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

ANNUAL REPORT 2021

Contents

Definitions

"Articles of Association" or "Articles"	the amended and restated articles of association of our Company conditionally adopted on August 23, 2021 and has come into effect upon Listing
"Audit Committee"	the audit committee of the Board
"Board"	the board of directors of our Company
"BVI"	the British Virgin Islands
"Cantrust"	Cantrust (Far East) Limited, the trustee of the Mr. Xu's Trust and the Director RSU Scheme
"China" or "PRC"	People's Republic of China, but for the purpose of this annual report and for geographical reference only and except where the context requires otherwise, references in this annual report to "China" and the "PRC" do not include Hong Kong, Macau and Taiwan
"Code", "CG Code" or "Corporate Governance Code"	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules
"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(s)"	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
"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 the 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 the Prospectus
"Employee RSU Scheme"	the restricted share unit scheme of the Company approved and adopted by the 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 the Prospectus
"Global Offering"	the Hong Kong public offering and the international offering of our Shares

"Group," "our Group," "our," "we" or "us"	our Company, its subsidiaries from time to 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
"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
"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 Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchange and Clearing Limited
"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
"Latest Practicable Date"	April 19, 2022, being the latest practicable date prior to the printing of this annual report for the purpose of ascertaining certain information contained herein
"Listing"	the listing of the Shares on the Main Board
"Listing Date"	the date, September 10, 2021, on which dealings in the Shares first commence on the Main Board
"Listing Rules" or "Hong Kong 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 Growth Enterprise Market (GEM) of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the GEM of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"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)

Definitions

"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 former senior vice president of finance
"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 the 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 the Prospectus
"Post-IPO RSU"	a restricted share unit to be granted under the Post-IPO RSU Scheme
"Post-IPO RSU Scheme"	the post-IPO restricted share unit scheme of the Company approved and adopted by the 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 the 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 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
"Prospectus"	the prospectus issued by the Company on August 31, 2021 in connection with the Hong Kong Public Offering
"Relevant Period"	the period from the Listing Date to December 31, 2021
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	the lawful currency of the PRC
"Reporting Period"	the 12 months ended December 31, 2021
"RSU(s)"	restricted share unit(s)
"RSU Trustees"	Cantrust and Infiniti Trust
"Senior Management RSU Scheme"	the restricted share unit scheme of the Company approved and adopted by the 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 the 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(s)"	the series A+ convertible preferred share(s) of our Company with a par value of US$0.0000000001 per share
"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)
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"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
"%"	per cent

Capitalized terms have the meaning in the Prospectus unless otherwise defined.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Xu Bingzhong (徐炳忠先生) *(Chairman and Chief Executive Officer)*
Mr. Zhang Bo (張波先生)
Mr. Zhao Jun (趙俊先生)
Ms. Lei Xing (雷星女士)

Independent Non-executive Directors

Mr. Li Dong (李東先生)
Mr. Wang Renrong (王仁榮先生)
Mr. Wong Heung Ming Henry (黃向明先生)

AUDIT COMMITTEE

Mr. Li Dong *(Chairman)*
Mr. Wang Renrong
Mr. Wong Heung Ming Henry

REMUNERATION COMMITTEE

Mr. Wang Renrong *(Chairman)*
Mr. Li Dong
Mr. Xu Bingzhong

NOMINATION COMMITTEE

Mr. Xu Bingzhong *(Chairman)*
Mr. Li Dong
Mr. Wang Renrong

COMPANY SECRETARY

Ms. Leung Suet Wing (ACG, HKACG)
(appointed on January 1, 2022)
Mr. Chan Kong (member of the HKICPA)
(resigned on January 1, 2022)

AUTHORIZED REPRESENTATIVES

Mr. Zhao Jun
Ms. Leung Suet Wing
(appointed on January 1, 2022)
Mr. Chan Kong
(resigned on January 1, 2022)

REGISTERED OFFICE

3–212 Governors Square
23 Lime Tree Bay Avenue
P.O. Box 30746, Seven Mile Beach
Grand Cayman KY1-1203
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

28th Floor, Prince Square
Taizi Road, Nanshan District
Shenzhen
Guangdong Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

3/F, H8
Hau Fook Street
Tsim Sha Tsui, Kowloon
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Walkers Corporate Limited
190 Elgin Avenue
George Town
Grand Cayman KY1-9008
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

LEGAL ADVISER IN HONG KONG

Davis Polk & Wardwell LLP
Level 18, The Hong Kong Club Building
3A Chater Road
Central, Hong Kong

COMPLIANCE ADVISER

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

AUDITOR

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

PRINCIPAL BANKS

China Merchants Bank Co., Ltd., Wuhan Guanggu
Technology Sub-branch
No. 59 Guanshan Avenue
Hongshan District
Wuhan, Hubei Province
PRC

Standard Chartered Bank (HK) Limited
1/F, Golden Crown Court
66–70 Nathan Road
Tsim Sha Tsui
Kowloon
Hong Kong

STOCK CODE

9869

COMPANY WEBSITE

www.helensbar.com

Four-Year Financial Summary

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December			
	2021	2020	2019	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**1,835,616**	817,945	564,809	114,810
Operating profit[1]	**304,699**	152,186	162,318	30,648
(Loss)/profit before income tax	**(176,850)**	96,967	104,918	9,483
(Loss)/profit for the year attributable to owners of the Company	**(230,000)**	70,072	79,136	9,734
Adjusted net profit[1]	**100,245**	75,752	79,136	10,834

Note:

(1) See "Financial Highlights" in this annual report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of December 31			
	2021	2020	2019	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Non-current assets	**2,572,643**	788,632	524,681	205,025
Current assets	**1,714,123**	71,310	50,088	18,771
Total assets	**4,286,766**	859,942	574,769	223,796
Equity and liabilities				
Equity attributable to owners of the Company	**2,876,720**	160,238	89,215	10,286
Non-current liabilities	**1,060,620**	460,379	337,288	128,949
Current liabilities	**349,426**	239,325	148,266	84,561
Total liabilities	**1,410,046**	699,704	485,554	213,510
Total equity and liabilities	**4,286,766**	859,942	574,769	223,796

	For the year ended December 31,	
	2021	2020
	(RMB in thousands)	*(RMB in thousands)*
Revenue	**1,835,616**	817,945
Operating profit[1]	**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[2]	**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**	—
Adjusted net profit	**100,245**	75,752

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

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".

Chairman's Statement

Dear shareholders,

I am pleased to present to shareholders the annual report for the year ended December 31, 2021.

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 at the Latest Practicable Date, the number of our bars has further grown to 859, 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 through supply chain integration 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.

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.

DISTRIBUTION OF OUR BAR NETWORK

As at the Latest Practicable Date we had a total number of 859 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 at the Latest Practicable Date, and dates indicated.

	As at		
	Latest Practicable Date	**December 31, 2021**	December 31, 2020
Mainland China			
Bars in first-tier cities	**90**	**82**	56
Bars in second-tier cities	**458**	**433**	200
Bars in third and lower-tier cities	**310**	**266**	94
Hong Kong, PRC	**1**	**1**	1
Total	**859**	**782**	351

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)*
Average daily sales per self-operated bar		
Mainland China		
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
Overall	**9.2**	10.9

Chairman's Statement

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[1] *(RMB'000)*	**2,701.0**	2,496.2
Growth of same-store sales per day *(%)*	**8.2**	
Same-store average daily sales per store[2] *(RMB'000)*	**11.8**	10.9
Growth of same-store average daily sales per store *(%)*	**8.2**	

Notes:

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

(2) The average amount of all same-store average daily sales.

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 OF CITIES

	For the year ended December 31,	
	2021 ***(RMB in thousands)***	2020 *(RMB in thousands)*
Average daily sales per self-operated bar in Mainland China		
Bars in first-tier cities		
Including: Bars newly opened in 2021	**11.9**	N/A
Bars opened before 2021	**10.2**	8.5
Bars in second-tier cities		
Including: Bars newly opened in 2021	**6.2**	N/A
Bars opened before 2021	**11.8**	11.4
Bars in third-and lower-tier cities		
Including: Bars newly opened in 2021	**8.0**	N/A
Bars opened before 2021	**12.2**	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
Mainland China				
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
All Helen's branded alcoholic drinks		
Contribution *(RMB'000)*	**860,890**	344,183
Contribution margin	**80.2%**	78.4%
All third-party brand alcoholic drinks		
Contribution *(RMB'000)*	**170,850**	97,724
Contribution margin	**48.8%**	51.5%

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.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I would like to thank all our staff and management team for their dedication and hard work, and all our shareholders for their trust and support to the Group. Looking ahead, we will continue to uphold our core values of being customer-centric and strivers-oriented, creating and sharing value with our customers and partners, providing a free and enjoyable offline social platform for more young customers, and creating greater value for our shareholders.

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*
Helen's branded products	**1,431,605**	**78.0**	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
Third-party brand alcoholic drinks	**350,455**	**19.1**	189,835	23.2
Other products[(1)]	**40,334**	**2.2**	24,261	3.0
Other revenue[(2)]	**13,222**	**0.7**	9,129	1.1
Total	**1,835,616**	**100**	817,945	100

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.

	For the year ended December 31,	
	2021 ***(RMB in thousands)***	2020 *(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**	—
Adjusted net profit	**100,245**	75,752

From time to time in the future, there may be other items that we may exclude from 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.

	As at	
	December 31, 2021 ***(RMB in thousands)***	December 31, 2020 *(RMB in thousands)*
Inventories		
Alcoholic drinks	**51,739**	32,874
Food	**8,356**	3,378
Consumables	**1,407**	603
Total	**61,502**	36,855

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 Latest Practicable Date, 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, refurnishing 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. For more details, please refer to the sections headed "Pre-IPO RSU Schemes" and "Post-IPO RSU Scheme" in the Report of the Directors. 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.

KEY RISKS AND UNCERTAINTIES

There are certain key risks and uncertainties that may cause the Group's financial conditions or results to materially deviate from the expected or historical results can be categorized into the following areas: (i) risks related to our business; (ii) risks related to our industry; (iii) risks related to conducting business in the PRC; and (iv) risks relating to our shares. Set out below are the details of the material risks and uncertainties that we face:

Risks Related to our Business

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 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.

Risks Related to our Industry

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. 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.

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. In addition, the Chinese government may from time to time promulgates 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 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, 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.

Risks Relating to our Shares

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

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;
- 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.

However, the above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

NO MATERIAL ADVERSE CHANGES

Save as disclosed in this annual report, 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 Relevant Period.

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.

Save as disclosed above, the Company is not aware of any material subsequent events from December 31, 2021 to the Latest Practicable Date.

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Xu Bingzhong (徐炳忠), aged 48, 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 17 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 at the Latest Practicable Date, we operated 859 self-operated bars under the leadership of Mr. Xu.

Ms. Lei Xing (雷星), aged 30, is an executive Director and general manager of our Company, responsible for the day-to-day operations of the Group and formulating the management and routine mechanisms of the 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.

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 (華中科技大學), in June 2008 and March 2011, respectively.

Mr. Zhao Jun (趙俊), aged 48, 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. From May 2010 to January 2013, Mr. Zhao Jun taught at Huazhong University of Science and Technology in the PRC, where he also took part in various research projects in the high technology field.

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.

Directors and Senior Management

Independent non-executive Directors

Mr. Li Dong (李東), aged 46, is the independent non-executive Director of our Company. He was appointed as an independent non-executive Director on March 24, 2021 with effect on August 31, 2021. Mr. Li Dong is responsible for supervising and providing independent advice to the Board.

Mr. Li Dong has more than 21 years' management experience in public accounting, investment banking and corporate finance. Mr. Li Dong currently serves as the chief financial officer of Tim Hortons China, a premium coffee chain network in China. Prior to joining Tim Hortons China in September 2021, Mr. Li Dong served as the chief financial officer for several companies, including Ximalaya, Inc, a leading non-music audio platform.in China; OneSmart International Education Group Limited, a leading premium K-12 education company in China 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 China listed on the Shanghai Stock Exchange (SSE: 603486) from March 2015 to February 2016. From September 2008 to February 2015, Mr. Li Dong 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. Prior to that, Mr. Li Dong worked in KPMG's auditing practice group from August 1999 to June 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 China listed on the New York Stock Exchange (NYSE_GHG) since March 2018; and an independent director of Boqii Holding Limited, China's largest pet-focused platform listed on the New York Stock Exchange (NYSE_BQ) since September 2020.

Mr. Li received a bachelor's degree in accounting from School of Economics and Management, Tsinghua University in July 1999, as well as a master's degree in business administration in finance from Kellogg School of Management, Northwestern University 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 55, was appointed as an independent non-executive Director of our Company on March 24, 2021 with effect on August 31, 2021.

Mr. Wang has solid experience in strategic investment, merger and acquisition, business development, legal affairs, compliance, communications and external affairs. Mr. Wang has approximately 19 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 53, was appointed as an independent non-executive Director of our Company on March 24, 2021 with effect on August 31, 2021.

On 18 February 2022, Mr. Wong was also appointed as an independent non-executive director of Meihua International Medical Technologies Co., Ltd., (stock ticker: MHUA), a Nasdaq listed company. Mr. Wong is also serving as the independent non-executive director for various listed companies including TD Holdings, Inc (stock ticker: GLG), a Nasdaq listed company, Raffles Interiors Limited (stock code: 1376), a company listed on the Main Board of the Stock Exchange and Shifang Holding Limited (stock code: 1831), a company listed on the Main Board of the Stock Exchange since 27 April 2021, 30 March 2020 and 8 November 2010, respectively.

Mr. Wong has more than 27 years of experience in finance, accounting, internal controls and corporate governance in the United States, Singapore, China and Hong Kong. Prior to that, Mr. Wong was the CFO of a Nasdaq listed Company, Meten EdtechX Group Ltd (stock ticker: METX) during June 2020. Mr. Wong was also the CFO and senior finance executives of various company including being the CFO of the Frontier Services Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0500) and the CFO of Beijing Oriental Yuhong Waterproof Technology Co., Ltd., the leading waterproof materials manufacturer in China and a company listed on the Shenzhen Stock Exchange (stock code: 2271). Mr. Wong has been helping a number of companies listed in the United States and Hong Kong stock exchanges.

Mr. Wong began his career in an international accounting firm and moved along in audit fields by taking some senior positions both in internal and external audits including being a senior manager and a manager in PricewaterhouseCoopers, Beijing office and Deloitte Touche Tohmatsu, Hong Kong, respectively. Mr. Wong graduated from City University of Hong Kong in 1993 with a bachelor's degree in Accountancy and also obtained a master's degree in Electronic Commerce from The Open University of Hong Kong in 2003. He is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

SENIOR MANAGEMENT

Mr. Xu Bingzhong (徐炳忠), aged 48, 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.

Ms. Lei Xing (雷星), aged 30, is the executive Director and general manager of our Group. For biographical details of Ms. Lei Xing, please refer to the paragraph headed "Executive Directors" in this section above.

Ms. Cai Wenjun (蔡文君), aged 33, is the deputy director of operations of our Group, responsible for supervising operation standardisation, operation supervision system, food safety management, etc. Ms. Cai joined our Group in April 2018 and served as the deputy director of operations of Shenzhen Helens Enterprise Management Co., Ltd., a subsidiary of our Company.

Ms. Cai has over 10 years of experience in the catering service industry and operation management. Prior to joining our Group, Ms. Cai served successively as a store clerk, store manager, regional city manager and regional deputy manager of Helen's brand bars from 2012 to April 2018. During this period, Ms. Cai participated in the establishment of the standardisation and supervision system of Helen's brand bars.

Ms. Yu Zhen (余臻), aged 29, is the Chief Financial Officer of our Group. Ms. Yu joined the Group in October 2021 and is responsible for the capital operation and financial management of the Group.

Prior to joining our Group, Ms. Yu worked in the investment banking department of China International Capital Corporation Limited from July 2017 to September 2021.

Ms. Yu obtained a bachelor's degree in accounting from Wuhan University in June 2015 and a master's degree in taxation from Peking University in June 2017. Ms. Yu passed the Association of Chartered Certified Accountants (ACCA) exam in January 2015 and the Chinese Certified Public Accountant (CPA) exam in December 2019.

Mr. Liu Yi (劉毅), aged 45, is the operation director of our Group. He is responsible for the overall operation and management of our Group.

Mr. Liu Yi has over 16 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. Zhu Mingzhe (朱明哲), aged 33, is the engineering director of our Company, and is responsible for designs, decoration and construction, and daily maintenance of bars 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.

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 (華中科技大學) in the PRC in June 2015.

Mr. Chen Chiyuan (陳馳遠), aged 29, is the marketing director of the Group. Mr. Chen joined the Group in October 2021 and is responsible for overseeing the Group's brand communication and marketing affairs.

Prior to joining our Group, Mr. Chen worked in professional institutions such as Davis Polk & Wardwell.

Mr. Chen obtained a Bachelor of Laws and a Master of Laws from Tsinghua University in July 2014 and July 2017, respectively.

Ms. Zhang Qiong (張穹), aged 32, is the director of strategic investment of the Group. Ms. Zhang joined the Group in March 2021 and is responsible for the Group's investment and financing and investor relations management.

Prior to joining the Group, Ms. Zhang Qiong worked in the Industrial and Commercial Bank of China (Asia) Limited from July 2012 to March 2021 as the Head of the Investment Management Team of the Strategic Planning and Investment Management Department.

Ms. Zhang obtained a bachelor's degree in financial engineering from Wuhan University in June 2010 and a master's degree in economics from the Hong Kong University of Science and Technology in September 2011.

Report of the Directors

The Directors are pleased to present their report and the audited consolidated financial statements (the "**Consolidated Financial Statements**") of the Group for the Reporting Period.

PRINCIPAL ACTIVITIES

The Company was incorporated in the Cayman Islands on January 16, 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 Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 9869) since September 10, 2021.

We are China's largest bar chain network. As at the Latest Practicable Date, we had a total number of 859 self-operated bars in the PRC, covering 26 provincial-level administrative regions and 152 cities.

Particulars of the Company' principal subsidiaries as at December 31, 2021 are set out in Note 34 to the Consolidated Financial Statements.

BUSINESS REVIEW AND OUTLOOK

A review of the Group's business during the Reporting Period, which includes a discussion of the principal risks and uncertainties faced by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the Reporting Period, and an indication of likely future developments in the Group's business, could be found in the section headed "Management Discussion and Analysis" in this annual report. The review and discussion form part of this Directors' Report.

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.

RESULTS AND DIVIDEND

Details of the consolidated loss of the Group for the Reporting Period and the Group's financial position as at December 31, 2021 are set out in the Consolidated Financial Statements and their accompanying notes on pages 67 to 134 of this annual report.

No dividend was paid or declared by the Company or other members of the Group during the Reporting Period. No shareholder has waived or agreed to waive any dividends.

FINANCIAL SUMMARY

The Shares were listed on the Stock Exchange on September 10, 2021. A summary of the published results and of the assets, liabilities and equity of the Group for the last four financial years, as extracted from the published audited financial information and financial statements, is set out on page 8 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is highly aware of the importance of environment protection and has not noted any material non-compliance with all relevant laws and regulations in relation to its business including environmental protection, health and safety, workplace conditions, employment and the environment.

The Group has established detailed internal rules regarding environmental protection and adopted effective measures to achieve efficient use of resources, waste reduction and energy saving. For further details of the Group's environmental policies and performance, please refer to the environmental, social and governance report of the Company for the Reporting Period to be issued separately, which has been prepared in accordance with Rule 13.91 and the Environmental, Social and Governance Reporting Guide contained in Appendix 27 of the Listing Rules.

DIRECTORS

From the Listing Date to the Latest Practicable Date, the Board consists of the following seven Directors:

Executive Directors

Mr. Xu Bingzhong (徐炳忠先生) *(Chairman and Chief Executive Officer)*
Mr. Zhang Bo (張波先生)
Mr. Zhao Jun (趙俊先生)
Ms. Lei Xing (雷星女士)

Independent Non-executive Directors

Mr. Li Dong (李東先生)
Mr. Wang Renrong (王仁榮先生)
Mr. Wong Heung Ming Henry (黃向明先生)

DIRECTORS AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management of the Group are set out on pages 28 to 33 in the section headed "DIRECTORS AND SENIOR MANAGEMENT" of this annual report and the relationships between the Directors are disclosed in the respective Director's biography.

Save as disclosed above, since the publication of the Prospectus and up to the Latest Practicable Date, there was no change to information which was required to be disclosed by the Directors and senior management of the Group pursuant to Rule 13.51B(1) of the Listing Rules.

Except for the relationships between the Directors set forth in the respective Director's biography under the section headed "DIRECTORS AND SENIOR MANAGEMENT", the Directors do not have financial, business, family or other material/relevant relationships with one another.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation in writing of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors have been independent during the Relevant Period and are independent as at the Latest Practicable Date.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company with an initial term of three years commencing from September 10, 2021, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered 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 September 10, 2021 subject to termination in certain circumstances as stipulated in the relevant letters of appointment.

Save as the aforesaid, none of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with any member of the Group that is not determinable by the Group within one year without the payment of compensation, other than statutory compensation.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Pursuant to Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the Company has established the Remuneration Committee to formulate remuneration policies. The remuneration is determined and recommended based on the experience, qualification, position and seniority of each Director and senior management. As for the independent non-executive Directors, their remuneration is determined by the Board based on the recommendation from the Remuneration Committee. The Directors and the senior management are eligible participants of the applicable share incentive plans.

Details of the remuneration of the Directors and senior management and the five highest paid individuals are set out in Note 32 to the Consolidated Financial Statements of this annual report.

During the Reporting Period, no remuneration was paid to any Director or any of the five highest paid individuals of the Group as an inducement to join or upon joining the Group. No compensation was paid to or receivable by any Director or any of the five highest paid individuals during the Reporting Period for the loss of any office in connection with the management of the affairs of any member of the Group. None of the Directors waived any emoluments during the Reporting Period. Save as disclosed above, no other payments have been paid or are payable in respect of the Reporting Period to the Directors by the Group.

PERMITTED INDEMNITY PROVISION AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

A permitted indemnity provision (as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) in relation to the director's and officer's liability insurance is currently in force and was in force during the Relevant Period. The Company has arranged appropriate directors' liability insurance coverage for the Directors since the Listing Date.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director nor an entity connected with him/her had a material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Relevant Period.

MANAGEMENT CONTRACTS

Save for the Directors' service contracts and appointment letters, no contract of significance concerning the management and administration of the whole or any substantial part of business of the Company or any of its subsidiaries was entered into or subsisted during the Reporting Period.

DIRECTORS' RIGHT TO PURCHASE SHARES OR DEBENTURES

As at the end of the Reporting Period, other than the Pre-IPO RSU Schemes and Post-IPO RSU Scheme, none of the Directors or their respective spouses or minor children under the age of 18 years were granted with rights, or had exercised any such rights, to acquire benefits by means of purchasing Shares or debentures of the Company. No member of the Group was a party to any arrangements to enable the Directors or their respective spouses or minor children under the age of 18 years to acquire such rights from any other body corporates.

During the Relevant Period, the Company did not grant any rights to acquire benefits by means of the acquisition of Shares or debentures of the Company to any Directors or their respective spouses or minor children under 18, and none of them has exercised such rights.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Relevant Period and up to the Latest Practicable Date, none of the Directors or their respective close associates (as defined in the Listing Rules) is considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at December 31, 2021, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(A) Long position in the Shares of the Company

Name of Director	Capacity/ Nature of interest	Long position in number of Shares held in the Company	Approximate percentage of relevant Shares in the issued share capital of the Company (%)[1]
Mr. Xu Bingzhong[2]	Founder of a discretionary trust	861,000,000	67.96
Mr. Zhao Jun	Beneficial owner	2,700,000	0.21

Notes:

(1) The calculation is based on the total number of 1,266,901,524 shares issued as of December 31, 2021.

(2) HHL International holds 861,000,000 Shares. HHL International is owned as to (i) 1% by Helens Hill (BVI), which is wholly-owned by Mr. Xu Bingzhong; and (ii) 99% by HLSH Holding, which is wholly-owned by Cantrust, the trustee of the Mr. Xu Bingzhong's Trust. Mr. Xu Bingzhong's Trust is a discretionary trust set up by Mr. Xu Bingzhong as the settlor and protector, where Mr. Xu Bingzhong's family members and Helens Hill (BVI) are the beneficiaries. Under the SFO, Mr. Xu Bingzhong is deemed to be interested in all the Shares registered under the name of HHL International.

(B) 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 the issued share capital (%)
Mr. Xu Bingzhong	HHL International	Interest in a controlled corporation	2	1
		Founder of a discretionary trust	198	99

Save as disclosed above, as at December 31, 2021, none of the Directors and chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

To the best knowledge of the Company and based on the public information, as at December 31, 2021, the interests or short positions of the following persons (other than the Directors and chief executives of the Company) in the shares, underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO (including interests or short positions which any such persons other than the Directors and chief executives of the Company are taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of Substantial Shareholders	Capacity/Nature of interest	Total number of Shares held in the Company	Approximate percentage of relevant Shares in the issued share capital of the Company (%)[1]
Mr. Xu Bingzhong[2]	Founder of a discretionary trust and interest in a controlled corporation	861,000,000 (Long position)	67.96
Cantrust[2]	Trustee	861,000,000 (Long position)	67.96
HLSH Holding[2]	Interest in a controlled corporation	861,000,000 (Long position)	67.96
HHL International[2]	Beneficial owner	861,000,000 (Long position)	67.96

Notes:

(1) The calculation is based on the total number of 1,266,901,524 shares issued as of December 31, 2021.

(2) HHL International holds 861,000,000 Shares. HHL International is owned as to (i) 1% by Helens Hill (BVI), which is wholly-owned by Mr. Xu Bingzhong; and (ii) 99% by HLSH Holding, which is wholly-owned by Cantrust, the trustee of the Mr. Xu Bingzhong's Trust. Mr. Xu Bingzhong's Trust is a discretionary trust set up by Mr. Xu Bingzhong as the settlor and protector, where Mr. Xu Bingzhong's family members and Helens Hill (BVI) are the beneficiaries. Under the SFO, Cantrust and HLSH Holding are deemed to be interested in all the Shares registered under the name of HHL International.

Save as disclosed above, as at December 31, 2021 (upon the completion of the full exercise of the Overallotment Option), no person (other than the Directors and chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified the Company or the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or which were required to be entered in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CONTROLLING SHAREHOLDERS' INTERESTS IN SIGNIFICANT CONTRACTS

At no time during the Reporting Period had the Company or any of its subsidiaries, and the controlling shareholders of the Company entered into any contract of significance or any contract of significance for the provision of services by the controlling shareholders to the Company or any of its subsidiaries.

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 share incentives 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**").

To the extent applicable, our Company has been and 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.

Summary of Terms

1. *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.

2. *Maximum number of Shares under the Pre-IPO RSU Schemes*

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.

On June 7, 2021, (i) 3,100,389 Shares had been issued to TLTQ Holding Limited, 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 Limited, 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 Limited, which is wholly-owned by Infiniti Trust, for the purpose of the Employee RSU Scheme.

3. *Selected persons of the Pre-IPO RSU Schemes*

Eligible participants under the Pre-IPO RSU Schemes include:

(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 (with respect to the Employee RSU Scheme).

4. Duration of the Pre-IPO RSU Schemes

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. Therefore, as at December 31, 2021, the remaining life of the Pre-IPO RSU Scheme was approximately nine years and three months.

5. 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.

6. 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 the grant of Award(s) by way of a letter, which shall attach an acceptance notice, subject to the conditions that the Board thinks fit at its discretion.

7. Acceptance of Awards

If the selected person intends to accept the offer of the 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. The grantees shall not be required to bear or pay any price or fee for the grant of Awards.

Awards Granted

The following table shows the details of Pre-IPO RSUs that the Company granted under the Pre-IPO RSU Schemes as of December 31, 2021.

Category	Number of the Grantees	Grant date	Outstanding as of January 1, 2021	Granted	Vested	Cancelled or lapsed	Outstanding as of December 31, 2021
			Number of underlying Shares represented by Pre-IPO RSUs during the Reporting Period				
Senior Management RSU Scheme	One Grantee[(1)]	June 18, 2021	—	9,999,611	9,999,611[(3)]	—	—
Director RSU Scheme	12 Grantees[(2)]	June 18, 2021	—	3,100,389	3,100,389[(3)]	—	—
Employee RSU Scheme	28 Grantees	June 18, 2021	—	13,700,000	13,700,000[(3)]	—	—

Notes:

(1) The grantee under the Senior Management RSU Scheme is Mr. Wang Zhenpeng, our former senior vice president.

(2) The grantees under the Director RSU Scheme are directors of the subsidiaries of our Group.

(3) Under the Pre-IPO RSU Schemes, the Pre-IPO RSUs that have already been granted were vested on the Listing Date.

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, and restated and amended by our Company on January 16, 2022. 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.

Other than the key differences summarized below, terms of the Post-IPO RSU Scheme are substantially similar to the Pre-IPO RSU Schemes:

1. Maximum Number of Shares under the Post-IPO RSU Scheme

As amended by the Company on January 16, 2022, the maximum aggregate number of Shares underlying all the Post-IPO RSUs increased from 47,652,017 Shares to 57,651,628 Shares (excluding the Awards that have lapsed or been cancelled in accordance with the rules of the Post-IPO RSU Scheme), representing approximately 4.55% of the issued share capital of the Company as at the Latest Practicable Date.

On June 7, 2021, 47,652,017 Shares had been issued by the Company to TSLZ Holding Limited, which is wholly-owned by Infiniti Trust, for the purpose of the Post-IPO RSU Scheme.

Each award is granted for nil consideration and shall be vested immediately upon the later of the (i) execution of the relevant grant letter and acceptance by the Grantee within the time period stipulated in the relevant grant letter; and (ii) satisfaction of the relevant vesting conditions as set out in the relevant grant letter.

2. Selected Persons of the Post-IPO RSU Scheme

The Board may select any employee or officer of any member of our Group to be granted with RSUs under the Post-IPO RSU Scheme after the Listing.

As amended by the Company on January 16, 2022, the scope of "Employee" includes any employee, director or officer of any member of the Group and "Eligible Person(s)" includes not only Employee but also any advisor or consultant of any member of the Group at any time during the duration of the Post-IPO RSU Scheme.

During the Relevant Period, no Award under the Post-IPO RSU Scheme has been granted.

CONTINUING CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the Reporting Period are set out in Note 31 to the Consolidated Financial Statements contained herein.

For the year ended December 31, 2021, none of the related party transactions disclosed in Note 31 to the Consolidated Financial Statements constitute any non-exempt connected transactions or continuing connected transactions which should be disclosed pursuant to Chapter 14A of the Listing Rules.

For the year ended December 31, 2021, we have not entered into any non-exempt connected transaction or continuing connected transaction which should be disclosed pursuant to Rules 14A.49 and 14A.71 of the Listing Rules.

RETIREMENT BENEFITS SCHEME

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme, a defined contribution scheme managed by an independent trustee. 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.

Details of the pension obligations of the Company are set out in Note 8 to the Consolidated Financial Statements in this annual report. During the Reporting Period, no forfeited contributions had been used by the Group to reduce the existing level of contributions.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Reporting Period are set out in Note 13 to the Consolidated Financial Statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the Reporting Period are set out in Note 19 to the Consolidated Financial Statements on page 109 of this annual report.

DISTRIBUTABLE RESERVES

As at December 31, 2021, the Company's reserves available for distribution, being share premium in accordance with the provision of Companies Law of the Cayman Islands, amounted to approximately RMB28.6 million.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

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[1]	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
Total	**100%**	**2,980.1**	**996.4**	**1,983.7**	

Note (1): Figures in the table are approximate.

SUFFICIENCY OF PUBLIC FLOAT

The Stock Exchange has granted the Company a waiver from strict compliance with the requirements of Rule 8.08(1) of the Hong Kong Listing Rules, pursuant to which the minimum public float of the Company shall be the higher of: (a) percentage of Shares to be held by the public, i.e., 19.4478%, immediately following the completion of Global Offering (assume that the Over-allotment Option is not exercised and based on conversion of all preferred shares into Shares on a one-for-one basis); (b) percentage of Shares to be held by the public in the Company's enlarged issued share capital after the exercise of any Over-allotment Option. Immediately after the completion of the Global Offering and after the full exercise of the Over-allotment Option, the minimum public float of the percentage of Shares to be held by the public is approximately 20.7320%. Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained the aforesaid minimum public float required by the Stock Exchange at the Latest Practicable Date.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Relevant Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

TAX RELIEF AND EXEMPTION

As at the Latest Practicable Date, the Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

BANK BORROWINGS

As at December 31, 2021, the Group had not made any bank borrowings.

Save as disclosed above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, unutilized banking facilities, bank overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees.

The maturity profile of financial liabilities of the Group as at December 31, 2021 is set out in Note 3.1.4 to the consolidated financial statements.

RELATIONSHIPS WITH THE GROUP'S CUSTOMERS AND SUPPLIERS

The Group values long standing relationships with its suppliers and customers. The Group aims at delivering high quality products to its customers and developing mutual trust and enhancing communication and commitment between the Group and its suppliers to maintain sustainable growth.

MAJOR CUSTOMERS AND SUPPLIERS

We are committed to our core values of being a customer-centric and a striver-oriented company, creating and sharing value with our customers and partners, and providing a free and happy offline social platform for our young customers. We have a large and diverse customer base. Revenue derived from our largest customer and five largest customers both accounted for less than 1.0% of our total revenue for the year ended December 31, 2021. Mr. Xia Linfan, being the director of our subsidiaries who operated franchised bars, is one of the Group's five largest customers during the Reporting Period. 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.

Purchases attributable to the Group's five largest suppliers and the largest supplier accounted for 31.6% and 9.5%, respectively, of the Group's total purchases for the Reporting Period.

Save as disclosed above, none of the Directors or any of their close associates (as defined in the Listing Rules) or any Shareholders (whom, to the best knowledge and belief of the Directors, own more than 5% of the Company's total issued share capital) had any beneficial interest in the Group's five largest suppliers and customers for the Reporting Period.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group has compliance policies and procedures in place to ensure adherence to applicable laws, rules and regulations, in particular, those that have a significant impact on it, including the requirements under the Companies Ordinance, the Listing Rules, the SFO and the Corporate Governance Code for, among other things, the disclosure of information and corporate governance. The Group would seek professional legal advice from its legal advisers to ensure that transactions and business to be performed by the Group are in compliance with the applicable laws and regulations. During the Reporting Period, the Group was not aware of any material non-compliance with any relevant laws and regulations that had a significant impact on it.

RELATIONSHIPS WITH THE GROUP'S EMPLOYEES

The Group believes that employees are important and valuable assets. The Group will provide trainings for employees to enhance their knowledge in corporate values and culture and to implement them thoroughly. Meanwhile, the Group encourages staff on continued studies by giving subsidies to recognized development courses. The Group also aims to provide competitive and attractive remuneration packages to retain its employees. Management reviews annually the remuneration package offered to the employees of the Group. Meanwhile, for the purpose of providing incentives and rewards to eligible participants who have contributed to the success of the Group's operations, the Company has adopted the Pre-IPO RSU Schemes and Post-IPO RSU Scheme. Details of such schemes are set out in the sub-sections headed "Pre-IPO RSU Schemes" and "Post-IPO RSU Scheme" in this annual report.

CHARITABLE DONATIONS

During the Reporting Period, the Company made charitable donations of HK$3 million.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

For details of the event after the Reporting Period, please refer to the section headed "Management Discussion and Analysis — Events After the Reporting Period" in this annual report.

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the section headed "Corporate Governance Report" of this annual report.

EQUITY-LINKED AGREEMENT

Save as disclosed in the sub-sections headed "PRE-IPO RSU SCHEMES" and "POST-IPO RSU SCHEME" in this annual report, no equity-linked agreement was entered into by the Company at any time during or subsisted at the end of the year ended December 31, 2021.

REVIEW BY AUDIT COMMITTEE

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 considered 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.

INDEPENDENT AUDITOR

The Consolidated Financial Statements for the Reporting Period have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer itself for re-appointment at the forthcoming annual general meeting. Having been approved by the Board upon the Audit Committee's recommendation, a resolution for the re-appointment of PricewaterhouseCoopers as the independent external auditor for the ensuing year will be put to the forthcoming annual general meeting for Shareholder's approval.

Since the Listing Date, the auditors of the Company have not changed.

By order of the Board
Mr. Xu Bingzhong
Chairman of the Board

Hong Kong, March 28, 2022

Corporate Governance Report

The Board hereby presents to the Shareholders the corporate governance report of the Group for the year ended December 31, 2021 (the "**Corporate Governance Report**").

As the Company's Shares have not been listed on the Stock Exchange before the Listing, the provisions regarding compliance with the Model Code by Directors under the Listing Rules are only applicable to the Company since the Listing Date.

CORPORATE GOVERNANCE PRACTICES

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. The Company has adopted corporate governance practices based on the principles and code provisions as set out in the CG 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 Relevant Period, the Company has complied with all the applicable code provisions as set out in the CG Code, except for the code provision C.2.1 described in the paragraph headed "C. Directors' Responsibilities, Delegation and Board Proceedings — C.2 Chairman and Chief Executive". The Board will continue to review and monitor the code of corporate governance practices of the Company with an aim of maintaining a high standard of corporate governance.

MODEL CODE FOR SECURITIES TRANSACTIONS

As the Company's Shares have not been listed on the Stock Exchange before the Listing, the provisions regarding compliance with the Model Code by Directors under the Listing Rules are only applicable to the Company since the Listing Date.

Following the Listing, the Company has adopted the Model Code 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, is 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 Relevant Period.

No incident of non-compliance with the Model Code by the employees was noted by the Company during the Relevant Period.

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interest of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

During the Relevant Period and up to the Latest Practicable Date, the Board comprised seven Directors, consisting of four executive Directors and three independent non-executive Directors as follows:

Executive Directors

Mr. Xu Bingzhong *(Chairman and Chief Executive Officer)*
Mr. Zhang Bo
Mr. Zhao Jun
Ms. Lei Xing

Independent Non-executive Directors

Mr. Li Dong
Mr. Wang Renrong
Mr. Wong Heung Ming Henry

The biographical information of the Directors is set out in the section headed "Directors and Senior Management" of this annual report and the relationships between the Directors are disclosed in the respective Director's biography.

Except for the relationships between the Directors set forth in the respective Director's biography under the section headed "Directors and Senior Management", the Directors do not have financial, business, family or other material/relevant relationships with one another.

Chairman and Chief Executive Officer

Pursuant to Code Provision C.2.1 of the Corporate Governance Code, 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 ("**Mr. Xu**"). As Mr. Xu has extensive contributions since the establishment of the Group and has rich experience, we believe 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. We believe 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, we have 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 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.

Independent Non-executive Directors

During the Relevant Period and up to the Latest Practicable Date, the Board at all times fulfilled the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing one-third of the board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

The Directors of the Company are appointed for a specific term of three years and are eligible for re-election upon expiry of their term of office in accordance with the Articles of Association of the Company.

Responsibilities of the Directors and Management

The Board should assume responsibility for leadership and control of the Company and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses, for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve a conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the Reporting Period, all Directors attended training sessions on the respective obligations of the Directors and senior management. In addition, relevant reading materials including legal and regulatory updates have been provided to the Directors for their reference and studying.

The record of continuous professional development relating to director's duties and regulatory and business development that have been received by the Directors for the Reporting Period is summarized as follows:

Directors	**Type of Training** *Note*
Executive Directors	
Mr. Xu Bingzhong *(Chairman and Chief Executive Officer)*	**A and B**
Mr. Zhang Bo	**A**
Mr. Zhao Jun	**A**
Ms. Lei Xing	**A and B**
Independent Non-executive Directors	
Mr. Li Dong	**A and B**
Mr. Wang Renrong	**A and B**
Mr. Wong Heung Ming Henry	**A and B**

Notes:

Types of Training

A. Attending training sessions, including but not limited to briefings, seminars, conferences and workshops

B. Reading relevant news alerts, newspapers, journals, magazines and relevant publications

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 a 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 for 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 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 55 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. 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 an annual basis.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the relevant Cayman Islands laws and regulations and the CG Code, Appendix 14 to the Listing Rules, our Company has formed three Board committees, namely the audit committee, the remuneration committee and the nomination committee.

All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

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.

The terms of reference of the Audit Committee are in compliance with those set out in the CG Code and the relevant laws and regulations.

The Audit Committee held one meeting during the Relevant Period to discuss and consider the interim results of the Company and its subsidiaries for the six months ended June 30, 2021 and discuss matters with respect to the accounting policies and practices adopted by the Company and the internal control and risk management systems.

The attendance records of the Audit Committee are set out under "Attendance Record of Directors and Committees Members".

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 Remuneration 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.

The terms of reference of the Remuneration Committee are in compliance with those set out in the CG Code and the relevant laws and regulations.

As the Company was only listed on September 10, 2021, no Remuneration Committee meeting was held during the Relevant Period as the Remuneration Committee did not have matters to discuss shortly after the Listing, and therefore there is no attendance record of the members of the Remuneration Committee at the meeting of the Remuneration Committee. The Company expects to convene meetings of the Remuneration Committee in accordance with the Corporate Governance Code and its terms of reference in 2022 in relation to, amongst others, determining the policy for the remuneration of executive Directors, assessing performance of executive Directors and approving the terms of executive Directors' service contracts, to making recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

Details of the remuneration of the senior management by band for the year ended December 31, 2021 are set out below:

Remuneration by band *(RMB)*	Number of person(s)
Nil to 500,000	**7**
500,001 to 1,000,000	**1**

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 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.

The terms of reference of the Nomination Committee are in compliance with those set out in the CG Code and the relevant laws and regulations.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience, etc. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence, time commitment and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making a recommendation to the Board.

As the Company's Shares were only listed on the Stock Exchange on September 10, 2021, for the Relevant Period, no meeting of the Nomination Committee was held as the Nomination Committee did not have matters to discuss shortly after the Listing, and therefore there is no attendance record of the members of the Nomination Committee at the meeting of the Nomination Committee. The Company expects to convene meetings of the Nomination Committee in accordance with the Corporate Governance Code and its terms of reference in 2022 in relation to, amongst others, determining the nomination procedures and the process and criteria adopted by the Nomination Committee to select and recommend candidates for directorship during the year.

The attendance records of the Nomination Committee are set out under "Attendance Record of Directors and Committees Members".

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance duties set out in the code provision A.2.1 of the CG Code.

During the Relevant Period, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices in compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director during their tenure of office at the Board and Board Committees meetings and the general meetings of the Company held during the Relevant Period is set out in the table below:

	Attendance/Number of Meetings				
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Mr. Xu Bingzhong	1/1	—	N/A	N/A	N/A
Mr. Zhang Bo	1/1	—	—	—	N/A
Mr. Zhao Jun	1/1	—	—	—	N/A
Ms. Lei Xing	1/1	—	—	—	N/A
Mr. Li Dong	1/1	1/1	N/A	N/A	N/A
Mr. Wang Renrong	1/1	1/1	N/A	N/A	N/A
Mr. Wong Heung Ming Henry	1/1	1/1	—	—	N/A

RISK MANAGEMENT AND INTERNAL CONTROLS

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 "KEY RISKS AND UNCERTAINTIES".

The Board is responsible for maintaining a sound and effective risk management and internal control system, effectively identifying and managing significant risks in the process of achieving its business objectives, and safeguarding the Group's assets and the interests of shareholders' investment. The Group is aware of the responsibilities of the Board and the management in the risk management and internal control system:

- The Board is responsible for assessing and determining the nature and extent of risks that the Group is willing to accept in achieving the Group's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Board also supervises, and reviews annually, the design, implementation and monitoring of risk management and internal control systems conducted by the management.

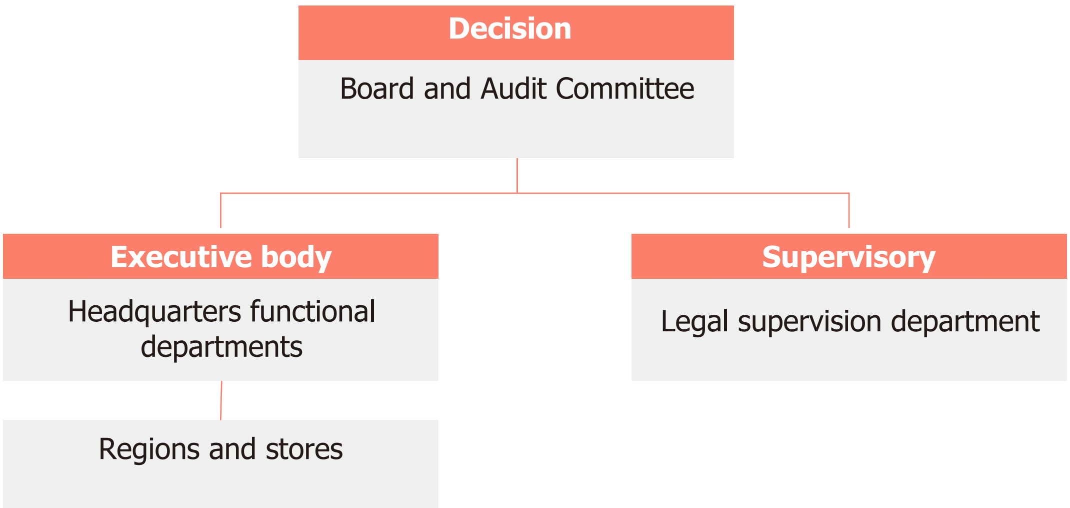
- The management is responsible for the design, implementation and monitoring of the risk management and internal control systems, and should confirm to the Board whether the risk management and internal control systems are effective.

These risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance that there will be no material misstatement or loss.

Risk Management

During the year, the Group has established a risk management system framework at the group level through the following work, guiding the development of risk assessment and continuous risk monitoring activities:

- **Build a risk management organisational structure:** The Group has established a risk management organisational structure covering the decision-making level (the Board and Audit Committee), the executive level (headquarters and subordinate stores) and the supervisory level (the legal supervision department) (see Figure 1 below: risk management organisational structure chart). The Group also divides risk management responsibilities to clarify risk management responsibilities and risk information reporting routes at all levels;



(Figure 1: risk management organisational structure)

- **Develop risk assessment criteria:** According to the Company's business nature and operating characteristics, strategic objectives, and management's risk appetite, the Group establishes risk assessment standards applicable to the Company, including strategy, finance, operation, personnel, compliance, food safety, business interruption, customer experience, branding reputation, environment and other dimensions, and uses jointly confirmed evaluation methods and evaluation standards to evaluate the risks that are most likely to affect the achievement of corporate goals.

- **Establish a risk management workflow:** A risk management process is established to cover five major stages, including risk identification, risk assessment, risk response, risk monitoring, reporting and improvement (see Figure 2: risk management process), and a closed loop is formed to continuously monitor and manage risks. Specifically, the Company takes its business objectives as the leading factor, identifies the risk factors that affect its achievement of the business objectives, and evaluates the possibility and potential impact of each specific risk; sorts out and records the specific response plans for existing risks; and tracks and regularly reviews the implementation of the risk response to the identified risks, and assesses changes in risk, so as to adjust response measures in a timely manner.

(Figure 2: risk management process)

The main features of the Group's risk management system are as follows:

- **Closed loop risk management process:** The risk management procedure adopts the method of end-to-end closed-loop and continuous monitoring. Through a series of workflows such as risk identification, risk assessment, risk response, risk monitoring, reporting and improvement, the Group has a comprehensive understanding of the main risks faced by it, and conducts ongoing review and assessment of risks through the closed-loop risk management process.

- **Form a risk database with clear levels and major focuses throughout the headquarters to the stores:** Starting from the six risk categories of strategy, market, operation, finance, law and sustainable development and considering the principles of comprehensiveness, importance, synergy and standardisation, the Group establishes a risk database that penetrates different levels including the Group, regions and stores.

- **Risk assessment criteria appropriate to the nature of the bar business:** Combined with the nature of the bar industry where the Company operates, its business objectives, and the management's risk appetite, the Group establishes applicable risk assessment standards, covering strategy, finance, food safety, customer experience, and the environment.

- **Continuous improvement and perfect mechanism:** The Group clarifies the frequency of risk assessment (at least once a year) and reporting and communication requirements, and continuously improves risk management workflow and improves risk management and control measures through regular assessment, implementation and follow-up of risk response measures, communication and reporting.

On the basis of the establishment of the above risk management systems, the Company conducted a comprehensive review of the risk management systems with the assistance of external professional consulting agencies this year, and carried out the identification, assessment and analysis of major risks within the main business scope of the Group. The Group identified the top ten risks faced and sorted out response plan, clarified the main responsible department, and proposed further response plans and improvement suggestions, and provided and reported the assessment results to the Audit Committee.

Internal monitoring

With reference to the COSO (Committee of Sponsoring Organizations of the Treadway Commission) internal control management framework, the Group has established an internal control system and mechanism applicable to the Group. The monitoring system includes a mature organisational structure that clearly defines the powers and responsibilities of each department to protect the Group's assets and shareholders' interests.

As an important part of risk management, the internal control system of the Group is formed on the basis of various risks faced by the Group. As the first line of defense, the management of the Group headquarters, the subordinate regional management and the management of its stores have designed and implemented a series of policies and procedures for the processes related to finance, operation and compliance, and monitored the implementation and effect of relevant policies and procedures. The legal supervision department has been established as the third line of defense. Through audit supervision and independent supervision and audit of policy implementation, abnormal transactions and internal control defects are discovered in a timely manner, and follow-up review of the improvement situation is carried out to supervise the implementation of internal control improvement measures. Independent and objective opinions on the effectiveness of the Group's risk management and internal control systems are provided to the Board. At the same time, the legal supervision department has unrestricted access to the documents and records, information systems and employees required to carry out the audit procedures, and reports to the Audit Committee on the audit results.

Anti-Fraud and Whistleblower and Complaint Management Policy

The Group has formulated and implemented the Anti-Fraud and Whistleblower and Complaint Management Policy, which specifies the standards for identifying fraudulent conduct, fraud prevention and control measures, whistle-blowing channels and whistleblower protection policies to support employees and other contacts (such as customers or suppliers) on an anonymous basis to raise any potentially inappropriate matters about the Company to the Audit Committee to ensure that all reports receive adequate attention. The legal supervision department is also designated as the fraud risk supervision body to undertake the coordination, guidance and supervision of the Company's anti-fraud practice.

Review of Risk Management and Internal Control System

During the year ended 31 December 2021, the Board conducted a comprehensive review of the Group's risk management and internal control systems through the Audit Committee, including the establishment of the risk management systems, the 2021 annual risk assessment and the internal control review of key business processes. The period covers the fiscal year 2021 and covers the main business of the Company. The Board considers that the Group has complied with the risk management and internal control provisions set out in the Corporate Governance Code and considers that the risk management and internal control systems are effective and adequate.

The Audit Committee has reviewed and considered that the Group's accounting, internal audit, financial reporting functions and related environmental, social and governance performance and reporting resources, staff qualifications and experience, as well as the training courses and related budgets received by staff are adequate.

Inside information

The Group has also adopted an information disclosure policy which sets out comprehensive guidelines on the handling and disclosure of inside information. The Board is entrusted with monitoring and implementing the procedural requirements in the disclosure policy. Inside information must be released by the Board, and all employees are prohibited from disseminating inside information about the Group to any external party unless duly authorised. We have implemented control procedures to ensure that unauthorized access and use of inside information are strictly prohibited.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2021. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report.

AUDITORS' REMUNERATION

The total fees paid/payable to the independent auditor of the Company, in respect of audit services and non-audit services for the year ended December 31, 2021 are set out as below. The non-audit services conducted by the Auditor mainly include advisory services.

	Fees payable or paid RMB'000
Services Category	
Audit Services	4,900
Non-audit Services	715
Total Fees	5,615

COMPANY SECRETARY

During the Reporting Period, Mr. Chan Kong ("**Mr. Chan**") was the company secretary of the Company. Mr. Chan has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of the relevant professional training during the year.

All Directors have access to the advice and services of the company secretary on corporate governance and board practices related matters.

Reference is made to the Company's announcement dated January 3, 2022. Mr. Chan has resigned from the Company, and Ms. Leung Suet Wing ("**Ms. Leung**"), a senior manager of Corporate Services of Tricor Services Limited, has been appointed as the company secretary of the Company, with effect from January 1, 2022. Ms. Yu Zhen, the chief financial officer of the Company, is the primary corporate contact person at the Company whom Ms. Leung contacts.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, all resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening Shareholders' General Meetings

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months (or such longer period as may be authorised by the Hong Kong Stock Exchange) shall elapse between the date of one annual general meeting of the Company and that of the next.

The Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders 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. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two Months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The chairman (if any) of the Company or if he is absent or declines to take the chair at such meeting, the Vice chairman (if any) of the Company shall take the chair at every general meeting, or, if there be no such chairman or Vice chairman, or, if at any general meeting neither of such chairman or Vice chairman is present within 15 minutes after the time appointed for holding such meeting, or both such persons decline to take the chair at such meeting, the Directors present shall choose one of their number as chairman of the meeting, and if no Director be present or if all the Directors present decline to take the chair or if the chairman chosen shall retire from the chair, then the Shareholders present shall choose one of their number to be chairman of the meeting.

Putting Forward Proposals at General Meetings

There are no provisions in the Articles of Association or in the Companies Law of the Cayman Islands for putting forward proposals of new resolutions by Shareholders at general meetings. Shareholders who wish to move forward a resolution may request the Company to convene a general meeting in accordance with the procedures mentioned above.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may supervise the operations of the Company, and to make suggestions and enquiries accordingly.

Contact Details

- Shareholders may send their enquiries or requests as mentioned above to ir@helens.com.cn. Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Corporate communication of the Company will be provided to Shareholders to facilitate Shareholders' understanding. Shareholders have the right to choose the language (either English or Chinese) or means of receipt of the corporate communications (in hard copy or through electronic means).

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. For this purpose, the Company has set up a website (www.helensbar.com), where relevant latest information, the up-to-date state of the Company's business operation and development, the Company's financial information and corporate governance practices and other data are available to the public.

In addition, the Company has in place a shareholders' communication policy to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

CHANGES TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

The Company adopted amended and restated Memorandum and Articles of Association on August 23, 2021 which has been effective from the Listing Date. During the period from the Listing Date to the Latest Practicable Date, no other changes have been made to the existing Memorandum and Articles of Association. The Memorandum and Articles of Association is available on the websites of the Company and the Stock Exchange.

DIVIDEND POLICIES

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, the 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.

Independent Auditor's Report

To the Shareholders of Helens International Holdings Company Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Helens International Holdings Company Limited (the "**Company**") and its subsidiaries (the "**Group**"), which are set out on pages 67 to 134, comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is related to impairment assessment of right-of-use assets and plant and equipment in bars.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of right-of-use assets and plant and equipment in bars Refer to Notes 2.7, 4.5, 13 and 21 to the consolidated financial statements. As at 31 December 2021, the right-of-use assets and plant and equipment of the Group amounted to approximately RMB1,346,293,000 and RMB866,211,000, respectively, majority of which are in relation to the Group's bars. 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 by management based on the value-in-use ("**VIU**") calculation of the relevant CGU.	Our procedures in relation to impairment assessment of right-of-use assets and plant and equipment in bars included: • We obtained an understanding of the management's internal control and assessment process of the impairment and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • We evaluated and tested, on a sample basis, management's key controls in respect of the impairment assessment, including the determination of CGU, the identification of impairment indicators, the preparation of cash flow forecast, and assumptions used in the calculation of VIU; • We evaluated the historical accuracy of management's cash flow forecasts by comparing the forecasts used in the prior year to the actual performance of the respective bars in current year; • We evaluated the reasonableness of the significant assumptions applied in the cash flow forecasts, such as revenue growth rates, raw material costs-to-revenue ratio, and employee benefit and manpower service expenses-to-revenue ratio, by considering market data, the Group's management plans and the bars' historical performances, and benchmarked with industry;

Key Audit Matter	How our audit addressed the Key Audit Matter
Based on the results of the impairment assessment conducted, impairment provision of approximately RMB4,634,000 and RMB6,351,000 was recognised for right-of-use assets and plant and equipment, respectively, in the Group's consolidated statement of comprehensive income for the year ended 31 December 2021.	• We evaluated the discount rates applied in the cash flow forecasts with the involvement of our internal valuation experts by comparing them with the industry or market data to assess whether the discount rates applied within the range of those adopted by comparable companies in the same industry; and
We focused on this area due to significant management's judgements involved in the determination of VIU of the related CGU, including the significant assumptions used in the compilation of the underlying cash flow forecast. The significant assumptions adopted by management are subjective, including revenue growth rates, raw material costs-to-revenue ratio, employee benefit and manpower service expenses-to-revenue ratio, and discount rates.	• We evaluated management's sensitivity analysis performed on the forecast revenue, forecast raw material costs, forecast employee benefit and manpower service expenses, and discount rates adopted in the impairment assessment so as to assess the potential implications on the results of the impairment assessment for changes in significant assumptions within a reasonable range.
	Based on the above procedures, we found the significant assumptions adopted in management's impairment assessment to be supported by the evidence we obtained.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cecilia, Lai Ting Yau.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2022

Consolidated Statements of Comprehensive Income

For the Year Ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
		Year ended 31 December	
Revenue	5	**1,835,616**	817,945
Government grants and concessions	7	**14,024**	36,422
Raw materials and consumables used	17	**(576,787)**	(271,385)
Employee benefit and manpower service expenses	8	**(581,628)**	(178,930)
Depreciation of right-of-use assets	21	**(220,246)**	(105,276)
Depreciation of plant and equipment	13	**(82,600)**	(32,017)
Amortisation of intangible assets	14	**(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	6	**(98,862)**	(58,173)
Impairment losses of plant and equipment and right-of-use assets	13 & 21	**(10,985)**	—
Fair value changes of convertible preferred shares	26	**(207,669)**	—
Finance income	9	**563**	34
Finance costs	9	**(57,690)**	(28,659)
(Loss)/profit before income tax		**(176,850)**	96,967
Income tax expense	10	**(53,150)**	(26,895)
(Loss)/profit for the year attributable to owners of the Company		**(230,000)**	70,072
Other comprehensive (loss)/income:			
Item that may be subsequently reclassified to profit or loss			
Currency translation differences		**(5,415)**	951
Total comprehensive (loss)/income for the year attributable to owners of the Company		**(235,415)**	71,023
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company (expressed in RMB per share)			
Basic	11	**(0.213)**	0.070
Diluted	11	**(0.213)**	0.068

The notes on pages 71 to 134 are integral parts of these consolidated financial statements.

Consolidated Statements of Financial Position

For the Year Ended 31 December 2021

	Note	As of 31 December 2021 RMB'000	2020 RMB'000
Assets			
Non-current assets			
Plant and equipment	13	**871,280**	188,843
Intangible assets	14	**92**	109
Right-of-use assets	21	**1,348,338**	554,506
Deposits and prepayments	16	**323,047**	26,852
Deferred tax assets	22	**29,886**	18,322
		2,572,643	788,632
Current assets			
Inventories	17	**61,502**	36,855
Prepayments, deposits and other receivables	16	**25,890**	10,200
Cash and cash equivalents	18	**1,626,731**	24,255
		1,714,123	71,310
Total assets		**4,286,766**	859,942
Equity			
Equity attributable to owners of the Company			
Share capital	19	**1**	1
Reserves	20	**2,876,719**	160,237
Total equity		**2,876,720**	160,238
Liabilities			
Non-current liability			
Lease liabilities	21	**1,060,620**	460,379
Current liabilities			
Trade payables	23	**75,139**	36,456
Other payables and accruals	24	**63,197**	85,850
Borrowings	25	**—**	13,000
Lease liabilities	21	**185,520**	78,862
Current income tax liabilities		**25,570**	25,157
		349,426	239,325
Total liabilities		**1,410,046**	699,704
Total equity and liabilities		**4,286,766**	859,942

The notes on pages 71 to 134 are integral parts of these consolidated financial statements.

Consolidated Statements of Changes in Equity

For the Year Ended 31 December 2021

	Attributable to owners of the Company						
	Share capital *RMB'000*	Share premium *RMB'000*	Share-based compensation reserve *RMB'000*	Statutory reserve *RMB'000*	Exchange reserve *RMB'000*	Retained earnings / (accumulated loss) *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2020	1	—	1,100	7,007	(756)	81,863	89,215
Comprehensive income							
Profit for the year	—	—	—	—	—	70,072	70,072
Other comprehensive income							
Currency translation differences	—	—	—	—	951	—	951
Total comprehensive income	—	—	—	—	951	70,072	71,023
Transaction with owners							
Appropriation to statutory reserve	—	—	—	3,978	—	(3,978)	—
Total transaction with owners	—	—	—	3,978	—	(3,978)	—
Balance at 31 December 2020	1	—	1,100	10,985	195	147,957	160,238
Balance at 1 January 2021	**1**	**—**	**1,100**	**10,985**	**195**	**147,957**	**160,238**
Comprehensive income							
Loss for the year	**—**	**—**	**—**	**—**	**—**	**(230,000)**	**(230,000)**
Other comprehensive income							
Currency translation differences	**—**	**—**	**—**	**—**	**(5,415)**	**—**	**(5,415)**
Total comprehensive income	**—**	**—**	**—**	**—**	**(5,415)**	**(230,000)**	**(235,415)**
Transaction with owners							
Issuance of new shares upon listing, net of share issuance costs *(Note 19 (h))*	**—***	**2,441,061**	**—**	**—**	**—**	**—**	**2,441,061**
Conversion of convertible redeemable preferred shares into ordinary shares *(Note 26)*	**—***	**419,153**	**—**	**—**	**—**	**—**	**419,153**
Equity settled share-based payment *(Note 29)*	**—**	**—**	**91,683**	**—**	**—**	**—**	**91,683**
Appropriation to statutory reserve	**—**	**—**	**—**	**7,451**	**—**	**(7,451)**	**—**
Total transaction with owners	**—**	**2,860,214**	**91,683**	**7,451**	**—**	**(7,451)**	**2,951,897**
Balance at 31 December 2021	**1**	**2,860,214**	**92,783**	**18,436**	**(5,220)**	**(89,494)**	**2,876,720**

* The balances were rounded to the nearest thousand.

The notes on pages 71 to 134 are integral parts of these consolidated financial statements.

Consolidated Statements of Cash Flows

For the Year Ended 31 December 2021

		Year ended 31 December	
	Note	**2021**	2020
		RMB'000	*RMB'000*
Cash flows from operating activities			
Cash generated from operations	*27(a)*	**430,887**	273,678
Income tax paid		**(64,301)**	(27,824)
Net cash generated from operating activities		**366,586**	245,854
Cash flows from investing activities			
Purchase of plant and equipment		**(993,518)**	(106,171)
Net cash paid for business combination	*30*	**(1,130)**	(3,737)
Interest received		**563**	34
Net cash used in investing activities		**(994,085)**	(109,874)
Cash flows from financing activities			
Proceeds from borrowings	*27(b)*	**237,000**	16,000
Repayments of borrowings	*27(b)*	**(250,000)**	(3,000)
Repayments to a director	*27(b)*	**(35,136)**	(9,455)
Proceeds from issuance of convertible preferred shares	*27(b)*	**212,285**	—
Proceeds from issuance of new shares	*19(h)*	**2,539,164**	—
Interests paid		**(3,468)**	(433)
Payment of listing expenses		**(97,101)**	(1,002)
Payment of principal element of lease liabilities	*27(b)*	**(311,329)**	(107,888)
Payment of interest element of lease liabilities	*27(b)*	**(54,222)**	(28,226)
Net cash generated from/(used in) financing activities		**2,237,193**	(134,004)
Net increase in cash and cash equivalents		**1,609,694**	1,976
Cash and cash equivalents at beginning of the year		**24,255**	22,257
Currency translation differences		**(7,218)**	22
Cash and cash equivalents at end of the year		**1,626,731**	24,255

The notes on pages 71 to 134 are integral parts of these 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 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.

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 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 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, are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(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 7 and 21) 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:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) New or revised standards, amendments and interpretations not yet adopted (continued)

		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
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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries

2.2.1 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(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.

2.2.2 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.

2.3 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation

2.4.1 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.

2.4.2 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.

2.4.3 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (continued)

2.4.3 Group companies (continued)

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.

2.5 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 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 from five to twelve years.

2.7 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.

2.8 Financial assets

2.8.1 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Financial assets (continued)

2.8.2 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.

2.8.3 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.

2.9 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.

2.10 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of financial assets (continued)

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.

2.11 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.

2.12 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.

2.13 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 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.

2.15 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.

2.16 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.

2.17 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Convertible preferred shares

The Group has 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.

2.19 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Revenue recognition (continued)

(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' 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.

2.23 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.24 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Leases (continued)

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.

2.25 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 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.

2.27 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 years ended 31 December 2021 and 2020, the Group has not entered into any derivative instruments to hedge its foreign exchange exposures.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Market risk (continued)

3.1.1 Foreign exchange risk (continued)

The following table shows the amount of Group's monetary assets denominated in foreign currency dominated and held by the Group companies with RMB as their functional currency (in RMB equivalent).

		As of 31 December	
	Currency denomination	**2021**	2020
		RMB'000	*RMB'000*
Cash and cash equivalents	HKD	**799,867**	—
	USD	**40**	—

As of 31 December 2021, if HKD had strengthened/weakened by 5% against RMB with all other variables held constant, the profit before income tax for the year ended 31 December 2021 would have been approximately RMB39,993,000 lower/higher (2020: Nil).

As of 31 December 2021, if USD had strengthened/weakened by 5% against RMB with all other variables held constant, the profit before income tax for the year ended 31 December 2021 would have been approximately RMB2,000 lower/higher (2020: Nil).

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 18 to the consolidated financial statements. The Group's lease liabilities are also interest-bearing but with fixed rates.

As of 31 December 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 RMB8,110,000 higher/lower (2020: RMB115,000), mainly as a result of higher/lower interest income on the cash and cash equivalents (excluding cash on hand).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Market risk (continued)

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 2021 and 2020, 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 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Market risk (continued)

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 December 2021.

There were no undrawn banking facilities available to the Group as of 31 December 2021 and 2020.

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 *RMB'000*	Less than 1 year *RMB'000*	More than 1 year *RMB'000*	Total *RMB'000*
At 31 December 2021				
Trade payables	**—**	**75,139**	**—**	**75,139**
Other payables and accruals (excluding amount due to a director)	**—**	**49,722**	**—**	**49,722**
Lease liabilities	**—**	**324,880**	**1,291,379**	**1,616,259**
	—	**449,741**	**1,291,379**	**1,741,120**
At 31 December 2020				
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
	35,136	210,330	526,263	771,729

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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Market risk (continued)

3.1.4 Liquidity risk (continued)

	Within 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Total *RMB'000*
At 31 December 2021				
Borrowings	—	—	—	—
At 31 December 2020				
Borrowings	13,000	—	—	13,000

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 2021 and 2020 were as follows:

	As of 31 December	
	2021 *RMB'000*	2020 *RMB'000*
Total borrowings	—	13,000
Total equity	**2,876,720**	160,238
Total debt to total capital ratio	**N/A**	8%

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 Recognition of share-based payment expenses

As disclosed in Note 29, 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.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

4.5 Impairment of plant and equipment and right-of-use assets

Each of the bars is identified as a CGU by management in the impairment assessment. Internal and external sources of information are reviewed at the end of each reporting period to assess whether any bars display impairment indicators. The recoverable amount of each of the bars with impairment indicators identified is assessed at the end of each reporting period based on the higher of fair value less costs of disposal and value-in-use calculation of the relevant CGU.

Management's judgements are involved in the determination of VIU of the related CGU which is assessed based on the assumptions used in the compilation of the underlying future cash flow forecast. The key assumptions adopted by management include revenue growth rate, raw material costs-to-revenue ratio, employee benefit and manpower service expenses-to-revenue ratio, and discount rates.

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 chief operating decision-maker ("**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 years ended 31 December 2021 and 2020, all of the Group's revenues are from contracts with customers. Please refer to Note 2.22 for details of accounting policies on revenue recognition.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(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	
	2021	2020
	RMB'000	*RMB'000*
Revenue from:		
— Bar operations	**1,835,108**	812,877
— Franchisee	**508**	5,068
	1,835,616	817,945
Disaggregated by timing of revenue recognition:		
— Point in time	**1,835,108**	812,877
— Over time	**508**	5,068
	1,835,616	817,945

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.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(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	
	2021	2020
	RMB'000	*RMB'000*
The PRC	**1,832,982**	816,281
Hong Kong	**2,634**	1,664
	1,835,616	817,945

(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.

6 OTHER EXPENSES

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
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		
— Audit services	**4,900**	48
— Non-audit services	**715**	—
Training expenses	**2,821**	3,471
Fees for professional advisory and consulting services	**1,302**	2,379
Others	**20,991**	20,537
	98,862	58,173

7 GOVERNMENT GRANTS AND CONCESSIONS

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Government grants *(a)*	**13,540**	25,825
Gain on COVID-19 rent concessions *(Note 21(c))*	**484**	10,597
	14,024	36,422

(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 2021 and 2020.

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) AND MANPOWER SERVICE EXPENSES

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Wages, salaries and other benefits	**213,871**	133,651
Pension costs - defined contribution schemes *(Note a)*	**32,572**	6,822
Equity settled share-based payments *(Note 29)*	**91,683**	—
Total employee benefit expenses (including directors' remunerations)	**338,126**	140,473
Manpower service expenses *(Note b)*	**243,502**	38,457
	581,628	178,930

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) AND MANPOWER SERVICE EXPENSES (CONTINUED)

(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 HKD1,500 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 2021 and 2020, 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 2021 and 2020, 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.

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) AND MANPOWER SERVICE EXPENSES (CONTINUED)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 3 and 2 director(s) for the years ended 31 December 2021 and 2020, respectively, whose emoluments are reflected in the analysis presented in Note 32. The emoluments payable to the remaining 2 and 3 individuals for the years ended 31 December 2021 and 2020 are as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Wages, salaries and other benefits	**901**	1,955
Pension costs - defined contribution plans	**121**	54
	1,022	2,009

The emoluments fell within the following band:

	Year ended 31 December	
	2021	2020
	Number of individuals	*Number of individuals*
Emolument band		
Below HKD1,000,000	**2**	3

During the years ended 31 December 2021 and 2020, 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	
	2021	2020
	RMB'000	*RMB'000*
Interest income on bank deposits	**(563)**	(34)
Interest expenses on lease liabilities *(Note 21(c))*	**54,222**	28,226
Interest expenses on borrowings	**3,468**	433
Finance costs	**57,690**	28,659
Finance costs, net	**57,127**	28,625

10 INCOME TAX EXPENSE

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Current income tax		
— PRC corporate income tax	**64,714**	36,188
Deferred income tax *(Note 22)*	**(11,564)**	(9,293)
Income tax expense	**53,150**	26,895

(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.

10 INCOME TAX EXPENSE (CONTINUED)

(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%.

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	
	2021	2020
	RMB'000	*RMB'000*
(Loss)/profit before income tax	**(176,850)**	96,967
Tax calculated at the applicable tax rates of the respective subsidiaries	**37,374**	22,885
Tax effect of:		
Expenses not deductible for tax purpose	**11,886**	3,552
Tax losses not recognised	**3,890**	458
Income tax expense	**53,150**	26,895

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 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.

	Year ended 31 December	
	2021	2020
(Loss)/profit for the year attributable to owners of the Company (RMB'000)	**(230,000)**	70,072
Weighted average number of ordinary shares in issue *(Thousand) (Note 19)*	**1,079,014**	1,000,000
Basic (loss)/earnings per share *(RMB)*	**(0.213)**	0.070

(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 29.

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.

11 EARNINGS PER SHARE (CONTINUED)

(b) Diluted (continued)

	Year ended 31 December	
	2021	2020
(Loss)/profit for the year attributable to owners of the Company *(RMB'000)*	**(230,000)**	70,072
Weighted average number of ordinary shares in issue *(Thousand) (Note 19)*	**1,079,014**	1,000,000
Adjustment for restricted shares *(Thousand) (Note 29)*	**—**	26,800
	1,079,014	1,026,800
Diluted (loss)/earnings per share *(RMB)*	**(0.213)**	0.068

12 DIVIDENDS

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

13 PLANT AND EQUIPMENT

	Office equipment *RMB'000*	Computer equipment *RMB'000*	Furniture and fixture *RMB'000*	Leasehold improvement *RMB'000*	Total *RMB'000*
At 1 January 2020					
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
Year ended 31 December 2020					
Opening net book amount	21	160	30,824	83,560	114,565
Additions	—	76	24,089	78,432	102,597
Business combinations *(Note 30)*	—	—	—	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

13 PLANT AND EQUIPMENT (CONTINUED)

	Office equipment *RMB'000*	Computer equipment *RMB'000*	Furniture and fixture *RMB'000*	Leasehold improvement *RMB'000*	Total *RMB'000*
At 31 December 2020					
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
Year ended 31 December 2021					
Opening net book amount	16	188	46,233	142,406	188,843
Additions	—	3	120,990	649,265	770,258
Business combinations *(Note 30)*	—	—	—	1,130	1,130
Depreciation	(5)	(63)	(19,015)	(63,517)	(82,600)
Impairment losses *(a)*	—	—	(326)	(6,025)	(6,351)
Closing net book amount	11	128	147,882	723,259	871,280
At 31 December 2021					
Cost	27	294	180,901	831,451	1,012,673
Accumulated depreciation	(16)	(166)	(32,693)	(102,167)	(135,042)
Impairment losses	—	—	(326)	(6,025)	(6,351)
Net book amount	11	128	147,882	723,259	871,280

(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 21(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.

14 INTANGIBLE ASSETS

	System software *RMB'000*
At 1 January 2020	
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
Year ended 31 December 2021	
Opening net book amount	**109**
Additions	**—**
Amortisation	**(17)**
Closing net book amount	**92**
At 31 December 2021	
Cost	**147**
Accumulated amortisation	**(55)**
Net book amount	**92**

15 FINANCIAL INSTRUMENTS BY CATEGORIES

	As of 31 December	
	2021	2020
	RMB'000	*RMB'000*
Financial assets		
Financial assets carried at amortised cost		
Other receivables and deposits *(Note 16)*	**106,485**	30,744
Cash and cash equivalents *(Note 18)*	**1,626,731**	24,255
	1,733,216	54,999
Financial liabilities		
Financial liabilities carried at amortised cost		
Trade payables *(Note 23)*	**75,139**	36,456
Other payables and accruals	**49,722**	57,446
Lease liabilities *(Note 21)*	**1,246,140**	539,241
Borrowings *(Note 25)*	**—**	13,000
	1,371,001	646,143

16 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As of 31 December	
	2021	2020
	RMB'000	*RMB'000*
Non-current portion		
Rental and other deposits	**83,179**	23,278
Prepayments for acquisitions of property, plant and equipment		
— Properties *(b)*	**223,260**	—
— Others	**16,608**	3,574
	323,047	26,852
Current portion		
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
	25,890	10,200

(a) As of 31 December 2021, the carrying amounts of deposits and other receivables approximated their fair values and were primarily denominated in RMB.

(b) The balance represented the prepayment for acquisitions of certain office properties. As at 31 December 2021, acquisitions were not yet completed as the property delivery and other registration procedures including but not limited to obtaining the housing ownership certificates were still in process.

17 INVENTORIES

	As of 31 December	
	2021	2020
	RMB'000	*RMB'000*
Food ingredients, beverages and consumables	**61,502**	36,855

The cost of inventories recognised as expenses and included in the consolidated statement of comprehensive income during the years ended 31 December 2021 amounted to approximately RMB576,787,000 (2020: RMB271,385,000).

No write-downs of inventories to net realisable value were charged to the consolidated statement of comprehensive income during the years ended 31 December 2021 and 2020, respectively.

18 CASH AND CASH EQUIVALENTS

	As of 31 December	
	2021	2020
	RMB'000	*RMB'000*
Cash and cash equivalents	**1,626,731**	24,255
Maximum exposure to credit risk (excluding cash on hand)	**1,622,019**	23,026

As of 31 December 2021 and 2020, 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	
	2021	2020
	RMB'000	*RMB'000*
RMB	**135,783**	22,796
HKD	**1,490,883**	1,459
USD	**65**	—
	1,626,731	24,255

Cash and cash equivalents (excluding cash on hand) earned interest at floating rates based on daily deposits rate. As of 31 December 2021 and 2020, the carrying amounts of cash and cash equivalents approximated their fair values.

As of 31 December 2021, cash and cash equivalents of the Group amounting to approximately RMB393,816,000 (2020: RMB22,796,000), which included cash and cash equivalents amounting to approximately RMB28,257,000 held under a subsidiary's bank account with a bank in the PRC and denominated in HKD, 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.

19 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*
As of 31 December 2019 and 2020	500,000,000	50,000	—	—
Effect of share subdivision *(Note (b))*	499,999,500,000,000	—	—	—
Redesignation *(Notes (c) and (e))*	(25,591,032)	(2,559)	25,591,032	2,559
Conversion of convertible redeemable preferred shares into ordinary shares *(Note (i))*	25,591,032	2,559	(25,591,032)	(2,559)
As of 31 December 2021	500,000,000,000,000	50,000	—	—

Issued

	Number of ordinary shares	Nominal value of ordinary shares* *USD*	Share capital *RMB*
As of 31 December 2019 and 2020	1,000	0.1	1
Effect of share subdivision *(Note (b))*	999,999,000	—	—
Shares issued for WTSJ Holding and NEWCE Holding *(Note (d))*	12,010,975	0.001	—
Issuance of ordinary shares pursuant to Pre-IPO Restricted Share Units ("**RSU**") Scheme *(Note (f))*	26,800,000	—	—
Issuance of ordinary shares pursuant to Post-IPO RSU Scheme *(Note (g))*	47,652,017	—	—
Issuance of new shares upon listing *(Note (h))*	154,847,500	—	—
Conversion of convertible redeemable preferred shares into ordinary shares *(Note (i))*	25,591,032	—	—
Less: Treasury shares *(Note (g))*	(47,652,017)	—	—
As of 31 December 2021	1,219,249,507	0.101	1

* The values of ordinary shares are rounded to the nearest thousandth.

19 SHARE CAPITAL (CONTINUED)

Notes:

(a) On 16 January 2018, 1,000 ordinary shares were issued for approximately USD0.0001 pursuant to the Group's Reorganisation. As of 31 December 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.

(f) On 7 June 2021, (i) 3,100,389 shares had been issued to TLTQ Holding Limited for the purpose of the director RSU Scheme; (ii) 9,999,611 Shares had been issued to SHXM Holding Limited for the purpose of the senior management RSU Scheme; and (iii) 13,700,000 Shares had been issued to NLNQ Holding Limited for the purpose of the employee RSU Scheme.

(g) On 7 June 2021, 47,652,017 shares had been issued by the Company to TSLZ Holding Limited for the purpose of the post-IPO RSU Scheme. As at 31 December 2021, the aforementioned shares have not been granted.

(h) On 10 September 2021, upon the listing on the Main Board of the Stock Exchange of Hong Kong Limited, the Company issued 154,847,500 new ordinary shares at par value of USD0.0000000001 per share for cash consideration of HKD19.77 each, and raised gross proceeds of approximately HKD3,061,335,000 (equivalent to approximately RMB2,539,164,000). After netting off these gross proceeds with share issuance cost amounting to approximately RMB98,103,000, the respective share capital amount was approximately RMB0.1 and share premium arising from the issuance was approximately RMB2,441,061,000. The share issuance costs paid mainly includes share underwriting commissions, lawyers' fee and other related costs, which are incremental cost directly attributable to the issuance of the new shares. These share issuance costs were treated as a deduction against the share premium arising from the issuance.

(i) On 10 September 2021, all the 25,591,032 convertible and redeemable preferred shares were converted into the same number of ordinary shares (Note 26). The fair value of the Preferred Shares immediately before the conversion was RMB419,153,000, and the conversion resulted in the increase in share capital of RMB0.003 and share premium of approximately RMB419,153,000.

20 RESERVES

	Share premium RMB'000	Surplus reserve RMB'000	Exchange reserve RMB'000	Share-based compensation reserve RMB'000	Retain earning RMB'000	Total RMB'000
As of 1 January 2020	—	7,007	(756)	1,100	81,863	89,214
Profit for the year	—	—	—	—	70,072	70,072
Appropriation for statutory surplus reserve *(a)*	—	3,978	—	—	(3,978)	—
Currency translation differences	—	—	951	—	—	951
As of 31 December 2020	—	10,985	195	1,100	147,957	160,237
As of 1 January 2021	**—**	**10,985**	**195**	**1,100**	**147,957**	**160,237**
Profit for the year	**—**	**—**	**—**	**—**	**(230,000)**	**(230,000)**
Appropriation for statutory surplus reserve *(a)*	**—**	**7,451**	**—**	**—**	**(7,451)**	**—**
Issuance of new shares upon listing *(Note 19)*	**2,539,164**	**—**	**—**	**—**	**—**	**2,539,164**
Share issuance costs *(b)*	**(98,103)**	**—**	**—**	**—**	**—**	**(98,103)**
Conversion of convertible redeemable preferred shares into ordinary shares *(Note 26)*	**419,153**	**—**	**—**	**—**	**—**	**419,153**
Share-based compensation expenses *(Note 29)*	**—**	**—**	**—**	**91,683**	**—**	**91,683**
Currency translation differences	**—**	**—**	**(5,415)**	**—**	**—**	**(5,415)**
As of 31 December 2021	**2,860,214**	**18,436**	**(5,220)**	**92,783**	**(89,494)**	**2,876,719**

20 RESERVES (CONTINUED)

(a) Appropriation for statutory surplus reserve

In accordance with the PRC Company Law and the articles of association, the PRC subsidiaries of the Group are required to appropriate 10% of its profits after tax, as determined in accordance with Accounting Standards for Business Enterprises and other applicable regulations, to the statutory surplus reserve until such reserve reaches 50% of its registered capital. The appropriation to the reserve must be made before any distribution of dividends to shareholders. Apart from the statutory surplus reserve, discretionary surplus reserve can be appropriated according to the resolution of shareholders' meeting. The surplus reserve can be used to offset previous years' losses, if any, and part of the statutory surplus reserve can be capitalized as the PRC subsidiary's capital provided that the amount of surplus reserve remaining after the capitalization shall not be less than 25% of its capital.

(b) Share issuance costs

Share issuance costs mainly include share under writing commissions, lawyers' fees, reporting accountant's fee and other related costs associated with the listing and vendor placing. Incremental costs that are directly attributable to the issue of the new shares to approximately RMB98,103,000 which were accounted for a deduction against the share premium arising from the issuance.

21 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.

21 LEASES (CONTINUED)

(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*
Right-of-use assets-properties		
Opening net book amount	**554,506**	386,229
Additions	**1,018,712**	273,434
Depreciation charge	**(220,246)**	(105,276)
Impairment losses *(Note 13(a))*	**(4,634)**	—
Currency translation differences	**—**	119
Closing net book amount	**1,348,338**	554,506
Lease liabilities		
Non-current portion	**1,060,620**	460,379
Current portion	**185,520**	78,862
	1,246,140	539,241

As of 31 December 2021 and 2020, the carrying amounts of the Group's right-of-use assets and lease liabilities were primarily denominated in RMB.

21 LEASES (CONTINUED)

(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	
	2021	2020
	RMB'000	*RMB'000*
Depreciation charge of right-of-use assets	**220,246**	105,276
Finance costs on lease liabilities *(Note 9)*	**54,222**	28,226
Gain on COVID-19 rent concessions *(Note 7)*	**484**	10,597
Impairment losses *(Note 13)*	**4,634**	—

During the year ended 31 December 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 RMB484,000 (2020: RMB10,597,000). Pursuant to the applicable practical expedients under the amendments to HKFRS 16, the Group has recognised all of these concessions in the Group's consolida0ted statement of comprehensive income under "government grants and concessions" during the year ended 31 December 2021 and 2020.

(d) Amounts recognised in the consolidated statements of cash flows

During the years ended 31 December 2021 and 2020, the total cash outflows for leases were as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Cash outflows from operating activities		
Payments for short-term leases in respect of staff quarters (*)	**30,777**	13,605
Cash outflows from financing activities		
Payment of principal element of lease liabilities	**311,329**	107,888
Payment of interest element of lease liabilities	**54,222**	28,226

* 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 27(a) using the indirect method.

22 DEFERRED INCOME TAX

	As of 31 December	
	2021	2020
	RMB'000	*RMB'000*
Deferred income tax assets	**29,886**	18,322

Deferred income tax assets

	Rights-of-use assets and lease liabilities	**Advertising expenses**	**Tax losses**	**Impairment losses**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
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
As of 1 January 2021	**4,044**	**325**	**13,953**	**—**	**18,322**
Credited to profit and loss	**9**	**927**	**7,882**	**2,746**	**11,564**
As of 31 December 2021	**4,053**	**1,252**	**21,835**	**2,746**	**29,886**

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 2021, the Group did not recognise certain deferred income tax assets of approximately RMB6,614,000 (2020: RMB2,724,000), in respect of accumulated tax losses amounting to approximately RMB33,697,000 (2020: RMB16,511,000), 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 RMB367,064,000 as of 31 December 2021 (2020: RMB213,304,000), 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.

23 TRADE PAYABLES

	As of 31 December	
	2021	2020
	RMB'000	*RMB'000*
Trade payables	**75,139**	36,456

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	**75,139**	36,456

The carrying amounts of the Group's trade payables were denominated in the following currencies:

	As of 31 December	
	2021	2020
	RMB'000	*RMB'000*
RMB	**75,139**	36,456

As of 31 December 2021 and 2020, the carrying amounts of trade payables approximated their fair values.

24 OTHER PAYABLES AND ACCRUALS

	As of 31 December	
	2021	2020
	RMB'000	*RMB'000*
Amount due to a director *(Note 31(a))*	**—**	35,136
Salary, staff welfare payables and manpower service	**54,930**	39,139
Accrued listing expenses	**—**	2,390
Others	**8,267**	9,185
	63,197	85,850

As of 31 December 2021 and 2020, 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	
	2021	2020
	RMB'000	*RMB'000*
RMB	**60,571**	84,499
HKD	**2,626**	1,351
	63,197	85,850

25 BORROWINGS

	As of 31 December	
	2021	2020
	RMB'000	*RMB'000*
Bank borrowings repayable within 12 months	**—**	13,000
	—	13,000

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 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.

During the year ended 31 December 2021, the Group repaid the bank borrowings and the personal guarantee from Mr. Xu was discharged.

26 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 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 ("**date of issuance**"). On the same date, Series A Preferred Shares and Series A+ Preferred Shares were issued.

The key terms of the convertible preferred shares are summarised as follows:

(a) Voting rights

Each Preferred Share had 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 should 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 equaled 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 was made, plus all declared but unpaid dividends (applicable for Series A Preferred Share); and (b) the amount per share as would had 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 should 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 should 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 was otherwise entitled to receive pursuant to this paragraph.

26 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(b) Liquidation rights (continued)

The liquidation events were 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) was 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 should 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 should 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 should 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 had 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 should 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.

26 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(e) Co-sale right

If any of the shareholders (Mr. Xu, Helens Hill (BVI) and other ordinary shareholders of the Company) (a "**Transferor**") proposed 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 should give the Company and each Rightholder a written notice of the Transferor's intention to make the transfer (the "**Transfer Notice**"), each Rightholder should 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.

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:

	RMB'000
At 1 January 2021	—
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	(419,153)
At 31 December 2021	—

27 NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Reconciliation of profit before income tax to net cash generated from operations

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
(Loss)/profit before income tax	**(176,850)**	96,967
Adjustments for:		
Finance income *(Note 9)*	**(563)**	(34)
Finance costs *(Note 9)*	**57,690**	28,659
Depreciation of right-of-use assets *(Note 21)*	**220,246**	105,276
Depreciation of plant and equipment *(Note 13)*	**82,600**	32,017
Gain on COVID-19 rent concessions *(Note 7)*	**(484)**	(10,597)
Equity settled share-based payment *(Note 29)*	**91,683**	—
Impairment losses of plant and equipment and right-of-use assets *(Note 13 & 21)*	**10,985**	—
Fair value changes of convertible preferred shares *(Note 26)*	**207,669**	—
Amortisation of intangible assets *(Note 14)*	**17**	17
	492,993	252,305
Changes in working capital:		
— Inventories	**(24,647)**	(13,450)
— Prepayments, deposits and receivables	**(88,625)**	(14,320)
— Trade payables	**38,683**	18,212
— Other payables and accruals	**12,483**	30,931
Net cash generated from operations	**430,887**	273,678

27 NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(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*
As of 31 December 2019	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 *(Note 7)*	(10,597)	—	—	—
— Additions of lease liabilities	273,434	—	—	—
— Exchange difference	116	—	—	—
As of 31 December 2020	539,241	35,136	13,000	—
Interest expenses on lease liabilities	54,222	—	—	—
Cash flows				
— Proceeds from borrowings	—	—	237,000	—
— Repayments of borrowings	—	—	(250,000)	—
— Payment of principal element of lease liabilities	(311,329)	—	—	—
— Payment of interest element of lease liabilities	(54,222)	—	—	—
— Repayments to a director	—	(35,136)	—	—
— Proceeds from issuance of convertible preferred shares	—	—	—	212,285
Other non-cash movements				
— Gain on COVID-19 rent concessions *(Note 7)*	(484)	—	—	—
— Additions of lease liabilities	1,018,712	—	—	—
— Fair value changes *(Note 26)*	—	—	—	207,669
— Exchange difference	—	—	—	(801)
— Conversion of convertible redeemable preferred shares into ordinary shares *(Note 26)*	—	—	—	(419,153)
As of 31 December 2021	1,246,140	—	—	—

27 NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(c) Major non-cash transactions

Apart from non-cash transactions disclosed in Note (b) above, during the years ended 31 December 2021 and 2020, there were no non-cash transactions among the Group.

28 CAPITAL COMMITMENTS

Capital expenditure contracted for at the end of the year but not yet incurred was as follows:

	As of 31 December	
	2021	2020
	RMB'000	*RMB'000*
Contracted but not provided for	**14,311**	16,178

29 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.

29 EQUITY SETTLED SHARE-BASED PAYMENTS (CONTINUED)

Share-based payments transactions during the year ended 31 December 2021 (Continued)

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%

30 BUSINESS COMBINATIONS

During the years ended 31 December 2021 and 2020, the Group has acquired the plant and equipment of franchised bars from the franchisees at considerations amounting to approximately RMB1,130,000 and RMB3,737,000, 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 31(b)(ii).

During the years ended 31 December 2021 and 2020, 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 RMB12,804,000, and RMB22,538,000, respectively, and net losses and net profit of these bars amounted to approximately RMB3,666,000 and RMB326,000, respectively.

Had these franchised bars been consolidated from 1 January 2021, consolidated revenue of the Group for the years ended 31 December 2021 and 2020 would have been approximately RMB1,839,354,000 and RMB855,169,000. It was impracticable to disclose the consolidated pro-forma profit or loss for the years ended 31 December 2021 and 2020 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.

31 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.

Major related parties that had transactions with the Group during the years ended 31 December 2021 and 2020 were as follows:

Name of the related parties	**Relationship with the Group**
Mr. Xu Bingzhong	Controlling Shareholder
Mr. Yan Xinyang	Director of a subsidiary of the Group
Mr. Zhong Yiming	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

	As of 31 December	
	2021	2020
	RMB'000	*RMB'000*
Non-trade nature		
Amount due to a director *(Note 24)*		
— Mr. Xu Bingzhong	—	35,136

During the year ended 31 December 2021, amount due to a director was settled.

31 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

b) Transactions with related parties

Save as disclosed elsewhere in the consolidated financial statements, during the years ended 31 December 2021 and 2020, 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, the Group's bank borrowings and banking facilities secured by personal guarantee from Mr. Xu as set out in Note 25. In December 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	
	2021	2020
	RMB'000	*RMB'000*
Provision of services to franchisees	**117**	2,109
Purchase of plant and equipment	**294**	1,226
	411	3,335

The above related party transactions were carried out on terms mutually agreed between the parties.

32 BENEFITS AND INTEREST OF DIRECTORS

a) Directors' emoluments

The remuneration of each director is set out below:

	Fees	Salary	Discretionary bonus	Allowances and benefits in kind	Employer's contribution to pension scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2020						
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

The remuneration of each director is set out below:

	Fees	**Salary**	**Discretionary bonus**	**Allowances and benefits in kind**	**Employer's contribution to pension scheme**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
For the year ended 31 December 2021						
Directors						
— Mr. Xu Bingzhong	**—**	**374**	**60**	**96**	**78**	**608**
— Mr. Zhang Bo	**—**	**313**	**50**	**96**	**35**	**494**
— Mr. Zhao Jun	**—**	**287**	**50**	**96**	**102**	**535**
— Ms. Lei Xing	**—**	**312**	**29**	**96**	**36**	**473**
	—	**1,286**	**189**	**384**	**251**	**2,110**
Independent Non-Executive Directors						
— Mr. Li Dong	**133**	**—**	**—**	**—**	**—**	**133**
— Mr. Wang Renrong	**133**	**—**	**—**	**—**	**—**	**133**
— Mr. Wong Heung Ming, Henry	**133**	**—**	**—**	**—**	**—**	**133**
	399	**—**	**—**	**—**	**—**	**399**

32 BENEFITS AND INTEREST OF DIRECTORS (CONTINUED)

a) Directors' emoluments (continued)

Mr. Xu Bingzhong was appointed as an executive director of the Company with effect from 16 January 2018; Mr. Zhang Bo, Mr. Zhao Jun and Ms. Lei Xing were appointed as executive directors of the Company with effect from 24 March 2021. They were also directors of certain subsidiaries of the Company and/or employees of the Group during the years ended 31 December 2021 and 2020, 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.

Mr. Li Dong, Mr. Wang Renrong and Mr. Wong Heung Ming Henry were appointed as independent non-executive directors of the Company with effect from 24 March 2021.

During the years ended 31 December 2021 and 2020, 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 years ended 31 December 2021 and 2020, 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 years ended 31 December 2021 and 2020, 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 years ended 31 December 2021 and 2020, 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 year ended 31 December 2021 and 2020, 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 years ended 31 December 2021 and 2020 or at any time during the years ended 31 December 2021 and 2020.

33 NOTES TO THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	As of 31 December	
		2021	2020
		RMB'000	*RMB'000*
Assets			
Non-current asset			
Investment in subsidiaries		**6**	6
Amounts due from a subsidiary		**1,842,453**	—
		1,842,459	6
Current assets			
Other receivables and prepayments	*(a)*	**—**	998
Cash and cash equivalents	*(b)*	**799,907**	—
		799,907	998
Total assets		**2,642,366**	1,004
Equity			
Equity attributable to owners of the Company			
Share capital	*19*	**1**	1
Reserves	*(e)*	**2,603,423**	(5,680)
Total equity/(deficit)		**2,603,424**	(5,679)
Liabilities			
Current liabilities			
Amounts due to a subsidiary	*(c)*	**34,036**	4,292
Other payables and accrual	*(d)*	**4,906**	2,391
		38,942	6,683
Total liabilities		**38,942**	6,683

33 NOTES TO THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

(a) Other receivables and prepayments

	As of 31 December	
	2021	2020
	RMB'000	*RMB'000*
Deferred listing expenses	—	997
Others	—	1
	—	998

(b) Cash and cash equivalents

	As of 31 December	
	2021	2020
	RMB'000	*RMB'000*
Cash and cash equivalents	**799,907**	—
Maximum exposure to credit risk (excluding cash on hand)	**799,907**	—

As of 31 December 2021 and 2020, all of the Company's cash and cash equivalent were denominated in USD or HKD.

(c) Amount due to a subsidiary

As of 31 December 2021 and 2020, the Company's amounts due to a subsidiary were interest-free, unsecured, and repayable on demand.

(d) Other payables and accruals

	As of 31 December	
	2021	2020
	RMB'000	*RMB'000*
Accrued audit fees	**4,900**	—
Accrued listing expenses	—	2,390
Others	**6**	1
	4,906	2,391

33 NOTES TO THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

(e) Reserve movement of the Company

	Share premium *RMB'000*	Exchange reserve *RMB'000*	Share-based compensation reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
As at 1 January 2020	—	—	—	—	—
Profit for the year	—	—	—	(5,680)	(5,680)
Currency translation differences	—	—	—	—	—
As at 31 December 2020	—	—	—	(5,680)	(5,680)
As at 1 January 2021	—	—	—	(5,680)	(5,680)
Profit for the year	—	—	—	(331,910)	(331,910)
Issuance of new shares upon listing *(Note 19 (h))*	2,539,164	—	—	—	2,539,164
Share issuance costs *(Note 19 (h))*	(98,103)	—	—	—	(98,103)
Conversion of convertible redeemable preferred shares into ordinary shares *(Note 26)*	419,153	—	—	—	419,153
Share-based compensation expenses *(Note 29)*	—	—	91,683	—	91,683
Currency translation differences	—	(10,884)	—	—	(10,884)
As at 31 December 2021	2,860,214	(10,884)	91,683	(337,590)	2,603,423

34 SUBSIDIARIES

Name of subsidiary	Place and date of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Issued and paid up capital/ registered capital	Effective interest held by the Group As of 31 December 2021	2020
Direct Interests:					
XBZ Hill Holding Limited	The BVI; 25 January 2018; limited liability company	Investment holding; The BVI	USD1,000/ USD1,000	**100%**	100%
CFPL (Cayman) Limited	Cayman; 18 September 2020; limited liability company	Investment holding; The BVI	USD50,000/ USD50,000	**98.5%**	98.5%
Indirect Interests:					
Helens Hill Limited	Hong Kong; 29 December 2017; limited liability company	Bar operations; Hong Kong	HKD1/HKD1	**100%**	100%
WZYX Holding Limited	The BVI; 30 September 2020; limited liability company	Investment holding; The BVI	USD1/USD1	**100%**	100%
CFPL (Hong Kong) Limited	Hong Kong; 23 October 2020; limited liability company	Investment holding; The BVI	USD1/USD1	**100%**	100%
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; limited liability company	Bar operations; The PRC	RMB1,000,000/ RMB1,000,000	**100%**	100%
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; limited liability company	Bar operations; The PRC	RMB1,000,000/ RMB1,000,000	**100%**	100%
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; limited liability company	Bar operations; The PRC	RMB2,000,000/ RMB2,000,000	**100%**	100%
Shenzhen Helens Enterprise Management Co., Ltd.* (深圳海倫司企業管理有限公司)	The PRC; 20 April 2018; limited liability company	Management service; The PRC	RMB5,000,000/ RMB5,000,000	**100%**	100%
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; limited liability company	Bar operations; The PRC	RMB2,000,000	**100%**	100%
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; limited liability company	Management service; The PRC	RMB1,000,000/ RMB1,000,000	**100%**	100%
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; limited liability company	Bar operations; The PRC	RMB1,000,000/ RMB1,000,000	**100%**	100%
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; limited liability company	Bar operations; The PRC	RMB2,000,000/ RMB2,000,000	**100%**	100%
Zhejiang Fuyixiang Catering Services Co., Ltd.* (浙江福怡祥餐飲服務有限公司)	The PRC; 5 June 2018; limited liability company	Bar operations; The PRC	RMB9,510,000/ RMB10,000,000	**100%**	100%
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; limited liability company	Bar operations; The PRC	RMB1,000,000/ RMB1,000,000	**100%**	100%
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; limited liability company	Bar operations; The PRC	RMB1,850,000/ RMB2,000,000	**100%**	100%

34 SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Issued and paid up capital/ registered capital	Effective interest held by the Group As of 31 December 2021	2020
Indirect Interests: (continued)					
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; limited liability company	Bar operations; The PRC	RMB2,000,000/ RMB2,000,000	**100%**	100%
Liaoning Hailunsi Enterprise Management Co., Ltd. (遼寧海倫司企業管理有限公司)	The PRC; 9 September 2018; limited liability company	Bar operations; The PRC	RMB1,580,000/ RMB5,000,000	**100%**	100%
Tianjin Sinuode Catering Management Co., Ltd.* (天津澌諾德餐飲管理有限公司)	The PRC; 22 November 2018; limited liability company	Bar operations; The PRC	RMB1,000,000/ RMB1,000,000	**100%**	100%
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; limited liability company	Bar operations; The PRC	RMB1,000,000/ RMB1,000,000	**100%**	100%
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; limited liability company	Bar operations; The PRC	RMB1,000,000	**100%**	100%
Sichuan Hantengbao Catering Management Co., Ltd.* (四川漢騰堡餐飲管理有限公司)	The PRC; 12 April 2019; limited liability company	Bar operations; The PRC	RMB1,000,000/ RMB1,000,000	**100%**	100%
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; limited liability company	Bar operations; The PRC	RMB1,000,000/ RMB1,000,000	**100%**	100%
Jilin Helens Enterprise Management Co., Ltd.* (吉林海倫司企業管理有限公司)	The PRC; 26 July 2019; limited liability company	Bar operations; The PRC	RMB50,000/ RMB5,000,000	**100%**	100%
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; limited liability company	Bar operations; The PRC	RMB190,000/ RMB1,000,000	**100%**	100%
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; limited liability company	Bar operations; The PRC	RMB100,000/ RMB5,000,000	**100%**	100%
Wuhan Maidilong Trading Co., Ltd.* (武漢邁迪隆貿易有限公司)	The PRC; 15 October 2019; limited liability company	Trading and sourcing; The PRC	RMB1,981,140/ RMB2,000,000	**100%**	100%
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; limited liability company	Bar operations; The PRC	RMB160,000/ RMB3,000,000	**100%**	100%
Chongqing Yangkai Catering Co., Ltd.* (重慶陽凱餐飲有限公司)	The PRC; 17 January 2020; limited liability company	Bar operations; The PRC	RMB1,000,000/ RMB1,000,000	**100%**	100%
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; limited liability company	Management service; The PRC	RMB1,000,000/ RMB1,000,000	**100%**	100%

34 SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place and date of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Issued and paid up capital/ registered capital	Effective interest held by the Group As of 31 December 2021	2020
Indirect Interests: (continued)					
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; limited liability company	Bar operations; The PRC	RMB1,000,000	**100%**	100%
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; limited liability company	Bar operations; The PRC	RMB2,000,000	**100%**	100%
Sichuan Ishadula Catering Management Co., Ltd. (四川伊沙杜拉餐飲管理有限公司)	The PRC; 18 May 2021; limited liability company	Bar operations; The PRC	RMB1,000,000	**100%**	N/A
Hainan Chers Catering Co., Ltd. (海南切爾斯餐飲有限責任公司)	The PRC; 16 July 2021; limited liability company	Bar operations; The PRC	RMB1,000,000	**100%**	N/A
Lanzhou Cheles Catering Management Co., Ltd. (蘭州切爾斯餐飲管理有限公司)	The PRC; 30 July 2021; limited liability company	Bar operations; The PRC	RMB2,000,000	**100%**	N/A
Fuzhou Cheles Catering Management Co., Ltd. (福州切爾斯餐飲管理有限責任公司)	The PRC; 6 September 2021; limited liability company	Bar operations; The PRC	RMB1,000,000	**100%**	N/A
Xi'an Jingleshuo Catering Management Co., Ltd.* (西安景樂鑠餐飲管理有限公司)	The PRC; 25 February 2021; limited liability company	Bar operations; The PRC	RMB1,250,000/ RMB2,000,000	**100%**	N/A
TSLZ Holding Limited	The BVI; 25 May 2021; limited liability company	Employee Trust; The BVI	Share capital USD1	**100%**	N/A

* The English Translation is for identification purpose only. These companies do not have official English names.

35 SUBSEQUENT EVENTS

In January 2022, a total of 6,725,619 RSUs were granted to certain employees of the Group under the post-IPO RSU Scheme.

In February 2022, the acquisitions of certain office properties have been completed.