions of the Global Offering” in this section.

#### Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: pool A and pool B (with any odd lot being allocated to pool A). The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the total value in pool B.



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## STRUCTURE OF THE GLOBAL OFFERING

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Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the “price” for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 6,732,500 Hong Kong Offer Shares is liable to be rejected.

### **Reallocation and clawback**

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if the International Offering is fully subscribed or oversubscribed and certain prescribed total demand levels are reached under the Hong Kong Public Offering.

If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (a) 15 times or more but less than 50 times, (b) 50 times or more but less than 100 times and (c) 100 times or more of the total number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 40,395,000 Offer Shares (in the case of (a)), 53,860,000 Offer Shares (in the case of (b)) and 67,325,000 Offer Shares (in the case of (c)), representing 30%, 40% and 50% of the total number of Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Sole Global Coordinator deems appropriate.

If the Hong Kong Public Offering is not fully subscribed for, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator may in its sole discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In particular, if (i) the International Offering is not fully subscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offering is fully subscribed or oversubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed with the number of Offer Shares validly applied for in the Hong Kong Public Offering representing

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## STRUCTURE OF THE GLOBAL OFFERING

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less than 15 times of the number of Shares initially available for subscription under the Hong Kong Public Offering, the Sole Global Coordinator has the authority to reallocate International Offer Shares originally included in the International Offering to the Hong Kong Public Offering in such number as they deem appropriate, provided that in accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, (i) the number of International Offer Shares reallocated to the Hong Kong Public Offering should not exceed 13,465,000 Shares, representing 10% of the Offer Shares initially available under the Global Offering, increasing the total number of Offer Shares available under the Hong Kong Public Offering to 26,930,000 Shares, representing 20% of the Offer Shares; and (ii) the final Offer Price should be fixed at the bottom end of the indicative Offer Price range (i.e. HK\$18.82 per Offer Share) stated in this prospectus.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Sole Global Coordinator deems appropriate.

Details of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the results announcement of the Global Offering, which is expected to be published on Thursday, September 9, 2021.

### **Applications**

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if he has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$20.72 per Offer Share in addition to the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK\$10,464.40 for one board lot of 500 Shares. If the Offer Price, as finally determined in the manner described in the sub-section headed "Pricing and Allocation" in this section below, is less than the maximum Offer Price of HK\$20.72 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares" of this prospectus.

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE INTERNATIONAL OFFERING

#### Number of Offer Shares initially offered

The International Offering will consist of an offering of initially 121,185,000 Shares, representing 90% of the total number of Offer Shares initially available under the Global Offering (subject to reallocation and the Over-allotment Option). The number of Offer Shares initially offered under the International Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 9.72% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

#### Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in sub-section headed “Pricing and Allocation” in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Group and the Shareholders as a whole.

The Sole Global Coordinator (on behalf of the Underwriter(s)) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

#### Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in the sub-section “The Hong Kong Public Offering – Reallocation” in this section above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

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## STRUCTURE OF THE GLOBAL OFFERING

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### OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company is expected to grant the Over-allotment Option to the International Underwriter(s), exercisable by the Sole Global Coordinator (on behalf of the International Underwriter(s)).

Pursuant to the Over-allotment Option, the International Underwriter(s) will have the right, exercisable by the Sole Global Coordinator (on behalf of the International Underwriter(s)) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require our Company to issue up to an aggregate of 20,197,500 additional Shares, representing not more than 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 1.59% of the total Shares in issue immediately following the completion of the Global Offering. If the Over-allotment Option is exercised, an announcement will be made.

### STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager (or any person acting for it), on behalf of the Underwriter(s), may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager (or any person acting for it) to conduct any such stabilizing action. Such stabilizing action, if taken, (a) will be conducted at the absolute discretion of the Stabilizing Manager (or any person acting for it) and in what the Stabilizing Manager reasonably regards as the best interest of our Company, (b) may be discontinued at any time and (c) is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

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## STRUCTURE OF THE GLOBAL OFFERING

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Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the Shares, (b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (c) purchasing, or agreeing to purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (a) or (b) above, (d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (e) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (f) offering or attempting to do anything as described in paragraph (b), (c), (d) or (e) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- (a) the Stabilizing Manager (or any person acting for it) may, in connection with the stabilizing action, maintain a long position in the Shares;
- (b) there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager (or any person acting for it) will maintain such a long position;
- (c) liquidation of any such long position by the Stabilizing Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of the Shares;
- (d) no stabilizing action can be taken to support the price of the Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on Sunday, October 3, 2021, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- (e) the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- (f) stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

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## STRUCTURE OF THE GLOBAL OFFERING

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### Over-Allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may cover such over-allocations by exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilizing Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price or through the Stock Borrowing Agreement as detailed below or a combination of these means.

### STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations, if any, in connection with the Global Offering, the Stabilization Manager (or any person acting for it) may choose to borrow up to 20,197,500 Shares (being the maximum number of Shares which may be issued upon exercise of the Over-allotment Option) from HHL International pursuant to a Stock Borrowing Agreement. The Stock Borrowing Agreement is expected to be entered into between the Stabilization Manager (or any person acting for it) and HHL International on or about the Price Determination Date.

The same number of Shares as that borrowed must be returned to HHL International or its respective nominees on or before the third Business Day following the earlier of (i) the last day on which the Over-allotment Option may be exercised, and (ii) the day on which the Over-allotment Option is exercised in full, or such earlier time as may be agreed in writing between the parties.

The stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, listing rules and regulatory requirements. The stock borrowing arrangement with HHL International will only be effected by the Stabilizing Manager for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Offering.

No payment will be made to HHL International, our Controlling Shareholder, by the Stabilizing Manager (or any person acting for it) in relation to such stock borrowing arrangement.

### PRICING AND ALLOCATION

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about Friday, September 3, 2021 and, in any event, no later than Monday, September 6, 2021, by agreement between the Sole Global Coordinator (on behalf of the Underwriter(s)) and our Company, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$20.72 per Offer Share and is expected to be not less than HK\$18.82 per Offer Share, unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering must pay, on application, the maximum Offer



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## STRUCTURE OF THE GLOBAL OFFERING

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Price of HK\$20.72 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK\$10,464.40 for one board lot of 500 Shares. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the minimum Offer Price stated in this prospectus.**

The International Underwriter(s) will be soliciting from prospective investors their indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Sole Global Coordinator (on behalf of the Underwriter(s)) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with the consent of our Company, reduce the number of Offer Shares offered and/or the Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the websites of our Company and the Stock Exchange at [www.helensbar.com](http://www.helensbar.com) and [www.hkexnews.hk](http://www.hkexnews.hk), respectively, notices of the reduction. Upon the issue of such a notice, the revised number of Offer Shares and/or the Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Global Coordinator (on behalf of the Underwriter(s)) and our Company, will be fixed within such revised Offer Price range. Our Company will also, as soon as practicable following the decision to make such change, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the Offer Price, extend the period under which the Hong Kong Public Offering was opened for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions, and require investors who had applied for the Hong Kong Offer Shares to positively confirm their applications for Offer Shares in light of the change in the number of Offer Shares and/or the Offer Price.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Sole Global Coordinator (on behalf of the Underwriter(s)) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

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## STRUCTURE OF THE GLOBAL OFFERING

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If applications for the Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, such applications can be subsequently withdrawn if the number of Offer Shares and/or the indicative Offer Price range is so reduced.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in the section headed “How to Apply for Hong Kong Offer Shares – Publication of Results” of this prospectus.

### UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriter under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to the Sole Global Coordinator (on behalf of the Underwriter(s)) and our Company agreeing on the Offer Price.

Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarized in the section headed “Underwriting” of this prospectus.

### CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- (a) the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) on the Main Board of the Stock Exchange and such approval not subsequently having been withdrawn or revoked prior to the Listing Date;
- (b) the Offer Price having been agreed between the Sole Global Coordinator (on behalf of the Underwriter(s)) and our Company;
- (c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- (d) the obligations of the Hong Kong Underwriter under the Hong Kong Underwriting Agreement and the obligations of the International Underwriter(s) under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,



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## STRUCTURE OF THE GLOBAL OFFERING

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in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (on behalf of the Underwriter(s)) and our Company on or before Monday, September 6, 2021, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the websites of our Company and the Stock Exchange at [www.helensbar.com](http://www.helensbar.com) and [www.hkexnews.hk](http://www.hkexnews.hk), respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Offer Shares – Refund of Application Monies” of this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid at 8:00 a.m. on Friday, September 10, 2021, provided that the Global Offering has become unconditional in all respects at or before that time.

### DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, September 10, 2021, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, September 10, 2021.

The Shares will be traded in board lots of 500 Shares each and the stock code of the Shares will be 9869.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

*Our Company has adopted a fully electronic application process for the Hong Kong Public Offering. Our Company will not provide any printed copies of this prospectus or any printed copies of any application forms for use by the public.*

*This Prospectus is available at the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) under the “HKEXnews > New Listings > New Listing Information” section, and our Company’s website at [www.helensbar.com](http://www.helensbar.com). If you require a printed copy of this prospectus, you may download and print from the website addresses above.*

*The contents of the electronic version of the Prospectus are identical to the printed Prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.*

*Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. Our Company will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.*

*If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.*

*If you have any question about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of our Company’s Hong Kong Share Registrar, Tricor Investor Services Limited, at +852 3907 7333 on the following dates:*

*Tuesday, August 31, 2021 – 9:00 a.m. to 6:00 p.m.  
Wednesday, September 1, 2021 – 9:00 a.m. to 6:00 p.m.  
Thursday, September 2, 2021 – 9:00 a.m. to 6:00 p.m.  
Friday, September 3, 2021 – 9:00 a.m. to 12:00 noon.*

#### A. APPLICATIONS FOR THE HONG KONG OFFER SHARES

##### 1. How to Apply

**Our Company will not provide any printed application forms for use by the public.**

To apply for the Hong Kong Offer Shares, you may:

- (1) apply online through the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching “**IPO App**” in App Store or Google Play or downloaded at [www.hkeipo.hk/IPOApp](http://www.hkeipo.hk/IPOApp) or [www.tricorglobal.com/IPOApp](http://www.tricorglobal.com/IPOApp)) or at [www.hkeipo.hk](http://www.hkeipo.hk); or

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
- (i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or
  - (ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application, in full or in part, for any reason at their discretion.

## 2. Who Can Apply

### *Eligibility for the Application*

You can apply for the Hong Kong Offer Shares if you or any person(s) for whose benefit you are applying:

- are 18 years of age or older; and
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act).

If you are a firm, the application must be in the individual members' names.

The number of joint applicants may not exceed four.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if:

- you are an existing beneficial owner of Shares and/or a substantial shareholder of any of our Company's subsidiaries;
- you are our Director, or chief executive and/or a director or chief executive officer of our subsidiaries;
- you are a close associate (as defined in the Listing Rules) of any of the above persons;
- you have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

### *Items Required for the Application*

If you apply for the Hong Kong Offer Shares online through the **HK eIPO White Form** service, you must:

- have a valid Hong Kong identity card number/passport number (for individual applicant) or Hong Kong business registration number/certificate of incorporation number (for body corporate applicant);
- have a Hong Kong address; and
- provide a valid e-mail address and a contact telephone number.

If you are applying for the Hong Kong Offer Shares online by instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, please contact them for the items required for the application.

### **3. Terms and Conditions of an Application**

By applying through the application channels specified in this prospectus, you:

- undertake to execute all relevant documents and instruct and authorize our Company and/or the Sole Global Coordinator (or their agents or nominees), as their agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- agree to comply with our Company's Memorandum and Articles of Association, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Cayman Companies Law;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus, and agree to be bound by them;
- confirm that you have received and read this prospectus and have relied only on the information and representations in this prospectus in making your application and will not rely on any other information or representations, except those in any supplement to this prospectus;
- confirm that you are aware of the restrictions on the Global Offering set out in this prospectus;
- agree that none of our Company, the Sole Global Coordinator, the Underwriter(s), their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering and the **HK eIPO White Form** Service Provider is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);
- undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;
- agree to disclose to our Company, the Hong Kong Share Registrar, the receiving banks, the Sole Global Coordinator, the Underwriter(s) and/or their respective advisers and agents any personal data which any of them may require about you and the person(s) for whose benefit you have made the application;
- if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, Sole Global Coordinator and the Underwriter(s) nor any of their respective officers or advisers will breach any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions in this prospectus;
- agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- agree that your application, any acceptance of it and the resulting contract will be governed by, and construed in accordance with the laws of Hong Kong;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- warrant that the information you have provided is true and accurate;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;
- authorize (i) our Company to place your name(s) or the name of HKSCC Nominees on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you and such other registers as required under our Company's Memorandum and Articles of Association and (ii) our Company and/or its agents to send any Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund check(s) to you or the first- named applicant for joint applications by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in "– Personal Collection" below to collect the Share certificate(s) and/or refund check(s) in person;
- declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- understand that our Company, our directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the **HK eIPO White Form** service or by any one as your agent or by any other person; and
- (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

### *Section 40 of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance*

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant and CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

## HOW TO APPLY FOR HONG KONG OFFER SHARES

### 4. Minimum Application Amount and Permitted Numbers

Your application through the **HK eIPO White Form** service or the **CCASS EIPO** service must be for a minimum of 500 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	HK\$		HK\$		HK\$		HK\$
500	10,464.40	8,000	167,430.37	70,000	1,465,015.68	1,000,000	20,928,795.44
1,000	20,928.80	9,000	188,359.15	80,000	1,674,303.64	2,000,000	41,857,590.88
1,500	31,393.19	10,000	209,287.95	90,000	1,883,591.59	3,000,000	62,786,386.32
2,000	41,857.59	15,000	313,931.93	100,000	2,092,879.54	4,000,000	83,715,181.76
2,500	52,321.99	20,000	418,575.91	200,000	4,185,759.09	5,000,000	104,643,977.20
3,000	62,786.39	25,000	523,219.89	300,000	6,278,638.63	6,000,000	125,572,772.64
3,500	73,250.79	30,000	627,863.86	400,000	8,371,518.18	6,732,500 <sup>(1)</sup>	140,903,115.30
4,000	83,715.18	35,000	732,507.84	500,000	10,464,397.72		
4,500	94,179.58	40,000	837,151.82	600,000	12,557,277.26		
5,000	104,643.98	45,000	941,795.79	700,000	14,650,156.81		
6,000	125,572.78	50,000	1,046,439.77	800,000	16,743,036.35		
7,000	146,501.57	60,000	1,255,727.73	900,000	18,835,915.90		

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

### 5. Applying Through the HK eIPO White Form Service

#### *General*

Applicants who meet the criteria in “– Who Can Apply” above may apply through the **HK eIPO White Form** service for the Offer Shares to be allocated and registered in their own names through the **IPO App** or the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

Detailed instructions for application through the **HK eIPO White Form** service are set out in the **IPO App** and on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the **IPO App** or the designated website, you authorize the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If you have any questions on how to apply through the **HK eIPO White Form** service for the Hong Kong Offer Shares, please contact the telephone enquiry line of the Hong Kong Share Registrar at +852 3907 7333 which is available on the following dates:

**Tuesday, August 31, 2021 – 9:00 a.m. to 6:00 p.m.**  
**Wednesday, September 1, 2021 – 9:00 a.m. to 6:00 p.m.**  
**Thursday, September 2, 2021 – 9:00 a.m. to 6:00 p.m.**  
**Friday, September 3, 2021 – 9:00 a.m. to 12:00 noon**

### *Time for Submitting Applications under the HK eIPO White Form Service*

You may submit your application through the **HK eIPO White Form** service in the **IPO App** or on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) (24 hours daily, except on the last day for applications) from 9:00 a.m. on Tuesday, August 31, 2021 until 11:30 a.m. on Friday, September 3, 2021 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, September 3, 2021, the last day for applications, or such later time as described in “C. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists” below.

## **6. Applying Through The CCASS EIPO Service**

### *General*

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these electronic application instructions through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you are **not a CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Sponsor, the Sole Global Coordinator, and the Hong Kong Share Registrar.



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### *Applying through the CCASS EIPO Service*

Where you have applied through the **CCASS EIPO** service (either indirectly through a **broker** or **custodian** or directly) and an application is made by HKSCC Nominees on your behalf:

- HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this prospectus; and
- HKSCC Nominees will do the following things on your behalf:
  - agree that the Hong Kong Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;
  - *(if the electronic application instructions are given for your benefit)* declare that only one set of **electronic application instructions** has been given for your benefit;
  - *(if you are an agent for another person)* declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as its agent;
  - confirm that you understand that our Company, our directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
  - authorize our Company to place HKSCC Nominees' name on its register of members as the holder of the Hong Kong Offer Shares allocated to you, and despatch Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between our Company and HKSCC;
  - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- confirm that you have received and read this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made and will not rely on any other information or representations, except those in any supplement to this prospectus;
- agree that none of our Company, the Sole Global Coordinator, the Underwriter(s), their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);
- agree to disclose to our Company, the Hong Kong Share Registrar, the receiving banks, the Sole Global Coordinator, the Underwriter(s) and/or their respective advisers and agents any personal data which they may require about you;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with our Company, and to become binding when you give the instructions and such collateral contract to be in consideration of our Company's agreement that it will not offer any Hong Kong Offer Shares to any person on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong) except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the results of the Hong Kong Public Offering;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for the Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for our Company and on behalf of each shareholder, with each CCASS Participant giving **electronic application instructions**) to observe and comply with its Memorandum and Articles of Association, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Cayman Companies Law; and
- agree that your application, any acceptance of it and the resulting contract will be governed by, and construed in accordance with the laws of Hong Kong.

### *Effect of Applying through the CCASS EIPO Service*

By applying through the **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### *Time for Inputting Electronic Application Instructions<sup>(1)</sup>*

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

**Tuesday, August 31, 2021 – 9:00 a.m. to 8:30 p.m.**  
**Wednesday, September 1, 2021 – 8:00 a.m. to 8:30 p.m.**  
**Thursday, September 2, 2021 – 8:00 a.m. to 8:30 p.m.**  
**Friday, September 3, 2021 – 8:00 a.m. to 12:00 noon**

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, August 31, 2021 until 12:00 noon on Friday, September 3, 2021 (24 hours daily, except on Friday, September 3, 2021, the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, September 3, 2021, the last day for applications, or such later time as described in “C. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists” below.

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

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#### *Note:*

- (1) The times in this subsection are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing Participants, CCASS Custodian Participants and/or CCASS Investor Participants.

### *Personal Data*

The following Personal Information Collection Statement applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving banks, the Sole Global Coordinator, the Underwriter(s) and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through the **CCASS EIPO** service, you agree to all of the terms of the Personal Information Collection Statement below.

#### *Personal Information Collection Statement*

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of our Company and its Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### *Reasons for the collection of your personal data*

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to our Company or our agents and the Hong Kong Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of our Company or the Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of Share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform our Company and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

### *Purposes*

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund check, where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of the Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of our Company's Shares including, where applicable, HKSCC Nominees;
- maintaining or updating our Company's Register of Members;
- verifying identities of the holders of our Company's Shares;
- establishing benefit entitlements of holders of our Company's Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from our Company and our subsidiaries;
- compiling statistical information and profiles of the holder of our Company's Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and the Hong Kong Share Registrar to discharge their obligations to holders of our Company's Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### *Transfer of personal data*

Personal data held by our Company and the Hong Kong Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but our Company and the Hong Kong Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- our Company's appointed agents such as financial advisers, receiving bankers and overseas principal share registrar;
- where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to our Company or the Hong Kong Share Registrar in connection with their respective business operation;
- the Hong Kong Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and
- any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc.

### *Retention of personal data*

Our Company and its Hong Kong Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance.

### *Access to and correction of personal data*

Holders of the Hong Kong Offer Shares have the right to ascertain whether our Company or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. Our Company and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to our Company, at our Company's registered address disclosed in the section headed "Corporate Information" in this prospectus or as notified from time to time, for the attention of the secretary, or our Company's Hong Kong Share Registrar for the attention of the privacy compliance officer.

### 7. Warning for Electronic Applications

The application for the Hong Kong Offer Shares by the **CCASS EIPO** service (directly or indirectly through your **broker** or **custodian**) is only a facility provided to CCASS Participants. Similarly, the application for the Hong Kong Offer Shares through the **HK eIPO White Form** service is only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day for applications to make your electronic application. Our Company, our Group, the Sole Global Coordinator, the Underwriter(s) and the **HK eIPO White Form** Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant applying through the **CCASS EIPO** service or person applying through the **HK eIPO White Form** service will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems.

### 8. How Many Applications Can You Make

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee and apply through the **HK eIPO White Form** service, in the box marked “For Nominees”, you must include an account number or some other identification code for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner when you fill in the application details. If you do not include this information, the application will be treated as being made for your own benefit.

#### *No Multiple Applications*

All of your applications will be rejected if more than one application through the **CCASS EIPO** service (directly or indirectly through your **broker** or **custodian**) or through the **HK eIPO White Form** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**), and the number of Hong Kong Offer Shares applied by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your behalf. If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

If you apply by means of the **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your behalf to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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The Hong Kong Share Registrar would record all applications into its system and identify suspected multiple applications with identical names, identification document numbers and reference numbers according to the Best Practice Note on Treatment of Multiple/Suspected Multiple Applications (“**Best Practice Note**”) issued by the Federation of Share Registrars Limited.

With regard to the announcement of results of allocations under the section headed “Results of Applications Made by Giving Electronic Application Instructions to HKSCC via CCASS”, the list of identification document number(s) may not be a complete list of successful applicants, only successful applicants whose identification document numbers are provided to HKSCC by CCASS Participants are disclosed. Applicants who applied for the Offer Shares through their brokers can consult their brokers to enquire about their application results.

Since applications are subject to personal information collection statements, beneficial owner identification codes displayed are redacted. Applicants with beneficial names only but not identification document numbers are not disclosed due to personal privacy issue.

If an unlisted company makes an application and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

“**Unlisted company**” means a company with no equity securities listed on the Hong Kong Stock Exchange.

“**Statutory control**” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### B. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK\$20.72 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%. This means that for one board lot of 500 Hong Kong Offer Shares, you will pay HK\$10,464.40.

You must pay the maximum Offer Price, together with brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee, in full upon application for the Hong Kong Offer Shares.

You may submit an application through the **HK eIPO White Form** service or the **CCASS EIPO** service in respect of a minimum of 500 Hong Kong Offer Shares. If you make an **electronic application instruction** for more than 500 Hong Kong Offer Shares, the number of Hong Kong Offer Shares you apply for must be in one of the specified numbers set out in the section headed “– 4. Minimum Application Amount and Permitted Numbers”, or as otherwise specified in the **IPO App** or on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Hong Kong Stock Exchange trading fee will be paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see “Structure of the Global Offering – Pricing and Allocation.”

### C. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open or close if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a “black” rainstorm warning; and/or
- Extreme Conditions

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, September 3, 2021. Instead, they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have any of those warnings and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, September 3, 2021 or if there is/are a tropical cyclone warning signal number 8 or above, a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in “Expected Timetable,” our Company will make an announcement on its website at [www.helensbar.com](http://www.helensbar.com) and the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### D. PUBLICATION OF RESULTS

Our Company expects to announce the pricing of the Offer Shares on Thursday, September 9, 2021 on its website at [www.helensbar.com](http://www.helensbar.com) and on the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

Our Company expects to announce the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares on Thursday, September 9, 2021 on its website at [www.helensbar.com](http://www.helensbar.com) and the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration/certificate of incorporation numbers of successful applicants under the Hong Kong Public Offering will be available at the times and dates and in the manner set out below:

- in the announcement to be posted on our Company's website and the website of the Hong Kong Stock Exchange at [www.helensbar.com](http://www.helensbar.com) and [www.hkexnews.hk](http://www.hkexnews.hk), respectively, by no later than Thursday, September 9, 2021;
- from the "IPO Results" function in the **IPO App** and the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) or [www.hkeipo.hk/IPOResult](http://www.hkeipo.hk/IPOResult) with a "search by ID function" on a 24 hour basis from 8:00 a.m. on Thursday, September 9, 2021 to 12:00 midnight on Wednesday, September 15, 2021; and
- from the allocation results telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, September 9, 2021 to Tuesday, September 14, 2021 (excluding Saturday, Sunday and public holidays in Hong Kong).

If our Company accepts your offer to purchase (in whole or in part), which our Company may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are set out in the section headed "Structure of the Global Offering."

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### E. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED THE HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allocated to you:

#### **If your application is revoked:**

By applying through the **CCASS EIPO** service or through the **HK eIPO White Form** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong) in the following circumstances:

- if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this prospectus; or
- if any supplement to this prospectus is issued, in which case our Company will notify applicants who have already submitted an application that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### **If our Company or our agents exercise their discretion to reject your application:**

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

### **If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies the Company of that longer period within three weeks of the closing date of the application lists.

### **If:**

- you make multiple applications or are suspected of making multiple applications;
- you or the person for whose benefit you apply for, have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) the Hong Kong Offer Shares and the International Offer Shares;
- your payment is not made correctly;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions in the **IPO App** or on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk);
- you apply for more than 6,732,500 Hong Kong Offer Shares, being 50% of the 13,465,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering;
- our Company or the Sole Global Coordinator believes that by accepting your application, a violation of applicable securities or other laws, rules or regulations would result; or
- the Underwriting Agreements do not become unconditional or are terminated.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### F. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$20.72 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with “Structure of the Global Offering – Conditions of the Hong Kong Public Offering” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on or around Thursday, September 9, 2021.

### G. DESPATCH/COLLECTION OF SHARE CERTIFICATES/e-AUTO REFUND PAYMENT INSTRUCTIONS/REFUND CHECKS

You will receive one Share certificate for all Hong Kong Offer Shares allocated to you under the Hong Kong Public Offering (except pursuant to applications made through the **CCASS EIPO** service where the Share certificates will be deposited into CCASS as described below).

Our Company will not issue temporary document of title in respect of the Offer Shares. Our Company will not issue receipt for sums paid on application.

Subject to arrangement on despatch/collection of Share certificates and refund checks as mentioned below, any refund checks and Share certificate(s) are expected to be posted on or around Thursday, September 9, 2021. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of check(s) or banker’s cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, September 10, 2021, provided that the Global Offering has become unconditional in all respects at or before that time and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised.

Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

#### Personal Collection

- *If you apply through the HK eIPO White Form service:*
  - If you apply for 1,000,000 Hong Kong Offer Shares or more through the **HK eIPO White Form** service and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from the Hong Kong

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, September 9, 2021, or any other place or date notified by our Company.

- If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.
- If you do not personally collect your Share certificate(s) within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.
- If you apply for less than 1,000,000 Hong Kong Offer Shares through the **HK eIPO White Form** service, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, September 9, 2021 by ordinary post and at your own risk.
- If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address specified in your application instructions in the form of refund check(s) in favour of the applicant (or, in the case of joint applications, the first-named applicant) by ordinary post and at your own risk.
- *If you apply through the CCASS EIPO service:*

### *Allocation of the Hong Kong Offer Shares*

- For the purposes of allocating the Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

### *Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, September 9, 2021 or on any other date determined by HKSCC or HKSCC Nominees.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card/passport/Hong Kong business registration number or other identification code (Hong Kong business registration number for corporations) and the basis of allocations of the Hong Kong Offer Shares in the manner as described in “– Publication of Results” above on Thursday, September 9, 2021. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, September 9, 2021 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you can also check the number of the Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that **broker** or **custodian**.
- If you have applied as a CCASS Investor Participant, you can also check the number of the Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Thursday, September 9, 2021. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of the Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, September 9, 2021.

### H. ADMISSION OF THE SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

Our Company has made all necessary arrangements to enable the Shares to be admitted into CCASS.



*The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountant's Report on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.*



羅兵咸永道

**ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED**

**Introduction**

We report on the historical financial information of Helens International Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-71, which comprises the consolidated statements of financial position as of 31 December 2018, 2019, 2020 and 31 March 2021, the Company's statements of financial position as of 31 December 2018, 2019, 2020 and 31 March 2021, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2018, 2019 and 2020 and the three months ended 31 March 2021 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-71 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 31 August 2021 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

**Directors' responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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**Reporting accountant's responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountant's Report on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as of 31 December 2018, 2019, 2020 and 31 March 2021 and the consolidated financial position of the Group as of 31 December 2018, 2019, 2020 and 31 March 2021 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

**Review of stub period comparative financial information**

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months ended 31 March 2020 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We

conducted our review 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 HKICPA. A review 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 Hong Kong 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. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant’s report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

***Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

***Dividends***

We refer to Note 32 to the Historical Financial Information which states that no dividends had been paid by Helens International Holdings Company Limited in respect of the Track Record Period.

***No statutory financial statements for the Company***

No statutory financial statements have been prepared for the Company since its date of incorporation.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong

31 August 2021

**I HISTORICAL FINANCIAL INFORMATION OF THE GROUP**

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (**RMB'000**) except when otherwise indicated.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended 31 December			Three months ended 31 March	
		2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 (Unaudited)	2021 RMB'000
Revenue	5	114,810	564,809	817,945	62,038	368,571
Government grants and concessions	7	68	1,476	36,422	6,824	2,568
Raw materials and consumables used	16	(31,745)	(195,865)	(271,385)	(20,812)	(108,173)
Employee benefit and manpower service expenses	8	(25,077)	(92,271)	(178,930)	(20,123)	(190,358)
Depreciation of right-of-use assets	19	(15,119)	(53,233)	(105,276)	(21,141)	(37,081)
Depreciation of plant and equipment	12	(3,050)	(17,362)	(32,017)	(6,935)	(12,946)
Amortisation of intangible assets	13	(4)	(17)	(17)	(4)	(4)
Short-term rental and other related expenses		(4,859)	(13,474)	(31,762)	(4,344)	(13,700)
Utilities expenses		(3,574)	(15,376)	(23,893)	(3,863)	(10,139)
Travelling and related expenses		(1,485)	(5,459)	(6,244)	(510)	(2,952)
Listing expenses		–	–	(5,680)	–	(14,331)
Advertising and promotion expenses		(5,193)	(12,053)	(15,398)	(1,152)	(6,008)
Other expenses	6	(11,275)	(39,893)	(58,173)	(4,516)	(28,964)
Finance income	9	9	14	34	7	12
Finance costs	9	(4,023)	(16,378)	(28,659)	(6,675)	(11,817)
<b>Profit/(loss) before income tax</b>		9,483	104,918	96,967	(21,206)	(65,322)
Income tax credit/(expense)	10	251	(25,782)	(26,895)	4,637	(11,010)
<b>Profit/(loss) for the year/period attributable to owners of the Company</b>		<u>9,734</u>	<u>79,136</u>	<u>70,072</u>	<u>(16,569)</u>	<u>(76,332)</u>
<b>Other comprehensive (loss)/income:</b> <i>Item that may be subsequently reclassified to profit or loss</i>						
Currency translation differences		(549)	(207)	951	1,099	(646)
<b>Total comprehensive income/(loss) for the year/period attributable to owners of the Company</b>		<u>9,185</u>	<u>78,929</u>	<u>71,023</u>	<u>(15,470)</u>	<u>(76,978)</u>
<b>Earnings/(loss) per share for profit/(loss) attributable to owners of the Company (expressed in RMB per share)</b>						
Basic	11	0.010	0.079	0.070	(0.017)	(0.076)
Diluted	11	0.010	0.077	0.068	(0.017)	(0.076)

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As of 31 December			As of
	Note	2018	2019	2020	31 March
		RMB'000	RMB'000	RMB'000	2021
					RMB'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Plant and equipment	12	45,888	114,565	188,843	260,803
Intangible assets	13	40	126	109	105
Right-of-use assets	19	146,604	386,229	554,506	729,086
Deposits and prepayments	15	5,105	14,732	26,852	38,092
Deferred tax assets	20	7,388	9,029	18,322	20,280
		<u>205,025</u>	<u>524,681</u>	<u>788,632</u>	<u>1,048,366</u>
<b>Current assets</b>					
Inventories	16	7,280	23,405	36,855	37,160
Prepayments, deposits and other receivables	15	1,370	4,426	10,200	14,667
Cash and cash equivalents	17	10,121	22,257	24,255	152,858
		<u>18,771</u>	<u>50,088</u>	<u>71,310</u>	<u>204,685</u>
<b>Total assets</b>		<u>223,796</u>	<u>574,769</u>	<u>859,942</u>	<u>1,253,051</u>
<b>EQUITY</b>					
<b>Equity attributable to owners of the Company</b>					
Share capital	18	1	1	1	1
Reserves		10,285	89,214	160,237	174,942
<b>Total equity</b>		<u>10,286</u>	<u>89,215</u>	<u>160,238</u>	<u>174,943</u>
<b>LIABILITIES</b>					
<b>Non-current liability</b>					
Lease liabilities	19	128,949	337,288	460,379	612,466
<b>Current liabilities</b>					
Trade payables	21	6,723	18,244	36,456	36,641
Other payables and accruals	22	52,038	66,341	85,850	64,063
Borrowings	23	149	–	13,000	30,000
Lease liabilities	19	18,597	46,888	78,862	94,146
Financial liabilities at fair value through profit or loss	24	–	–	–	215,566
Current income tax liabilities		7,054	16,793	25,157	25,226
		<u>84,561</u>	<u>148,266</u>	<u>239,325</u>	<u>465,642</u>
<b>Total liabilities</b>		<u>213,510</u>	<u>485,554</u>	<u>699,704</u>	<u>1,078,108</u>
<b>Total equity and liabilities</b>		<u>223,796</u>	<u>574,769</u>	<u>859,942</u>	<u>1,253,051</u>

## STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As of 31 December			As of
	Note	2018	2019	2020	31 March
		RMB'000	RMB'000	RMB'000	2021
					RMB'000
<b>ASSETS</b>					
<b>Non-current asset</b>					
Investment in subsidiaries		<u>1</u>	<u>1</u>	<u>1</u>	<u>177,013</u>
<b>Current assets</b>					
Other receivables and prepayments	15	1	1	1,003	2,516
Cash and cash equivalents	17	<u>–</u>	<u>–</u>	<u>–</u>	<u>38,554</u>
		<u>1</u>	<u>1</u>	<u>1,003</u>	<u>41,070</u>
<b>Total assets</b>		<u><u>2</u></u>	<u><u>2</u></u>	<u><u>1,004</u></u>	<u><u>218,083</u></u>
<b>EQUITY</b>					
<b>Equity attributable to owners of the Company</b>					
Share capital	18	1	1	1	1
Reserves		<u>–</u>	<u>–</u>	<u>(5,680)</u>	<u>(20,011)</u>
<b>Total equity/(deficit)</b>		<u><u>1</u></u>	<u><u>1</u></u>	<u><u>(5,679)</u></u>	<u><u>(20,010)</u></u>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Amount due to a subsidiary	22	–	–	4,292	11,061
Financial liabilities at fair value through profit or loss	24	–	–	–	215,566
Other payables and accruals	22	<u>1</u>	<u>1</u>	<u>2,391</u>	<u>11,466</u>
		<u>1</u>	<u>1</u>	<u>6,683</u>	<u>238,093</u>
<b>Total liabilities</b>		<u><u>1</u></u>	<u><u>1</u></u>	<u><u>6,683</u></u>	<u><u>238,093</u></u>

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company					
	Share capital	Share-based compensation reserve	Statutory reserve	Exchange reserve	Retained earnings	Total equity
	RMB'000	RMB'000	RMB'000 (Note 28)	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2018</b>	–	–	–	–	–	–
<b>Comprehensive income</b>						
Profit for the year	–	–	–	–	9,734	9,734
<b>Other comprehensive losses</b>						
Currency translation differences	–	–	–	(549)	–	(549)
<b>Total comprehensive (loss)/income</b>	–	–	–	(549)	9,734	9,185
<b>Transactions with owners</b>						
Equity settled share-based payment (Note 27)	–	1,100	–	–	–	1,100
Capital injection from a shareholder	1	–	–	–	–	1
Appropriation to statutory reserve	–	–	2,536	–	(2,536)	–
<b>Total transactions with owners</b>	1	1,100	2,536	–	(2,536)	1,101
<b>Balance at 31 December 2018</b>	<u>1</u>	<u>1,100</u>	<u>2,536</u>	<u>(549)</u>	<u>7,198</u>	<u>10,286</u>
<b>Balance at 1 January 2019</b>	1	1,100	2,536	(549)	7,198	10,286
<b>Comprehensive income</b>						
Profit for the year	–	–	–	–	79,136	79,136
<b>Other comprehensive loss</b>						
Currency translation differences	–	–	–	(207)	–	(207)
<b>Total comprehensive (loss)/income</b>	–	–	–	(207)	79,136	78,929
<b>Transaction with owners</b>						
Appropriation to statutory reserve	–	–	4,471	–	(4,471)	–
<b>Total transaction with owners</b>	–	–	4,471	–	(4,471)	–
<b>Balance at 31 December 2019</b>	<u>1</u>	<u>1,100</u>	<u>7,007</u>	<u>(756)</u>	<u>81,863</u>	<u>89,215</u>
<b>Balance at 1 January 2020</b>	1	1,100	7,007	(756)	81,863	89,215
<b>Comprehensive income</b>						
Profit for the year	–	–	–	–	70,072	70,072
<b>Other comprehensive income</b>						
Currency translation differences	–	–	–	951	–	951
<b>Total comprehensive income</b>	–	–	–	951	70,072	71,023
<b>Transaction with owners</b>						
Appropriation to statutory reserve	–	–	3,978	–	(3,978)	–
<b>Total transaction with owners</b>	–	–	3,978	–	(3,978)	–
<b>Balance at 31 December 2020</b>	<u>1</u>	<u>1,100</u>	<u>10,985</u>	<u>195</u>	<u>147,957</u>	<u>160,238</u>



	Attributable to owners of the Company					
	Share capital RMB'000	Share-based compensation reserve RMB'000	Statutory reserve RMB'000 (Note 28)	Exchange reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
<b>(Unaudited)</b>						
<b>Balance at 1 January 2020</b>	1	1,100	7,007	(756)	81,863	89,215
<b>Comprehensive loss</b>						
Loss for the period	–	–	–	–	(16,569)	(16,569)
<b>Other comprehensive income</b>						
Currency translation differences	–	–	–	1,099	–	1,099
<b>Total comprehensive income/(loss)</b>	–	–	–	1,099	(16,569)	(15,470)
<b>Transaction with owners</b>						
Appropriation to statutory reserve	–	–	–	–	–	–
<b>Total transaction with owners</b>	–	–	–	–	–	–
<b>Balance at 31 March 2020</b>	<u>1</u>	<u>1,100</u>	<u>7,007</u>	<u>343</u>	<u>65,294</u>	<u>73,745</u>
<b>Balance at 1 January 2021</b>	1	1,100	10,985	195	147,957	160,238
<b>Comprehensive income</b>						
Loss for the period	–	–	–	–	(76,332)	(76,332)
<b>Other comprehensive loss</b>						
Currency translation differences	–	–	–	(646)	–	(646)
<b>Total comprehensive loss</b>	–	–	–	(646)	(76,332)	(76,978)
<b>Transaction with owners</b>						
Equity settled						
share-based payment (Note 27)	–	91,683	–	–	–	91,683
Appropriation to statutory reserve	–	–	1,387	–	(1,387)	–
<b>Total transaction with owners</b>	–	91,683	1,387	–	(1,387)	91,683
<b>Balance at 31 March 2021</b>	<u>1</u>	<u>92,783</u>	<u>12,372</u>	<u>(451)</u>	<u>70,238</u>	<u>174,943</u>

## CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Three months ended 31 March	
	Note	2018	2019	2020	2020	2021
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
<b>Cash flows from operating activities</b>						
Cash (used in)/generated from operations	25(a)	(8,794)	176,707	273,678	33,671	98,496
Income tax paid		(83)	(17,684)	(27,824)	(10,188)	(12,899)
<b>Net cash (used in)/generated from operating activities</b>		(8,877)	159,023	245,854	23,483	85,597
<b>Cash flows from investing activities</b>						
Purchase of plant and equipment		(39,457)	(75,796)	(106,171)	(8,911)	(95,404)
Purchase of intangible assets		(44)	(103)	—	—	—
Net cash paid for business combination	29	(9,683)	(11,156)	(3,737)	(672)	(1,130)
Interest received		9	14	34	7	12
<b>Net cash used in investing activities</b>		(49,175)	(87,041)	(109,874)	(9,576)	(96,522)
<b>Cash flows from financing activities</b>						
Proceeds from borrowings	25(b)	—	—	16,000	—	30,000
Repayments of borrowings	25(b)	—	—	(3,000)	—	(13,000)
Advance from a director	25(b)	86,207	12,909	—	—	—
Repayments to a director	25(b)	—	—	(9,455)	(5,955)	(35,136)
Proceeds from issuance of convertible preferred shares	24	—	—	—	—	212,285
Capital injection by a shareholder		1	—	—	—	—
Interests paid		—	(20)	(433)	—	(493)
Payment of deferred listing expenses		—	—	(1,002)	—	(1,513)
Payment of principal element of lease liabilities	25(b)	(14,159)	(56,232)	(107,888)	(20,887)	(43,926)
Payment of interest element of lease liabilities	25(b)	(4,023)	(16,358)	(28,226)	(6,675)	(11,324)
<b>Net cash generated from/(used in) financing activities</b>		68,026	(59,701)	(134,004)	(33,517)	136,893
<b>Net increase in cash and cash equivalents</b>		9,974	12,281	1,976	(19,610)	125,968
Cash and cash equivalents at beginning of the year/period		—	9,972	22,257	22,257	24,255
Currency translation differences		(2)	4	22	134	2,635
<b>Cash and cash equivalents at end of the year/period</b>		<u>9,972</u>	<u>22,257</u>	<u>24,255</u>	<u>2,781</u>	<u>152,858</u>
<b>Analysis of balances of cash and cash equivalents</b>						
Cash and cash equivalents in the consolidated statement of financial position	17	10,121	22,257	24,255	2,781	152,858
Bank overdrafts	23	(149)	—	—	—	—
<b>Cash and cash equivalents in the consolidated statements of cash flows</b>		<u>9,972</u>	<u>22,257</u>	<u>24,255</u>	<u>2,781</u>	<u>152,858</u>

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION STATEMENTS

### 1 GENERAL INFORMATION AND REORGANISATION

#### 1.1 General information

The Company was incorporated in the Cayman Islands on 16 January 2018 as an exempted company with limited liability under the Companies Act (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of its registered office is 3-212 Governors Square, 23 Lime Tree Bay Avenue, P.O. Box 30746, Seven Mile Beach, Grand Cayman KY1-1203, Cayman Islands.

The Company is an investment holding company and its subsidiaries comprising the Group principally engage in bar operations and franchise business in the People's Republic of China (the "PRC") and Hong Kong. The ultimate holding company of the Company is Helens Hill Holding Limited ("**Helens Hill (BVI)**"), a company incorporated in the British Virgin Islands ("BVI"). The ultimate controlling shareholder is Mr. Xu Bingzhong ("**Mr. Xu**" or the "**Controlling Shareholder**") who has been controlling the group companies since their incorporation.

#### 1.2 Reorganisation

In preparing for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent the Reorganisation which mainly involved the following steps:

- (a) On 11 January 2018, Helens Hill (BVI) was incorporated in the BVI with limited liability. Upon incorporation, 1,000 share of Helens Hill (BVI) of United states dollar ("USD") 1.00, representing the entire issued share capital of Helens Hill (BVI), was allotted and issued at par and credited as fully paid to Mr. Xu.
- (b) On 16 January 2018, the Company was incorporated in the Cayman Islands. Upon incorporation, one share of the Company of USD0.0001, representing the entire issued share capital of the Company, was issued and allotted to the initial subscribing shareholder. On the same day, the one subscriber share was transferred to Helens Hill (BVI) at par and another 999 shares were allotted and issued to Helens Hill (BVI). Pursuant to an agreement entered between Mr. Xu and thirteen other individuals, 129 shares and 10 shares of the Company were transferred to WTSJ Holding Limited ("**WTSJ**"), an investment holding company held by twelve individuals, and NEWCE Holding Limited ("**NEWCE**"), an investment holding company held by one individual, respectively on 23 August 2019. After the transfer, Helens Hill (BVI), WTSJ and NEWCE owned 86.1%, 12.9% and 1.0% equity interest of the Company, respectively.
- (c) On 25 January 2018, XBZ Hill Holding Limited ("**XBZ Hill**") was incorporated in the BVI with limited liability. Upon incorporation, 1,000 shares of XBZ Hill, representing the entire issued share capital of XBZ Hill, was allotted and issued at par and credited as fully paid to the Company.
- (d) On 12 February 2018, Mr. Xu. transferred his entire shares of Helens Hill Limited ("**Helens Hill (HK)**"), a company incorporated in Hong Kong which holds the Group's operating companies in the PRC, to XBZ Hill at nominal value. As a result, XBZ Hill owned 100% equity interest of Helens Hill (HK).

Upon completion of the Reorganisation, the Company became the holding company of the companies comprising the Group.

Upon completion of the Reorganisation and as of the date of this report, the Company had direct or indirect interests in the following principal subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Principal activities and place of operation	Issued and paid up capital/ registered capital	Effective interest held by the Group					Note
				As of 31 December			As of	As of	
				2018	2019	2020	31 March 2021	date of this report	
<b>Direct Interests:</b>									
XBZ Hill Holding Limited	The BVI; 25 January 2018	Investment holding; The BVI	Share capital USD1,000	100%	100%	100%	100%	100%	(a)
<b>Indirect Interests:</b>									
Helens Hill Limited	Hong Kong; 29 December 2017	Bar operations; Hong Kong	Share capital HKD1	100%	100%	100%	100%	100%	(c)
Fuzhou Zhiyingju Catering Management Co., Ltd.* (福州支應居餐飲管理有限責任公司)	The PRC; 12 January 2018	Bar operations; The PRC	RMB1,000,000/ RMB1,000,000	100%	100%	100%	100%	100%	(a)
Wuhan City Aoerdesang Catering Services Co., Ltd.* (武漢市奧爾德桑餐飲服務有限公司)	The PRC; 6 February 2018	Bar operations; The PRC	RMB1,000,000/ RMB1,000,000	100%	100%	100%	100%	100%	(a) & (d)
Jiangxi Suleiyige Catering Management Co., Ltd.* (江西蘇勒伊格餐飲管理有限公司)	The PRC; 9 April 2018	Bar operations; The PRC	RMB2,000,000/ RMB2,000,000	100%	100%	100%	100%	100%	(a) & (e)
Shenzhen Helens Enterprise Management Co., Ltd.* (深圳海倫司企業管理有限公司)	The PRC; 20 April 2018	Management service; The PRC	RMB5,000,000/ RMB5,000,000	100%	100%	100%	100%	100%	(b)
Hunan Gelidisi Catering Management Co., Ltd.* (湖南格里迪斯餐飲管理有限公司)	The PRC; 20 April 2018	Bar operations; The PRC	RMB2,000,000	100%	100%	100%	100%	100%	(a) & (f)
Shenzhen Helens Brand Management Co., Ltd.* (深圳市海倫司品牌管理有限公司)	The PRC; 7 May 2018	Management service; The PRC	RMB1,000,000/ RMB1,000,000	100%	100%	100%	100%	100%	(a)
Shenzhen Guxiang Fengqing Catering Co., Ltd.* (深圳市古鄉風情餐飲有限責任公司)	The PRC; 23 May 2018	Bar operations; The PRC	RMB1,000,000/ RMB1,000,000	100%	100%	100%	100%	100%	(a)
Hunan E'aisaisi Catering Management Co., Ltd.* (湖南額艾塞斯餐飲管理有限公司)	The PRC; 29 May 2018	Bar operations; The PRC	RMB2,000,000/ RMB2,000,000	100%	100%	100%	100%	100%	(a)
Zhejiang Fuyixiang Catering Services Co., Ltd.* (浙江福怡祥餐飲服務有限公司)	The PRC; 5 June 2018	Bar operations; The PRC	RMB9,510,000/ RMB10,000,000	100%	100%	100%	100%	100%	(a)
Hefei Mengtesile Catering Management Co., Ltd.* (合肥蒙特斯勒餐飲管理有限公司)	The PRC; 3 July 2018	Bar operations; The PRC	RMB1,000,000/ RMB1,000,000	100%	100%	100%	100%	100%	(a)
Suzhou He'erdesi Catering Management Co., Ltd.* (蘇州赫爾德斯餐飲管理有限公司)	The PRC; 16 July 2018	Bar operations; The PRC	RMB1,850,000/ RMB2,000,000	100%	100%	100%	100%	100%	(a)

APPENDIX I

ACCOUNTANT'S REPORT

Name of subsidiary	Place and date of incorporation/ establishment	Principal activities and place of operation	Issued and paid up capital/ registered capital	Effective interest held by the Group						Note
				As of 31 December			As of	As of		
				2018	2019	2020	31 March 2021	date of this report		
Shanghai Heyinsitai Catering Management Co., Ltd.* (上海荷因斯泰餐飲管理有限公司)	The PRC; 4 September 2018	Bar operations; The PRC	RMB2,000,000/ RMB2,000,000	100%	100%	100%	100%	100%	(a)	
Tianjin Sinuode Catering Management Co., Ltd.* (天津漸諾德餐飲管理有限公司)	The PRC; 22 November 2018	Bar operations; The PRC	RMB1,000,000/ RMB1,000,000	100%	100%	100%	100%	100%	(a) & (g)	
Zhengzhou Aolinpisi Catering Management Co., Ltd.* (鄭州奧林匹斯餐飲管理有限公司)	The PRC; 21 December 2018	Bar operations; The PRC	RMB1,000,000/ RMB1,000,000	100%	100%	100%	100%	100%	(a)	
Guizhou Saidigesi Catering Management Co., Ltd.* (貴州塞迪格斯餐飲管理有限公司)	The PRC; 3 January 2019	Bar operations; The PRC	RMB1,000,000	N/A	100%	100%	100%	100%	(a)	
Sichuan Hantengbao Catering Management Co., Ltd.* (四川漢騰堡餐飲管理有限公司)	The PRC; 12 April 2019	Bar operations; The PRC	RMB1,000,000/ RMB1,000,000	N/A	100%	100%	100%	100%	(a)	
Beijing Asimengte Catering Management Co., Ltd.* (北京阿斯蒙特餐飲管理有限責任公司)	The PRC; 20 June 2019	Bar operations; The PRC	RMB1,000,000/ RMB1,000,000	N/A	100%	100%	100%	100%	(a)	
Jilin Helens Enterprise Management Co., Ltd.* (吉林海倫司企業管理有限公司)	The PRC; 26 July 2019	Bar operations; The PRC	RMB50,000/ RMB5,000,000	N/A	100%	100%	100%	100%	(a)	
Jinan Kanbei'er Catering Management Co., Ltd.* (濟南坎貝爾餐飲管理有限責任公司)	The PRC; 9 August 2019	Bar operations; The PRC	RMB190,000/ RMB1,000,000	N/A	100%	100%	100%	100%	(a)	
Heilongjiang Helens Enterprise Management Co., Ltd.* (黑龍江省海倫司企業管理有限公司)	The PRC; 19 August 2019	Bar operations; The PRC	RMB100,000/ RMB5,000,000	N/A	100%	100%	100%	100%	(a)	
Wuhan Maidilong Trading Co., Ltd.* (武漢邁迪隆貿易有限公司)	The PRC; 15 October 2019	Trading and sourcing; The PRC	RMB1,981,140/ RMB2,000,000	N/A	100%	100%	100%	100%	(a)	
Hebei Disihade Catering Management Co., Ltd.* (河北迪斯哈德餐飲管理有限責任公司)	The PRC; 29 November 2019	Bar operations; The PRC	RMB160,000/ RMB3,000,000	N/A	100%	100%	100%	100%	(a)	
Chongqing Yangkai Catering Co., Ltd.* (重慶陽凱餐飲有限公司)	The PRC; 17 January 2020	Bar operations; The PRC	RMB1,000,000/ RMB1,000,000	N/A	N/A	100%	100%	100%	(a)	
Beijing Helens Business Management Service Co., Ltd.* (北京海倫司商業管理服務有限公司)	The PRC; 10 June 2020	Management service; The PRC	RMB1,000,000/ RMB1,000,000	N/A	N/A	100%	100%	100%	(a)	
Yunnan Secret Forest Catering Management Co., Ltd.* (雲南秘森林餐飲管理有限公司)	The PRC; 10 December 2020	Bar operations; The PRC	RMB1,000,000	N/A	N/A	100%	100%	100%	(a)	
Guangxi Zuijunya Catering Management Co., Ltd.* (廣西醉俊雅餐飲管理有限責任公司)	The PRC; 18 December 2020	Bar operations; The PRC	RMB2,000,000	N/A	N/A	100%	100%	100%	(a)	

Name of subsidiary	Place and date of incorporation/ establishment	Principal activities and place of operation	Issued and paid up capital/ registered capital	Effective interest held by the Group						Note
				As of 31 December			As of	As of	date of this report	
				2018	2019	2020	31 March 2021			
Wuhan Hongdeli Trading Co., Ltd.* (武漢鴻的利貿易有限公司)	The PRC; 14 January 2021	Trading and sourcing; The PRC	RMB1,000,000	N/A	N/A	N/A	100%	100%	(a)	
Xi'an Jingleshuo Catering Management Co., Ltd.* (西安景樂鏢餐飲管理有限公司)	The PRC; 25 February 2021	Bar operations; The PRC	RMB1,250,000/ RMB2,000,000	N/A	N/A	N/A	100%	100%	(a)	

- (a) These entities were not subject to statutory audit requirement under the relevant rules and regulations in the jurisdiction of incorporation.
- (b) The statutory financial statements of Shenzhen Helens Management Co., Ltd. for the years ended 31 December 2018 and 2019 were audited by Shenzhen Boqin Certified Public Accountants\* (深圳市伯勤會計師事務所(普通合夥)). The statutory financial statement for the year ended 31 December 2020 was audited by Shenzhen Hecheng Certified Public Accountants\* (深圳和誠會計師事務所(普通合夥)).
- (c) The statutory financial statements of Helens Hill Limited for the years ended 31 December 2018 and 31 December 2019 were audited by Uni Vision Certified Public Accountants and Kyle S.F. Chai Certified Public Accountants (Practising), respectively. The statutory financial statement for the year ended 31 December 2020 has not yet been issued.
- (d) On 25 May 2018, the Group acquired 100% equity interest of Wuhan City Aoerdesang Catering Services Co., Ltd. ("Wuhan Aoerdesang") from two independent third parties.
- (e) On 23 May 2018, the Group acquired 100% equity interest of Jiangxi Suleyige Catering Management Co., Ltd ("Jiangxi Suleyige") from two independent third parties.
- (f) On 15 October 2018, the Group acquired 100% equity interest of Hunan Gelidisi Catering Management Co., Ltd ("Hunan Gelidisi") from two independent third parties.
- (g) On 25 March 2019, the Group acquired 100% equity interest of Tianjin Sinuode Catering Management Co., Ltd ("Tianjin Sinuode") from two independent third parties.

\* The English translation is for identification purpose only. These companies do not have official English names.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

### 2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA. The Historical Financial Information has been prepared under the historical cost convention except for financial liabilities at fair value through profit or loss ("FVPL"), measured at fair value.

The preparation of the Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires the directors of the Company to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

#### (a) New amendments early adopted by the Group

The Group has early adopted the Amendments to HKFRS 16 – COVID-19 Related Rent Concession from 1 January 2020.

The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (b) any reduction in lease payments affects only payments due on or before 30 June 2021; and (c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. As a result, rent concessions totalling RMB10,597,000, RMB5,147,000 and RMB364,000 (Notes 7 and 19) have been recognised under “government grants and concessions” in the consolidated statement of comprehensive income during the year ended 31 December 2020 and the three months ended 31 March 2020 and 2021, respectively, with a corresponding adjustment to the lease liabilities.

*(b) New or revised standards, amendments and interpretations not yet adopted*

Standards, amendments and interpretations that have been issued but not yet effective and not been early adopted by the Group during the Track Record Period are as follows:

		Effective for annual periods beginning on or after
HK Interpretation 5 (2020)	Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2023
HKFRS 17 Insurance Contracts	Insurance contracts	1 January 2023
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2023
Amendments to HKAS 8	Definition of accounting estimates	1 January 2023
Accounting Guideline 5 (Revised)	Merger accounting for common control combinations	1 January 2022
Amendments to HKFRS 3	Reference to the conceptual framework	1 January 2022
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Annual Improvements to HKFRS Standards	Annual improvements 2018-2020 cycle	1 January 2022
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2022
Amendments to HKAS 16	Proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous contracts – cost of fulfilling a contract	1 January 2022

The Group will adopt the above new or revised standards, amendments and interpretations to existing standards as and when they become effective. Management has performed a preliminary assessment and does not anticipate any significant impact on the Group's financial position and results of operations upon adopting these standards, amendments and interpretations to the existing HKFRSs.

## 2.2 Going concern

The financial statements have been prepared on the basis that the Group will continue as a going concern.

As of 31 December 2018, 2019, 2020 and 31 March 2021, the Group recorded net current liabilities of approximately RMB65,790,000, RMB98,178,000, RMB168,015,000 and RMB260,957,000, respectively. Excluding the financial liabilities at FVPL, which represents convertible preferred shares that will be converted into ordinary shares upon listing, and current portion of lease liabilities, which represents the net present value of its future rental that is only liable to be paid month by month in the coming one year from the balance sheet date, the Group had net current liabilities of approximately RMB47,193,000, RMB51,290,000 and RMB89,153,000 as of 31 December 2018, 2019 and 2020, and net current assets of approximately RMB48,755,000 as of 31 March 2021, respectively. In addition,

the Group generated net cash outflows, inflows, inflows and inflows from operating activities amounting to approximately RMB8,877,000, RMB159,023,000, RMB245,854,000 and RMB85,597,000 for the years ended 31 December 2018, 2019, 2020 and the three months ended 31 March 2021, respectively.

The directors of the Group have reviewed its cash flow forecast, which covers a period of not less than twelve months from 31 March 2021. In preparing the cash flow forecast, the directors have considered historical cash requirements, working capital and capital expenditures plans, estimated cash flows provided by operations and existing cash on hand. Taking into account the Group's financial resources and its internally generated cash and banking facilities, the directors of the Company believe that the Group has sufficient capital to meet its liquidity needs for at least twelve months from 31 March 2021.

## 2.3 Subsidiaries

### 2.3.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

#### (a) Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the consolidated statement of comprehensive income.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amounts of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the comprehensive income.

Inter-company transactions, balances and realized gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries comprising the Group have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### (b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amounts of net assets of the subsidiary is recorded in equity. Gains or losses on disposal to non-controlling interests are also recorded in equity.



(c) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amounts recognised in profit or loss. The fair value is the initial carrying amounts for the purposes of subsequently accounting for the retained interest as an associate, or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

**2.3.2 *Separate financial statements***

Investments in subsidiaries are accounted for by the Company at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

**2.4 *Segment reporting***

Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the directors who make strategic decisions.

**2.5 *Foreign currency translation***

**2.5.1 *Functional and presentation currency***

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

**2.5.2 *Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the balance sheet date exchange rates of monetary assets and liabilities denominated in foreign currencies are generally recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis within "other expenses."

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities held at fair value through other comprehensive income.

**2.5.3 *Group companies***

The results and financial positions of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial positions;

- income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign operations are taken to other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign entity and translated at the closing rate.

## 2.6 Plant and equipment

Plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. The carrying amounts of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation of plant and equipment is calculated using the straight-line method to allocate their costs, net of their residual value, over their estimated useful lives, as follows:

- |                         |  |
|-------------------------|--|
| • Office equipment      | 5 years  |
| • Computer equipment    | 3 to 5 years                                   |
| • Furniture and fixture | 5 years  |
| • Leasehold improvement | Over the shorter of lease term and useful life |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amounts if the asset's carrying amount is greater than its estimated recoverable amounts.

Gain or loss on disposal of plant and equipment are determined by comparing proceeds with carrying amounts and are recognised in profit or loss.

## 2.7 Intangible assets

### *System software*

Acquired system software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using straight-line method over their estimated useful lives of five years.

## 2.8 Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amounts by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

**2.9 Financial assets****2.9.1 Classification**

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those measured at amortised cost.

The Group classifies its financial assets as assets to be measured at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows;
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

**2.9.2 Recognition and measurement**

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group has classified all of its financial assets as assets to be measured at amortised cost.

**2.9.3 Derecognition**

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and reward of ownership.

**2.10 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amounts reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

**2.11 Impairment of financial assets**

The Group has following types of financial assets subject to HKFRS 9 expected credit loss model:

- Other receivables and deposits; and
- Cash and cash equivalents.

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Impairment on other receivables and deposits is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

To manage risk arising from cash and cash equivalents, the Group only transacts with state-owned or reputable financial institutions. There has been no recent history of default in relation to these financial institutions.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

#### **2.12 Trade and other receivables**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

#### **2.13 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of inventories comprises food ingredients, beverages consumables and other direct costs. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### **2.14 Cash and cash equivalents**

For the purpose of presentation in the consolidated statements of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, as well as bank overdrafts.

Bank overdrafts are shown within borrowings in the current liabilities in the consolidated statement of financial position.

#### **2.15 Share capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### **2.16 Trade and other payables**

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and bills payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### **2.17 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in interest expense over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

**2.18 Borrowing costs**

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**2.19 Convertible preferred shares**

The Group issued convertible preferred shares which give options to holders a right for redemption into cash after specified timing or a right for conversion into ordinary shares of the Company. The convertible preferred shares will be automatically converted into ordinary shares upon occurrence of certain events outside the control of the Company.

The Group designates convertible preferred shares as financial liabilities at FVPL. Convertible preferred shares are classified as non-current liabilities or current liabilities depending on whether the convertible preferred shares holders can demand the Company to redeem the convertible preferred shares for cash within 12 months after the end of the reporting period or not. They are initially recognised at fair value. Any directly attributable transaction costs are recognised as finance costs in the consolidated statement of comprehensive income.

Subsequent to initial recognition, the convertible preference shares are carried at fair value with changes in fair value recognised as “other gains, net” in the consolidated statements of comprehensive income. The component of fair value changes relating to the Company’s own credit risk is recognised in other comprehensive income. Amounts recorded in other comprehensive income related to credit risk are not subject to recycling in the statement of comprehensive income, but are transferred to retained earnings when realised.

**2.20 Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amounts can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

**2.21 Current and deferred income tax**

The income tax expense or credit for the period is the tax payable on the current period’s taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses.

**(a) Current income tax**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company’s subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

**(b) Deferred income tax**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amounts and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

**(c) Offsetting**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

**2.22 Employee benefits****(a) Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statements of financial position.

**(b) Defined contribution plans**

The Group pays contributions to state-managed pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**(c) Bonus plans**

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

**(d) Termination benefits**

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

### 2.23 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts for the sale of goods in the ordinary course of the Group's activity. Revenue is shown net of returns and after eliminating sales within the Group. Revenue excludes value added tax or other sales taxes and is after deduction of other sales taxes of any trade discounts.

The Group does not expect to have any contracts where the period between the transfer of the promised goods to the customers and the payment by the customers exceeds one year. Hence, the Group does not adjust any of the transaction prices for the time value of money.

When either party to a contract has performed, the Group presents the contract in the consolidated statements of financial position as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment. A contract asset is the Group's right to consideration in exchange for goods that the Group has transferred to a customer. Incremental costs incurred to obtain a contract, if recoverable, are capitalised and presented as assets and subsequently amortised when the related revenue is recognised.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers the promised goods to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer the promised goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Revenue is recognised when specific criteria have been met for the Group's activities as described below:

#### *(a) Revenue from bar operations*

The Group operates bars and sells food and beverages to customers.

Revenue from bar operations and sales of food and beverages is recognised when the services have been rendered to customers and when control of food and beverages have been transferred to customers at a point in time and payments made.

#### *(b) Revenue from franchisees*

Revenue from franchised bars operating under the trading name of "Helens" comprise a one-off non-refundable fee attributable to the Group's support services for these franchisees on their implementation of franchise systems, and annual management service fees which are based upon a certain percentage of franchisee's sales.

The one-off implementation service fee income is recognised over the terms of the franchise agreements which are subject to annual renewal with durations being shorter of one year or the period from the date of the agreement to the nearest year-end. The annual management service fee income is recognised over the period when related services are rendered. The Group does not have other transactions with franchisees. The Group does not sell any food ingredients, beverages and consumables to franchisees.

### 2.24 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

### 2.25 Leases

The Group leases various properties. Rental contracts are typically made for fixed periods of 5 years to 8 years. Lease terms are negotiated on an individual basis and contain various terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as securities for borrowing purposes.

Leases are recognised as right-of-use assets and the corresponding lease liabilities at the date of which the respective leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the entity's incremental borrowing rate.

Right-of-use assets are measured at costs comprising the following:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases for properties with a lease term of less than 12 months.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in HKFRS 16 Leases. In such cases, the Group took advantage of the practical expedient set out in HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

## **2.26 Dividend distribution**

Dividend distribution to the shareholders is recognised as a liability in the years in which the dividend is approved by the Company's shareholders or directors, where appropriate.



**2.27 Government grants**

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to expenses are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the expenses that they are intended to compensate.

**2.28 Contingent liabilities**

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amounts of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

**3 FINANCIAL RISK MANAGEMENT**

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

**3.1 Market risk****3.1.1 Foreign exchange risk**

The Group's businesses are principally conducted in RMB, which is exposed to foreign currency risk with respect to transactions denominated in currencies other than RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. During the Track Record Period, the Group has not entered into any derivative instruments to hedge its foreign exchange exposures.

The following table shows the Group's foreign currency dominated monetary assets and liabilities held by the Group companies with RMB as their functional currency (in RMB equivalent).

	Currency denomination	As of 31 December			As of 31 March
		2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000
Cash and cash equivalents	USD	–	–	–	134,198
Financial liabilities at FVPL	USD	–	–	–	215,566

As of 31 March 2021, if USD had strengthened/weakened by 5% against RMB with all other variables held constant, the profit before income tax for the period ended 31 March 2021 would have been approximately RMB4,068,000 lower/higher.

**3.1.2 Interest rate risk**

The Group's interest rate risk is mainly attributable to its cash and cash equivalents (excluding cash on hand). Details of the Group's cash and cash equivalents have been disclosed in Note 17 to the consolidated financial statements. The Group's lease liabilities and borrowings are also interest-bearing but with fixed rates.

As of 31 December 2018, 2019, 2020 and 31 March 2021, if interest rates on cash and cash equivalents (excluding cash on hand) had been 50 basis points higher/lower with all variables held constant, profit before income tax for the periods then ended would have been approximately RMB48,000, RMB105,000, RMB115,000 and 651,000 higher/lower, respectively, mainly as a result of higher/lower interest income on the cash and cash equivalents (excluding cash on hand).

### 3.1.3 Credit risk

The credit risk of the Group mainly arises from cash and cash equivalents (excluding cash on hand), rental and other deposits. The carrying amounts of each financial asset represent the Group's maximum exposure to credit risk in relation to financial assets.

#### (a) Risk management

The Group has policies in place to ensure that credit terms are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers.

The Group's cash and cash equivalents (excluding cash on hand) were deposited with high quality financial and other institutions with sound credit ratings. Therefore, the Group does not expect material losses arising from non-performance by these counterparties.

For rental and other deposits, the Group assessed that most of the underlying lease contracts grant the Group, as a lessee, the contractual right to continue occupying the corresponding premises if the landlord does not refund these rental and other deposits at the end of the lease terms pursuant to the terms and conditions set out in the lease contracts. Hence, the Group does not expect material losses arising from non-performance by these counter parties.

#### (b) Impairment of financial assets

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, management considered the expected credit loss rates to be immaterial and the identified impairment loss was immaterial as substantially all of the Group's bank deposits were deposited with major financial and other institutions which management believes are of high-credit-quality without significant credit risk.

The Group's other financial assets carried at amortised cost include rental and other deposits in the consolidated statements of financial position. The impairment loss of rental and other deposits is measured based on the twelve months expected credit loss. The twelve months expected credit loss is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within twelve months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss. As of 31 December 2018, 2019, 2020 and 31 March 2021, management considered the expected credit loss rates of rental and other deposits to be immaterial and the expected credit losses of rental and other deposits as immaterial under 12 months expected credit loss method. Therefore, no provision was recognised.

### 3.1.4 Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the shorter and longer term.

Taking into account the Group's financial resources, its internally generated cash and banking facilities, the directors of the Company believe that the Group has sufficient capital to meet its liquidity needs for at least twelve months from 31 March 2021. For details, please refer to Note 2.2.

There were no undrawn banking facilities available to the Group as of 31 December 2018, 2019, 2020 and 31 March 2021.

# APPENDIX I

# ACCOUNTANT'S REPORT

The table below analyses the non-derivative financial liabilities of the Group into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table were the contractual undiscounted cash flows and the earliest date the Group can be required to pay. Balances within twelve months equal their carrying balances as impact from discounting is not significant.

	Repayable on demand <i>RMB'000</i>	Less than 1 year <i>RMB'000</i>	More than 1 year <i>RMB'000</i>	Total <i>RMB'000</i>
<b>At 31 December 2018</b>				
Trade payables	–	6,723	–	6,723
Other payables and accruals (excluding amount due to a director)	–	3,122	–	3,122
Amount due to a director	42,555	–	–	42,555
Lease liabilities	–	29,371	143,911	173,282
Bank overdrafts	149	–	–	149
	<u>42,704</u>	<u>39,216</u>	<u>143,911</u>	<u>225,831</u>
<b>At 31 December 2019</b>				
Trade payables	–	18,244	–	18,244
Other payables and accruals (excluding amount due to a director)	–	1,372	–	1,372
Amount due to a director	44,591	–	–	44,591
Lease liabilities	–	88,700	381,849	470,549
	<u>44,591</u>	<u>108,316</u>	<u>381,849</u>	<u>534,756</u>
<b>At 31 December 2020</b>				
Trade payables	–	36,456	–	36,456
Other payables and accruals (excluding amount due to a director)	–	22,310	–	22,310
Amount due to a director	35,136	–	–	35,136
Lease liabilities	–	138,309	526,263	664,572
Borrowings	–	13,255	–	13,255
	<u>35,136</u>	<u>210,330</u>	<u>526,263</u>	<u>771,729</u>
<b>At 31 March 2021</b>				
Trade payables	–	36,641	–	36,641
Other payables and accruals (excluding amount due to a director)	–	42,115	–	42,115
Lease liabilities	–	180,159	633,897	814,056
Borrowings	–	31,916	–	31,916
Financial liabilities at FVPL	–	215,566	–	215,566
	<u>–</u>	<u>506,397</u>	<u>633,897</u>	<u>1,140,294</u>

The table below analyses the borrowings of the Group into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date.

	Within 1 year <i>RMB'000</i>	Between 1 and 2 years <i>RMB'000</i>	Between 2 and 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
<b>At 31 December 2018</b>				
Bank overdrafts	149	–	–	149
<b>At 31 December 2019</b>				
Borrowings	–	–	–	–
<b>At 31 December 2020</b>				
Borrowings	13,000	–	–	13,000
<b>At 31 March 2021</b>				
Borrowings	30,000	–	–	30,000

### 3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the total debt to total capital ratio. Total debt represents borrowings. Total capital represents total equity, as shown in the consolidated statements of financial position. The total debt to total capital ratios at 31 December 2018, 2019, 2020 and 31 March 2021 were as follows:

	As of 31 December			As of 31 March
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total borrowings	149	–	13,000	30,000
Total equity	10,286	89,215	160,238	174,943
Total debt to total capital ratio	1%	–	8%	17%

### 3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as of 31 March 2021 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (level 3).

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>As of 31 March 2021</b>				
<b>Financial liabilities at FVPL</b>				
Series A Preferred Shares and Series A+ Preferred Shares ( <i>Note 24</i> )	–	–	215,566	215,566
	–	–	215,566	215,566

The fair value of financial instruments traded in active markets is determined based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required for evaluating the fair value of a financial instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include

- Dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for financial instruments.

#### *Valuation processes of the Group (Level 3)*

Level 3 instruments comprise convertible preferred shares which are classified as financial liabilities at FVPL. These instruments are not traded in an active market and their valuation was undertaken by ValQuest Advisory (Hong Kong) Limited ("ValQuest Advisory"), an independent qualified professional valuer.

Market approach was used to determine the underlying equity value of the Company and black-scholes option model and equity allocation model were adopted to determine the fair value of the convertible preferred shares as at the date of issuance and 31 March 2021.

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Description	Fair value at 31 March 2021 <i>RMB'000</i>	Unobservable inputs	Inputs as of three months ended 31 March 2021	Relationship of unobservable inputs to fair value
Convertible preferred shares (Note 24)	215,566	Expected volatility	76.03%	Increasing/decreasing expected volatility by 5% would increase/ decrease the fair value of convertible preferred shares by RMB471,000 and RMB474,000 respectively.
		Risk-free rate	2.67%	The higher the risk-free rate, the lower the fair value

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the three months ended 31 March 2021.

The carrying amounts of the Group's financial assets and liabilities including cash and cash equivalents, rental and other deposits, accounts payables, other payables and borrowings approximate to their fair values due to their short maturities.

#### 4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

##### 4.1 Current and deferred taxation

The Group is subject to income taxes mainly in the PRC. Significant judgement is required in determining provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the periods in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and tax expense in the periods in which such estimate is changed.

**4.2 Depreciation**

Plant and equipment and right-of-use assets are depreciated on a straight-line basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets. The depreciation expense for future periods is adjusted if there are material changes from previous estimates.

**4.3 Determination of lease terms**

In determining the lease terms, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

**4.4 Valuation of convertible preferred shares**

The convertible preferred shares are not traded in an active market and their fair value is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting periods. For details of the key assumptions used and the impact of changes to these assumptions, refer to Note 3.3.

**4.5 Recognition of share-based payment expenses**

As disclosed in Note 27, the Group issued certain shares to WTSJ Holding and NEWCE Holding at par value which results in the recognition of share-based payment expenses. Significant estimates on key assumptions are required to be made by management in determining the fair value of the issued shares, including risk-free rate, expected volatility and expected dividend yield.

**5 REVENUE AND SEGMENT INFORMATION**

The Company is an investment holding company and its subsidiaries now comprising the Group are principally engaged in bar operations and franchise business.

The CODM has been identified as the directors of the Company. The directors review the Group's internal reporting in order to assess performance and allocate resources. The directors have determined the operating segment based on these reports.

The directors consider the Group's operation from a business perspective and determine that the Group is managed as one single reportable operating segment.

During the Track Record Period, all of the Group's revenues are from contracts with customers. Please refer to Note 2.23 for details of accounting policies on revenue recognition.

**(a) Disaggregation of revenue**

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

	Year ended 31 December			Three months ended 31 March	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Revenue from:					
– Bar operations	69,066	540,290	812,877	61,512	368,063
– Franchisees	45,744	24,519	5,068	526	508
	<u>114,810</u>	<u>564,809</u>	<u>817,945</u>	<u>62,038</u>	<u>368,571</u>
Disaggregated by timing of revenue recognition:					
– Point in time	69,066	540,290	812,877	61,512	368,063
– Over time	45,744	24,519	5,068	526	508
	<u>114,810</u>	<u>564,809</u>	<u>817,945</u>	<u>62,038</u>	<u>368,571</u>

No customers contributed over 10% of the total revenue of the Group for the Track Record Period.

All contracts entered by the Group are for periods one year or less. The Group has applied the practical expedient as permitted by HKFRS 15 and the transaction allocated to the remaining performance obligations is not disclosed.

**(b) Segment revenue by customers' geographical location**

The Group's revenue by geographical location, which is determined by the operation's locations, is as follows:

	Year ended 31 December			Three months ended 31 March	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
The PRC	114,115	562,182	816,281	61,451	368,571
Hong Kong	695	2,627	1,664	587	–
	<u>114,810</u>	<u>564,809</u>	<u>817,945</u>	<u>62,038</u>	<u>368,571</u>

**(c) Non-current assets by geographical location**

As of 31 December 2018, 2019, 2020 and 31 March 2021, most of the Group's non-current assets (other than intangible assets and deferred tax assets) were located in the PRC.



## 6 OTHER EXPENSES

	Year ended 31 December			Three months ended 31 March	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 (Unaudited)	2021 RMB'000
Logistics and warehousing-related costs	1,253	11,934	18,827	1,270	9,335
Office expenses	2,337	5,598	9,242	1,827	4,222
Repair and maintenance	585	2,976	3,669	388	1,073
Training expenses	932	2,139	3,471	13	985
Cleaning and garbage handling fees	185	1,630	3,308	134	1,140
Service fees to third-party platform service providers	401	1,615	2,522	193	1,107
Telecommunications	128	521	1,169	93	436
Entertainment	842	2,749	5,293	104	3,354
Fees for professional advisory and consulting services	3,530	3,508	2,379	73	1,599
Auditor's remuneration	38	43	48	12	13
Others	1,044	7,180	8,245	409	5,700
	<u>11,275</u>	<u>39,893</u>	<u>58,173</u>	<u>4,516</u>	<u>28,964</u>

## 7 GOVERNMENT GRANTS AND CONCESSIONS

	Year ended 31 December			Three months ended 31 March	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 (Unaudited)	2021 RMB'000
Government grants (a)	68	1,476	25,825	1,677	2,204
Gain on COVID-19 rent concessions (Note 19(c))	<u>—</u>	<u>—</u>	<u>10,597</u>	<u>5,147</u>	<u>364</u>
	<u>68</u>	<u>1,476</u>	<u>36,422</u>	<u>6,824</u>	<u>2,568</u>

- (a) Government grants mainly represented exemptions on value-added tax granted by the government authorities in the PRC which were applicable to certain subsidiaries of the Group, and the additional COVID-19 relief exemptions granted by the government authorities in the PRC and Hong Kong during the year ended 31 December 2020 and the three months ended 31 March 2021.

**8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) AND MANPOWER SERVICE EXPENSES**

	Year ended 31 December			Three months ended 31 March	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Wages, salaries and other benefits	23,312	88,971	133,651	19,322	49,545
Pension costs – defined contribution schemes (Note a)	665	3,300	6,822	801	7,137
Equity settled share-based payments (Note 27)	1,100	–	–	–	91,683
Total employee benefit expenses (including directors' remunerations)	25,077	92,271	140,473	20,123	148,365
Manpower service expenses (Note b)	–	–	38,457	–	41,993
	<u>25,077</u>	<u>92,271</u>	<u>178,930</u>	<u>20,123</u>	<u>190,358</u>

**(a) Pensions costs – defined contribution plans**

***Hong Kong***

*Retirement benefit costs – defined contribution schemes*

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the “MPF Scheme”), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, the Group and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the Group's and the employees' mandatory contributions were subject to a cap of HK\$1,500 per month.

***The PRC***

As stipulated under the relevant rules and regulations in the PRC, the subsidiaries operating in the PRC contribute to state-sponsored retirement plans for its employees. For the years ended 31 December 2018, 2019, 2020 and the three months ended 31 March 2021, depending on the provinces of the employees' registered residences and their current region of work, the subsidiaries contributed certain percentages of the basic salaries of its employees and had no further obligations for the actual payment of pensions or postretirement benefits beyond the contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to the retired employees.

**(b) Manpower service expenses**

During the year ended 31 December 2020 and the three months ended 31 March 2021, the Group entered into certain manpower service arrangements with several external manpower service agents in the PRC. Under these arrangements, certain of the Group's manpower requirements were fulfilled by these agents at agreed service fees whereas the human resources provided were directly employed by the relevant service organisations. The individuals providing services to the Group do not have any employment relationship with the Group.

## (c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 1, 1, 2, 0 and 2 director(s) for the years ended 31 December 2018, 2019, 2020 and the three months ended 31 March 2020 and 2021, respectively, whose emoluments are reflected in the analysis presented in Note 31. The emoluments payable to the remaining 4, 4, 3, 5 and 3 individuals for the years ended 31 December 2018, 2019, 2020 and the three months ended 31 March 2020 and 2021 are as follows:

	Year ended 31 December			Three months ended 31 March	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Wages, salaries and other benefits	886	1,168	1,955	464	651
Pension costs – defined contribution plans	21	46	54	15	38
	<u>907</u>	<u>1,214</u>	<u>2,009</u>	<u>479</u>	<u>689</u>

The emoluments fell within the following band:

*Number of individuals*

	Year ended 31 December			Three months ended 31 March	
	2018	2019	2020	2020	2021
				(Unaudited)	
<b>Emolument band</b>					
Below HKD1,000,000	<u>4</u>	<u>4</u>	<u>3</u>	<u>5</u>	<u>3</u>

During the Track Record Period, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

**9 FINANCE COSTS, NET**

	Year ended 31 December			Three months ended 31 March	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Interest income on bank deposits	<u>(9)</u>	<u>(14)</u>	<u>(34)</u>	<u>(7)</u>	<u>(12)</u>
Interest expenses on lease liabilities ( <i>Note 19(c)</i> )	4,023	16,358	28,226	6,675	11,324
Interest expenses on borrowings	<u>–</u>	<u>20</u>	<u>433</u>	<u>–</u>	<u>493</u>
Finance costs	<u>4,023</u>	<u>16,378</u>	<u>28,659</u>	<u>6,675</u>	<u>11,817</u>
Finance costs, net	<u>4,014</u>	<u>16,364</u>	<u>28,625</u>	<u>6,668</u>	<u>11,805</u>

## 10 INCOME TAX (CREDIT)/EXPENSE

	Year ended 31 December			Three months ended	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
<b>Current income tax</b>					
– PRC corporate income tax	7,137	27,423	36,188	589	12,968
<b>Deferred income tax</b>					
(Note 20)	(7,388)	(1,641)	(9,293)	(5,226)	(1,958)
<b>Income tax (credit)/expense</b>	(251)	25,782	26,895	(4,637)	11,010

## (a) Hong Kong profits tax

During the years ended 31 December 2018, 2019, 2020 and the three months ended 31 March 2020 and 2021, no provision for Hong Kong profits tax has been made at the rate of 16.5% as the Group did not derive any income subject to Hong Kong profits tax during the Track Record Period.

## (b) PRC corporate income tax

During the years ended 31 December 2018, 2019, 2020 and the three months ended 31 March 2020 and 2021, the Group's subsidiaries in the PRC are subject to corporate income tax ("CIT") at a standard rate of 25%, except for Shenzhen Helens Management Co., Ltd. which is an enterprise established in the Qianhai Shenzhen-Hong Kong Modern Services Industry Cooperation Zone ("Qianhai Zone") and is engaged in business that falls within the catalogue for CIT preferential treatments of Qianhai Zone and therefore subject to a preferential corporate income tax rate of 15%.

The taxation on the Group's profit before income tax differs from the theoretical amounts that would arise using the weighted average tax rate applicable to subsidiaries now comprising the Group as follows:

	Year ended 31 December			Three months ended	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
Profit/(loss) before income tax	9,483	104,918	96,967	(21,206)	(65,322)
Tax calculated at the applicable tax rates of the respective subsidiaries	(1,672)	22,995	22,885	(5,363)	6,437
Tax effect of:					
Expenses not deductible for tax purpose	541	1,408	3,552	637	4,304
Tax losses not recognised	880	1,379	458	89	269
<b>Income tax (credit)/expense</b>	(251)	25,782	26,895	(4,637)	11,010

**11 EARNINGS PER SHARE****(a) Basic**

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the Track Record Period.

In determining the weighted average number of ordinary shares deemed to be in issue during the Track Record Period, 1,000 shares, being the number of ordinary shares issued by the Company on 16 January 2018 (date of incorporation), were deemed to have been issued and allocated on 1 January 2018 as if the Company has been incorporated by then, when computing the basic and diluted earnings per share for the years ended 31 December 2018, 2019, 2020 and the three months ended 31 March 2020 and 2021.

On 9 February 2021, the shareholders of the Company resolved that all issued and unissued ordinary shares of the Company increased from 500,000,000 shares of USD0.0001 each to 500,000,000,000,000 shares of USD0.0000000001 each by subdivision of one share at par value of USD0.0001 each to 1,000,000 shares at par value of USD0.0000000001 each (the "Subdivision"). Immediately following the Subdivision, the number of ordinary shares in issue was 1,000,000,000. In determining the weighted average number of ordinary shares in issue, the Subdivision has been adjusted retrospectively as if the Subdivision was effective since the beginning of the year ended 31 December 2018.

	Year ended 31 December			Three months ended	
	2018	2019	2020	31 March 2020	2021
				<i>(Unaudited)</i>	
Profit/(loss) for the year/period attributable to owners of the Company (RMB'000)	9,734	79,136	70,072	(16,569)	(76,332)
Weighted average number of ordinary shares in issue (Thousand) <i>(Note 18)</i>	1,000,000	1,000,000	1,000,000	1,000,000	1,006,806
Basic earnings/(loss) per share (RMB)	<u>0.010</u>	<u>0.079</u>	<u>0.070</u>	<u>(0.017)</u>	<u>(0.076)</u>

**(b) Diluted**

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue during the period with the weighted average number of ordinary shares deemed to be issued assuming the dilutive impact on the shares pursuant to the restricted shares granted as detailed in Note 27.

For the three months ended 31 March 2020 and 2021, the Group incurred losses and the potential ordinary shares were not included in the calculation of the diluted loss per share as they are anti-dilutive. Accordingly, diluted loss per share for the three months ended 31 March 2020 and 2021 are the same as basic loss per share.

	Year ended 31 December			Three months ended	
	2018	2019	2020	31 March 2020	2021
				(Unaudited)	
Profit/(loss) for the year/ period attributable to owners of the Company (RMB'000)	9,734	79,136	70,072	(16,569)	(76,332)
Weighted average number of ordinary shares in issue (Thousand) (Note 18)	1,000,000	1,000,000	1,000,000	1,000,000	1,006,806
Adjustment for restricted shares (Thousand) (Note 27)	73	26,800	26,800	—	—
	<u>1,000,073</u>	<u>1,026,800</u>	<u>1,026,800</u>	<u>1,000,000</u>	<u>1,006,806</u>
Diluted earnings per share (RMB)	<u>0.010</u>	<u>0.077</u>	<u>0.068</u>	<u>N/A</u>	<u>N/A</u>

## 12 PLANT AND EQUIPMENT

	Office equipment RMB'000	Computer equipment RMB'000	Furniture and fixture RMB'000	Leasehold improvement RMB'000	Total RMB'000
<b>At 1 January 2018</b>					
Cost	—	—	—	—	—
Accumulated depreciation	—	—	—	—	—
Net book amount	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Year ended 31 December 2018</b>					
Opening net book amount	—	—	—	—	—
Additions	24	147	14,135	25,151	39,457
Business combinations (Note 29)	—	—	—	9,438	9,438
Depreciation	(2)	(11)	(880)	(2,157)	(3,050)
Currency translation differences	—	—	4	39	43
Closing net book amount	<u>22</u>	<u>136</u>	<u>13,259</u>	<u>32,471</u>	<u>45,888</u>

# APPENDIX I

# ACCOUNTANT'S REPORT

	Office equipment <i>RMB'000</i>	Computer equipment <i>RMB'000</i>	Furniture and fixture <i>RMB'000</i>	Leasehold improvement <i>RMB'000</i>	Total <i>RMB'000</i>
<b>At 31 December 2018</b>					
Cost	24	147	14,139	34,632	48,942
Accumulated depreciation	(2)	(11)	(880)	(2,161)	(3,054)
Net book amount	22	136	13,259	32,471	45,888
<b>Year ended 31 December 2019</b>					
Opening net book amount	22	136	13,259	32,471	45,888
Additions	3	68	21,681	53,093	74,845
Business combinations (Note 29)	–	–	–	11,156	11,156
Depreciation	(5)	(44)	(4,121)	(13,192)	(17,362)
Currency translation differences	1	–	5	32	38
Closing net book amount	21	160	30,824	83,560	114,565
<b>At 31 December 2019</b>					
Cost	27	215	35,826	98,922	134,990
Accumulated depreciation	(6)	(55)	(5,002)	(15,362)	(20,425)
Net book amount	21	160	30,824	83,560	114,565
<b>Year ended 31 December 2020</b>					
Opening net book amount	21	160	30,824	83,560	114,565
Additions	–	76	24,089	78,432	102,597
Business combinations (Note 29)	–	–	–	3,737	3,737
Depreciation	(5)	(48)	(8,676)	(23,288)	(32,017)
Currency translation differences	–	–	(4)	(35)	(39)
Closing net book amount	16	188	46,233	142,406	188,843
<b>At 31 December 2020</b>					
Cost	27	291	59,911	181,056	241,285
Accumulated depreciation	(11)	(103)	(13,678)	(38,650)	(52,442)
Net book amount	16	188	46,233	142,406	188,843

	Office equipment <i>RMB'000</i>	Computer equipment <i>RMB'000</i>	Furniture and fixture <i>RMB'000</i>	Leasehold improvement <i>RMB'000</i>	Total <i>RMB'000</i>
<b>(Unaudited)</b>					
<b>Three months ended</b>					
<b>31 March 2020</b>					
Opening net book amount	21	160	30,824	83,560	114,565
Additions	–	–	1,538	7,383	8,921
Business combinations (Note 29)	–	–	–	672	672
Depreciation	(1)	(12)	(1,943)	(4,979)	(6,935)
Currency translation differences	–	–	(1)	(9)	(10)
Closing net book amount	<u>20</u>	<u>148</u>	<u>30,418</u>	<u>86,627</u>	<u>117,213</u>
<b>As of 31 March 2020</b>					
Cost	27	215	37,365	106,983	144,590
Accumulated depreciation	<u>(7)</u>	<u>(67)</u>	<u>(6,947)</u>	<u>(20,356)</u>	<u>(27,377)</u>
Net book amount	<u>20</u>	<u>148</u>	<u>30,418</u>	<u>86,627</u>	<u>117,213</u>
<b>Three months ended</b>					
<b>31 March 2021</b>					
Opening net book amount	16	188	46,233	142,406	188,843
Additions	–	–	12,659	71,117	83,776
Business combinations (Note 29)	–	–	–	1,130	1,130
Depreciation	<u>(1)</u>	<u>(17)</u>	<u>(3,305)</u>	<u>(9,623)</u>	<u>(12,946)</u>
Closing net book amount	<u>15</u>	<u>171</u>	<u>55,587</u>	<u>205,030</u>	<u>260,803</u>
<b>As of 31 March 2021</b>					
Cost	27	291	72,570	253,303	326,191
Accumulated depreciation	<u>(12)</u>	<u>(120)</u>	<u>(16,983)</u>	<u>(48,273)</u>	<u>(65,388)</u>
Net book amount	<u>15</u>	<u>171</u>	<u>55,587</u>	<u>205,030</u>	<u>260,803</u>



## 13 INTANGIBLE ASSETS

System software  
RMB'000**As at 1 January 2018****Opening**

Cost	—
Accumulated amortisation	—
Net book amount	—

**Year ended 31 December 2018**

Opening net book amount	—
Additions	44
Amortisation	(4)
Closing net book amount	40

**At 31 December 2018**

Cost	44
Accumulated amortisation	(4)
Net book amount	40

**Year ended 31 December 2019**

Opening net book amount	40
Additions	103
Amortisation	(17)
Closing net book amount	126

**At 31 December 2019**

Cost	147
Accumulated amortisation	(21)
Net book amount	126

**Year ended 31 December 2020**

Opening net book amount	126
Additions	—
Amortisation	(17)
Closing net book amount	109

**At 31 December 2020**

Cost	147
Accumulated amortisation	(38)
Net book amount	109

**System software**  
RMB'000

**(Unaudited)**

**Three months ended 31 March 2020**

Opening net book amount	126
Amortisation	(4)

Closing net book amount	122
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**At 31 March 2020**

Cost	147
Accumulated amortisation	(25)

Net book amount	122
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**Three months ended 31 March 2021**

Opening net book amount	109
Amortisation	(4)

Closing net book amount	105
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**At 31 March 2021**

Cost	147
Accumulated amortisation	(42)

Net book amount	105
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## 14 FINANCIAL INSTRUMENTS BY CATEGORIES

	As of 31 December			As of
	2018	2019	2020	31 March
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
<b>Financial assets</b>				
Financial assets carried at amortised cost				
Other receivables and deposits (Note 15)	6,024	17,504	30,744	34,311
Cash and cash equivalents (Note 17)	10,121	22,257	24,255	152,858
	<u>16,145</u>	<u>39,761</u>	<u>54,999</u>	<u>187,169</u>
<b>Financial liabilities</b>				
Financial liabilities carried at amortised cost				
Trade payables (Note 21)	6,723	18,244	36,456	36,641
Other payables and accruals	45,677	45,963	57,446	42,115
Lease liabilities (Note 19)	147,546	384,176	539,241	706,612
Borrowings (Note 23)	149	–	13,000	30,000
	<u>200,095</u>	<u>448,383</u>	<u>646,143</u>	<u>815,368</u>
Financial liabilities at FVPL				
Series A Preferred Shares and Series A+ Preferred Shares (Note 24)	–	–	–	215,566
	<u>200,095</u>	<u>448,383</u>	<u>646,143</u>	<u>1,030,934</u>

## 15 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As of 31 December			As of
	2018	2019	2020	31 March
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
<b>The Group</b>				
<b>Non-current portion</b>				
Rental deposits	5,105	13,781	23,278	26,464
Prepayments for acquisitions of plant and equipment	–	951	3,574	11,628
	<u>5,105</u>	<u>14,732</u>	<u>26,852</u>	<u>38,092</u>

	As of 31 December			As of 31 March
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Current portion</b>				
Rental and other deposits	774	3,474	7,073	7,165
Prepayments	451	703	147	1,237
Deferred listing expenses (b)	–	–	1,002	2,515
Other tax receivable	–	–	1,585	3,068
Others	145	249	393	682
	<u>1,370</u>	<u>4,426</u>	<u>10,200</u>	<u>14,667</u>

	As of 31 December			As of 31 March
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
<b>The Company</b>				
Deferred listing expenses (b)	–	–	1,002	2,515
Others	1	1	1	1
	<u>1</u>	<u>1</u>	<u>1,003</u>	<u>2,516</u>

- (a) As of 31 December 2018, 2019, 2020 and 31 March 2021, the carrying amounts of deposits and other receivables approximated their fair values and were primarily denominated in RMB.
- (b) The deferred listing expenses were incurred in connection with the listing of the Group and will be deducted from equity upon the listing of the Group.

## 16 INVENTORIES

	As of 31 December			As of 31 March
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Food ingredients, beverages and consumables	<u>7,280</u>	<u>23,405</u>	<u>36,855</u>	<u>37,160</u>

The cost of inventories recognised as expenses and included in the consolidated statement of comprehensive income during the years ended 31 December 2018, 2019, 2020 and the three months ended 31 March 2021 amounted to approximately RMB31,745,000, RMB195,865,000, RMB271,385,000 and RMB108,173,000, respectively.

No write-downs of inventories to net realisable value were charged to the consolidated statement of comprehensive income during the years ended 31 December 2018, 2019, 2020 and the three months ended 31 March 2021, respectively.

## 17 CASH AND CASH EQUIVALENTS

	As of 31 December			As of
	2018	2019	2020	31 March
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
<b>The Group</b>				
Cash and cash equivalents	10,121	22,257	24,255	152,858
Maximum exposure to credit risk (excluding cash on hand)	9,643	20,929	23,026	130,116

	As of 31 December			As of
	2018	2019	2020	31 March
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
<b>The Company</b>				
Cash and cash equivalents	–	–	–	38,554
Maximum exposure to credit risk (excluding cash on hand)	–	–	–	38,554

As of 31 December 2018, 2019, 2020 and 31 March 2021, the carrying amounts of cash and cash equivalents approximated their fair values.

The carrying amounts of the Group's cash and cash equivalents were denominated in the following currencies:

	As of 31 December			As of
	2018	2019	2020	31 March
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
RMB	10,103	22,097	22,796	17,935
HKD	18	160	1,459	725
USD	–	–	–	134,198
	10,121	22,257	24,255	152,858

As of 31 December 2018, 2019, 2020 and 31 March 2021, all of the Company's cash and cash equivalents were denominated in USD.

Cash and cash equivalents (excluding cash on hand) earned interest at floating rates based on daily deposits rate. As of 31 December 2018, 2019, 2020 and 31 March 2021, the carrying amounts of cash and cash equivalents approximated their fair values.

As of 31 December 2018, 2019, 2020 and 31 March 2021, cash and cash equivalents of the Group amounting to approximately RMB10,103,000, RMB22,097,000, RMB22,796,000 and RMB28,019,000, respectively, were deposited with the banks in the PRC where the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the government of the PRC.

## 18 SHARE CAPITAL

## Authorised

	Number of ordinary shares	Nominal value of ordinary shares USD	Number of convertible preferred shares	Nominal value of convertible preferred shares USD
<b>As of 31 December 2018, 2019 and 2020</b>	500,000,000	50,000	–	–
Effect of share subdivision ( <i>Note (b)</i> )	499,999,500,000,000	–	–	–
Redesignation ( <i>Notes (c) and (e)</i> )	(25,591,032)	(2,559)	25,591,032	2,559
<b>As at 31 March 2021</b>	<u>499,999,974,408,968</u>	<u>47,441</u>	<u>25,591,032</u>	<u>2,559</u>

## Issued

	Number of ordinary shares	Nominal value of ordinary shares USD	Share capital RMB
<b>As of 31 December 2018, 2019 and 2020</b>	1,000	0.1	1
Effect of share subdivision ( <i>Note (b)</i> )	999,999,000	–	–
Shares issued for WTSJ Holding and NEWCE Holding ( <i>Note (d)</i> )	<u>12,010,975</u>	<u>0.001</u>	<u>–</u>
<b>As at 31 March 2021</b>	<u>1,012,010,975</u>	<u>0.101</u>	<u>1</u>

## Notes:

- (a) On 16 January 2018, 1,000 ordinary shares were issued for approximately USD0.0001 pursuant to the Group's Reorganisation as detailed in Note 1.2. As of 31 December 2018, 2019 and 2020, total issued number and nominal value of ordinary shares of the Company amounted to 1,000 share and approximately RMB1 respectively.
- (b) On 9 February 2021, the Company underwent a share subdivision whereby each of the issued and unissued ordinary shares of the Company with a par value of USD0.0001 each was subdivided into 1,000,000 Shares with a par value of USD0.0000000001, such that immediately following such share subdivision, the authorised share capital of the Company was USD50,000 divided into 500,000,000,000,000 ordinary shares with a par value of USD0.0000000001 each, and the issued ordinary shares was 1,000,000,000 shares with a nominal value of USD0.1.
- (c) On 9 February 2021, following the share subdivision, the authorised share capital of the Company was changed from USD50,000 divided into 500,000,000,000,000 Shares of a nominal value of USD0.0000000001 each to USD50,000 divided into (i) 499,999,975,977,096 ordinary shares of a nominal value of USD0.0000000001 each and (ii) 24,022,904 Series A Preferred Shares of a nominal value of USD0.0000000001 each, by redesignation of 24,022,904 authorised but unissued shares as Series A Preferred Shares.
- (d) On 9 February 2021, following the share subdivision and redesignation of Shares, the Company allotted and issued 11,146,876 Shares and 864,099 Shares to WTSJ Holding and NEWCE Holding, respectively at par value.

- (e) On 10 February 2021, the authorised share capital of the Company was changed from USD50,000 divided into (i) 499,999,975,977,096 ordinary shares of a nominal value of USD0.0000000001 each and (ii) 24,022,904 Series A Preferred Shares of a nominal value of USD0.0000000001 each to USD50,000 divided into (i) 499,999,974,408,968 ordinary shares of a nominal value of USD0.0000000001 each, (ii) 24,022,904 Series A Preferred Shares of a nominal value of USD0.0000000001 each and (iii) 1,568,128 Series A+ Preferred Shares of par value of USD0.0000000001 each, by redesignation of 1,568,128 authorised but unissued shares as Series A+ Preferred Shares.

## 19 LEASES

### (a) The Group's leasing activities

The Group leases various properties and the rental contracts are typically made for fixed periods of 5 to 8 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. None of the Group's leases contain variable lease payment terms that are linked to sales generated from the leased premises.

Certain of the Group's leases contain extension options to allow the Group to notify and negotiate with the lessors on renewal of leases a few months in advance before the expiry of leases. Termination options are also included in a number of the Group's property leases and exercisable by the Group. Options which are reasonably certain to be exercised are taken into account when determining lease terms and measuring lease liabilities.

### (b) Amounts recognised in the consolidated statements of financial position

The consolidated statements of financial position included the following amounts relating to leases:

	As of 31 December			As of 31 March
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Right-of-use assets-properties</b>				
Opening net book amount	–	146,604	386,229	554,506
Additions	159,571	292,936	273,434	211,661
Business combinations ( <i>Note 29</i> )	2,178	–	–	–
Depreciation charge	(15,119)	(53,233)	(105,276)	(37,081)
Currency translation differences	(26)	(78)	119	–
	<u>146,604</u>	<u>386,229</u>	<u>554,506</u>	<u>729,086</u>
Closing net book amount	<u>146,604</u>	<u>386,229</u>	<u>554,506</u>	<u>729,086</u>
<b>Lease liabilities</b>				
Non-current portion	128,949	337,288	460,379	612,466
Current portion	18,597	46,888	78,862	94,146
	<u>147,546</u>	<u>384,176</u>	<u>539,241</u>	<u>706,612</u>

As of 31 December 2018, 2019, 2020 and 31 March 2021, the carrying amounts of the Group's right-of-use assets and lease liabilities were primarily denominated in RMB.

## (c) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income included the following amounts relating to leases:

	Year ended 31 December			Three months ended	
	2018	2019	2020	31 March 2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Depreciation charge of right-of-use assets	15,119	53,233	105,276	21,141	37,081
Finance costs on lease liabilities (Note 9)	4,023	16,358	28,226	6,675	11,324
Gain on COVID-19 rent concessions (Note 7)	—	—	10,597	5,147	364

During the year ended 31 December 2020 and the three months ended 31 March 2020 and 2021, the Group received rent concessions from landlords during certain periods of severe social distancing and travel restriction measures introduced by the PRC and Hong Kong government to contain the spread of COVID-19. These aforementioned rent concessions amounted to a total of approximately RMB10,597,000, RMB5,147,000 and RMB364,000, respectively. Pursuant to the applicable practical expedients under the amendments to HKFRS 16, the Group has recognised all of these concessions in the Group's consolidated statement of comprehensive income under "government grants and concessions" during the year ended 31 December 2020 and the three months ended 31 March 2020 and 2021.

## (d) Amounts recognised in the consolidated statements of cash flows

During the years ended 31 December 2018, 2019, 2020 and the three months ended 31 March 2020 and 2021, the total cash outflows for leases were as follows:

	Year ended 31 December			Three months ended 31 March	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
<b>Cash outflows from operating activities</b>					
Payments for short-term leases in respect of staff quarters (*)	2,406	6,403	13,605	2,309	5,338
<b>Cash outflows from financing activities</b>					
Payment of principal element of lease liabilities	14,159	56,232	107,888	20,887	43,926
Payment of interest element of lease liabilities	4,023	16,358	28,226	6,675	11,324

\* Payments for short-term leases were not shown separately, but included in the line of "profit before income tax" in respect of the net cash generated from operations which were presented in Note 25(a) using the indirect method.



## 20 DEFERRED INCOME TAX

	As of 31 December			As of 31 March
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income tax assets	7,388	9,029	18,322	20,280
<b>Deferred income tax assets</b>				
	Rights-of- use assets and lease liabilities	Advertising expenses	Tax losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As of 1 January 2018	—	—	—	—
Credited to profit and loss	673	403	6,312	7,388
As of 31 December 2018	673	403	6,312	7,388
As of 1 January 2019	673	403	6,312	7,388
Credited/(charged) to profit and loss	2,020	(81)	(298)	1,641
As of 31 December 2019	2,693	322	6,014	9,029
As of 1 January 2020	2,693	322	6,014	9,029
Credited to profit and loss	1,351	3	7,939	9,293
As of 31 December 2020	4,044	325	13,953	18,322
<b>(Unaudited)</b>				
As of 1 January 2020	2,693	322	6,014	9,029
(Charged)/credited to profit and loss	(2,003)	65	7,164	5,226
As of 31 March 2020	690	387	13,178	14,255
As of 1 January 2021	4,044	325	13,953	18,322
(Charged)/credited to profit and loss	(1,213)	259	2,912	1,958
As of 31 March 2021	2,831	584	16,865	20,280

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. As of 31 December 2018, 2019, 2020, 31 March 2020 and 2021, the Group did not recognise certain deferred income tax assets of approximately RMB876,000, RMB2,253,000, RMB2,724,000, RMB4,973,000 and RMB4,883,000, respectively, in respect of accumulated tax losses amounting to approximately RMB5,308,000, RMB13,652,000, RMB16,511,000, RMB30,137,000 and RMB29,596,000, respectively, that can be carried forward against future taxable income. These unrecognised tax losses were attributable to a Hong Kong subsidiary and do not have an expiry date.

The PRC subsidiaries of the Group have undistributed earnings of approximately RMB35,789,000, RMB117,800,000, RMB213,351,000 and RMB246,315,000 as of 31 December 2018, 2019, 2020 and 31 March 2021, respectively, which, if paid out as dividends, would be subject to tax in the hands of the recipient. Assessable temporary differences exist, but no deferred tax liabilities have been recognised as the parent entity is able to control the timing of distributions of dividends from the PRC subsidiaries and is not expected to distribute these profits in the foreseeable future.

## 21 TRADE PAYABLES

	As of 31 December			As of 31 March
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	6,723	18,244	36,456	36,641

As of 31 December 2018, 2019, 2020 and 31 March 2021, the aging analysis of trade payables, based on invoice date, were as follows:

	As of 31 December			As of 31 March
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
0-90 days	6,723	18,244	36,456	36,641

The carrying amounts of the Group's trade payables were denominated in the following currencies:

	As of 31 December			As of 31 March
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	6,650	18,171	36,456	36,641
HKD	73	73	—	—
	6,723	18,244	36,456	36,641

As of 31 December 2018, 2019, 2020 and 31 March 2021, the carrying amounts of trade payables approximated their fair values.

## 22 OTHER PAYABLES AND ACCRUALS

	As of 31 December			As of
	2018	2019	2020	31 March
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
<b>The Group</b>				
Amount due to a director (Note 30(a))	42,555	44,591	35,136	–
Salary and staff welfare payables	4,534	16,627	28,404	21,370
Manpower service expenses payables	–	–	10,735	14,265
Accrued listing expenses	–	–	2,390	11,465
Others	4,949	5,123	9,185	16,963
	<u>52,038</u>	<u>66,341</u>	<u>85,850</u>	<u>64,063</u>

	As of 31 December			As of
	2018	2019	2020	31 March
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
<b>The Company</b>				
Amount due to a subsidiary	–	–	4,292	11,061
Accrued listing expenses	–	–	2,390	11,465
Others	1	1	1	1
	<u>1</u>	<u>1</u>	<u>6,683</u>	<u>22,527</u>

As of 31 December 2018, 2019, 2020 and 31 March 2021, the carrying amounts of other payables and accruals approximated their fair values.

The carrying amounts of the Group's other payables and accruals were denominated in the following currencies:

	As of 31 December			As of
	2018	2019	2020	31 March
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
RMB	51,964	66,256	84,499	55,342
HKD	74	85	1,351	50
USD	–	–	–	8,671
	<u>52,038</u>	<u>66,341</u>	<u>85,850</u>	<u>64,063</u>

As at 31 December 2018, 2019, 2020 and 31 March 2021, the Company's amounts due to a subsidiary were non-trade in nature, interest-free, unsecured, and repayable on demand. The amount will be settled before Listing.

The carrying amounts of the Company's other payables and accruals were denominated in the following currencies:

	As of 31 December			As of 31 March
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	1	1	6,683	13,856
USD	—	—	—	8,671
	<u>1</u>	<u>1</u>	<u>6,683</u>	<u>22,527</u>

## 23 BORROWINGS

	As of 31 December			As of 31 March
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Bank overdrafts	149	—	—	—
Bank borrowings repayable within 12 months	—	—	13,000	30,000
	<u>149</u>	<u>—</u>	<u>13,000</u>	<u>30,000</u>

As of 31 December 2020, bank borrowings amounting to approximately RMB8,200,000 and RMB4,800,000 carried at interest rates of 4.55% and 7% per annum, respectively.

As of 31 March 2021, bank borrowings amounting to approximately RMB30,000,000 carried at interest rates of 6.3% per annum.

As of 31 December 2020, bank borrowings of the Group were denominated in RMB, approximated their fair values and secured by personal guarantee from Mr. Xu, the director and Controlling Shareholder of the Company. As of 31 March 2021, the Group repaid the bank borrowings and the personal guarantee from Mr. Xu was discharged.

As of 31 March 2021, bank borrowings of the Group were denominated in RMB, approximated their fair values and secured by personal guarantee from Mr. Feng Shaoming, the father-in-law of Mr. Wang Zhenpeng, the Group's senior vice president of finance and a director of a subsidiary of the Group during the Track Record Period. The aforementioned personal guarantee from Mr. Feng Shaoming will be discharged when the Group repays the corresponding bank borrowings which are repayable in January 2022.

## 24 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

On 4 February 2021, the Company, Helens Hill (BVI) and Mr. Xu, among others, entered into the Series A Preferred Share Purchase Agreement (as supplemented by a supplemental agreement dated February 8, 2021) with BA Capital, pursuant to which BA Capital agreed to subscribe for a total of 24,022,904 Series A Preferred Shares for a total consideration of US\$30,793,990 (approximately RMB199,277,000) at an issuance price of US\$1.28 per share.

On 9 February 2021, the Company, Helens Hill (BVI) and Mr. Xu, among others, entered into the Series A+ Preferred Shares Purchase Agreement with China World Investment, pursuant to which China World Investment agreed to subscribe for a total of 1,568,128 Series A+ Preferred Shares for a total consideration of US\$2,010,120 (approximately RMB13,008,000) at an issuance price of US\$1.28 per share.

As a closing condition to the Series A Preferred Share Purchase Agreement and the Series A+ Preferred Share Purchase Agreement, our Company, Mr. Xu, Helens Hill (BVI), BA Capital and China World Investment, among others, entered into the final shareholders' agreement on 10 February 2021 ("date of issuance"). On the same date, Series A Preferred Shares and Series A+ Preferred Shares were issued.

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

	<b>Three months ended 31 March 2021 RMB'000</b>
<b>At 1 January 2021</b>	–
Issuance of Series A Preferred Shares and Series A+ Preferred Shares	212,285
Exchange difference	3,281
	<hr/>
<b>At 31 March 2021</b>	<b>215,566</b>
	<hr/>

The valuation of the Series A Preferred Shares and Series A+ Preferred Shares (collectively “Preferred Shares”) as of 31 March 2021 was undertaken by ValQuest Advisory, an independent qualified professional valuer. Between the date of issuance and 31 March 2021, there were no material changes in the business of the Company nor any milestone events that would materially change the underlying equity value of the Company and the significant inputs (i.e. expected volatility and risk-free rate) used in the valuation of the level 3 fair value measurements of the convertible preferred shares undertaken by ValQuest Advisory.

As such there were no material changes in the fair value of the convertible preferred shares from the date of issuance to 31 March 2021, and no fair value change was recognised during the period from the date of issuance to 31 March 2021. For details of the valuation approach and key assumptions involved, please refer to Note 3.3.

The key terms of the convertible preferred shares are summarised as follows:

**(a) Voting rights**

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

**(b) Liquidation rights**

In the events of any liquidation and after satisfaction of all creditors' claims and other claims that may be preferred by law, the holders of Preferred Shares shall be entitled to receive for each Preferred Share, on parity with each other and prior and in preference to any distribution of any of the assets or funds of the Company to the holders of any other class or series of shares by reason of their ownership of such shares, the greater of (a) an amount equal to 100% of the Applicable Issue Price with an eight percent (8%) compound per annum return calculating from the date of issuance of such Preferred Share to the date on which such distribution is made, plus all declared but unpaid dividends (applicable for Series A Preferred Share); and (b) the amount per share as would have been payable if the Preferred Shares were converted into Ordinary Shares immediately prior to such liquidation event (such greater amount, the “Preference Amount”). If the assets and funds thus distributed among the holders of the Preferred Shares shall be insufficient to permit the payment to such holders of the Preference Amount in full, then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of the Series A+ Preferred Shares and the Series A Preferred Shares in proportion to the aggregate Preference Amount each such holder is otherwise entitled to receive pursuant to this paragraph.

The liquidation events are defined to include: (i) any liquidation, dissolution or winding up of the company; (ii) any consolidation, amalgamation, scheme of arrangement or merger of the group companies (as defined in the share purchase agreement) taken as a whole with or into any other person or other reorganization in which the members or shareholders of such group companies taken as a whole immediately prior to such consolidation, amalgamation, merger, scheme of arrangement or reorganization own less than fifty percent (50%) of the surviving entity's voting power or equity interest (on an as-converted basis) in the aggregate immediately after such consolidation, merger, amalgamation, scheme of arrangement or reorganization, or any transaction or series of related transactions pursuant to which in excess of fifty percent (50%) of such group companies' voting power or equity interest (on an as-converted basis) is transferred; (iii) a sale, transfer, lease or other disposition of all or substantially all of the assets of the group companies taken as a whole (or any series of related transactions resulting in such sale, transfer, lease or other disposition of all or substantially all of the assets of such group companies); or (iv) the exclusive licensing of all or substantially all of any group companies' intellectual property to a third party.

**(c) Conversion rights**

Each Preferred Share shall be convertible, at the option of the holder thereof, at any time after the Applicable Issue Date into such number of fully paid and non-assessable ordinary shares at an initial conversion ratio of 1:1 subject to: (i) adjustment for subdivision or consolidation of shares; (ii) adjustment for ordinary share dividends and distributions; (iii) adjustments for other dividends; (iv) adjustments for reorganizations, mergers, consolidations, reclassifications, exchanges, substitutions; (v) adjustments for dilutive issuance (issuance of new securities below the conversion price).

Each Preferred Share shall automatically be converted (without the need for the consent or approval of any Member or the Board), based on the then-effective conversion price, without the payment of any additional consideration, into fully-paid and non-assessable ordinary shares upon the earlier of (A) the closing of an IPO, or (B) the date specified by written consent or agreement of holders holding 50% or more of the issued and outstanding Preferred Shares.

**(d) Redemption rights**

China World Investment shall have one-off right to require the Company to redeem or repurchase all of the Series A+ Preferred Shares held by China World Investment on the date of the Redemption Notice if an IPO of the Company has not occurred within twelve (12) months after the signing date of the Series A+ Preferred Share Purchase Agreement.

The redemption price for each Series A+ Preferred Shares requested to be redeemed shall be equal to (i) one hundred percent (100%) of the Series A+ Preferred Shares Issue Price, plus (ii) all declared or accrued but unpaid dividends thereon.

**(e) Co-sale right**

If any of the shareholders (Mr. Xu, Helens Hill (BVI) and other ordinary shareholders of the Company) (a "Transferor") proposes to transfer, directly or indirectly, any company securities or any interest in the Company to one or more persons other than the holders of Preferred Shares ("Rightholder"), the Transferor shall give the Company and each Rightholder a written notice of the Transferor's intention to make the transfer (the "Transfer Notice"), each Rightholder shall have the right to participate in such sale, to the prospective transferee identified in the Transfer Notice on the same terms and conditions by notifying the Transferor in writing.

**25 NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS****(a) Reconciliation of profit before income tax for the Track Record Period to net cash generated from operations**

	Year ended 31 December			Three months ended 31 March	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
<b>Profit/(loss) before income tax</b>	9,483	104,918	96,967	(21,206)	(65,322)
Adjustments for:					
Finance income (Note 9)	(9)	(14)	(34)	(7)	(12)
Finance costs (Note 9)	4,023	16,378	28,659	6,675	11,817
Depreciation of right-of-use assets (Note 19)	15,119	53,233	105,276	21,141	37,081
Depreciation of plant and equipment (Note 12)	3,050	17,362	32,017	6,935	12,946
Gain on COVID-19 rent concessions (Note 7)	–	–	(10,597)	(5,147)	(364)
Equity settled share-based payment (Note 27)	1,100	–	–	–	91,683
Amortisation of intangible assets (Note 13)	4	17	17	4	4
	32,770	191,894	252,305	8,395	87,833

	Year ended 31 December			Three months ended 31 March	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 (Unaudited)	2021 RMB'000
Changes in working capital:					
– Inventories	(7,280)	(16,125)	(13,450)	2,806	(305)
– Prepayments, deposits and receivables	(49,828)	(22,605)	(14,320)	5,905	(4,079)
– Trade payables	6,723	11,521	18,212	10,502	185
– Other payables and accruals	8,821	12,022	30,931	6,063	14,862
Net cash (used in)/generated from operations	(8,794)	176,707	273,678	33,671	98,496

(b) The reconciliations of liabilities arising from financing activities are as follows:

	Lease liabilities RMB'000	Amount due to a director RMB'000	Borrowings RMB'000	Convertible preferred shares RMB'000
<b>As of 1 January 2018</b>	–	–	–	–
Interest expenses on lease liabilities	4,023	–	–	–
Cash flows				
– Payment of principal element of lease liabilities	(14,159)	–	–	–
– Payment of interest element of lease liabilities	(4,023)	–	–	–
– Advance from a director	–	86,207	–	–
Other non-cash movements				
– Additions of lease liabilities	159,571	–	–	–
– Business combinations ( <i>Note 29</i> )	2,160	–	–	–
– Off-setting ( <i>Note c</i> )	–	(43,652)	–	–
– Exchange difference	(26)	–	–	–
<b>As of 31 December 2018</b>	<u>147,546</u>	<u>42,555</u>	<u>–</u>	<u>–</u>
<b>As of 31 December 2018</b>	147,546	42,555	–	–
Interest expenses on lease liabilities	16,358	–	–	–
Cash flows				
– Payment of principal element of lease liabilities	(56,232)	–	–	–
– Payment of interest element of lease liabilities	(16,358)	–	–	–
– Advance from a director	–	12,909	–	–
Other non-cash movements				
– Additions of lease liabilities	292,936	–	–	–
– Off-setting ( <i>Note c</i> )	–	(10,873)	–	–
– Exchange difference	(74)	–	–	–

	Lease liabilities <i>RMB'000</i>	Amount due to a director <i>RMB'000</i>	Borrowings <i>RMB'000</i>	Convertible preferred shares <i>RMB'000</i>
<b>As of 31 December 2019</b>	384,176	44,591	–	–
Interest expenses on lease liabilities	28,226	–	–	–
Cash flows				
– Proceeds from borrowings	–	–	16,000	–
– Repayments of borrowings	–	–	(3,000)	–
– Payment of principal element of lease liabilities	(107,888)	–	–	–
– Payment of interest element of lease liabilities	(28,226)	–	–	–
– Repayments to a director	–	(9,455)	–	–
Other non-cash movements				
– Gain on COVID-19 rent concessions ( <i>Note 7</i> )	(10,597)	–	–	–
– Additions of lease liabilities	273,434	–	–	–
– Exchange difference	116	–	–	–
<b>As of 31 December 2020</b>	<u>539,241</u>	<u>35,136</u>	<u>13,000</u>	<u>–</u>
<b>(Unaudited)</b>				
<b>As of 31 December 2019</b>	384,176	44,591	–	–
Interest expenses on lease liabilities	6,675	–	–	–
Cash flows				
– Payment of principal element of lease liabilities	(20,887)	–	–	–
– Payment of interest element of lease liabilities	(6,675)	–	–	–
– Repayment of a shareholder	–	(5,955)	–	–
Other non-cash movements				
– Additions of lease liabilities	34,289	–	–	–
– Gain on COVID-19 rent concessions ( <i>Note 7</i> )	(5,147)	–	–	–
<b>As of 31 March 2020</b>	<u>392,431</u>	<u>38,636</u>	<u>–</u>	<u>–</u>



	Lease liabilities <i>RMB'000</i>	Amount due to a director <i>RMB'000</i>	Borrowings <i>RMB'000</i>	Convertible preferred shares <i>RMB'000</i>
<b>As of 31 December 2020</b>	539,241	35,136	13,000	–
Interest expenses on lease liabilities	11,324	–	–	–
Cash flows				
– Proceeds from bank borrowings	–	–	(13,000)	–
– Repayment of bank borrowings	–	–	30,000	–
– Payment of principal element of lease liabilities	(43,926)	–	–	–
– Payment of interest element of lease liabilities	(11,324)	–	–	–
– Repayment of a shareholder	–	(35,136)	–	–
– Proceeds from issuance of convertible preferred shares	–	–	–	212,285
Other non-cash movements				
– Additions of lease liabilities	211,661	–	–	–
– Gain on COVID-19 rent concessions ( <i>Note 7</i> )	(364)	–	–	–
– Exchange difference	–	–	–	3,281
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>As of 31 March 2021</b>	<u>706,612</u>	<u>–</u>	<u>30,000</u>	<u>215,566</u>

(c) **Major non-cash transactions**

Apart from non-cash transactions disclosed in Note (b) above, during the years ended 31 December 2018 and 2019, service fee income receivables of approximately RMB43,652,000 and RMB10,873,000, respectively, were settled through offsetting payable to Mr. Xu pursuant to certain offsetting agreements entered among the Group, Mr. Xu and the franchisees.

**26 CAPITAL COMMITMENTS**

Capital expenditure contracted for at the end of the year but not yet incurred was as follows:

	As of 31 December			As of 31 March
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contracted but not provided for	<u>1,301</u>	<u>3,499</u>	<u>16,178</u>	<u>16,895</u>

**27 EQUITY SETTLED SHARE-BASED PAYMENTS**

(i) **Share-based payment transactions during the year ended 31 December 2018 and subsequent modification**

On 31 December 2018, the Company granted restricted shares to incentivise 41 directors and employees of the Group (the “Grantees”) to contribute in the Initial Public Offering process and deliver long-term shareholder returns. These restricted shares did not carry service conditions and therefore vested immediately and were exercisable at nil consideration per share on the same date.

Once vested and exercised, these restricted shares would be initially held by the Group on behalf of the grantees and transferred to the Grantees at the later of the date of listing of the Group or the date of the completion of the applicable registration procedures as required by the relevant laws and regulations (including but not limited to the set up of an employee share trust). Such restricted shares have not been issued as of 31 December 2018, 2019 and 2020 as the employee share trust has not been set up as of the respective dates.

In aggregate, these restricted shares granted on 31 December 2018 represent approximately 2.68% of the total issued shares of the Company, subject to further changes and dilutions after the date of grant pursuant to the terms of the grant letters agreed between the Company and Grantees.

Total expenses arising from the equity settled share-based payment amounted to approximately RMB1,100,000, which were recognised in the consolidated statements of comprehensive income during the year ended 31 December 2018.

On 31 March 2021, the board of Directors of the Company has passed a resolution, pursuant to which three Restricted Share Units ("RSU") schemes were adopted to replace the restricted shares award granted on 31 December 2018 and a total of 26,800,000 RSU were granted to the same 41 grantees of the original restricted shares award.

Under HKFRS 2, the adoption of these RSU schemes was treated as a modification to the original restricted shares award. The Group assessed that the modification did not increase the fair value of the equity instruments granted on the date of modification given that the RSUs shared similar terms and conditions as the original restricted shares award, except for a longer vesting period. Therefore, no incremental fair value needed to be recognised as expenses.

Details of RSUs are as follows:

Grant date	Number of RSU	Vesting period	Exercise price
31 March 2021	26,800,000	To be vested upon listing	Nil

As of 31 March 2021, the RSU trusts have not been set up and no shares have been issued.

The valuation of the equity interest in the Company for the share-based payment transactions was undertaken by ValQuest Advisory, an independent qualified professional valuer. The fair value of equity interest in the Company were derived using the market approach and subject to a number of assumptions and with regard to the limitation of the model.

Under the market approach, the fair value of the equity interest in the Company is based on the multiplication of the normalised earnings before interest, tax, depreciation and amortisation (the "adjusted EBITDA") and appropriate market multiple, which is derived from an analysis of the trading multiples of certain comparable companies. These trading multiples were computed based on the enterprise values (i.e. market capitalisation implied from traded stock price plus debt) of the comparable companies as of the valuation date derived by their EBITDA. The market approach result is then adjusted for a discount for lack of marketability to arrive at the fair value.

Other than the adjusted EBITDA and the valuation multiple, another significant input to the valuation model is the discount for lack of marketability of 30%. Discount for lack of marketability is estimated by the qualified valuer based on their view over the Company's key value drivers, stage of development, business scale and scope.

#### (ii) Share-based payments transactions during the three months ended 31 March 2021

On 9 February 2021, the Company allotted and issued 11,146,876 shares and 864,099 shares to WTSJ Holding and NEWCE Holding, respectively at par value. The shareholders of WTSJ Holding and NEWCE Holding comprise both employees and non-employees of the Group. These shares immediately vested on the date of grant.

The excess of the fair value of the equity interest of the Group on the grant date over the cash consideration of par value paid by the shareholders of WTSJ Holding and NEWCE Holding is accounted for as share-based payment expenses in the Group's consolidated statement of comprehensive income. Accordingly, share-based payment expenses of approximately RMB91,683,000 were recognised during the three months period ended 31 March 2021.

The valuation of the equity interests of the Company for the share-based payment transactions was undertaken by ValQuest Advisory, an independent qualified professional valuer, which took reference to the fair value of the Series A Preferred Shares and Series A+ Preferred Shares issued on 10 February 2021 and adopted black-scholes option model and equity allocation model to determine the fair value of the underlying equity interests of the Company as at 9 February 2021.

The fair value of the shares granted and the significant input to the model at grant date are summarised as below:

Fair value of the shares granted (RMB)	91,683,000
Number of shares granted	12,010,975
Grant date	9 February 2021
Vesting date	9 February 2021
Risk-free rate	2.67%
Expected volatility	76.03%
Expected dividend yield	0.00%

## 28 STATUTORY RESERVE

PRC laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the profit after income tax (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holders. All statutory reserves are created for specific purposes. A PRC company is required to appropriate an amount of not less than 10% of statutory profits after income tax to statutory surplus reserves, prior to distribution of its post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the company, to expand the company's operations, or to increase the capital of the company. In addition, a company may make further contribution to the discretionary surplus reserve using its post-tax profits in accordance with resolutions of the board of directors.

## 29 BUSINESS COMBINATIONS

- (a) On 18 May 2018, the Group completed its acquisition of 100% equity interests of Fuzhou Zhiyingju Catering Management Co., Ltd. ("Fuzhou Zhiyingju") from two independent third parties at a total consideration of RMB400,000, which approximates the fair value of the acquired identifiable net assets of Fuzhou Zhiyingju. Therefore, no goodwill was recognised.

The separately identifiable assets and liabilities recognised as a result of the acquisition are as follows:

	<i>RMB'000</i>
Purchase consideration payables	400
	<b>Fair value</b>
	<i>RMB'000</i>
Plant and equipment	118
Right-of-use assets	2,178
Prepayments, deposits and other receivables	299
Cash and cash equivalents	37
Lease liabilities	(2,160)
Other payables and accruals	(72)
<b>Total identifiable net assets</b>	<b>400</b>

The acquired business of Fuzhou Zhiyingju contributed total revenue of approximately RMB16,728,000 and net loss of approximately RMB4,193,000 to the Group for the period from the acquisition date to 31 December 2018. If the acquisition had occurred on 1 January 2018, the Group's consolidated pro-forma revenue and net profit for the year ended 31 December 2018 would have been approximately RMB116,919,000 and approximately RMB10,127,000, respectively.

Net cash flow arising on acquisition of Fuzhou Zhiyingju during the year ended 31 December 2018:

	<b>Fuzhou Zhiyingju RMB'000</b>
<b>Outflow of cash to acquire a subsidiary, net of cash acquired</b>	
Cash considerations paid	400
Less: cash and cash equivalents acquired	(37)
	<hr/>
Total considerations transferred	<u>363</u>

- (b) During the years ended 31 December 2018, 2019, 2020 and the three months ended 31 March 2020 and 2021, the Group has acquired the plant and equipment of franchised bars from the franchisees at considerations amounting to approximately RMB9,320,000, RMB11,156,000, RMB3,737,000, RMB672,000 and RMB1,130,000, respectively, which were accounted for as business combinations under HKFRS 3. Management has assessed and concluded that other than plant and equipment, which mainly represents leasehold improvement, there were no other identifiable assets (including intangible assets) and liabilities resulted from these acquisitions. As the considerations of these acquisitions approximate the fair value of the corresponding plant and equipment, no goodwill was recognised. Certain of these aforementioned acquisitions were from franchisees operated by related parties as sole proprietors and the corresponding transaction amounts were disclosed in Note 30(b)(ii).

These acquisitions are individually immaterial but are material collectively.

During the years ended 31 December 2018, 2019, 2020 and the three months ended 2021, the revenue attributable to the Group's self-owned bars since acquisition dates operating with these plant and equipment acquired from franchised bars amount to approximately RMB37,845,000, RMB144,093,000, RMB22,538,000 and RMB1,967,000, respectively; and net profit of these bars amount to approximately RMB5,820,000, RMB37,118,000, RMB326,000 and RMB559,000, respectively.

Had these franchised bars been consolidated from 1 January 2018, consolidated revenue of the Group for the years ended 31 December 2018, 2019, 2020 and the three months ended 2021 would have been approximately RMB138,932,000, RMB652,933,000, RMB855,169,000 and RMB372,309,000, respectively. It was impracticable to disclose the consolidated pro-forma profit or loss for the years ended 31 December 2018, 2019, 2020 and the three months ended 2021 as though the acquisition date for all acquisitions that occurred during the respective years had been as of the beginning of the respectively annual reporting period because the data required to adjust the differences in the accounting policies between the Group and the subsidiaries were not collected in the prior period and it is not practicable to create, or recreate, the information.

- (c) Jiangxi Suleiyige was acquired by the Group on 23 May 2018 from two independent third parties at nil consideration, as Jiangxi Suleiyige had not commenced operations and its share capital were not yet paid for during the period from 9 April 2018 (the date of incorporation) to 23 May 2018.
- (d) Wuhan Aoerdesang were acquired by the Group on 25 May 2018 from two independent third parties at a total consideration of RMB1,000,000, which approximated the fair value of the acquired identifiable assets of Wuhan Aoerdesang being primarily cash and cash equivalent paid for its share capital, as Wuhan Aoerdesang had not commenced pub operations during the period from 6 February 2018 (the date of incorporation) to 25 May 2018.

**30 RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amounts of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

The Controlling Shareholder is disclosed in Note 1.1.

Major related parties that had transactions with the Group during the Track Record Period were as follows:

<b>Name of the related parties</b>	<b>Relationship with the Group</b>
Mr. Xu Bingzhong	Controlling Shareholder
Mr. Yan Xinyang	Director of a subsidiary of the Group
Mr. Yang Zhigang	Director of a subsidiary of the Group
Mr. Zhong Wei	Director of a subsidiary of the Group
Mr. Zhong Yiming	Director of a subsidiary of the Group
Mr. Zhao Peng	Director of a subsidiary of the Group
Mr. Zhang Bo	Director of a subsidiary of the Group
Mr. Xia Linfan	Director of a subsidiary of the Group

**(a) Balances with related parties**

	<b>As of 31 December</b>			<b>As of 31 March</b>
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<u>Non-trade nature</u>				
Amount due to a director ( <i>Note 22</i> )				
– Mr. Xu Bingzhong	42,555	44,591	35,136	–

During the three months ended 31 March 2021, amount due to a director was settled.

**(b) Transactions with related parties**

Save as disclosed elsewhere in the consolidated financial statements, during the Track Record Period, the following transactions were carried out with related parties at terms mutually agreed by both parties:

**(i) Personal guarantees provided by the related parties**

During the year ended 31 December 2020 and the three months ended 31 March 2021, the Group's bank borrowings and banking facilities secured by personal guarantee from Mr. Xu as set out in Note 23. In March 2021, the aforementioned bank borrowings were repaid and the personal guarantee from Mr. Xu was released.

(ii) *Discontinued transactions with franchisees operated by related parties as sole proprietors*

	As of 31 December			Three months ended 31 March	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 (Unaudited)	2021 RMB'000
Provision of services to franchisees	19,290	10,129	2,109	206	117
Purchase of plant and equipment	3,059	4,943	1,226	–	294
	<u>22,349</u>	<u>15,072</u>	<u>3,335</u>	<u>206</u>	<u>411</u>

The above related party transactions were carried out on terms mutually agreed between the parties.

**31 BENEFITS AND INTEREST OF DIRECTORS****(a) Directors' emoluments**

The remuneration of each director is set out below:

	Fees RMB'000	Salary RMB'000	Discretionary bonus RMB'000	Allowances and benefits in kind RMB'000	Employer's contribution to pension scheme RMB'000	Total RMB'000
<b>For the year ended 31 December 2018</b>						
Directors						
– Mr. Xu Bingzhong	–	120	–	–	7	127
– Mr. Zhang Bo	–	68	–	–	5	73
– Mr. Zhao Jun	–	23	–	–	5	28
– Ms. Lei Xing	–	70	–	–	9	79
	<u>–</u>	<u>281</u>	<u>–</u>	<u>–</u>	<u>26</u>	<u>307</u>
<b>For the year ended 31 December 2019</b>						
Directors						
– Mr. Xu Bingzhong	–	240	–	–	11	251
– Mr. Zhang Bo	–	118	–	–	9	127
– Mr. Zhao Jun	–	64	–	–	9	73
– Ms. Lei Xing	–	120	–	–	16	136
	<u>–</u>	<u>542</u>	<u>–</u>	<u>–</u>	<u>45</u>	<u>587</u>

	<b>Fees</b>	<b>Salary</b>	<b>Discretionary bonus</b>	<b>Allowances and benefits in kind</b>	<b>Employer's contribution to pension scheme</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>For the year ended 31 December 2020</b>						
Directors						
– Mr. Xu Bingzhong	–	341	60	60	21	482
– Mr. Zhang Bo	–	241	60	60	8	369
– Mr. Zhao Jun	–	295	60	60	28	443
– Ms. Lei Xing	–	191	60	60	12	323
	–	1,068	240	240	69	1,617
<b>(Unaudited)</b>						
<b>For the three months ended 31 March 2020</b>						
Directors						
– Mr. Xu Bingzhong	–	21	–	–	2	23
– Mr. Zhang Bo	–	11	–	–	2	13
– Mr. Zhao Jun	–	6	–	–	2	8
– Ms. Lei Xing	–	21	–	–	3	24
	–	59	–	–	9	68
<b>For the three months ended 31 March 2021</b>						
Directors						
– Mr. Xu Bingzhong	–	144	60	36	24	264
– Mr. Zhang Bo	–	114	50	36	8	208
– Mr. Zhao Jun	–	274	50	36	31	391
– Ms. Lei Xing	–	114	29	36	8	187
	–	646	189	144	71	1,050

Mr. Xu, Mr. Zhang, Mr. Zhao and Ms. Lei were redesignated as executive directors of the Company for the years ended 31 December 2018, 2019, 2020 and the three months ended 31 March 2021, respectively. They were also directors of certain subsidiaries of the Company and/or employees of the Group during the Track Record Period and the Group paid emoluments to them in their capacity as the directors of these subsidiaries and/or employees of the Group before their appointment as executive directors of the Company.

During the Track Record Period, none of the directors of the Company (i) received or paid any remuneration in respect of accepting office; (ii) received or paid emoluments in respect of services in connection with the management of the affairs of the Company or its subsidiaries' undertaking; and (iii) waived or has agreed to waive any emolument.

**(b) Directors' retirement benefits and termination benefits**

During the Track Record Period, no emoluments, retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable.

**(c) Consideration provided to third parties for making available directors' services**

During the Track Record Period, no consideration was provided to third parties for making available directors' services.

**(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors**

During the Track Record Period, there were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors.

**(e) Directors' material interests in transactions, arrangements or contracts**

During the Track Record Period, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Track Record Period or at any time during the Track Record Period.

**32 DIVIDENDS**

No dividends have been paid or declared by the Company since its incorporation.



### III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any the companies now comprising the Group in respect of any period subsequent to 31 March 2021 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2021.

### IV ADDITIONAL HISTORICAL FINANCIAL INFORMATION OF FUZHOU ZHIYINGJU

Fuzhou Zhiyingju was acquired by the Group on 18 May 2018. Following is the historical financial information of Fuzhou Zhiyingju of the period ended 18 May 2018 (also being the pre-acquisition period from 12 January 2018 to 18 May 2018).

#### STATEMENTS OF COMPREHENSIVE INCOME

	<i>Note</i>	<b>Period ended 18 May 2018</b> <i>RMB'000</i>
Revenue	2	2,255
Raw materials and consumables used		(653)
Employee benefit expenses		(286)
Depreciation of right-of-use assets	6	(265)
Depreciation of plant and equipment		(24)
Short-term rental and other related expenses		(209)
Utilities expenses		(35)
Travelling and related expenses		(13)
Advertising and promotion expenses		(3)
Other expenses		(129)
Finance costs	3	<u>(107)</u>
<b>Profit before income tax</b>		531
Income tax expense	4	<u>(131)</u>
<b>Profit and total comprehensive income for the year attributable to owners of the Company</b>		<u><u>400</u></u>

## BALANCE SHEET

	<i>Note</i>	<b>As of 18 May 2018 RMB'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Plant and equipment		118
Right-of-use assets	6	<u>2,178</u>
		<u>2,296</u>
<b>Current assets</b>		
Prepayments, deposits and other receivables		299
Cash and cash equivalents	5	<u>37</u>
		<u>336</u>
<b>Total assets</b>		<u><u>2,632</u></u>
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital		—
Reserves		<u>400</u>
<b>Total equity</b>		<u><u>400</u></u>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Lease liabilities	6	<u>1,991</u>
<b>Current liabilities</b>		
Other payables and accruals		72
Lease liabilities	6	<u>169</u>
		<u>241</u>
<b>Total liabilities</b>		<u><u>2,232</u></u>
<b>Total equity and liabilities</b>		<u><u>2,632</u></u>

## STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total equity <i>RMB'000</i>
<b>Balance at 12 January 2018</b>	–	–	–
<b>Comprehensive income</b>			
Profit for the period	–	400	400
<b>Balance at 18 May 2018</b>	–	400	400

## STATEMENTS OF CASH FLOWS

	<i>Note</i>	Period ended 18 May 2018 <i>RMB'000</i>
<b>Cash flows from operating activities</b>		
Cash generated from operations	7	700
Income tax paid		(131)
<b>Net cash generated from operating activities</b>		569
<b>Cash flows used in investing activities</b>		
Purchase of plant and equipment		(142)
<b>Net cash used in investing activities</b>		(142)
<b>Cash flows used in financing activities</b>		
Payment of principal element of lease liabilities	6	(283)
Payment of interest element of lease liabilities	6	(107)
<b>Net cash used in financing activities</b>		(390)
<b>Net increase in cash and cash equivalents</b>		37
Cash and cash equivalents at beginning of the period		–
Currency translation differences		–
<b>Cash and cash equivalents at end of the period</b>		37

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION STATEMENTS OF FUZHOU ZHIYINGJU

### 1 GENERAL INFORMATION OF FUZHOU ZHIYINGJU

Fuzhou Zhiyingju was incorporated in Fujian Province on 12 January 2018 with limited liability. The address of its register office is in the Taijiang district of Fuzhou, Fujian province. After the completion of the acquisition in May 2018, Fuzhou Zhiyingju was owned as to 100% by the Group and became a wholly-owned subsidiary of the Group from May 2018.

The principal activities of Fuzhou Zhiyingju are bar operations in the PRC.

### 2 REVENUE

**Period ended  
18 May 2018**  
RMB'000

Revenue from bar operations recognised at a point in time	2,255
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No customers contributed over 10% of the total revenue of Fuzhou Zhiyingju during the period.

All of Fuzhou Zhiyingju's revenue is from the PRC and all of Fuzhou Zhiyingju's non-current assets were located in the PRC.

### 3 FINANCE COSTS

**Period ended  
18 May 2018**  
RMB'000

Interest expenses on lease liabilities ( <i>Note 6(a)</i> )	107
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### 4 INCOME TAX EXPENSE

**Period ended  
18 May 2018**  
RMB'000

<b>Current income tax expense</b>	
– PRC corporate income tax	131

During the period ended 18 May 2018, Fuzhou Zhiyingju was subject to corporate income tax ("CIT") at a standard rate of 25%.

**Period ended  
18 May 2018**  
RMB'000

Profit before income tax	531
Tax calculated at the applicable tax rates	131
<b>Income tax expense</b>	131

**5 CASH AND CASH EQUIVALENTS**

**Period ended**  
**18 May 2018**  
*RMB'000*

Cash and cash equivalent	37
Maximum exposure to credit risk	37

All of the carrying amounts of Fuzhou Zhiyingju's cash and cash equivalents were denominated in RMB.

Cash and cash equivalents earned interest at floating rates based on daily deposits rate. As of 18 May 2018, the carrying amounts of cash and cash equivalents approximated their fair values.

As of 18 May 2018, cash and cash equivalents of Fuzhou Zhiyingju amounting to approximately RMB37,000 were deposited with the banks in the PRC where the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the government of the PRC.

**6 LEASES**

The balance sheets included the following amounts relating to leases:

**Period ended**  
**18 May 2018**  
*RMB'000*

**Right-of-use assets-properties**

Opening net book amount	–
Additions	2,443
Depreciation charge	(265)
	<hr/>
Closing net book amount	2,178

**Lease liabilities**

Non-current portion	1,991
Current portion	169
	<hr/>
	2,160

As of 18 May 2018, the carrying amounts of Fuzhou Zhiyingju's right-of-use assets and lease liabilities were in RMB.

**(a) Amounts recognised in the statement of comprehensive income**

The statement of comprehensive income included the following amounts relating to leases:

**Period ended**  
**18 May 2018**  
*RMB'000*

Depreciation charge of right-of-use assets	265
Finance costs on lease liabilities ( <i>Note 3</i> )	107

**(b) Amounts recognised in the statements of cash flows**

During the period ended 18 May 2018, the total cash outflows for leases were as follows:

	<b>Period ended 18 May 2018 RMB'000</b>
<b>Cash outflows from financing activities</b>	
Payment of principal element of lease liabilities	283
Payment of interest element of lease liabilities	107
	<u>          283</u> <u>          107</u>

Payments for short-term leases were not shown separately, but included in the line of "profit before income tax" in respect of the net cash generated from operations which were presented in Note 7 using the indirect method.

**7 NOTES TO THE STATEMENTS OF CASH FLOWS**

Reconciliation of profit before income tax for the Track Record Period to net cash generated from operations:

	<b>Period ended 18 May 2018 RMB'000</b>
<b>Profit before income tax</b>	531
Adjustments for:	
Finance costs ( <i>Note 3</i> )	107
Depreciation of right-of-use assets ( <i>Note 6</i> )	265
Depreciation of plant and equipment	24
	<u>          927</u>
Changes in working capital:	
– Prepayments, deposits and other receivables	(299)
– Other payables and accruals	72
	<u>          700</u>
Net cash generated from operations	<u>          700</u>

The reconciliations of liabilities arising from financing activities are as follows:

	<b>Lease liabilities RMB'000</b>
<b>As at 12 January 2018</b>	–
Interest expenses on lease liabilities	107
Cash flows	
– Payment of principal element of lease liabilities	(283)
– Payment of interest element of lease liabilities	(107)
Other non-cash movements	
– Additions of lease liabilities	2,443
	<u>          2,160</u>
<b>As at 18 May 2018</b>	<u>          2,160</u>

**V ADDITIONAL HISTORICAL FINANCIAL INFORMATION OF JIANGXI SULEIYIGE AND WUHAN AOERDESANG**

Jiangxi Suleiyige was acquired by the Group on 23 May 2018. During the period ended 23 May 2018 (also being the pre-acquisition period from 9 April 2018, the date of incorporation, to 23 May 2018), Jiangxi Suleiyige had not commenced operations and its share capital were not yet paid for. Accordingly, there were no historical financial information.

Wuhan Aoerdesang were acquired by the Group on 25 May 2018. During the period ended 25 May 2018 (also being the pre-acquisition period from 6 February 2018, the date of incorporation, to 25 May 2018), Wuhan Aoerdesang had not commenced operations and had its share capital paid for. As at 25 May 2018, Wuhan Aoerdesang had cash and cash equivalent of approximately RMB928,000, share capital of RMB1,000,000 and accumulated losses of approximately RMB72,000 from initial set-up costs incurred.

*The information set out in this Appendix does not form part of the Accountant's Report from the reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set out in Appendix I, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.*

#### **A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS**

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the net tangible assets of the Group attributable to the owners of the Company as of 31 March 2021 as if the Global Offering had taken place on 31 March 2021, assuming the over-allotment is not exercised.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as of 31 March 2021 or at any future dates following the Global Offering. It is prepared based on the consolidated net assets of the Group as of 31 March 2021 as set out in the Accountant's Report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report.

	<b>Audited consolidated net tangible assets of the Group attributable to owners of the Company as of 31 March 2021 (Note 1) RMB'000</b>	<b>Estimated net proceeds from the Global Offering (Note 2) RMB'000</b>	<b>Estimated impact on the conversion of Preferred Shares into ordinary shares upon the Global Offering (Note 3) RMB'000</b>	<b>Unaudited pro forma adjusted net tangible assets attributable to owners of the Company as of 31 March 2021 RMB'000</b>	<b>Unaudited pro forma adjusted net tangible assets per Share RMB (Note 4)</b>	<b>HK\$ (Note 6)</b>
Based on an Offer						
Price of HK\$18.82						
per Share	174,838	2,017,964	215,566	2,408,368	2.02	2.42
Based on an Offer						
Price of HK\$20.72						
per Share	174,838	2,223,910	215,566	2,614,314	2.19	2.63



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*Notes:*

- (1) The audited consolidated net tangible assets attributable to owners of the Company as of 31 March 2021 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to owners of the Company as of 31 March 2021 of RMB174,943,000 with an adjustment for the intangible assets as of 31 March 2021 of RMB105,000.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$18.82 and HK\$20.72 per Share, being the low and high end of the indicative Offer Price range respectively, after deduction of the underwriting fees and other related expenses payable by the Company (exclude those listing expenses of approximately RMB20,011,000 which have been accounted for in the consolidated statements of comprehensive income prior to 31 March 2021) and takes no account of any shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be granted and issued or repurchased by the Company pursuant to the General Mandate.
- (3) All Series A Preferred Shares and Series A+ Preferred Shares (together, the "Preferred Shares") will be automatically converted into ordinary shares on a one-for-one basis upon completion of the Global Offering. The Preferred Shares were accounted for as a liability to the Group. Accordingly, for the purpose of the unaudited pro forma adjusted net tangible assets, the adjustment represents the impact of the conversion of all Preferred Shares into ordinary shares. The estimated impact is RMB215,566,000, being the carrying amount of the Preferred Shares as of 31 March 2021.
- (4) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 1,194,872,007 Shares were in issue assuming that the Global Offering had been completed on 31 March 2021 but takes no account of the 47,652,017 shares to be issued pursuant to the Post-IPO RSU Scheme subsequent to 31 March 2021, any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be granted and issued or repurchased by the Company pursuant to the General Mandate.
- (5) The pro forma net tangible asset per share presented above has not taken into account the 47,652,017 shares to be granted and issued pursuant to the Post-IPO RSU Scheme subsequent to 31 March 2021.

However, had such the 47,652,017 shares to be granted and issued pursuant to the Post-IPO RSU Scheme subsequent to 31 March 2021 been taken into account, such that 1,246,704,024 Shares are in issue immediately following the completion of the Global Offering, the unaudited pro forma adjusted net tangible assets per Share would have been RMB1.94 (equivalent to HK\$2.33) (based on the Offer Price of HK\$18.82 per Share) and RMB2.10 (equivalent to HK\$2.52) (based on the Offer Price of HK\$20.72 per Share), respectively. This does not take into account any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares that may be granted and issued or repurchased by the Company pursuant to the General Mandate.

- (6) For the purpose of this unaudited pro forma adjusted net tangible assets per Share, the amounts stated in Renminbi are converted into Hong Kong dollars at the rate of HK\$1.00 to RMB0.83426. No representation is made that Renminbi has been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (7) Save as disclosed above, no adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 March 2021.

**B. REPORT FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Helens International Holdings Company Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Helens International Holdings Company Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as of 31 March 2021 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 31 August 2021, in connection with the proposed initial public offering of the shares of the Company (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 31 March 2021 as if the proposed initial public offering had taken place at 31 March 2021. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the period ended 31 March 2021, on which an accountant's report has been published.

***Directors' Responsibility for the Unaudited Pro Forma Financial Information***

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*, ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

***Our Independence and Quality Control***

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

***Reporting Accountant's Responsibilities***

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 31 March 2021 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) or standards and practices of any professional body in any other overseas jurisdiction and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

### ***Opinion***

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 31 August 2021

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of the Companies Act (as amended) of the Cayman Islands (the “**Companies Act**”).

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on January 16, 2018 under the Companies Act. The Company’s constitutional documents consist of its Amended and Restated Memorandum of Association (“**Memorandum**”) and its Amended and Restated Articles of Association (“**Articles**”).

## 1 MEMORANDUM OF ASSOCIATION

**1.1** The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

**1.2** By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

## 2 ARTICLES OF ASSOCIATION

The Articles were adopted on August 23, 2021. A summary of certain provisions of the Articles is set out below.

### 2.1 Shares

#### *(a) Classes of shares*

The share capital of the Company consists of ordinary shares.

#### *(b) Variation of rights of existing shares or classes of shares*

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary

quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

***(c) Alteration of capital***

The Company may, by an ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares of such amount as it thinks expedient;
- (ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares;
- (iii) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions;
- (iv) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum;
- (v) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled;
- (vi) make provision for the allotment and issue of shares which do not carry any voting rights;
- (vii) change the currency of denomination of its share capital; and
- (viii) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

*(d) Transfer of shares*

Subject to the Companies Act and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

***(e) Power of the Company to purchase its own shares***

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

***(f) Power of any subsidiary of the Company to own shares in the Company***

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

***(g) Calls on shares and forfeiture of shares***

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which



may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

## **2.2 Directors**

### ***(a) Appointment, retirement and removal***

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgement of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (i) resign;
- (ii) dies;
- (iii) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (iv) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) he is prohibited from being or ceases to be a director by operation of law;
- (vi) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (vii) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (viii) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

***(b) Power to allot and issue shares and warrants***

Subject to the provisions of the Companies Act, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Act, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration

statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

***(c) Power to dispose of the assets of the Company or any of its subsidiaries***

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

***(d) Borrowing powers***

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

***(e) Remuneration***

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing

director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

***(f) Compensation or payments for loss of office***

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

***(g) Loans and provision of security for loans to Directors***

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

*(h) Disclosure of interest in contracts with the Company or any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (i) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either:
  - (A) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or
  - (B) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

### **2.3 Proceedings of the Board**

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

### **2.4 Alterations to the constitutional documents and the Company's name**

To the extent that the same is permissible under the Companies Act and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

## 2.5 Meetings of Member

### *(a) Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands (the “**Registrar of Companies**”) within 15 days of being passed.

An “ordinary resolution”, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

### *(b) Voting rights and right to demand a poll*

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting:

- (i) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and
- (ii) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands.



On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (i) at least two members;
- (ii) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iii) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

***(c) Annual general meetings***

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

***(d) Notices of meetings and business to be conducted***

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Act and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

Extraordinary general meetings shall also be convened on the requisition of one or more members holding at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings.

***(e) Quorum for meetings and separate class meetings***

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

*(f) Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

## **2.6 Accounts and audit**

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Act (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The members may, at any general meeting convened and held in accordance with the Articles, remove the auditors by special resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in its place for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

## **2.7 Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (b) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (c) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (i) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (ii) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

## **2.8 Inspection of corporate records**

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

## **2.9 Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

## **2.10 Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (a) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and
- (b) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

### **2.11 Subscription rights reserve**

Provided that it is not prohibited by and is otherwise in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

## **3 CAYMAN ISLANDS COMPANY LAW**

The Company was incorporated in the Cayman Islands as an exempted company on January 16, 2018 subject to the Companies Act. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all aspects of the Cayman Islands law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

**3.1 Company operations**

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies and pay a fee which is based on the amount of its authorised share capital.

**3.2 Share capital**

Under the Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account.” At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) any manner provided in Section 37 of the Companies Act;
- (d) writing-off the preliminary expenses of the company; and
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.



**3.3 Financial assistance to purchase shares of a company or its holding company**

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

**3.4 Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**3.5 Dividends and distributions**

Subject to a solvency test, as prescribed in the Companies Act, and the provisions, if any, of the company's memorandum and articles of association, company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

**3.6 Protection of minorities and shareholders' suits**

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

**3.7 Disposal of assets**

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands' courts will ordinarily follow).

**3.8 Accounting and auditing requirements**

A company must cause proper records of accounts to be kept with respect to:

- (a) all sums of money received and expended by it;
- (b) all sales and purchases of goods by it; and
- (c) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (as amended) of the Cayman Islands (the "**TIA Act**"), make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

**3.9 Exchange control**

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

**3.10 Taxation**

Pursuant to Section 6 of the Tax Concessions Act (as amended) of the Cayman Islands (the "**Tax Concessions Act**"), the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (a) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (b) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
  - (i) on or in respect of the shares, debentures or other obligations of the Company; or
  - (ii) by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Act.

The undertaking for the Company is for a period of 30 years from March 24, 2021.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

### **3.11 Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

### **3.12 Loans to directors**

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

### **3.13 Inspection of corporate records**

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

### **3.14 Register of members**

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the TIA Act.

### **3.15 Register of Directors and officers**

Pursuant to the Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies and any change must be notified to the Registrar of Companies within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

**3.16 Winding up**

A Cayman Islands company may be wound up by:

- (a) an order of the court;
- (b) voluntarily by its members; or
- (c) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that:

- (a) the company is or is likely to become insolvent; or
- (b) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors.

A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

### **3.17 Reconstructions**

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (ie the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

### **3.18 Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands' courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

### **3.19 Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

**A. FURTHER INFORMATION ABOUT OUR GROUP****1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on January 16, 2018 and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on March 17, 2021. We have established a place of business in Hong Kong at 3/F, H8, Hau Fook Street, Tsim Sha Tsui, Kowloon, Hong Kong. Mr. Chan Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Companies Act and its constitution comprising the Memorandum and the Articles. A summary of certain provisions of its constitution and relevant aspects of the company law of the Cayman Islands is set out in Appendix III to this prospectus.

**2. Changes in authorised and issued share capital of our Company**

- (a) Our Company was incorporated in the Cayman Islands on January 16, 2018 as an exempted company with limited liability under the Companies Act. As of the date of incorporation, our Company had an authorised share capital of US\$50,000 divided into 500,000,000 Shares of US\$0.0001 each, of which one Share was issued at par to an initial subscriber, being an independent third party, which was transferred to Helens Hill (BVI) at nominal consideration of US\$0.0001. On the same day, our Company allotted and issued as fully paid 999 Shares at par to Helens Hill (BVI).
- (b) On August 23, 2019, Helens Hill (BVI) transferred 129 shares and 10 shares (which were held by Helens Hill (BVI) on trust for and on behalf of the shareholders of WTSJ Holding and NEWCE Holding) back to WTSJ Holding and NEWCE Holding at nominal consideration, respectively. Upon the completion of transfer, Helens Hill (BVI), WTSJ Holding and NEWCE Holding held 86.1%, 12.9% and 1.0% equity interest of the Company respectively.
- (c) On February 9, 2021, our Company underwent a share subdivision whereby all the issued and unissued ordinary shares of our Company with a par value of US\$0.0001 each was subdivided into 1,000,000 Shares with a par value of US\$0.0000000001 each, such that immediately following such share subdivision, the authorized share capital of our Company was US\$50,000 divided into 500,000,000,000,000 ordinary shares with a par value of US\$0.0000000001 each.
- (d) On February 9, 2021 following the share subdivision, the authorised share capital of our Company was changed from US\$50,000 divided into 500,000,000,000,000 Shares of a nominal value of US\$0.0000000001 each to US\$50,000 divided into (i)

499,999,975,977,096 ordinary shares of a nominal value of US\$0.0000000001 each and (ii) 24,022,904 Series A Preferred Shares of a nominal value of US\$0.0000000001 each, by the redesignation of 24,022,904 authorised but unissued shares as Series A Preferred Shares.

- (e) On February 9, 2021 following the share subdivision and redesignation of Shares, our Company allotted and issued, fully paid at par value, 11,146,876 Shares and 864,099 Shares to WTSJ Holding and NEWCE Holding, respectively.
- (f) Pursuant to the Series A Preferred Share Purchase Agreement dated February 4, 2021 (as supplemented by an amendment agreement made as of February 8, 2021), our Company allotted and issued 24,022,904 Series A Preferred Shares to BA Capital at the consideration of US\$30,793,990.
- (g) On February 10, 2021, the authorised share capital of our Company was changed from US\$50,000 divided into (i) 499,999,975,977,096 ordinary shares of a nominal value of US\$0.0000000001 each and (ii) 24,022,904 Series A Preferred Shares of a nominal value of US\$0.0000000001 each to US\$50,000 divided into (i) 499,999,974,408,968 ordinary shares of a nominal value of US\$0.0000000001 each, (ii) 24,022,904 Series A Preferred Shares of a nominal value of US\$0.0000000001 each; and (iii) 1,568,128 Series A+ Preferred Shares of par value US\$0.0000000001 each, by the redesignation of 1,568,128 authorised but unissued shares as Series A+ Preferred Shares.
- (h) Pursuant to the Series A+ Preferred Share Purchase Agreement dated February 9, 2021, our Company allotted and issued 1,568,128 Series A+ Preferred Shares to China World Investment at the consideration of US\$2,010,120.
- (i) On June 7, 2021, our Company allotted and issued, fully paid at par value, a total of 9,999,611 Shares to SHXM Holding.
- (j) On June 7, 2021, our Company allotted and issued, fully paid at par value, a total of 3,100,389 Shares to TLTQ Holding.
- (k) On June 7, 2021, our Company allotted and issued, fully paid at par value, a total of 13,700,000 Shares to NLNQ Holding.
- (l) On June 7, 2021, our Company allotted and issued, fully paid at par value, a total of 47,652,017 Shares to TSLZ Holding.
- (m) Immediately following the completion of the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, and on the basis that the Preferred shares will be converted on a one-for-one basis), the authorised share capital of our Company will be US\$50,000 divided into 500,000,000,000,000 Shares, of which 1,246,704,024



Shares will be allotted and issued, fully paid or credited as fully paid and 499,998,753,295,976 Shares will remain unissued. Other than the Shares issuable pursuant to the exercise of the Over-allotment Option, or the exercise of the general mandate referred to in “A. Further information about our Group – 4. Written resolutions of our Shareholders passed on August 23, 2021” in this Appendix, our Directors have no present intention to issue any part of the authorised but unissued capital of our Company, and without the prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed above, there has been no alteration in the share capital of our Company since its incorporation.

### 3. Changes in share capital of our subsidiaries

Our Company’s principal subsidiaries are set out in the Accountant’s Report in Appendix I to this prospectus.

The following subsidiaries have been established within two years immediately preceding the date of this prospectus:

Name of Subsidiary	Place of establishment	Date of establishment
Wuhan Maidilong Trading Co., Ltd.* (武漢邁迪隆貿易有限公司)	PRC	October 15, 2019
Hebei Disihade Catering Management Co., Ltd.* (河北迪斯哈德餐飲管理有限責任公司)	PRC	November 29, 2019
Chongqing Yangkai Catering Co., Ltd.* (重慶陽凱餐飲有限公司)	PRC	January 17, 2020
Beijing Helens Commercial Management Service Co., Ltd.* (北京海倫司商業管理服務有限公司)	PRC	June 10, 2020
Yunnan Secret Forest Catering Management Co., Ltd.* (雲南秘森林餐飲管理有限公司)	PRC	December 10, 2020
Guangxi Zuijunya Catering Management Co., Ltd.* (廣西醉俊雅餐飲管理有限責任公司)	PRC	December 18, 2020
Wuhan Hongdeli Trading Co., Ltd.* (武漢鴻的利貿易有限公司)	PRC	January 14, 2021
Xi’an Jingleshuo Catering Management Co., Ltd.* (西安景樂鑠餐飲管理有限公司)	PRC	February 25, 2021

Name of Subsidiary	Place of establishment	Date of establishment
Sichuan Yishadula Catering Management Co., Ltd.* (四川伊沙杜拉餐飲管理有限公司)	PRC	May 18, 2021
Hainan Qieersi Catering Co., Ltd.* (海南切爾斯餐飲有限責任公司)	PRC	July 16, 2021
Lanzhou Qieersi Catering Management Co., Ltd.* (蘭州切爾斯餐飲管理有限公司)	PRC	July 30, 2021

The following sets out the changes in the share capital of our subsidiaries during the two years immediately preceding the date of this prospectus:

***Shenzhen Helen Enterprise Management Co., Ltd.\* (深圳海倫司企業管理有限公司)***

On February 3, 2021, the registered capital of Shenzhen Helen Enterprise Management Co., Ltd.\* (深圳海倫司企業管理有限公司) was increased from RMB5.0 million to RMB40.0 million by way of capital injection by Helens Hill (HK).

On April 15, 2021, the registered capital of Shenzhen Helen Enterprise Management Co., Ltd.\* (深圳海倫司企業管理有限公司) was increased from RMB40.0 million to RMB70.0 million by way of capital injection by Helens Hill (HK).

On May 6, 2021, the registered capital of Shenzhen Helen Enterprise Management Co., Ltd.\* (深圳海倫司企業管理有限公司) was increased from RMB70.0 million to RMB110.0 million by way of capital injection by Helens Hill (HK).

Save as disclosed above and in the paragraph headed “History, Development and Reorganisation – Our corporate reorganisation” in this prospectus, there has been no alteration in the share capital of our subsidiaries within two years immediately preceding the date of this prospectus.

**4. Written resolutions of our Shareholders passed on August 23, 2021**

Written resolutions of our Shareholders were passed on August 23, 2021 approving, among others, the following:

- (a) conditional upon all the conditions set out in the paragraph headed “The Structure of the Global Offering – Conditions of the Global Offering” in this prospectus being fulfilled:
  - (i) the Global Offering (including the Over-allotment Option) was approved, and the proposed allotment and issue of the Offer Shares under the Global Offering were approved, and the Directors were authorized to determine the Offer Price for, and to allot and issue the Offer Shares;
  - (ii) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with Shares or securities convertible into Shares and to make an offer or agreement or grant an option (including but not limited to warrants, options, bonds, notes, securities and debentures conferring any rights to subscribe for or otherwise receive Shares) not exceeding the sum of: (a) 20% of the aggregate number of issued Shares in issue immediately following the completion of the Global Offering (excluding any Shares to be issued pursuant to the exercise of the Over-allotment Option); and (b) the aggregate number of such Shares which may be repurchased under the authority granted to our Directors as referred to in paragraph (iii) below;
  - (iii) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to purchase or repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares not exceeding 10% of the aggregate number of Shares in issue immediately following the completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option);
  - (iv) the general unconditional mandate as mentioned in paragraph (ii) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate number of the Shares repurchased by our Company pursuant to the mandate to purchase Shares referred to in paragraph (iii) above up to 10% of the aggregate number of the Shares in issue immediately following completion of the Global Offering, excluding any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option; and

- (b) the Company approved and adopted the Memorandum and Articles of Association with effect conditional and immediately upon the Global Offering.

Each of the general mandates referred to in paragraphs (a)(ii), (a)(iii) and (a)(iv) above will remain in effect until whichever is the earliest of:

- the conclusion of the next annual general meeting of our Company;
- the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles of Association; or
- the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in a general meeting.

## 5. Repurchase of our Shares by our Company

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its Shares.

### *Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Hong Kong Stock Exchange to buy back their securities on the Hong Kong Stock Exchange subject to certain restrictions, the more important of which are summarised below:

#### *(i) Shareholders' approval*

All proposed purchases of Shares (which must be fully paid up) by a company with a primary listing on the Hong Kong Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a written resolution passed by our then Shareholders on August 23, 2021, a general unconditional mandate (the “**Buy-back Mandate**”) was given to the Directors authorising any purchase by us of Shares on the Hong Kong Stock Exchange or on any other approved stock exchange on which the securities may be listed and which is recognised by the SFC and the Hong Kong Stock Exchange for this purpose, of not more than 10% of the aggregate number of our Shares in issue immediately following the completion of the Global Offering, such mandate to expire at the conclusion of our next annual general meeting, the date by which our next annual general meeting is required by our Articles of Association or any other applicable laws to be held or when revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever first occurs.

***(ii) Source of funds***

Purchases must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the laws of the Cayman Islands. A listed company may not buy back its own securities on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange from time to time. Under the Cayman Islands Companies Act, the par value of any Shares bought back by us may be provided for out of our profits or out of the proceeds of a fresh issue of Shares made for the purpose of the purchase or, if so authorised by the Articles of Association and subject to the provisions of the Cayman Islands Companies Act, out of capital. Any premium payable on a purchase over the par value of the Shares to be bought back must be provided for out of our profits or from sums standing to the credit of our share premium account or, if authorised by the Articles of Association and subject to the provisions of the Cayman Islands Companies Act, out of capital.

***(iii) Trading restrictions***

The total number of Shares which we may buy back is up to 10% of the total number of our Shares in issue immediately after the completion of the Global Offering (but not taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option). We may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a purchase of Shares, without the prior approval of the Hong Kong Stock Exchange. We are also prohibited from buying back Shares on the Hong Kong Stock Exchange if the purchase would result in the number of listed Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Hong Kong Stock Exchange. We are required to procure that the broker appointed by us to effect a purchase of Shares discloses to the Hong Kong Stock Exchange such information with respect to the purchase as the Hong Kong Stock Exchange may require. As required by the prevailing requirements of the Listing Rules, an issuer shall not purchase its shares on the Hong Kong Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Hong Kong Stock Exchange.

***(iv) Status of bought-back Shares***

All bought-back Shares (whether effected on the Hong Kong Stock Exchange or otherwise) will be automatically delisted and the certificates for those Shares must be cancelled and destroyed. Under Cayman Islands Companies Act, a company's bought-back shares shall be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate par value of the bought back shares accordingly although the authorised share capital of the company will not be reduced.

**(v) *Suspension of buy back***

Pursuant to the Listing Rules, we may not make any purchases of Shares after inside information has come to our knowledge until the information is made publicly available. In particular, under the requirements of the Listing Rules in force as of the date hereof, during the period of one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date is first notified to the Hong Kong Stock Exchange in accordance with the Listing Rules) for the approval of our results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for us to publish an announcement of our results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, we may not buy back Shares on the Hong Kong Stock Exchange unless the circumstances are exceptional.

**(vi) *Procedural and reporting requirements***

As required by the Listing Rules, purchases of Shares on the Hong Kong Stock Exchange or otherwise must be reported to the Hong Kong Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Hong Kong Stock Exchange business day following any day on which we may make a purchase of Shares. The report must state the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. In addition, our annual report is required to disclose details regarding purchases of Shares made during the year, including a monthly analysis of the number of shares bought-back, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

**(vii) *Connected persons***

A company is prohibited from knowingly buying back securities on the Hong Kong Stock Exchange from a core connected person (as defined in the Listing Rules) and a core connected person shall not knowingly sell its securities to the company on the Hong Kong Stock Exchange.

**(a) *Reasons for purchases***

The Directors believe that it is in the best interests of us and Shareholders for the Directors to have general authority from the Shareholders to enable the Directors to buy back Shares in the market. Such purchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where the Directors believe that such purchases will benefit us and our Shareholders.

*(b) Funding of purchases*

In securities buy-back, we may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position as disclosed in this prospectus and taking into account the current working capital position, the Directors consider that, if the Buy-back Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or gearing position as compared with the position disclosed in this prospectus. The Directors, however, do not propose to exercise the Buy-back Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or gearing levels which in the opinion of the Directors are from time to time appropriate for us.

The exercise in full of the Buy-back Mandate, on the basis of 1,246,704,024 Shares in issue immediately following the completion of the Global Offering (but not taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option), could accordingly result in 124,670,402 Shares being bought back by us during the period prior to (1) the conclusion of our next annual general meeting; (2) the expiration of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; or (3) the revocation or variation of the purchase mandate by an ordinary resolution of the Shareholders in general meeting, whichever occurs first (the “**Relevant Period**”).

*(c) General*

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to us or our subsidiaries.

The Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the Buy-back Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands. We have not bought back any Shares since our incorporation.

If, as a result of any purchase of Shares, a shareholder’s proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any purchases pursuant to the Buy-back Mandate. Any purchase of Shares which results in the number of Shares held by the public being reduced to less than the minimum



percentage of Shares be held by the public immediately after completion of the Global Offering, assuming the Over-allotment is not exercised, and on the basis that all Preferred Shares will be converted into our Shares on a one-for-one basis, being 19.4478%, could only be implemented with the approval of the Hong Kong Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No core connected person has notified us that he or she has a present intention to sell Shares to us, or has undertaken not to do so, if the Buy-back Mandate is exercised.

## **B. FURTHER INFORMATION ABOUT OUR BUSINESS**

### **1. Summary of Material Contracts**

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or any member of our Group within two years preceding the date of this prospectus and are or may be material:

- (a) the Series A Preferred Share Purchase Agreement made as of February 4, 2021 by and among Helens International Holdings Company Limited, Helens Hill Limited, Shenzhen Helens Enterprise Management Co., Ltd.\* (深圳海倫司企業管理有限公司), CFPL (Cayman) Limited, WZYX Holding Limited, CFPL (Hong Kong) Limited, XBZ Hill Holding Limited, Shenzhen Xiaoxiaohai Enterprises Management Co., Ltd.\* (深圳市逍小海企業管理有限公司), Mr. Xu Bingzhong, Helens Hill Holding Limited and BA Capital Project Helens, L.P. in relation to the sale and purchase of the Series A Preferred Shares for the consideration of US\$35,436,300;
- (b) the amendment agreement to the Series A Preferred Share Purchase Agreement made as of February 8, 2021 by and among Helens International Holdings Company Limited, Helens Hill Limited, Shenzhen Helens Enterprise Management Co., Ltd.\* (深圳海倫司企業管理有限公司), CFPL (Cayman) Limited, WZYX Holding Limited, CFPL (Hong Kong) Limited, XBZ Hill Holding Limited, Shenzhen Xiaoxiaohai Enterprises Management Co., Ltd.\* (深圳市逍小海企業管理有限公司), Mr. Xu Bingzhong, Helens Hill Holding Limited and BA Capital Project Helens, L.P. pursuant to which certain terms and conditions of the Series A Preferred Share Purchase Agreement were amended, including but not limited to (i) the amendment of the number of Series A Preferred Shares to be issued and sold to BA Capital Project Helens, L.P. to 24,022,904 Series A Preferred Shares; and (ii) the amendment of the relevant aggregate purchase price to US\$30,793,990;




- (c) the Series A+ Preferred Share Purchase Agreement made as of February 9, 2021 by and among Helens International Holdings Company Limited, Helens Hill Limited, Shenzhen Helens Enterprise Management Co., Ltd.\* (深圳海倫司企業管理有限公司), CFPL (Cayman) Limited, WZYX Holding Limited, CFPL (Hong Kong) Limited, XBZ Hill Holding Limited, Shenzhen Xiaoxiaohai Enterprises Management Co., Ltd.\* (深圳市逍小海企業管理有限公司), Mr. Xu Bingzhong, Helens Hill Holding Limited and China World Investment Limited in relation to the sale and purchase of the Series A+ Preferred Shares for the consideration of US\$2,010,120;
- (d) the shareholders agreement dated as of February 9, 2021 by and among Helens International Holdings Company Limited, XBZ Hill Holding Limited, Helens Hill Limited, CFPL (Cayman) Limited, WZYX Holding Limited, CFPL (Hong Kong) Limited, Shenzhen Helens Enterprise Management Co., Ltd.\* (深圳海倫司企業管理有限公司), Shenzhen Xiaoxiaohai Enterprises Management Co., Ltd.\* (深圳市逍小海企業管理有限公司), Mr. Xu Bingzhong, Helens Hill Holding Limited, WTSJ Holding Limited, NEWCE Holding Limited and BA Capital Project Helens, L.P.;
- (e) the amended and restated shareholders agreement dated as of February 10, 2021 by and among Helens International Holdings Company Limited, XBZ Hill Holding Limited, Helens Hill Limited, CFPL (Cayman) Limited, WZYX Holding Limited, CFPL (Hong Kong) Limited, Shenzhen Helens Enterprise Management Co., Ltd.\* (深圳海倫司企業管理有限公司), Shenzhen Xiaoxiaohai Enterprises Management Co., Ltd.\* (深圳市逍小海企業管理有限公司), Mr. Xu Bingzhong, Helens Hill Holding Limited, WTSJ Holding Limited, NEWCE Holding Limited, BA Capital Project Helens, L.P. and China World Investment Limited; and
- (f) the Hong Kong Underwriting Agreement.

## 2. Intellectual Property Rights

### (a) Trademarks

As of the Latest Practicable Date, we had registered the following trademarks in the PRC which we consider to be material to our business:

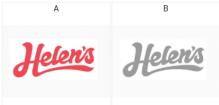
No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
1.		32	Shenzhen Helens Brand Management Co., Ltd.* (深圳市海倫司品牌管理有限公司)	PRC	31011259	February 27, 2029

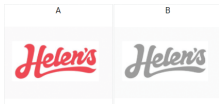
No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
2.	海伦司	43	Shenzhen Helens Brand Management Co., Ltd.* (深圳市海伦司品牌管理有限公司)	PRC	28733018	December 6, 2028
3.	海伦司	16、18、20、21、24、25、28、29、30、35	Shenzhen Helens Brand Management Co., Ltd.* (深圳市海伦司品牌管理有限公司)	PRC	37244925	February 6, 2030
4.	海伦司	6、28	Shenzhen Helens Brand Management Co., Ltd.* (深圳市海伦司品牌管理有限公司)	PRC	46512597	March 6, 2031
5.		25、32、33	Shenzhen Helens Brand Management Co., Ltd.* (深圳市海伦司品牌管理有限公司)	PRC	46512186	March 13, 2031

As of the Latest Practicable Date, we had registered the following trademark in Hong Kong which we consider to be material to our business:

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
1		29, 30, 32, 33, 35, 43	Helens Hill Limited	Hong Kong	305447764	November 12, 2030
2		29, 30, 32, 33, 35, 43	Helens Hill Limited	Hong Kong	305447755	November 12, 2030

As of the Latest Practicable Date, we had applied for the registration of the following trademarks in Hong Kong which we consider to be material to our business:

No.	Trademark	Application Number	Class	Name of Applicant	Place of Application	Date of Application
1		305447746AA	29, 30, 32, 33, 43	Helens Hill Limited	Hong Kong	November 13, 2020

No.	Trademark	Application Number	Class	Name of Applicant	Place of Application	Date of Application
2		305447746AB	35	Helens Hill Limited	Hong Kong	November 13, 2020

**(b) Domain Names**

As of the Latest Practicable Date, we have registered the following domain names which we consider to be material to our business:

No.	Domain name	Registered Owner	Date of Registration	Expiry Date
1.	helens.com.cn	Shenzhen Helens Brand Management Co., Ltd.* (深圳市海倫司品牌管理有限公司)	May 29, 2012	May 29, 2029
2.	helensbeer.com	Wuhan Maidilong Trading Co., Ltd.* (武漢邁迪隆貿易有限公司)	October 4, 2020	October 4, 2030
3.	helensbar.com	Shenzhen Helens Brand Management Co., Ltd.* (深圳市海倫司品牌管理有限公司)	May 19, 2018	May 19, 2028

**(c) Copyrights**

As of the Latest Practicable Date, we have registered the following copyrights which we consider to be material to our business:

No.	Name of Copyright	Version	Copyright Registration Number	Place of Registration	Registration Date
1.	HELENS店面玄關入口造型(HELENS bars' entrance design)	F	國作登字-2020-F-01011123	PRC	March 31, 2020
2.	HELENS店面木格造型(HELENS bars' wooden lattice design)	F	國作登字-2020-F-01011119	PRC	March 31, 2020
3.	HELENS店面屏封造型(HELENS bars' partition screen design)	F	國作登字-2020-F-01011124	PRC	March 31, 2020
4.	HELENS店面金孔雀造型(HELENS bars' golden peacock design)	F	國作登字-2020-F-01011117	PRC	March 31, 2020
5.	HELENS店面三拱門造型(HELENS bars' three arches design)	F	國作登字-2020-F-01011118	PRC	March 31, 2020
6.	HELENS店面佛像造型(HELENS bars' Buddha statue design)	F	國作登字-2020-F-01011121	PRC	March 31, 2020
7.	HELENS店面藍底雕花造型(HELENS bars' flower engraving design with blue background)	F	國作登字-2020-F-01011122	PRC	March 31, 2020

No.	Name of Copyright	Version	Copyright Registration Number	Place of Registration	Registration Date
8.	HELENS店面模板造型(HELENS bars' template design)	F	國作登字-2020-F-01011120	PRC	March 31, 2020
9.	HELENS品牌logo (HELENS brand logo)	F	國作登字-2020-F-01011120	PRC	June 23, 2021

On April 20, 2018, Mr. Xu executed an authorisation letter, pursuant to which he has irrevocably and unconditionally authorised Shenzhen Helens Enterprise Management, its associate companies and its subsidiaries and branches to use the following copyrights within the PRC at nil consideration for the valid period of the relevant copyrights. For details, see section headed “Connected Transactions – Fully exempt continuing connected transactions – Copyright authorisation letter” of this prospectus.

No.	Name of Copyright	Version	Copyright Registration Number	Place of Registration	Registration Date
1.	HELENS店面糖果造型圖(HELENS bars' candy design image)	J	粵作登字-2018-J-00000269	PRC	April 10, 2018
2.	HELENS店面雕花造型圖(HELENS bars' flower engravement design image)	J	粵作登字-2018-J-00000268	PRC	April 10, 2018
3.	HELENS店面木車輪雕花造型圖(HELENS bars' wooden wheel engravement design image)	J	粵作登字-2018-J-00000270	PRC	April 10, 2018
4.	HELENS店面手繪牆造型圖(HELENS bars' hand-painted wall design image)	J	粵作登字-2018-J-00000273	PRC	April 10, 2018
5.	HELENS店面鵝卵石造型圖(HELENS bars' cobblestone design image)	J	粵作登字-2018-J-00000272	PRC	April 10, 2018
6.	HELENS店面大罐磨槽造型圖(HELENS bars' large pot mill design image)	J	粵作登字-2018-J-00000271	PRC	April 10, 2018
7.	HELENS店面泰國鳥牆造型圖(HELENS bars' Thai bird wall design image)	J	粵作登字-2018-J-00000274	PRC	April 10, 2018
8.	HELENS店面緬泰雕花書櫃造型圖(HELENS bars' Burmese and Thai bookshelf engravement design image)	J	粵作登字-2018-J-00000287	PRC	April 16, 2018
9.	HELENS店面門頭圖(HELENS bars' storefront)	J	粵作登字-2018-J-00000267	PRC	April 10, 2018
10.	Helens品牌logo (Helens brand logo)	F	國作登字-2014-F-00126103	PRC	May 30, 2018

## C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

### 1. Disclosure of Interests

#### (a) *Interests and short positions of the Directors and the chief executive*

Immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised) and conversion of the Preferred Shares on a one-for-one basis upon completion of the Global Offering), so far as our Directors are aware, the interests or short positions of our Directors and chief executive of our Company in the Shares, underlying Shares and debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code of Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed, will be as follows:

#### (i) *Long position in the Shares*

Name of Director	Capacity/ Nature of interest	Long position in number of Shares held immediately following completion of the Global offering (Note 1)	Approximate percentage of interest in our Company immediately following completion of the Global Offering (Note 2)
Mr. Xu	Founder of a discretionary trust; Interest of controlled corporation (Note 3)	861,000,000	69.06%

#### *Notes:*

- Assuming the conversion of the Preferred Shares into the Shares on a one-to-one basis has been completed prior to the Listing.
- The calculation is based on the total number of 1,246,704,024 Shares in issue immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised, and on the basis of conversion of all the Preferred Shares into our Shares on a one-for-one basis).

3. HHL International will hold 861,000,000 Shares following completion of the Global offering. HHL International is owned as to (i) 1% by Helens Hill (BVI), which is wholly-owned by Mr. Xu; and (ii) 99% by HLSH Holding, which is wholly-owned by Cantrust, the trustee of the Mr. Xu's Trust. The Mr. Xu's Trust is a discretionary trust set up by Mr. Xu as the settlor and protector, where Mr. Xu's family members and Helens Hill (BVI) are the beneficiaries. Under the SFO, Mr. Xu is deemed to be interested in all the Shares registered under the name of HHL International.

(ii) *Long position in the ordinary shares of associated corporations*

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Long position in number of shares in the relevant company	Approximate percentage of issued share capital
Mr. Xu	HHL International	Interest of controlled corporation	2	1%
		Founder of a discretionary trust	198	99%

(b) *Interests of the Substantial Shareholders*

Save as disclosed in the section headed "Substantial Shareholders" in this prospectus, our Directors or chief executive are not aware of any other person, not being a Director or chief executive of our Company, who has an interest or short position in the Shares or the underlying Shares which, once the Shares are listed, would fall to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10.0% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

**2. Particulars of Service Contracts**

Each of Mr. Xu, Mr. Zhang Bo, Mr. Zhao Jun and Ms. Lei Xing, being our executive Directors will enter into a service agreement with our Company with an initial term of three years commencing from the Listing Date, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Each of our independent non-executive Directors will enter into a letter of appointment with our Company. The terms and conditions of each of such letters of appointment are similar in all material respects. Each of independent non-executive Directors is appointed with an initial term of three years commencing from the Listing Date subject to termination in certain circumstances as stipulated in the relevant letters of appointment. Save as the aforesaid, none of our Directors

has or is proposed to have a service contract with our Company or any members of our Group (other than contracts expiring or determinate by the employer within one year without the payment of compensation (other than statutory compensation)).

### 3. Directors' Remuneration

The aggregate remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) incurred for the year ended December 31, 2018, December 31, 2019 and December 31, 2020 and the three months ended March 31, 2021 was approximately RMB307,000, RMB587,000, RMB1,617,000 and RMB1,050,000, respectively.

Save as the disclosed in this prospectus, no other amounts have been paid or are payable by any member of our Group to our Directors for the three years ended December 31, 2020 and the three months ended March 31, 2021.

Pursuant to the existing arrangements that currently in force as of the date of this prospectus, the amount of remuneration (including benefits in kind but excluding discretionary bonuses) payable to our Directors by our Company for the year ended December 31, 2021 is estimated to be approximately RMB2.73 million in aggregate.

### 4. Agent fees or commissions received

Save in connection the Underwriting Agreements, none of our Directors nor any of the parties listed in “*Qualification of Experts*” in this Appendix had received any commissions, discounts, agency fees, brokerages or other special terms in connection with the issue or sale of any share or loan capital of our Company or any member of our Group within the two years preceding the date of this prospectus.

### 5. Disclaimers

Save as disclosed in this prospectus:

- (a) There are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation) between the Directors and member of our Group);
- (b) none of our Directors nor any of the parties listed in the section headed “*Qualification of Experts*” of this Appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed by or leased to our Company or any member of our Group, or are proposed to be acquired or disposed of by or leased to our Company or any member of our Group;

- (c) none of our Directors or chief executive of our Company has any interests and short position in the shares, underlying shares and debentures of our Company or our associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors and Listed Companies to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange;
- (d) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interest in 10.0% or more of the nominal value of any class of share capital carrying rights to vote in all circumstance at general meetings of any other member of our Group;
- (e) save as disclosed in this prospectus or in connection with the Underwriting Agreements, none of our Directors nor any of the parties listed in “*Qualification of Experts*” of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business in our Group;
- (f) save in connection with the Underwriting Agreements, none of the parties listed in “*Qualification of Experts*” of this Appendix: (i) is interested legally or beneficially in any of our Shares or any shares in any member of our Group; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (g) none of our Directors or their respective associates (as defined under the Listing Rules) or any Shareholders of our Company (who to the knowledge of our Directors owns more than 5.0% of our issued share capital) has any interest in our five largest suppliers or our five largest revenue payment collection channels.

## D. SHARE INCENTIVE SCHEMES

### 1. Pre-IPO RSU Schemes

Our Company granted RSUs to certain individuals in our Group in 2018. Subsequently pursuant to the board resolution dated March 31, 2021, to extend such RSUs granted in 2018, our Company adopted the following new RSU schemes, and re-granted new RSUs to the aforesaid grantees. The following is a summary of the principal terms of the three Pre-IPO RSU Schemes, namely the Senior Management RSU Scheme, the Director RSU Scheme and the Employee RSU Scheme, approved and adopted by our Company on March 31, 2021 (the “**Adoption Date**”). The Senior Management RSU Scheme is for one grantee who is our senior



management member, namely Mr. Wang Zhenpeng. The Director RSU Scheme is for 12 grantees who are directors of our subsidiaries. The Employee RSU Scheme is for 28 grantees who are the employees of our Group (not being directors or senior management members in our Group). The Pre-IPO RSU Schemes are not subject to the provisions of Chapter 17 of the Listing Rules as the Pre-IPO RSU Schemes do not involve the grant of options by our Company to subscribe for new Shares. Nevertheless, to the extent applicable, our Company will comply with all relevant requirements under Chapter 14A of the Listing Rules and other applicable Listing Rules regarding any grant of RSU to connected persons (as defined under the Listing Rules) under the Pre-IPO RSU Schemes after the Listing.

*(a) Purpose of the Pre-IPO RSU Schemes*

The purpose of the Pre-IPO RSU Schemes is to incentivize, employees and business associates for their services and contribution to the success of our Group, and to provide incentives to them to further contribute to our Group.

*(b) Awards*

An award of RSUs under the Pre-IPO RSU Schemes (“**Award**”) gives a selected person (as set out in paragraph 4 below) in the Pre-IPO RSU Schemes a contingent right to receive either Share(s) on or about the date of vesting, as determined by the Board in its sole discretion.

*(c) Maximum number of Shares pursuant to RSUs*

Unless otherwise duly approved by our Shareholders, the total number of Shares underlying RSUs under the Senior Management RSU Scheme, Director RSU Scheme and Employee RSU Scheme shall not exceed 9,999,611 Shares, 3,100,389 Shares, and 13,700,000 Shares, respectively (collectively the “**Pre-IPO RSU Limit**”).

*(d) Selected Persons of the Pre-IPO RSU Scheme*

Our Board may select the following persons to be granted with RSUs under the Pre-IPO RSU Schemes before the Listing (“**Eligible Persons**”):

- (i) any director (including executive director, non-executive director and independent non-executive director) of any member of our Group from time to time (with respect to the Director RSU Scheme);
- (ii) any senior management member of any member of our Group from time to time (with respect to the Senior Management RSU Scheme); and

- (iii) any employee or officer of any member of our Group who is not a core connected person of our Company (“**Employees**”) (with respect to the Employee RSU Scheme).

*(e) Duration of the Pre-IPO RSU Schemes*

Subject to the fulfillment of the conditions of the Pre-IPO RSU Schemes and the termination clause in paragraph (s) below, the Pre-IPO RSU Schemes shall be each valid and effective for a term of ten years commencing on the Adoption Date (the “**Pre-IPO RSU Scheme Period**”), after which period no further Pre-IPO RSUs shall be granted or accepted, but the provisions of the Pre-IPO RSU Schemes shall remain in full force and effect in order to give effect to the vesting of Pre-IPO RSUs granted and accepted prior to the expiration of the Pre-IPO RSU Scheme Period.

*(f) Administration of the Pre-IPO RSU Schemes*

The Pre-IPO RSU Schemes shall be subject to the administration of the Board or an advisory committee appointed by the Board in accordance with the rules of such scheme. The Board has the power to construe and interpret the rules of the Pre-IPO RSU Schemes and the terms of the Awards granted thereunder. Any decision of the Board made in accordance with the rules of the Pre-IPO RSU Schemes shall be final and binding, provided in each case that such decision is made in accordance with the Articles and any applicable laws.

*(g) Appointment of RSU Trustees*

Our Board has appointed (i) Cantrust as the trustee in respect of the Director RSU Scheme to administer the granting and vesting of Award granted to the grantee pursuant to the Director RSU Scheme; and (ii) Infiniti Trust as the trustee in respect of the Senior Management RSU Scheme and Employee RSU Scheme to administer the granting and vesting of Awards to the grantees pursuant to the Senior Management RSU Scheme and Employee RSU Scheme.

As of the Latest Practicable Date, (i) 3,100,389 Shares had been issued to TLTQ Holding, which is wholly-owned by Cantrust, for the purpose of the Director RSU Scheme; (ii) 9,999,611 Shares had been issued to SHXM Holding, which is wholly-owned by Infiniti Trust, for the purpose of the Senior Management RSU Scheme; and (iii) 13,700,000 Shares had been issued to NLNQ Holding, which is wholly-owned by Infiniti Trust, for the purpose of the Employee RSU Scheme.

The RSU Trustees shall obtain written directions from time to time from the advisory committee of the relevant Pre-IPO RSU Scheme to exercise all rights pertaining to the RSU, the Shares or other assets comprised in the trust fund under the Pre-IPO RSU Scheme.

The advisory committees for the Senior Management RSU Scheme and the Employee RSU Scheme shall comprise of senior management member or employee of our Group who is not a core connected person of our Company. The advisory committee for the Director RSU Scheme shall comprise of director of any member of our Group.

***(h) Grant of RSUs***

After the Board has selected the grantees, it will inform the RSU Trustees of the name(s) of the person(s) selected, the number of Shares underlying the Pre-IPO RSUs to be granted to each of them, the vesting schedule and other terms and conditions (if any) that the Pre-IPO RSUs are subject to as determined by the Board.

Subject to limitations and conditions of the Pre-IPO RSU Schemes, the RSU Trustees shall, upon receipt of the notification from the Board, shall grant to each of the selected persons an offer of grant of Award(s) by way of a letter, which shall attach an acceptance notice, subject to the conditions that the Board thinks fit.

***(i) Acceptance of Awards***

If the selected person intends to accept the offer of grant of Pre-IPO RSUs as specified in the grant letter, he or she is required to sign the acceptance notice and return it to the Company within the time period and in a manner prescribed in the grant letter. Upon the receipt from the selected person of a duly executed acceptance notice, the Pre-IPO RSUs are granted to such person, who becomes a grantee pursuant to the relevant Pre-IPO RSU Scheme.

To the extent that the offer of grant of Pre-IPO RSUs is not accepted by any selected person within the time period or in a manner prescribed in the grant letter, it shall be deemed that such offer has been irrevocably declined and thus the Pre-IPO RSUs has immediately lapsed.

The Grantees shall not be required to bear or pay any price or fee for the grant of Awards.

***(j) Restrictions on grants***

Our Board shall not grant any Pre-IPO RSUs to any selected person in any of the following circumstances:

- (i) the requisite approvals for such grant from any applicable regulatory authorities have not been obtained;
- (ii) the securities laws or regulations require that a prospectus or other offering documents be issued in respect of the grant of Pre-IPO RSUs or in respect of the Pre-IPO RSU Schemes, unless the Board determines otherwise;

- (iii) the grant would result in a breach by the Group or any of its Directors or senior management of any applicable laws, regulations or rules; or
- (iv) the grant would result in breach of the Pre-IPO RSU Limit or other rules of the Pre-IPO RSU Schemes.

***(k) Rights attached to Awards***

A grantee does not have any contingent interest in any Shares underlying Awards unless and until these Shares are actually transferred to the grantee from the relevant RSU Trustee. Furthermore, a grantee may not exercise any voting right in respect of the Shares underlying Pre-IPO RSUs and, unless otherwise specified by the Board in its sole discretion in the grant letter to the grantee, nor do they have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying the Awards.

***(l) Rights attached to Shares***

Any Shares transferred to a grantee in respect of any Pre-IPO RSUs shall be subject to the provisions of the Articles and will rank pari passu with the fully paid Shares in issue on the date of the transfer or, if that date falls on a day when the register of members of the Company is closed, the first day of the reopening of the register of members, and accordingly will entitle the grantee to participate in all dividends or other distributions paid or made on or after the date of transfer or, if that date falls on a day when the register of members of our Company closed, the first day of the reopening of the register of members.

***(m) Awards to be personal to grantees***

Awards granted pursuant to the Pre-IPO RSU Schemes shall be personal to each grantee and shall not be assignable or transferrable, except for (i) the transmission of an Award on the death of the grantee to his personal representatives(s) according to the terms of the Pre-IPO RSU Schemes, or (ii) the transfer of any Award to any trustee, acting in its capacity as such trustee, of any trust of which the grantee is a beneficiary. Subject to the above, the grantees are prohibited from selling, transferring, assigning, charging, mortgaging, encumbering, hedging or creating any interest in favor of any other person over or in relation to any property held by the relevant RSU Trustees on trust for the Grantees, Awards or any interest or benefits therein.

*(n) Vesting*

The Board has the sole discretion to determine the vesting schedule and vesting criteria (if any) for any grant of Award(s) to any grantee, which may also be adjusted and re-determined by the Board from time to time. The RSU Trustees shall administer the vesting of Awards granted to each grantee pursuant to the vesting period and vesting criteria (if any) determined by the Board.

Upon fulfillment or waive of the vesting period and vesting criteria (if any) applicable to each of the grantees, a vesting notice will be sent to the grantee by the Board, or by the Pre-IPO RSU Trustees under the authorization and instruction by the Board confirming (a) the extent to which the vesting period and vesting criteria have been fulfilled or waived, and (b) the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of these Shares). The grantee is required to execute, after receiving the vesting notice, certain documents set out in the vesting notice that the Board considers necessary (which may include, without limitation, a certification to the Group that he or she has complied with all the terms and conditions set out in the Pre-IPO RSU Schemes and the grant letter).

Subject to the execution of documents by the grantee set out above, the Board may decide at its sole discretion to (i) direct and procure the relevant RSU Trustee to transfer the Shares underlying the Pre-IPO RSUs (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of these Shares) to the grantee or his or her wholly-owned entity; or (ii) pay, or direct and procure the relevant RSU Trustee to pay, to the grantee in cash an amount which is equivalent to the value of the Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of these Shares) set out in (i) above.

Unless otherwise determined by the Board, in the event that the grantee fails to execute the required documents within seven (7) days after receiving the vesting notice, the vested Pre-IPO RSUs will lapse.

Under the current Pre-IPO RSU Schemes, all Pre-IPO RSUs that have already been granted shall vest on the Listing Date.

*(o) Acceleration of vesting*

The Board has the sole discretion to determine, at any time, to accelerate the vesting of any Award granted to any grantee for various considerations as set out below.

*(i) Rights on a takeover*

In the event a general offer by way of takeover, merger or otherwise in a like manner (other than by way of scheme of arrangement set out as below) is made to all the shareholders of our Company (or shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and the general offer to acquire the Shares is approved and the offer becomes or is declared unconditional in all respects prior to the vesting, the Award(s) of the grantee will vest immediately to the extent specified in a notice given by the Company.

*(ii) Rights on a scheme of arrangement*

In the event a general offer for Shares by way of scheme of arrangement is made by any person to all the shareholders of the Company and has been approved by the necessary number of shareholders at the requisite meetings prior to the vesting, the Awards of the grantee will vest immediately to the extent specified in a notice given by the Company.

*(iii) Rights on a compromise or arrangement*

If a compromise or arrangement between the Company and its shareholders or creditors is proposed in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies and a notice is given by the Company to its shareholders to convene a general meeting to consider and if thought fit approve such compromise or arrangement prior to the vesting, the Pre-IPO RSUs of the grantee will vest immediately to the extent specified in a notice given by the Company.

*(iv) Rights on a voluntary winding-up*

In the event that an effective resolution is passed during the Pre-IPO RSU Scheme Period for voluntarily winding-up of the Company (other than for the purposes of a reconstruction, amalgamation or scheme of arrangement as set out above), prior to the vesting, the Pre-IPO RSUs of the grantee will vest immediately to the extent specified in a notice given by the Company provided that all unexercised Pre-IPO RSUs must be exercised and effected by no later than one Business Day before the day of the proposed general meeting to be convened for the purpose of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company (or to pass written resolutions of the shareholders to the same effect).

(v) *Lapse of Awards*

Subject to the rules under the Pre-IPO RSU Schemes, an unvested Award will automatically lapse immediately upon the occurrence of the following:

- (a) the Grantee (being an Employee of any member of the Group) ceases to be an employee or an officer by reason of the termination of his employment or appointment on the grounds that he has been guilty of serious misconduct or has been convicted of any criminal offence involving his integrity or honesty or on any other ground on which an employer would be entitled to terminate his employment summarily; provided that whether any of the events specified above occurred in relation to a grantee shall be solely and conclusively determined by the Board;
- (b) the grantee (being an Employee) serves as an employee or officer of any other companies that are not a member of the Group, and/or, whether alone or jointly with others, carried on or be concerned or interested, directly or indirectly, whether as shareholder, employee, director, investor, consultant, adviser, partner or agent in any types of business which are in competition with or in opposition to any business of any member of our Group;
- (c) the grantee being a Business Associate is under any contract with the Group, such contract is terminated by reason of breach of contract on the part of the Business Associate;
- (d) the grantee being a Business Associate, appears either to be unable to pay or have no reasonable prospect to be able to pay debts, or has become insolvent, or has made any arrangements or composition with his or her creditors generally, or ceases or threaten to cease to carry on its business, or is wound up, or has an administrator or liquidator being appointed for the whole or any part of its undertaking or assets; or has been convicted of any criminal offence involving integrity or honesty;
- (e) unless the Board otherwise determines, and other than in the circumstances referred to in the relevant Pre-IPO RSU Scheme, the date the grantee ceases to be a Eligible Person as determined by the Board for any reason;
- (f) the grantee makes any attempt or takes any action to sell, transfer, assign, charge, mortgage, encumber, hedge or create any interest in favor of any other person over or in relation to any Shares underlying the granted Awards or any interests or benefits in relation to the Awards; and

(g) our Company commences winding-up.

***(p) Cancellation of Pre-IPO RSUs***

Our Board may at its sole discretion cancel any Award that has not vested or lapsed, provided that:

- (i) the Company or its appointees pay to the grantee an amount equal to the fair value of the Award at the date of the cancellation as determined by the Board, after consultation with an independent financial adviser appointed by the Board;
- (ii) the Company or its appointees provides to the grantee a replacement Award of equivalent value to the Award to be cancelled; or
- (iii) the Board makes any arrangement as the Grantee may agree in order to compensate him for the cancellation of the Award.

***(q) Reorganisation of Capital Structure***

In the event of an alteration in the capital structure of the Company whilst any Pre-IPO RSU has not vested by way of capitalisation of profits or reserves, bonus issue, rights issue, open offer, subdivision or consolidation of shares, reduction of the share capital of the Company or otherwise howsoever in accordance with legal requirements and requirements of any stock exchange (other than an issue of Shares as consideration in respect of a transaction to which our Company or any of its subsidiary is a party or in connection with any share option, restricted share or other equity incentive schemes of the Group or in the event of any distribution of the Company's capital assets to its shareholders on a pro rata basis (whether in cash or in specie) (other than dividends paid out of the net profits attributable to its shareholders for each financial year of the Company), such corresponding alterations (if any) shall be made to the number or nominal amount of Shares subject to the Pre-IPO RSU so far as unvested as the auditors or an independent financial adviser approved by the Company shall certify in writing, either generally or as regard any particular Grantee, to have in their opinion, fairly and reasonably satisfied the requirement that such adjustments give a grantee the same proportion (or rights in respect of the same proportion) of the share capital of our Company as that to which that grantee was previously entitled.



***(r) Alteration or Amendment of the Pre-IPO RSU Schemes***

The terms of the Pre-IPO RSU Schemes may be altered, amended or waived in any respect by the Board provided that such alteration, amendment or waiver shall not affect any subsisting rights of any grantee thereunder. Any alternation, amendment or waiver to the Pre-IPO RSU Schemes of a material nature shall be approved by the shareholders of the Company. The Board shall have the right to determine whether any proposed alteration, amendment or waiver is material and such determination shall be conclusive.

***(s) Termination of the Pre-IPO RSU Schemes***

The Pre-IPO RSU Schemes may be terminated at any time prior to the expiry of the Pre-IPO RSU Scheme Period by the Board provided that such termination shall not affect any subsisting rights of any grantee thereunder. For the avoidance of doubt, no further Awards shall be granted after the relevant Pre-IPO RSU Scheme is terminated but in all other respects the provisions of the relevant Pre-IPO RSU Scheme shall remain in full force and effect. No further Award shall be granted after such termination; however, all Awards granted prior to such termination and not vested on the date of termination shall remain valid. In such event, the Board shall notify the relevant RSU Trustee and all grantees of such termination and how the Shares held by the relevant RSU Trustee on trust and other interests or benefits in relation to the outstanding Awards shall be dealt with.

***(t) General***

As of the Latest Practicable Date, Pre-IPO RSUs in respect of underlying Shares representing (i) approximately 0.80% of the total issued share capital of our Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised, and on the basis that all Preferred Shares will be converted into our Shares on a one-for-one basis) had been granted to one grantee namely Mr. Wang Zhenpeng, our senior management member, pursuant to the Senior Management RSU Scheme; (ii) approximately 0.25% of the total issued share capital of our Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised, and on the basis that all Preferred Shares will be converted into our Shares on a one-for-one basis) had been granted to 12 grantees pursuant to the Director RSU Scheme; and (iii) approximately 1.10% of the total issued share capital of our Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised, and on the basis that all Preferred Shares will be converted into our Shares on a one-for-one basis) had been granted to 28 grantees pursuant to the Employee RSU Scheme.

*Details of the RSUs granted by our Company under the RSU Scheme*

The following table shows the details of the Pre-IPO RSUs granted by our Company under the Pre-IPO RSU Schemes.

	Number of grantees	Number of underlying Shares represented by Pre-IPO RSUs	Date of Grant	Approximate percentage of shareholding immediately following the completion of the Global Offering (Note 1)
Senior Management RSU Scheme	1 grantee (Note 2)	9,999,611	June 18, 2021	0.80%
Director RSU Scheme	12 grantees (Note 3)	3,100,389	June 18, 2021	0.25%
Employee RSU Scheme	28 grantees	13,700,000	June 18, 2021	1.10%

*Notes:*

1. The percentage does not take into account any Shares which may be issued upon the exercise of the Over-allotment Options.
2. The grantee under the Senior Management RSU Scheme is Mr. Wang Zhenpeng, our senior vice president.
3. The grantees under the Director RSU Scheme are directors of the subsidiaries of our Group.

## 2. Post-IPO RSU Scheme

The following is a summary of the principal terms of the Post-IPO RSU Scheme approved and adopted by our Company on March 31, 2021, which will become effective subject to (i) the Stock Exchange granting the listing of, and permission to deal in, the new Shares underlying the awards which may be granted pursuant to this Scheme (the “**Post-IPO Awards**”) and (ii) the commencement of trading of the Shares on the Main Board of the Stock Exchange. The Post-IPO RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the Post-IPO RSU Scheme does not involve the grant of options by our Company to subscribe for new Shares.

Other than the key differences summarized below, the scheme rules of the Post-IPO RSU Scheme are substantially similar to the Pre-IPO RSU Schemes:

*(a) Post-IPO RSU Mandate Limit*

The maximum aggregate number of Shares underlying all grants of Post-IPO RSUs will not exceed 47,652,017 Shares, representing approximately 3.82% of the number of Shares in issue immediately after the completion of the Global Offering (assuming that the Over-allotment Option is not exercised, and on the basis that the Preferred Shares will be converted on a one-for-one basis) (“**Post-IPO RSU Mandate Limit**”).

*(b) Selected Persons of the Post-IPO RSU Scheme*

Our Board may select any employee or officer of any member of our Group who is not a core connected person of our Company (“**Employees**”) to be granted with RSUs under the Post-IPO RSU Scheme after the Listing.

*(c) Restrictions on grants*

The Board or the advisory committee appointed by the Board for administering the Post-IPO RSU Scheme shall not grant any Post-IPO RSUs to any selected person in the following circumstances:

- (1) after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced by our Company in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately proceeding the earlier of:
  - (i) the date of the meeting of the Board (as such date is first notified to the Hong Kong Stock Exchange in accordance with the Listing Rules) for the approval of the Company’s results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
  - (ii) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules).
- (2) the selected person is a core connected person of our Company.

*(d) Appointment of RSU Trustee*

Our Board has appointed Infiniti Trust as the trustee (the “**Post-IPO RSU Trustee**”) in respect of the Post-IPO RSU Scheme to administer the granting and vesting of Award granted to the grantee pursuant to the Post-IPO RSU Scheme.

As of the Latest Practicable Date, 47,652,017 Shares had been issued to TSLZ Holding, which is wholly-owned by Infiniti Trust, for the purpose of the Post-IPO RSU Scheme. As of the Latest Practicable Date, no RSU had been granted or agreed to be granted by our Company pursuant to the Post-IPO RSU Scheme.

The Post-IPO RSU Trustee shall obtain written directions from time to time from the advisory committee of the relevant Post-IPO RSU Scheme (which shall comprise employee of our Group who is not core connected person of our Company) to exercise all rights pertaining to the RSU, the Shares or other assets comprised in the trust fund under the Post-IPO RSU Scheme.

*(e) Rights attached to Awards*

A grantee does not have any contingent interest in any Shares underlying Post-IPO Awards unless and until these Shares are actually transferred to the grantee from the relevant RSU Trustee. Furthermore, a grantee may not exercise any voting right in respect of the Shares underlying Post-IPO RSUs and, unless otherwise specified by the Board in its sole discretion in the grant letter to the grantee, nor do they have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying the Post-IPO Awards.

*(f) Rights attached to Shares*

Any Shares transferred to a grantee in respect of any Post-IPO RSUs shall be subject to the provisions of the Articles and will rank pari passu with the fully paid Shares in issue on the date of the transfer or, if that date falls on a day when the register of members of the Company is closed, the first day of the reopening of the register of members, and accordingly will entitle the grantee to participate in all dividends or other distributions paid or made on or after the date of transfer or, if that date falls on a day when the register of members of our Company closed, the first day of the reopening of the register of members.

**E. OTHER INFORMATION****1. Estate duty**

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any member of our Group.

**2. Litigation**

As disclosed in the section headed “Business – Legal Proceedings” of this prospectus, as of the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operation or financial condition.

**3. Sole Sponsor**

The Sole Sponsor has made an application on our behalf to the Stock Exchange for the listing of, and the permission to deal in, the Shares in issue (including the Shares or conversion of Preferred Shares) and to be issued as mentioned in this prospectus (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option).

China World Investment, being a close associate of the controlling shareholder of the Sole Sponsor, is regarded as a member of the sponsor group of the Sole Sponsor as defined under the Listing Rules. As set out in the section headed “History, Development and Reorganisation”, as of the Latest Practicable Date, China World Investment held approximately 0.14% (i.e. below 5% threshold set out in Rule 3A.07(1) of the Listing Rules) of the issue share capital of our Company. Accordingly, such holding does not affect the independence of the Sole Sponsor. The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The fees payable to the Sole Sponsor in respect of its services as sponsor for the Listing are US\$1.0 million and are payable by us.

**4. Preliminary Expenses**

The preliminary expenses incurred and paid by our Company were approximately HK\$30,000.

**5. Bilingual Prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**6. Binding Effect**

This prospectus shall have effect, if an application is made pursuant of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

**7. Qualification of Experts**

The following are the qualifications of experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who gave opinions or advice which are contained in this prospectus:

<b>Name</b>	<b>Qualifications</b>
China International Capital Corporation Hong Kong Securities Limited	Licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) of the regulated activity under the SFO
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Cap. 50) and Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Cap. 588)
Jingtian & Gongcheng	PRC Legal Advisor
Walkers (Hong Kong)	Cayman Islands and BVI legal adviser
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
BT Corporate Governance Limited	Special Internal Control Consultant
Taitong Construction Co., Ltd.	Fire Safety Consultant

**8. Consents of Experts**

Each of the experts as referred to in the section headed “Qualification of Experts” in this Appendix has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or legal opinion (as the case may be) and references to their names included in the form and context in which it respectively appears.

None of the experts named above has any shareholders' interests in our Company or any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for interests in our Company or any member of our Group, save as disclosed in the section headed "History, Development and Reorganisation – Pre-IPO Investments" in this prospectus.

## **9. Promoters**

Our Company has no promoter.

## **10. No Material Adverse Change**

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since March 31, 2021 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

## **11. Miscellaneous**

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
  - (i) neither our Company, nor any member of our Group has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;
  - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
  - (iii) no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of the Group;
  - (iv) no commission has been paid or payable (except commission to sub-underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries;
  - (v) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued; and
  - (vi) there is no arrangement under which future dividends are waived or agreed to be waived.

- (b) Our Directors confirm that:
  - (i) since March 31, 2021 (being the date on which the latest audited consolidated financial statements of the Group were made up), there has been no material adverse change in our financial or trading position or prospectus;
  - (ii) there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this prospectus; and
  - (iii) our Company has no outstanding convertible debt securities or debentures.
- (c) No company within our Group is presently listed on any stock exchange or traded on any trading system.



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## **APPENDIX V                      DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION**

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### **A.    DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents:

- (a) a copy of the **GREEN** Application Form;
- (b) copies of each of the material contracts referred to in the paragraph headed “Appendix IV – Statutory and general information – B. Further information about our business – 1. Summary of Material Contracts” in this prospectus; and
- (c) the written consents referred to in the paragraph headed “Appendix IV – Statutory and general information – E. Other information – 8. Consents of experts” in this prospectus.

### **B.    DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Jingtian & Gongcheng LLP at Suites 3203-3207, 32/F, Edinburgh Tower, The Landmark, 15 Queen’s Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and Articles of Association;
- (b) the Accountant’s Report from PricewaterhouseCoopers, in respect of the historical financial information of our Group for the years ended December 31, 2018, December 31, 2019 and December 31, 2020 and the three months ended March 31, 2021, the text of which is set out in Appendix I to this prospectus;
- (c) the report on unaudited pro forma financial information of our Group from PricewaterhouseCoopers, the text of which is set out in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of our Group for each of the three years ended December 31, 2020 and the three months ended March 31, 2021;
- (e) the letter of advice prepared by Walkers (Hong Kong), our Cayman Islands and BVI legal advisers, summarising certain aspects of the Cayman Islands company law and the constitutional document of our Company referred to in Appendix III to this prospectus;
- (f) the Cayman Islands Companies Act;

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<b>APPENDIX V</b>	<b>DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION</b>
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- (g) the material contracts referred to in the section headed “Appendix IV – Statutory and general information – B. Further information about our business – 1. Summary of material contracts” in this prospectus;
- (h) the service contracts and letters of appointment referred to in the section headed “Appendix IV – Statutory and general information – C. Further information about our Directors and substantial Shareholders” in this prospectus;
- (i) the industry report prepared by Frost & Sullivan referred to in the section headed “Industry Overview” of this prospectus;
- (j) the report prepared by Taitong Construction Co., Ltd., the Fire Safety Consultant, in respect of its findings on the fire safety inspection on certain bars of the Group which had not yet obtained relevant fire safety approvals;
- (k) the review report issued by BT Corporate Governance Limited, the Special Internal Control Consultant, in respect of certain aspects of the internal controls of our Group;
- (l) the written consents referred to in the paragraph headed “Appendix IV – Statutory and general information – E. Other information – 8. Consents of Experts” to this prospectus;
- (m) the PRC legal opinion prepared by Jingtian & Gongcheng, our PRC Legal Advisor, in respect of certain aspects of our Group and our property interests in the PRC;
- (n) the Director RSU Scheme;
- (o) the Senior Management RSU Scheme;
- (p) the Employee RSU Scheme; and
- (q) the Post-IPO RSU Scheme.

