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## **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)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2021**

The board (the “**Board**”) of directors (the “**Directors**”) of Helens International Holdings Company Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended December 31, 2021 (the “**Reporting Period**”), together with the audited comparative figures for the year ended December 31, 2020. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the prospectus of the Company dated August 31, 2021 (the “**Prospectus**”) and the announcements of the Company dated January 16, 2022 and January 28, 2022.

## FINANCIAL HIGHLIGHTS

	For the year ended	
	December 31,	
	2021	2020
	(RMB in thousands)	(RMB in thousands)
Revenue	1,835,616	817,945
Operating profit <sup>(1)</sup>	304,699	152,186
(Loss)/profit before income tax	(176,850)	96,967
(Loss)/profit for the year attributable to owners of the Company	(230,000)	70,072
Adjusted net profit <sup>(2)</sup>	100,245	75,752

### Non-HKFRS Measures

	For the year ended	
	December 31,	
	2021	2020
	(RMB in thousands)	(RMB in thousands)
(Loss)/profit for the year	(230,000)	70,072
Add:		
Listing expenses	30,893	5,680
Equity-settled share-based payments	91,683	—
Fair value changes of convertible preferred shares	207,669	—
<b>Adjusted net profit</b>	<b>100,245</b>	<b>75,752</b>

*Note (1):* We define bar level operating profit as revenue for the year deducting the following expenses at bar level: (i) raw materials and consumables used, (ii) employee benefit and manpower service expenses (excluding equity-settled share-based payments), (iii) depreciation of right-of-use assets, (iv) depreciation of plant and equipment, (v) short-term rental and other related expenses, (vi) utilities expense, (vii) other expenses — logistics and warehousing-related costs, and (viii) other expenses-repair and maintenance. We consider this financial indicator to be meaningful to the management for review and analysis purposes. We have prepared the comparative figure for the year ended December 31, 2020 accordingly.

*Note (2):* We define adjusted net profit as profit for the year adjusted by adding back listing expenses, equity-settled share-based payments and fair value changes of convertible preferred shares. For details of non-HKFRS measures, please refer to the sub-section headed “Management Discussion and Analysis — Non-HKFRS Measures”.

## Consolidated Statements of Financial Position

	As at December 31, 2021 (RMB in thousands) (audited)	As at December 31, 2020 (RMB in thousands) (audited)
Non-current assets	2,572,643	788,632
Current assets	1,714,123	71,310
Total assets	4,286,766	859,942
Total equity	2,876,720	160,238
Non-current liabilities	1,060,620	460,379
Current liabilities	349,426	239,325
Net current assets/(liabilities)	1,364,697	(168,015)
Total liabilities	1,410,046	699,704
Total equity and liabilities	4,286,766	859,942

## BUSINESS HIGHLIGHTS

### Distribution of Our Bar Network

As of March 25, 2022, we had a total number of 854 self-operated bars in the PRC, covering 26 provincial-level administrative regions and 152 cities. The following table sets forth the number of Helen's bars located in each geographic location as of March 25, 2022 and dates indicated.

	March 25, 2022	As of December 31, 2021	December 31, 2020
<b>Mainland China</b>			
Bars in first-tier cities	88	82	56
Bars in second-tier cities	458	433	200
Bars in third and lower-tier cities	307	266	94
<b>Hong Kong, PRC</b>	<u>1</u>	<u>1</u>	<u>1</u>
<b>Total</b>	<u><u>854</u></u>	<u><u>782</u></u>	<u><u>351</u></u>

## Operating Indicators

### Average daily sales per self-operated bar opened in each year

The table below shows the performance of bars opened in each year in 2021 and 2020. Among them, the average daily sales per bar opened in 2020 increased by 11.0% from RMB10.0 thousand in 2020 to RMB11.1 thousand in 2021; the average daily sales per bar opened in 2019 increased by 20.4% from RMB9.8 thousand in 2020 to RMB11.8 thousand in 2021. For bars opened in 2018 and before, the average daily sales per bar remained stable in 2020 and 2021.

	For the year ended December 31,	
	2021 (RMB in thousands)	2020 (RMB in thousands)
<b>Average daily sales per self-operated bar</b>		
<b>Mainland China</b>		
Bars newly opened in 2021	7.3	N/A
Bars opened in 2020	11.1	10.0
Bars opened in 2019	11.8	9.8
Bars opened in 2018 and before	12.0	12.2
<b>Overall</b>	<b>9.2</b>	<b>10.9</b>

### Same-store Performance

The following table sets forth the same-store sales of Helen's bars during the indicated period. "Same-store" means bars that opened for at least 200 days in 2020 and 2021, respectively.

	For the year ended December 31,	
	2021	2020
Number of same-store	228	
Same-store sales (RMB'000)	939,335.4	707,609.3
Growth of same-store sales (%)	32.7	
Same-store sales per day <sup>(1)</sup> (RMB'000)	2,701.0	2,496.2
Growth of same-store sales per day (%)	8.2	
Same-store average daily sales per store <sup>(2)</sup> (RMB'000)	11.8	10.9
Growth of same-store average daily sales per store (%)	8.2	

Notes:

- (1) The aggregate amount of average daily sales of all same stores.
- (2) The average amount of average daily sales of all same stores.

In 2021, the number of our bars increased rapidly by 122.8% from 351 at the end of 2020 to 782 at the end of 2021, and our same-store sales grew despite the impact of disturbance of COVID-19 and related containment measures.

**Average daily sales per self-operated bar opened in each tier cities**

	<b>For the year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
	<i>(RMB in thousands)</i>	<i>(RMB in thousands)</i>
<b>Average daily sales per self-operated bar</b>		
<b>Mainland China</b>		
Bars in first-tier cities		
Including: Bars newly opened in 2021	<b>11.9</b>	N/A
Bars opened before 2021	<b>10.2</b>	8.5
Bars in second-tier cities		
Including: Bars newly opened in 2021	<b>6.2</b>	N/A
Bars opened before 2021	<b>11.8</b>	11.4
Bars in third-and lower-tier cities		
Including: Bars newly opened in 2021	<b>8.0</b>	N/A
Bars opened before 2021	<b>12.2</b>	10.9

As our brand awareness and recognition continuously grew, the average daily sales per self-operated bar, opened before 2021 also maintained a growing trend. Among them, the average daily sales per bar in first-tier cities opened before 2021 increased by 20.0% from RMB8.5 thousand in 2020 to RMB10.2 thousand in 2021; the average daily sales per bar in second-tier cities opened before 2021 increased by 3.5% from RMB11.4 thousand in 2020 to RMB11.8 thousand in 2021; and the average daily sales per bar in third-and lower-tier cities opened before 2021 increased by 11.9% from RMB10.9 thousand in 2020 to RMB12.2 thousand in 2021.

Most of the bars newly opened in 2021 were opened in the second half of 2021 and are still in their ramp-up period, and certain of these bars were temporarily affected by the disturbance of COVID-19 and related containment measures in certain cities.

## Operating Profit

	For the year ended December 31,			
	2021		2020	
	Operating profit (RMB in thousands)	Operating profit margin	Operating (loss)/profit (RMB in thousands)	Operating (loss)/profit margin
<b>Mainland China</b>				
First-tier cities	24	0.01%	(13,808)	(15.36%)
Second-tier cities	174,339	16.92%	103,256	21.33%
Third-and lower-tier cities	134,312	23.25%	64,073	26.44%

## Contribution from Our Featured Products

The following table sets forth the overall contribution and contribution margin of all of Helen's branded alcoholic drinks and third-party brand alcoholic drinks during the indicated years.

	For the year ended December 31,	
	2021	2020
<b>All Helen's branded alcoholic drinks</b>		
Contribution (RMB'000)	860,890	344,183
Contribution margin	<u>80.2%</u>	<u>78.4%</u>
<b>All third-party brand alcoholic drinks</b>		
Contribution (RMB'000)	170,850	97,724
Contribution margin	<u>48.8%</u>	<u>51.5%</u>

Note:

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, divided by (ii) the revenue generated from the sales of the given product.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review and Outlook

As the largest chain of bars in China, in 2021, we maintained the development strategy of continuous expansion of the bar network, opening 452 new self-operated bars throughout the year. By the end of 2021, the number of our bars has increased to 782, further consolidating our market position. As of March 25, 2022, the latest practicable date of this announcement, the number of our bars has further grown to 854, covering 26 provincial-level administrative regions and 152 cities.

Our performance grew as our bar network expanded. Our revenue increased from RMB817.9 million in 2020 to RMB1,835.6 million in 2021, representing a year-on-year increase of 124.4%; our operating profit increased from RMB152.2 million in 2020 to RMB304.7 million in 2021, representing a year-on-year increase of 100.2%; and our adjusted net profit increased from RMB75.8 million in 2020 to RMB100.2 million in 2021, representing a year-on-year increase of 32.2%.

Looking forward, we will continue to expand our bar network, enhance empowerment and application of data, and enlarge the layout of the broader market in lower-tier cities. In the meantime, efforts will be made to optimize our product portfolio, improve product quality, and upgrade and enrich the decoration style, in order to enhance our customers' consumption experience and increase customer stickiness.

### Impact of the COVID-19 Pandemic

In 2021, despite the impact of the disturbance of COVID-19 pandemic and related containment measures in certain cities of China, we still maintained a satisfactory business performance due to our market position and excellent consumer word of mouth. The number of our bars increased from 351 at the end of 2020 to 782 at the end of 2021, and our same-store sales grew as well.

Throughout the pandemic, we have proactively arranged internal resources and adjusted strategies to assure the health of our staff and customers. 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.

Due to the uncertainty of the development of the COVID-19 pandemic, it remains difficult to predict the full impact of the COVID-19 pandemic on the broader economy and the actions and measures undertaken by the government authorities to contain the COVID-19 pandemic or treat its impact, which may impose continuing adverse effect on our results of operations, cash flows and financial condition going forward. However, we will continue to strengthen refined management, as well as cost savings and expense control brought about by economies of scale, so as to mitigate the impact of the COVID-19 pandemic on our business development.

## Revenue

Our revenue increased by 124.4% from RMB817.9 million for the year ended December 31, 2020 to RMB1,835.6 million for the year ended December 31, 2021, primarily due to the rapid expansion of our bar network. The number of our self-operated bars increased from 337 as of December 31, 2020 to 782 as of December 31, 2021.

The following table sets forth the revenue by products and services and a breakdown of revenue during the indicated years.

	For the year ended December 31,			
	2021		2020	
	Revenue (RMB in thousands)	% of total revenue	Revenue (RMB in thousands)	% of total revenue
<b>Helen's branded products</b>	<b>1,431,605</b>	<b>78.0</b>	594,720	72.7
Helen's beer	456,759	24.9	200,619	24.5
Spirituous drinks	616,652	33.6	238,204	29.1
Snacks	358,194	19.5	155,897	19.1
<b>Third-party brand alcoholic drinks</b>	<b>350,455</b>	<b>19.1</b>	189,835	23.2
<b>Other products<sup>(1)</sup></b>	<b>40,334</b>	<b>2.2</b>	24,261	3.0
<b>Other revenue<sup>(2)</sup></b>	<b>13,222</b>	<b>0.7</b>	9,129	1.1
<b>Total</b>	<b><u>1,835,616</u></b>	<b><u>100</u></b>	<b><u>817,945</u></b>	<b><u>100</u></b>

Notes:

- (1) Including paper towel and other consumer goods that we provide to customers in bars.
- (2) Including the revenue generated from our mobile device charging service in bars and franchise fees. As of March 31, 2021, all of our Helen's bars are self-operated bars. We generated no revenue from franchise fees since the second quarter of 2021.



## **Government Grants and Concessions**

Our government grants and concessions decreased from RMB36.4 million for the year ended December 31, 2020 to RMB14.0 million for the year ended December 31, 2021, mainly because we were no longer entitled to the one-off rent concessions offered by landlords of certain rental properties, and that the tax concessions offered by local governments for COVID-19 have declined since the outbreak was brought under control.

## **Cost of Raw Materials and Consumables Used**

The cost of our raw materials and consumables used increased by 112.5% from RMB271.4 million for the year ended December 31, 2020 to RMB576.8 million for the year ended December 31, 2021. The increase in the cost of raw materials and consumables used was primarily due to a significant increase in (i) the costs for the purchase of Helen's branded products and third-party brand alcoholic drinks and (ii) the costs incurred for consumables used in Helen's bars, which were both attributed to the growth of our business and the rapid increase in the number of bars.

## **Employee Benefit and Manpower Service Expenses**

Our employee benefit and manpower service expenses increased by 225.1% from RMB178.9 million for the year ended December 31, 2020 to RMB581.6 million for the year ended December 31, 2021. The substantial increase in employee benefit and manpower service expenses was mainly attributable to:

- (1) Our wages, salaries, other benefits and pension costs increased from RMB140.5 million for the year ended December 31, 2020 to RMB246.4 million for the year ended December 31, 2021, mainly because of the increases in the compensation and benefit for our employees as well as the number of our employees during the year of 2021;
- (2) For the year ended December 31, 2021, we incurred RMB243.5 million for manpower services as we hired outsourcing staff from third-party labor outsourcing companies; and
- (3) Our equity-settled share-based payments for the year ended December 31, 2021 were RMB91.7 million.

## **Depreciation of Right-of-use Assets**

The depreciation of our right-of-use assets increased by 109.1% from RMB105.3 million for the year ended December 31, 2020 to RMB220.2 million for the year ended December 31, 2021. The increase was mainly because we leased more properties for bar operations as the number of bars increased. The number of our self-operated bars increased from 337 as of December 31, 2020 to 782 as of December 31, 2021.

## **Depreciation of Plant and Equipment**

The depreciation of our plant and equipment increased by 158.1% from RMB32.0 million for the year ended December 31, 2020 to RMB82.6 million for the year ended December 31, 2021. The increase was primarily due to an increase in the fixed assets (including renovation costs, air conditioning, tables and chairs, etc.) of our self-operated bars with the rapid growth in the number of bars, and the corresponding increase in depreciation expenses.

## **Amortisation of Intangible Assets**

Our amortisation of intangible assets remained at RMB17,000 for the years ended December 31, 2020 and 2021, representing the amortisation expenses incurred in software.

## **Short-Term Rental and Other Related Expenses**

Our short-term rental and other related expenses increased by 47.5% from RMB31.8 million for the year ended December 31, 2020 to RMB46.9 million for the year ended December 31, 2021. The increase was primarily due to the increase in staff dormitories we leased for a short term as the number of our self-operated bar staff increased with the rapid expansion of our bar network and an increase in the rental fee.

## **Utilities Expenses**

Our utilities expenses increased by 141.4% from RMB23.9 million for the year ended December 31, 2020 to RMB57.7 million for the year ended December 31, 2021. The 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 103.2% from RMB6.2 million for the year ended December 31, 2020 to RMB12.6 million for the year ended December 31, 2021. The increase was primarily due to expenses associated with the accelerated expansion of new bars.

## **Listing Expenses**

Our listing expenses was RMB5.7 million and RMB30.9 million for the years ended December 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 176.0% from RMB15.4 million for the year ended December 31, 2020 to RMB42.5 million for the year ended December 31, 2021. The increase was in line with our revenue growth trend.

## **Other Expenses**

Our other expenses increased by 69.9% from RMB58.2 million for the year ended December 31, 2020 to RMB98.9 million for the year ended December 31, 2021. The increase was primarily due to the corresponding increase in our daily operation and logistics and warehousing-related costs and maintenance expenses as the number of bars increased.

## **Fair Value Changes of Convertible Preferred Shares**

Fair value changes of convertible preferred shares for the years ended December 31, 2020 and 2021 were nil and RMB207.7 million, respectively. The fair value changes were primarily due to the subsequent changes in the fair value of the convertible preferred shares that were issued in February 2021 and measured at fair value, with changes recognised in profit or loss. On September 10, 2021, all the convertible preferred shares were converted into the same number of ordinary shares.

## **Finance Income**

Our finance income increased by 1,555.9% from RMB34,000 for the year ended December 31, 2020 to RMB563,000 for the year ended December 31, 2021. The increase was primarily due to the increase in interest income from bank deposits as a result of the issuance of new shares upon Listing.

## **Finance Costs**

Our finance expenses increased by 101.0% from RMB28.7 million for the year ended December 31, 2020 to RMB57.7 million for the year ended December 31, 2021. The increase in financial costs was mainly attributable to the fact that lease liabilities went up with an increase in the number of bars, resulting in a rise in related interest.

## **(Loss)/Profit before Income Tax**

As a result of the foregoing, our profit before income tax was RMB97.0 million for the year ended December 31, 2020, and the loss before income tax was RMB176.9 million for the year ended December 31, 2021. The profit/(loss) before income tax margin was 11.9% and (9.6)% for the same periods, respectively.

## **Income Tax Expense**

The income tax expense was RMB26.9 million for the year ended December 31, 2020 compared with the income tax expense of RMB53.2 million for the year ended December 31, 2021. This was mainly due to improved overall profitability.

## Non-HKFRS Measures

To supplement the comprehensive statement of profit or loss presented in accordance with Hong Kong Financial Reporting Standards, we also use adjusted net profit as a non-HKFRS measure, which is not required by, or presented in accordance with, HKFRSs. We believe that the presentation of such non-HKFRS measure 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-operating or non-recurring expenses and incomes that do not affect our ongoing operating performance (including listing expenses, equity-settled share-based payments and fair value changes of convertible preferred shares). Such non-HKFRS measures allow investors to consider metrics used by our management in evaluating our performance. We believe that listing expenses, equity-settled share-based payments and fair value changes of convertible preferred shares are non-operating or non-recurring expenses and incomes that will not affect our ongoing operating performance. We believe that adjusted net profit provides investors with useful information in facilitating a comparison of our operating performance from period to period by eliminating potential impacts of listing expenses, equity-settled share-based payments and fair value changes of convertible preferred shares.

	<b>For the year ended</b>	
	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
	<b>(RMB in</b>	<b>(RMB in</b>
	<b>thousands)</b>	<b>thousands)</b>
(Loss)/profit for the year	<b>(230,000)</b>	70,072
Add:		
Listing expenses	<b>30,893</b>	5,680
Equity-settled share-based payments	<b>91,683</b>	—
Fair value changes of convertible preferred shares	<b>207,669</b>	—
<b>Adjusted net profit</b>	<b><u>100,245</u></b>	<b><u>75,752</u></b>

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 Shareholders of the Company and potential investors 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.

## Plant and Equipment

Our plant and equipment represent (i) office equipment such as printers, (ii) computer equipment, (iii) furniture and fixture used in bars such as tables and chairs and facilities in kitchens, and (iv) leasehold improvement, i.e. for decoration of bars. Our plant and equipment increased from RMB188.8 million as of December 31, 2020 to RMB871.3 million as of December 31, 2021. Such increase was generally in line with the growth trend of the number of our bars.

## Intangible Assets

Our intangible assets mainly include office systems and software that we have purchased. Our intangible assets remained generally stable with RMB109,000 and RMB92,000, respectively, as of December 31, 2020 and December 31, 2021.

## Right-of-use Assets

Our right-of-use assets (i.e. our confirmed long-term leased properties) increased from RMB554.5 million as of December 31, 2020 to RMB1,348.3 million as of December 31, 2021. Such increase was generally in line with the growth trend of 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 dates indicated.

	<b>As of</b>	
	<b>December 31,</b>	December 31,
	<b>2021</b>	2020
	<i>(RMB in</i>	<i>(RMB in</i>
	<i>thousands)</i>	<i>thousands)</i>
<b>Inventories</b>		
Alcoholic drinks	51,739	32,874
Food	8,356	3,378
Consumables	1,407	603
	<hr/>	<hr/>
<b>Total</b>	<b>61,502</b>	<b>36,855</b>
	<hr/> <hr/>	<hr/> <hr/>

Our inventories increased from RMB36.9 million as of December 31, 2020, to RMB61.5 million as of December 31, 2021. The increase in our inventories was mainly driven by the increased amount of alcoholic drinks, in particular the Helen's branded alcoholic drinks 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.

Our inventory turnover days decreased from 40.5 days as of December 31, 2020 to 31.1 days as of December 31, 2021. With the expansion of our bar network and our improved management capabilities and experience, we are able to carry out fine management in the inventory in self-operated bars and improve the efficiency of inventory turnover.

### **Prepayments, Deposits and Other Receivables**

Our prepayments, deposits and other receivables (current portion) 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 and (ii) other tax receivables. Our prepayments, deposits and other receivables increased from RMB10.2 million as of December 31, 2020 to RMB25.9 million as of December 31, 2021. Our deposits and prepayments (non-current portion) increased from RMB26.9 million as of December 31, 2020 to RMB323.0 million as of December 31, 2021. Such increases were primarily attributable to an increase in rental and other deposits from the growth in our number of stores as well as an increase in prepayments for acquisitions of property, plant and equipment from the expansion in our overall operations.

### **Cash and Cash Equivalents**

Our cash and cash equivalents were RMB24.3 million and RMB1,626.7 million as of December 31, 2020 and December 31, 2021, respectively. The increase was mainly due to the proceeds raised from the Global Offering in 2021.

### **Financial Liabilities at Fair Value through Profit or Loss**

As all the convertible and redeemable preferred shares were converted into ordinary shares on September 10, 2021, we had no financial liabilities at fair value through profit or loss for the period as of December 31, 2021.

### **Lease Liabilities**

We had lease liabilities of RMB539.2 million and RMB1,246.1 million as of December 31, 2020 and December 31, 2021, respectively. The growth of lease liabilities was due to the increase in our leased properties for bar operation.

## **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 RMB36.5 million as of December 31, 2020 to RMB75.1 million as of December 31, 2021. The increase was primarily due to the increased number of our self-operated bars, leading to the corresponding increase of our product purchase amount.

The turnover days of our trade payables decreased from 36.8 days as of December 31, 2020 to 34.3 days as of December 31, 2021, which was mainly due to our fine operational strategy enabling us to manage our purchases and make payments more effectively.

## **Other Payables and Accruals**

Our other payables and accruals decreased from RMB85.9 million as of December 31, 2020 to RMB63.2 million as of December 31, 2021. Such decrease was mainly due to that the balance of the amount due to a Director was settled as of December 31, 2021.

## **Liquidity and Capital Resources**

We have adopted a prudent treasury management policy. We place a strong emphasis on having funds readily available and accessible and are in a stable liquidity position with sufficient funds in standby banking facilities to cope with daily operations and meet its future development demands for capital.

During the Reporting Period, we mainly used cash generated from operating activities for our business. Our cash and cash equivalents were RMB24.3 million and RMB1,626.7 million as of December 31, 2020 and December 31, 2021, respectively. Our cash is mainly used to meet the needs of business operations.

Going forward, we expect to fund our operations in part with revenue generated from operations of our bars. However, with the continuing expansion of our business, we may require further funding through public or private equity offerings, debt financing and other sources. We currently do not have any plan for material additional external debt financing. We will continue to evaluate potential financing opportunities based on our need for capital resources and market conditions.

## **Indebtedness**

### ***Bank borrowings***

As of December 31, 2021, we did not have any bank borrowings.



### ***Lease liabilities***

As of December 31, 2021, our lease liabilities amounted to RMB1,246.1 million.

### ***Convertible Preferred Shares***

As of December 31, 2021, we had no convertible preferred shares issued to investors.

### **Contingent Liabilities**

As of the date of this announcement, we did not have any material contingent liabilities.

### **Capital Commitments**

Our capital commitments mainly represented the leasehold improvement which had been authorized and contracted for. Our capital commitments outstanding as of December 31, 2021 not provided for in the financial statements were RMB14.3 million.

### **Capital Expenditures**

Our capital expenditures were 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 RMB106.3 million as of December 31, 2020 to RMB771.4 million as of December 31, 2021. Such increase resulted from rapid expansion and opening new bars in the relevant period.

### **Gearing Ratio**

As of December 31, 2021, as we did not have any bank borrowings, the gearing ratio is not applicable to our Group. The gearing ratio is calculated by the total debt (including interest-bearing bank and other borrowings) divided by total equity at the end of the year multiplied by 100%.

### **Foreign Exchange Risk**

For the year ended December 31, 2021, we mainly operated in China, with one bar located in Hong Kong. We are exposed to foreign exchange risk primarily because the proceeds from the Global Offering are denominated in Hong Kong dollars.

During the Reporting Period, the Group had not engaged in any foreign exchange hedging related activity. However, our management monitors foreign exchange exposure and will consider appropriate hedging measures should the need arise in the future.

### **Pledge of Assets**

As of December 31, 2021, the Group did not pledge any group assets.

### **Significant Investment, Material Acquisition and Disposal**

For the year ended December 31, 2021, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries, associates and joint ventures. In addition, except for the expansion plan disclosed in sections “Business” and “Future Plans and Use of Proceeds” in the Prospectus, the Group did not have any specific plans for significant investments or acquisition of material capital assets or other businesses. The Group, however, will continue to identify new business development opportunities.

### **Employees and Remuneration Policies**

As of December 31, 2021, we had 1,374 employees and 6,405 outsourced personnel, most of whom were based in China. We offer competitive wages and other benefits to the employees and provide discretionary performance bonus as a further incentive. We have also improved career development pathways and talent training systems for employees to facilitate their self-growth. The Group’s remuneration policies are formulated based on the performance of individual employees and are reviewed regularly.

During the year ended December 31, 2021, the total employee benefit (including directors’ remuneration) and manpower service expenses were RMB581.6 million.

In accordance with the rules and regulations in the PRC, we participate in the applicable housing provident funds and various social insurance plans for employees initiated by local and provincial governments. The Group and the PRC-based employees are required to make monthly contributions to these plans calculated as a specific percentage of the employees’ salaries. There was no forfeited contribution utilized to offset employers’ contributions and there was no forfeited contribution available to reduce the contribution for the years ended December 31, 2020 and 2021.

### **No Material Adverse Changes**

Save as disclosed in this announcement, there are no material changes affecting the Group’s performance that need to be disclosed under paragraphs 32 and 40(2) of Appendix 16 to the Listing Rules during the period from the Listing Date to December 31, 2021.

## FINANCIAL INFORMATION

The Board announces the audited consolidated results of the Group for the year ended December 31, 2021, with comparative figures for the year ended December 31, 2020, as follows:

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December	
		2021 RMB'000	2020 RMB'000
Revenue	3	1,835,616	817,945
Government grants and concessions	4	14,024	36,422
Raw materials and consumables used		(576,787)	(271,385)
Employee benefit and manpower service expenses	5	(581,628)	(178,930)
Depreciation of right-of-use assets		(220,246)	(105,276)
Depreciation of plant and equipment		(82,600)	(32,017)
Amortisation of intangible assets		(17)	(17)
Short-term rental and other related expenses		(46,865)	(31,762)
Utilities expenses		(57,710)	(23,893)
Travelling and related expenses		(12,601)	(6,244)
Listing expenses		(30,893)	(5,680)
Advertising and promotion expenses		(42,500)	(15,398)
Other expenses	7	(98,862)	(58,173)
Impairment losses of plant and equipment and right-of-use assets	11&12	(10,985)	—
Fair value changes of convertible preferred shares	16	(207,669)	—
Finance income	6	563	34
Finance costs	6	(57,690)	(28,659)
<b>(Loss)/profit before income tax</b>		<b>(176,850)</b>	<b>96,967</b>
Income tax expense	8	(53,150)	(26,895)
<b>(Loss)/profit for the year attributable to owners of the Company</b>		<b>(230,000)</b>	<b>70,072</b>
<b>Other comprehensive (loss)/income:</b>			
<i>Item that may be subsequently reclassified to profit or loss</i>			
Currency translation differences		(5,415)	951
<b>Total comprehensive (loss)/income for the year attributable to owners of the Company</b>		<b>(235,415)</b>	<b>71,023</b>
<b>(Loss)/earnings per share for (loss)/profit attributable to owners of the Company (expressed in RMB per share)</b>			
Basic	9	(0.213)	0.070
Diluted	9	(0.213)	0.068

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	<b>As of 31 December</b>	
		<b>2021</b>	2020
		<b>RMB'000</b>	<b>RMB'000</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Plant and equipment	<i>11</i>	<b>871,280</b>	188,843
Intangible assets		<b>92</b>	109
Right-of-use assets	<i>12</i>	<b>1,348,338</b>	554,506
Deposits and prepayments	<i>13</i>	<b>323,047</b>	26,852
Deferred tax assets		<b>29,886</b>	18,322
		<u><b>2,572,643</b></u>	<u>788,632</u>
<b>Current assets</b>			
Inventories		<b>61,502</b>	36,855
Prepayments, deposits and other receivables	<i>13</i>	<b>25,890</b>	10,200
Cash and cash equivalents		<b>1,626,731</b>	24,255
		<u><b>1,714,123</b></u>	<u>71,310</u>
<b>Total assets</b>		<u><b>4,286,766</b></u>	<u>859,942</u>
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		<b>1</b>	1
Reserves		<b>2,876,719</b>	160,237
<b>Total equity</b>		<u><b>2,876,720</b></u>	<u>160,238</u>

		<b>As of 31 December</b>	
	<i>Notes</i>	<b>2021</b>	<b>2020</b>
		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Liabilities</b>			
<b>Non-current liability</b>			
Lease liabilities	<i>12</i>	<u><b>1,060,620</b></u>	<u>460,379</u>
<b>Current liabilities</b>			
Trade payables	<i>14</i>	<b>75,139</b>	36,456
Other payables and accruals		<b>63,197</b>	85,850
Borrowings	<i>15</i>	—	13,000
Lease liabilities	<i>12</i>	<b>185,520</b>	78,862
Current income tax liabilities		<u><b>25,570</b></u>	<u>25,157</u>
		<u><b>349,426</b></u>	<u>239,325</u>
<b>Total liabilities</b>		<u><b>1,410,046</b></u>	<u>699,704</u>
<b>Total equity and liabilities</b>		<u><b>4,286,766</b></u>	<u>859,942</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Listing**”) on 10 September 2021 (the “**Listing Date**”).

The Company is an investment holding company and its subsidiaries comprising the Group principally engage in bar operations and franchise business in 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.

The financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated, and have been approved for issue by the Company’s board of directors (the “**Board**”) on 28 March 2022.

## 2 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

The consolidated financial statements have 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 consolidated financial statements 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.

***(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 approximately RMB484,000 (Notes 4 and 12) have been recognised under “government grants and concessions” in the consolidated statement of comprehensive income during the year ended 31 December 2021 with a corresponding adjustment to the lease liabilities (2020: RMB10,597,000).

**(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 year ended 31 December 2021 are as follows:

		<b>Effective for annual periods beginning on or after</b>
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
Amendment to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
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.

### 3 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 chief operating decision-maker 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 years ended 31 December 2021 and 2020, all of the Group's revenues are from contracts with customers.

#### (a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major service lines and timing of revenue recognition is as follows:

	<b>Year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Revenue from:		
— Bar operations	<b>1,835,108</b>	812,877
— Franchisee	<b>508</b>	5,068
	<b><u>1,835,616</u></b>	<b><u>817,945</u></b>
Disaggregated by timing of revenue recognition:		
— Point in time	<b>1,835,108</b>	812,877
— Over time	<b>508</b>	5,068
	<b><u>1,835,616</u></b>	<b><u>817,945</u></b>

No customers contributed over 10% of the total revenue of the Group for the years ended 31 December 2021 and 2020.

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:

	<b>Year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China	<b>1,832,982</b>	816,281
Hong Kong, PRC	<b>2,634</b>	1,664
	<u><b>1,835,616</b></u>	<u>817,945</u>

**(c) Non-current assets by geographical location**

As of 31 December 2021 and 2020, most of the Group's non-current assets (other than intangible assets and deferred tax assets) were located in the PRC.

**4 Government grants and concessions**

	<b>Year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants (a)	<b>13,540</b>	25,825
Gain on COVID-19 rent concessions	<b>484</b>	10,597
	<u><b>14,024</b></u>	<u>36,422</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 years ended 31 December 2021 and 2020.

## 5 Employee benefit expenses and manpower service expenses

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Wages, salaries and other benefits	213,871	133,651
Pension costs — defined contribution schemes	32,572	6,822
Equity-settled share-based payments	91,683	—
	<hr/>	<hr/>
Total employee benefit expenses	338,126	140,473
Manpower service expenses	243,502	38,457
	<hr/>	<hr/>
	<b>581,628</b>	<b>178,930</b>

## 6 Finance costs, net

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income on bank deposits	(563)	(34)
	<hr/>	<hr/>
Interest expenses on lease liabilities	54,222	28,226
Interest expenses on borrowings	3,468	433
	<hr/>	<hr/>
Finance costs	57,690	28,659
	<hr/>	<hr/>
Finance costs, net	57,127	28,625

## 7 Other expenses

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Logistics and warehousing-related costs	51,731	18,827
Office expenses	11,369	9,242
Repair and maintenance	5,033	3,669
Auditor's remuneration	4,900	48
Training expenses	2,821	3,471
Fees for professional advisory and consulting services	1,302	2,379
Others	21,706	20,537
	<hr/>	<hr/>
	<b>98,862</b>	<b>58,173</b>

## 8 Income tax expense

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
<b>Current income tax</b>		
— PRC corporate income tax	64,714	36,188
<b>Deferred income tax</b>	(11,564)	(9,293)
<b>Income tax expense</b>	<u>53,150</u>	<u>26,895</u>

### (a) *Hong Kong profits tax*

During the years ended 31 December 2021 and 2020, 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 years ended 31 December 2021 and 2020.

### (b) *PRC corporate income tax*

During the years ended 31 December 2021 and 2020, 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%.

## 9 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 years ended 31 December 2021 and 2020.

In determining the weighted average number of ordinary shares deemed to be in issue during the years ended 31 December 2021 and 2020, 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 2021 and 2020.

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.

	<b>Year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
(Loss)/profit for the year attributable to owners of the Company ( <i>RMB'000</i> )	<b>(230,000)</b>	70,072
Weighted average number of ordinary shares in issue ( <i>Thousand</i> )	<b>1,079,014</b>	1,000,000
Basic (loss)/earnings per share ( <i>RMB</i> )	<u><b>(0.213)</b></u>	<u>0.070</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.

For the year ended 31 December 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 year ended 31 December 2021 is the same as basic loss per share.

	<b>Year ended 31 December</b>	
	<b>2021</b>	2020
(Loss)/profit for the year attributable to owners of the Company ( <i>RMB'000</i> )	<u>(230,000)</u>	<u>70,072</u>
Weighted average number of ordinary shares in issue ( <i>Thousand</i> )	<b>1,079,014</b>	1,000,000
Adjustment for restricted shares ( <i>Thousand</i> )	<u>—</u>	<u>26,800</u>
	<b>1,079,014</b>	1,026,800
Diluted (loss)/earnings per share ( <i>RMB</i> )	<b><u>(0.213)</u></b>	<b><u>0.068</u></b>

## **10 Dividends**

No dividend was declared or paid by the Company during the years ended 31 December 2021 and 2020.

## 11 Plant and equipment

	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 1 January 2020</b>					
Cost	27	215	35,826	98,922	134,990
Accumulated depreciation	<u>(6)</u>	<u>(55)</u>	<u>(5,002)</u>	<u>(15,362)</u>	<u>(20,425)</u>
Net book amount	<u>21</u>	<u>160</u>	<u>30,824</u>	<u>83,560</u>	<u>114,565</u>
<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	—	—	—	3,737	3,737
Depreciation	(5)	(48)	(8,676)	(23,288)	(32,017)
Currency translation differences	<u>—</u>	<u>—</u>	<u>(4)</u>	<u>(35)</u>	<u>(39)</u>
Closing net book amount	<u>16</u>	<u>188</u>	<u>46,233</u>	<u>142,406</u>	<u>188,843</u>
<b>At 31 December 2020</b>					
Cost	27	291	59,911	181,056	241,285
Accumulated depreciation	<u>(11)</u>	<u>(103)</u>	<u>(13,678)</u>	<u>(38,650)</u>	<u>(52,442)</u>
Net book amount	<u>16</u>	<u>188</u>	<u>46,233</u>	<u>142,406</u>	<u>188,843</u>
<b>Year ended 31 December 2021</b>					
Opening net book amount	16	188	46,233	142,406	188,843
Additions	—	3	120,990	649,265	770,258
Business combinations	—	—	—	1,130	1,130
Depreciation	(5)	(63)	(19,015)	(63,517)	(82,600)
Impairment losses (a)	<u>—</u>	<u>—</u>	<u>(326)</u>	<u>(6,025)</u>	<u>(6,351)</u>
Closing net book amount	<u>11</u>	<u>128</u>	<u>147,882</u>	<u>723,259</u>	<u>871,280</u>
<b>At 31 December 2021</b>					
Cost	27	294	180,901	831,451	1,012,673
Accumulated depreciation	(16)	(166)	(32,693)	(102,167)	(135,042)
Impairment losses	<u>—</u>	<u>—</u>	<u>(326)</u>	<u>(6,025)</u>	<u>(6,351)</u>
Net book amount	<u>11</u>	<u>128</u>	<u>147,882</u>	<u>723,259</u>	<u>871,280</u>

- (a) Management reviews the performance of each bar at the end of each reporting period to identify impairment indicators, and performs impairment assessment where impairment indicator is identified.

Each of the bars is identified as a cash generating unit (“CGU”) by management in the impairment assessment. The recoverable amount of each of the bars with impairment indicators identified is assessed at the end of each reporting period.

The recoverable amount of each bar is determined by management on an individual bar basis based on the higher of fair value less costs of disposal and value-in-use calculation of the relevant bar.

Based on the results of the impairment assessment conducted, the carrying amount of certain bars exceeded their recoverable amount and therefore impairment of approximately RMB6,351,000 and RMB4,634,000 (Note 12(b)) was recognised for these bars’ plant and equipment and right-of-use assets, respectively, in the Group’s consolidated statement of comprehensive income for the year ended 31 December 2021.

## 12 Lease

### (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	
	2021	2020
	RMB'000	RMB'000
<b>Right-of-use assets-properties</b>		
Opening net book amount	554,506	386,229
Additions	1,018,712	273,434
Depreciation charge	(220,246)	(105,276)
Impairment losses (Note 11(a))	(4,634)	—
Currency translation differences	—	119
	<u>1,348,338</u>	<u>554,506</u>
<b>Lease liabilities</b>		
Non-current portion	1,060,620	460,379
Current portion	185,520	78,862
	<u>1,246,140</u>	<u>539,241</u>

### 13 Prepayments, deposits and other receivables

	As of 31 December	
	2021	2020
	RMB'000	RMB'000
<b>Non-current portion</b>		
Rental and other deposits	83,179	23,278
Prepayments for acquisitions of property, plant and equipment		
— Properties	223,260	—
— Others	16,608	3,574
	<u>323,047</u>	<u>26,852</u>
<b>Current portion</b>		
Rental and other deposits	21,641	7,073
Prepayments	743	147
Deferred listing expenses	—	1,002
Other tax receivable	1,841	1,585
Others	1,665	393
	<u>25,890</u>	<u>10,200</u>

### 14 Trade payables

	As of 31 December	
	2021	2020
	RMB'000	RMB'000
Trade payables	<u>75,139</u>	<u>36,456</u>

As of 31 December 2021 and 2020, the aging analysis of trade payables, based on invoice date, were as follows:

	As of 31 December	
	2021	2020
	RMB'000	RMB'000
0–90 days	<u>75,139</u>	<u>36,456</u>

## 15 Borrowings

	As of 31 December	
	2021	2020
	RMB'000	RMB'000
Bank borrowings repayable within 12 months	—	13,000
	<u>—</u>	<u>13,000</u>

## 16 Convertible Preferred Shares

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 8 February 2021) with BA Capital Project Helens, L.P. (“**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 USD30,793,990 (approximately RMB199,277,000) at an issuance price of USD1.28 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 Limited (“**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 USD2,010,120 (approximately RMB13,008,000) at an issuance price of USD1.28 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. On the same date, Series A Preferred Shares and Series A+ Preferred Shares were issued.

Fair value changes amounting to approximately RMB207,669,000, representing the differences between the IPO price of HKD19.77 per share and the initial issuance price of USD1.28 per share for these 25,591,032 convertible preferred shares, were recognised in profit or loss.

Upon the IPO of the Company on 10 September 2021, all of the aforementioned 25,591,032 convertible preferred shares were converted into the same number of ordinary shares, pursuant to which approximately RMB0.0026 was recognised as share capital and approximately RMB419,153,000 was recognised as share premium.

The movements of the convertible preferred shares during the year ended 31 December 2021 are set out as below:

	<i>RMB'000</i>
<b>At 1 January 2021</b>	—
Issuance of Series A Preferred Shares and Series A+ Preferred Shares	212,285
Fair value changes	207,669
Currency translation differences	(801)
Transfer to ordinary shares	<u>(419,153)</u>
<b>At 31 December 2021</b>	<u><u>—</u></u>

## 17 Equity-settled share-based payments

### *Share-based payments transactions during the year ended 31 December 2021*

On 9 February 2021, the Company allotted and issued 11,146,876 shares and 864,099 shares to WTSJ Holding Limited (“WTSJ”) and NEWCE Holding Limited (“NEWCE”), respectively at par value. The shareholders of WTSJ and NEWCE 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 and NEWCE 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 year ended 31 December 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.

## **CORPORATE GOVERNANCE RELATED INFORMATION**

### **Compliance with the Corporate Governance Code**

As the Company's Shares have not been listed on the Stock Exchange before the Listing, the Corporate Governance Code set out in Appendix 14 to the Listing Rules is only applicable to the Company since the Listing Date. The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. Following the Listing, the Company has adopted corporate governance practices based on the principles and code provisions as set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules as its own code of corporate governance practices.

The Board is of the view that during the period from the Listing Date to December 31, 2021, the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code, except for Code Provision C.2.1 described below. The Board will continue to review and monitor the code of corporate governance practices of the Company with an aim to maintaining a high standard of corporate governance.

Pursuant to Code Provision C.2.1, the roles of Chairman of the Board and Chief Executive Officer should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing. The roles of Chairman of the Board and Chief Executive Officer of the Company are currently held by Mr. Xu Bingzhong. As Mr. Xu has extensive contributions since the establishment of the Group and has rich experience, the Board believes that vesting the role of Chairman and Chief Executive Officer by Mr. Xu will enable the Group's leadership to be strong and consistent, and enhance the efficiency of business strategy execution. The Board believes that it is appropriate for Mr. Xu to continuously serve as Chairman and Chief Executive Officer after the Listing, which is beneficial to the business development and prospects of the Group. Therefore, the Board has no intention at present to separate the functions of Chairman and Chief Executive Officer. Although this arrangement deviates from Code Provision C.2.1 of the Corporate Governance Code, the Board considers that the structure will not impair the balance of power and authority between the Board and the management of the Company. The reasons are: (i) the Board has sufficient checks and balances because its decisions must be approved by at least a majority of Directors and the Board includes three independent non-executive Directors, which complies with the Listing Rules; (ii) Mr. Xu and the other Directors acknowledge and undertake to fulfil their fiduciary duties as directors, which require them, among other things, to act in the interests of the Company in a manner that is in the best interests of the Company and to make decisions for the Group accordingly; and (iii) the Board is made up of experienced and talented people who meet regularly to discuss matters affecting the operations of the Company to ensure a balance of power and authority. In addition, the Group's overall strategic and other major businesses, financial and operational policies have been formulated jointly by the Board and senior management of the Company after detailed discussion.

The Board will continuously review the effectiveness of the Group's corporate governance structure to assess whether there is a need to distinguish between the roles of Chairman of the Board and Chief Executive Officer.

### **Compliance with the Model Code**

As the Company's Shares have not been listed on the Stock Exchange before the Listing, the provisions regarding compliance with the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") under the Listing Rules are only applicable to the Company since the Listing Date.

Following the Listing, the Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company by the Directors, and the Group's employees who, because of his/her office or employment, are likely to possess inside information in relation to the Group or the Company's securities. Specific enquiries have been made to all Directors and the Directors have confirmed that they have complied with the Model Code during the period from the Listing Date to December 31, 2021.

No incident of non-compliance with the Model Code by the employees was noted by the Company for the period from the Listing Date to December 31, 2021.

### **Purchase, Sale or Redemption of the Company's Listed Securities**

During the period from the Listing Date to December 31, 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

### **Material Litigation**

The Company was not involved in any material litigation or arbitration during the Reporting Period. The Directors are also not aware of any material litigation or claims that were pending or threatened against the Group during the Reporting Period.

## Use of Net Proceeds

The Company's Shares were listed on the Stock Exchange on September 10, 2021 and the net proceeds raised by the Company from the initial public offering and the full exercise of the Over-allotment Option amounted to approximately HK\$2,980.1 million.

The balance of unutilized net proceeds amounted to approximately HK\$1,983.7 million as at the end of the Reporting Period and the Company intends to use them in the same manner and proportions as described in the Prospectus and proposes to use the unutilized net proceeds in accordance with the expected timetable disclosed in the table below.

As at the end of the Reporting Period, the Group has used the net proceeds as follows:

Intended use of net proceeds <sup>(1)</sup>	Percentage of total net proceeds	Allocation of net proceeds (million HK\$)	Amount of net proceeds utilized up to December 31, 2021 (million HK\$)	Balance of net proceeds unutilized as at December 31, 2021 (million HK\$)	Intended timetable for use of the unutilized net proceeds
Used for opening new bars and realizing our expansion plan over the next three years	70%	2,086.1	756.1	1,330.0	Before December 31, 2024
Used for further enhancing the construction of the talent echelon of our bars to optimize the human resource management system	10%	298.0	45.3	252.7	Before December 31, 2024
Used for further enhancing the construction of infrastructural capacity of our bars and continuing to invest in technology research and development	5%	149.0	2.6	146.4	Before December 31, 2024
Used for further strengthening the brand awareness of the Helen's	5%	149.0	31.5	117.5	Before December 31, 2024
Used for working capital and general corporate purposes	10%	298.0	160.9	137.1	Before December 31, 2023
<b>Total</b>	<b>100%</b>	<b>2,980.1</b>	<b>996.4</b>	<b>1,983.7</b>	

*Note (1):*

Figures in the table are approximate.

## **Audit Committee**

The audit committee of the Board (the “**Audit Committee**”) comprises three independent non-executive Directors, namely Mr. Li Dong, Mr. Wang Renrong and Mr. Wong Heung Ming Henry. The chairman of the Audit Committee is Mr. Li Dong who holds the appropriate qualification as required under Rules 3.10(2) and 3.21 of the Listing Rules. The Audit Committee has reviewed the audited Consolidated Financial Statements for the year ended December 31, 2021 with the management and the auditor of the Company. The Audit Committee considers that the annual results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management of the Company.

## **Auditor**

The figures in respect of the Group’s consolidated statements of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended December 31, 2021 set forth in this announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set forth in the Group’s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

## **EVENTS AFTER THE REPORTING PERIOD**

On January 16, 2022, the Board resolved to amend certain key terms of the rules of the Post-IPO RSU Scheme and a total of 6,725,619 RSUs were granted to certain employees of the Group under the Post-IPO RSU Scheme. Please refer to the announcement of the Company dated January 16, 2022 for further details.

On January 28, 2022, Wuhan Catering, a wholly-owned subsidiary of the Company, entered into the Property Acquisition Agreements with Changjiang Industrial Park, pursuant to which Wuhan Catering agreed to acquire the Office Property from Changjiang Industrial Park at the consideration of RMB223,260,185. The acquisition of the Office Property has been completed on February 23, 2022. Please refer to the announcements of the Company dated January 28, 2022 and February 24, 2022 for further details.



## **FINAL DIVIDEND**

The Board has resolved not to recommend the payment of a final dividend for the year ended December 31, 2021 (2020: Nil).

## **CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE**

The register of members of the Company will be closed from Tuesday, June 14, 2022 to Friday, June 17, 2022, both days inclusive, in order to determine the eligibility of Shareholders who are entitled to attend and vote at the annual general meeting to be held on Friday, June 17, 2022. Shareholders whose names appear on the register of member of the Company on Friday, June 17, 2022 will be entitled to attend and vote at the annual general meeting. In order to be eligible to attend and vote at the annual general meeting, all transfers accompanied by relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Monday, June 13, 2022.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.helensbar.com](http://www.helensbar.com)).

The annual report of the Company for the year ended December 31, 2021 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the aforementioned websites of the Stock Exchange and the Company in due course.

By order of the Board  
**Helens International Holdings Company Limited**  
**Mr. Xu Bingzhong**  
*Chairman of the Board and*  
*Chief Executive Officer*

Hong Kong, March 28, 2022

*As at the date of this announcement, the executive Directors are Mr. Xu Bingzhong, Mr. Zhang Bo, Mr. Zhao Jun and Ms. Lei Xing, and the independent non-executive Directors are Mr. Li Dong, Mr. Wang Renrong and Mr. Wong Heung Ming Henry.*