

Helen's

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



2022

INTERIM REPORT

Contents

Definitions	2
Corporate Information	6
Financial Highlights	8
Business Highlights	9
Management Discussion and Analysis	11
Corporate Governance and Other Information	22
Interim Condensed Consolidated Statement of Comprehensive Income	32
Interim Condensed Consolidated Statement of Financial Position	33
Interim Condensed Consolidated Statement of Changes in Equity	34
Interim Condensed Consolidated Statements of Cash Flows	35
Notes to the Interim Condensed Consolidated Financial Statements	36



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 interim report and for geographical reference only and except where the context requires otherwise, references in this interim report to “China” and the “PRC” do not include Hong Kong, Macau and Taiwan
“Code” or “Corporate Governance Code”	the Corporate Governance Code sets 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

Definitions

“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
“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”	September 22, 2022, being the latest practicable date prior to the printing of this interim 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 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

“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, and as amended or supplemented or otherwise modified from time to time
“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
“Remuneration Committee”	the remuneration committee of the Board
“Renminbi” or “RMB”	the lawful currency of the PRC
“Reporting Period”	the six months ended June 30, 2022
“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\$0.000000001 per share
“Series A+ Preferred Share(s)”	the series A+ convertible preferred share(s) of our Company with a par value of US\$0.000000001 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

Definitions

“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
“US\$”	United States dollars, the lawful currency for the time being of the United States
“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)
(retired on June 17, 2022)
Mr. Zhao Jun (趙俊先生)
(retired on June 17, 2022)
Ms. Lei Xing (雷星女士)
Ms. Cai Wenjun (蔡文君女士)
(appointed on June 17, 2022)
Ms. Yu Zhen (余臻女士)
(appointed on June 17, 2022)

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

Mr. Chan Kong (member of the HKICPA)
(resigned on January 1, 2022)
Ms. Leung Suet Wing (ACG, HKACG)
(appointed on January 1, 2022 and
resigned on May 27, 2022)
Mr. Lui Wing Yat Christopher (ACG, HKACG)
(appointed on May 27, 2022)

AUTHORIZED REPRESENTATIVES

Mr. Zhao Jun
(retired on June 17, 2022)
Ms. Yu Zhen
(appointed on June 17, 2022)
Ms. Leung Suet Wing (ACG, HKACG)
(resigned on May 27, 2022)
Mr. Lui Wing Yat Christopher (ACG, HKACG)
(appointed on May 27, 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

Building B2
Guanggu Chongwen Centre Phase I
No. 792 Gaoxin Avenue
East Lake New Technology Development Zone
Wuhan
Hubei 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
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Corporate Information

LEGAL ADVISER IN HONG KONG

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

COMPANY WEBSITE

www.helensbar.com

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

Financial Highlights

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended June 30,	
	2022 (RMB in thousands) (unaudited)	2021 (RMB in thousands) (unaudited)
Revenue	873,612	868,083
(Loss)/profit before income tax	(324,649)	4,987
Loss for the period attributable to owners of the Company	(304,144)	(24,836)
Adjusted (loss)/net profit	(99,936)	80,631

NON-HKFRS MEASURES

	For the six months ended June 30,	
	2022 (RMB in thousands) (unaudited)	2021 (RMB in thousands) (unaudited)
Loss for the period	(304,144)	(24,836)
Add:		
Listing expenses	—	25,135
Equity-settled share-based payments	102,700	91,683
Losses from bars optimization and adjustment	101,508	—
Less:		
Fair value changes of convertible preferred shares	—	(11,351)
Adjusted (loss)/net profit⁽¹⁾	(99,936)	80,631

Note:

- (1): We define adjusted (loss)/net profit as (loss)/net profit adjusted by adding back Listing expenses, equity-settled share-based payments and net losses arising from the Group's strategic consideration of bars' optimization and adjustments during the six months ended June 30, 2022 (including the closure of certain bars) which comprised the aggregation of disposal of plant and equipment, termination of leases, impairment of plant and equipment, and expected credit losses on rental deposits and excluding 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".

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at June 30, 2022 (RMB in thousands) (unaudited)	As at December 31, 2021 (RMB in thousands) (audited)
Non-current assets	2,550,238	2,572,643
Current assets	1,490,413	1,714,123
Total assets	4,040,651	4,286,766
Total equity	2,738,461	2,876,720
Non-current liabilities	986,785	1,060,620
Current liabilities	315,405	349,426
Net current assets	1,175,008	1,364,697
Total liabilities	1,302,190	1,410,046
Total equity and liabilities	4,040,651	4,286,766

Business Highlights

DISTRIBUTION OF OUR BAR NETWORK

As of August 21, 2022, we had a total of 821 bars in the PRC, covering 26 provincial-level administrative regions and 167 cities. The following table sets forth the number of Helens' bars by geographical region as of August 21, 2022 and the indicated dates.

	As at		June 30, 2021
	August 21, 2022	June 30, 2022	
Mainland China			
Bars in first-tier cities	87	88	64
Bars in second-tier cities	406	427	265
Bars in third and lower-tier cities	327	330	141
Hong Kong, PRC	1	1	1
Total	821	846	471

OPERATING INDICATORS

The following table sets forth the key operating indicators of Helens' bars during the indicated periods.

	For the six months ended June 30,	
	2022 (RMB in thousands)	2021 (RMB in thousands)
Average daily sales per self-operated bar		
Mainland China		
Bars in first-tier cities	7.3	9.9
Bars in second-tier cities	6.6	12.2
Bars in third and lower-tier cities	7.9	12.3
Overall	7.2	11.9

Business Highlights

SAME-STORE PERFORMANCE

The following table sets forth the same-store sales of Helens' bars during the indicated periods. "Same stores" means bars that opened for at least 150 days during the six months ended June 30, 2021 and the six months ended June 30, 2022, respectively.

	For the six months ended June 30,	
	2022	2021
Number of same stores	133	
Same-store sales (RMB'000)	212,552.0	315,221.6
Growth of same-store sales (%)	-32.6	
Same-store average daily sales (RMB'000)	1,292.5	1,765.0
Growth of same-store average daily sales (%)	-26.8	
Same-store average daily sales per store (RMB'000)	9.7	13.3
Growth of same-store average daily sales per store (%)	-26.8	

In the first half of 2022, the average daily sales per self-operated bar and the same-store performance decreased, mainly because the constant and repeated COVID-19 pandemic in various regions of China greatly impacted the operation of our bars. Among them, the average daily sales per store of bars in second-tier cities decreased significantly, mainly because the lockdown measures implemented in some cities due to the repeated pandemic have reduced passenger flow, and our bar network was more distributed in these cities, such as Tianjin, Nanchang, Shenyang, Zhengzhou, Hangzhou, Wuhan, Nanjing, etc.

REVENUE CONTRIBUTION FROM OUR FEATURED PRODUCTS

The following table sets forth the overall contribution margin and contribution margin ratio of all of Helens' branded alcoholic drinks and third-party branded alcoholic drinks respectively during the indicated periods. The contribution margin ratio decreased in the first half of 2022, largely because we increased our marketing efforts to attract customers to consume in-store after the pandemic was under control.

	For the six months ended June 30,	
	2022	2021
All Helens' branded alcoholic drinks		
Contribution margin (RMB'000)	376,558	419,223
Contribution margin ratio (%)	78.7	81.8
All third-party branded alcoholic drinks		
Contribution margin (RMB'000)	86,544	85,851
Contribution margin ratio (%)	48.5	53.8

Note: Our contribution margin ratio refers to the ratio of (i) the contribution margin of a given product, i.e. the revenue generated from the sales of a given product less the costs of raw materials and consumables, divided by (ii) the revenue generated from the sales of the given product.

Management Discussion and Analysis

BUSINESS REVIEW, IMPACT OF THE COVID-19 PANDEMIC AND OUTLOOK

In the first half of 2022, the COVID-19 resurgence in various regions of China had an impact on the operation of our bars. Due to uncertainties in the future development of the COVID-19 pandemic, we will actively adjust our development strategies and optimize and upgrade the existing bar network while expanding the bar network in this context. In addition, we have begun to explore new business cooperation models. We fully mobilized high-quality social resources via co-creation and sharing to enhance the flexibility of bar operation, improved profitability of bars and mitigated the impact of COVID-19 on our business development.

In the first half of 2022, we opened 133 new bars and closed 69 bars¹. As of June 30, 2022, the number of our bars grew to 846 from 782 as of December 31, 2021. As of August 21, 2022, the number of our bars was 821, covering 26 provincial-level administrative regions and 167 cities.

In the first half of 2022, our revenue increased from RMB868.1 million in the first half of 2021 to RMB873.6 million in the first half of 2022, representing a year-on-year growth of 0.6%. Affected by the repeated COVID-19 pandemic in various regions of China, we recorded an adjusted net loss of RMB99.9 million in the first half of 2022, compared to an adjusted net profit of RMB80.6 million in the first half of 2021.

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.

Looking forward to the future, we will continuously expand the bar network. We will reconstruct the development model and transform from a linear chain model to a platform-based company while stepping up presence in broader lower-tier markets. We will also closely follow user needs to improve customers' consumption experience. Moreover, we will increase investment in optimizing digital platforms and strengthening brand building to improve operational efficiency and brand awareness. In the meantime, further efforts will be made to integrate the supply chain and market resources, optimize product portfolios, and upgrade the decoration style, with a view to achieving differentiated and diversified operations.

Note 1: The reasons for the closure of bars mainly include (1) the failure to renew leases, as property lessors disagree; (2) the optimization and upgrading of old bars; and (3) the strategic adjustment made to optimize the allocation of resources and focus on developing lower-tier markets that are less affected and have greater potential to promote the Company's long-term healthy development, as it will take a long time for bars to pick up amid the constant impact of the pandemic.

Management Discussion and Analysis

REVENUE

Our revenue increased by 0.6% from RMB868.1 million for the six months ended June 30, 2021 to RMB873.6 million for the six months ended June 30, 2022, mainly due to the expansion of our bar network. The number of our bars increased from 471 as of June 30, 2021 to 846 as of June 30, 2022. The growth rate of our revenue was lower than the growth rate of the number of bars, mainly because the repeated pandemic in many places in China in the first half of 2022 resulted in a decrease in the average operating days of our bars and the average daily sales per store.

The following table sets forth the revenue by segment and a breakdown of revenue during the indicated periods.

	For the six months ended June 30,			
	2022		2021	
	Revenue (RMB in thousands)	% of total revenue	Revenue (RMB in thousands)	% of total revenue
Helens' branded products	662,085	75.8	681,466	78.5
Helens' branded alcoholic drinks	479,710	54.9	512,202	59.0
Snacks	182,375	20.9	169,264	19.5
Third-party brand alcoholic drinks	178,597	20.4	159,585	18.4
Other products ⁽¹⁾	25,740	3.0	21,899	2.5
Other revenue ⁽²⁾	7,190	0.8	5,133	0.6
Total	873,612	100	868,083	100

Notes:

- (1) Including paper towel and other consumer goods that we provide to customers in bars.
- (2) Including revenue generated from the provision of mobile device charging services in our bars and franchise fee income.

GOVERNMENT GRANTS AND CONCESSIONS

Our government grants and concessions increased from RMB3.6 million for the six months ended June 30, 2021 to RMB17.5 million for the six months ended June 30, 2022, mainly due to the increase in the total amount of tax incentives we enjoyed as the number of our bar network increased and increase in gain from COVID-19 rent concessions.

COST OF RAW MATERIALS AND CONSUMABLES USED

The cost of our raw materials and consumables used increased by 9.4% from RMB271.6 million for the six months ended June 30, 2021 to RMB297.1 million for the six months ended June 30, 2022. The increase in the cost of raw materials and consumables used mainly increased with the business growth. As we intensified our efforts in marketing giveaway campaign in the first half of 2022, the cost of raw materials and consumables used grew faster than revenue.

Management Discussion and Analysis

EMPLOYEE BENEFIT AND MANPOWER SERVICE EXPENSES

Our employee benefit and manpower service expenses increased by 22.2% from RMB311.0 million for the six months ended June 30, 2021 to RMB380.0 million for the six months ended June 30, 2022. The increase in employee benefits and human services expenses was primarily due to the increase in the number of our bar network. In the first half of 2022, the growth rate of our employee benefits and human service expenses was lower than the growth rate of the number of bar networks, mainly because we implemented refined management, resulting in a decrease in the average number of employees per store in our bars.

DEPRECIATION OF RIGHT-OF-USE ASSETS

The depreciation of our right-of-use assets increased by 92.4% from RMB81.8 million for the six months ended June 30, 2021 to RMB157.4 million for the six months ended June 30, 2022. The increase was mainly because we leased more properties for bar operations as the number of bars increased. The number of our bars increased from 471 as of June 30, 2021 to 846 as of June 30, 2022.

DEPRECIATION OF PLANT AND EQUIPMENT

The depreciation of our plant and equipment increased by 207.6% from RMB26.4 million for the six months ended June 30, 2021 to RMB81.2 million for the six months ended June 30, 2022. The increase was mainly due to the increase in fixed assets (including renovation costs, air-conditioning, tables and chairs, etc.) of our self-operated bars in line with the rapid growth in the number of bars, resulting in the corresponding increase in their depreciation expenses. The high growth rate of plant and equipment depreciation in the first half of 2022 was mainly due to the high proportion of new stores in the first half of 2022, and the increase in the initial investment of fixed assets per store in new stores with the improvement of standards and other factors.

AMORTIZATION OF INTANGIBLE ASSETS

Our amortization of intangible assets decreased from RMB15,000 for the six months ended June 30, 2021 to RMB9,000 for the six months ended June 30, 2022, representing the amortization expenses incurred in software.

SHORT-TERM RENTAL AND OTHER RELATED EXPENSES

Our short-term rental and other related expenses increased by 17.4% from RMB35.0 million for the six months ended June 30, 2021 to RMB41.1 million for the six months ended June 30, 2022. The increase was primarily due to the increase in staff dormitories we leased for a short term and the increase in the rental fee as the number of our bar staff increased with the expansion of our bar network.

Management Discussion and Analysis

UTILITIES EXPENSES

Our utilities expenses increased by 39.2% from RMB20.9 million for the six months ended June 30, 2021 to RMB29.1 million for the six months ended June 30, 2022. The increase was mainly because: (i) the electricity bills and network energy consumption costs incurred by our bar operations increased with the increase in the number of bars. Due to the repeated COVID-19 pandemic in China, the growth rate of such energy consumption was lower than the growth rate of the number of bars; 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 decreased by 50.0% from RMB6.2 million for the six months ended June 30, 2021 to RMB3.1 million for the six months ended June 30, 2022. The decrease was mainly due to the reduction in travel arrangements under the repeated COVID-19 pandemic, as well as expense control under our refined management.

LISTING EXPENSES

Our Listing expenses was RMB25.1 million for the six months ended June 30, 2021 and nil for the six months ended June 30, 2022, respectively, which mainly included the professional services fees we incurred in connection with the Listing.

ADVERTISING AND PROMOTION EXPENSES

Our advertising and promotion expenses decreased by 0.6% from RMB16.7 million for the six months ended June 30, 2021 to RMB16.6 million for the six months ended June 30, 2022. The slight decrease was mainly due to our implementation of refined management and cost savings.

OTHER EXPENSES

Our other expenses increased by 27.0% from RMB57.1 million for the six months ended June 30, 2021 to RMB72.5 million for the six months ended June 30, 2022. The increase was primarily due to the corresponding increase in our daily operation and maintenance expenses as the number of bars increased. In the first half of 2022, the growth rate of our other expenses was significantly lower than the growth rate of the number of bar networks, which further reflected the effectiveness of our refined management.

Management Discussion and Analysis

FAIR VALUE CHANGES OF CONVERTIBLE PREFERRED SHARES

Fair value changes of convertible preferred shares for the six months ended June 30, 2021 was RMB11.4 million and nil for the six months ended June 30, 2022, respectively.

FINANCE INCOME

Our finance income increased by 3,315.4% from RMB26,000 for the six months ended June 30, 2021 to RMB0.89 million for the six months ended June 30, 2022. The increase was primarily due to the increase in interest income from bank deposits as a result of the proceeds raised from the Global Offering in 2021.

FINANCE COSTS

Our finance costs increased by 41.6% from RMB26.2 million for the six months ended June 30, 2021 to RMB37.1 million for the six months ended June 30, 2022. The increase in finance 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, the profit before income tax was RMB5.0 million for the six months ended June 30, 2021, and the loss before income tax was RMB324.6 million for the six months ended June 30, 2022. The profit/(loss) before income tax margin was 0.6% and (37.1)% for the same periods, respectively.

INCOME TAX (CREDIT)/EXPENSE

The income tax expense was RMB29.8 million for the six months ended June 30, 2021 compared with the income tax credit of RMB20.5 million for the six months ended June 30, 2022. This was mainly due to the increase in deferred income tax assets due to loss before income tax.

Management Discussion and Analysis

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 (loss)/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, losses from bars optimization and adjustment 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, losses from bars optimization and adjustment 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 (loss)/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, losses from bars optimization and adjustment and fair value changes of convertible preferred shares.

	For the six months ended June 30,	
	2022	2021
	(RMB in thousands)	<i>(RMB in thousands)</i>
Loss for the period	(304,144)	(24,836)
Add:		
Listing expenses	—	25,135
Equity-settled share-based payments	102,700	91,683
Losses from bars optimization and adjustment <i>(Note)</i>	101,508	—
Less:		
Fair value changes of convertible preferred shares	—	(11,351)
Adjusted (loss)/net profit	(99,936)	80,631

Note: Losses from bars optimization and adjustment comprised the aggregation of loss on disposal of plant and equipment (approximately RMB43,433,000), impairment of plant and equipment (approximately RMB47,168,000), expected credit losses on rental deposits (approximately RMB12,566,000), and gain on termination of leases (approximately RMB1,659,000).

From time to time in the future, there may be other items that we may exclude in reviewing our financial results. The use of the non-HKFRS measures has limitations as an analytical tool, and Shareholders of the Company and potential investors should not consider it in isolation from, or as a substitute for or superior to analysis of, our results of operations or financial condition as reported under HKFRS. In addition, the non-HKFRS financial measures may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

Management Discussion and Analysis

PLANT AND EQUIPMENT

Our plant and equipment represents (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, (iv) leasehold improvement, i.e. for decoration of bars and (v) the office building, i.e. our new office building in Wuhan. Our plant and equipment increased from RMB871.3 million as of December 31, 2021 to RMB1,142.6 million as of June 30, 2022. The increase in our plant and equipment in the first half of 2022 mainly comprised (i) an increase in fixed assets due to the increase in the number of our bars and (ii) the acquisition of our new office building in Wuhan.

INTANGIBLE ASSETS

Our intangible assets mainly include office systems and software that we have purchased. Our intangible assets remained generally stable with RMB92,000 and RMB83,000, respectively, as of December 31, 2021 and June 30, 2022.

RIGHT-OF-USE ASSETS

Our right-of-use assets (i.e. our confirmed long-term leased properties) decreased from RMB1,348.3 million as of December 31, 2021 to RMB1,252.6 million as of June 30, 2022. Such decrease was due to the Group's strategic consideration of bars optimization and adjustment (including shutdown of certain bars).

INVENTORIES

Our inventories represent the alcoholic drinks, food and consumables used in our bar operations, and mainly include (i) alcoholic drinks, including Helens' 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 of	
	June 30, 2022 (RMB in thousands)	December 31, 2021 (RMB in thousands)
Inventories		
Alcoholic drinks	85,887	51,739
Food	11,449	8,356
Consumables	1,722	1,407
Total	99,058	61,502

Our inventories increased from RMB61.5 million as of December 31, 2021, to RMB99.1 million as of June 30, 2022. The increase in our inventories was mainly driven by the increased amount of alcoholic drinks, in particular the Helens' branded alcoholic drinks that were reserved in Helens' bars for our business operation, which, in turn, was also due to the increase in the number of our bars.

Management Discussion and Analysis

Our inventory turnover days increased from 31.1 days as of December 31, 2021 to 49.3 days as of June 30, 2022. The increase in inventory turnover days was mainly due to the repeated COVID-19 pandemic in many regions in China, which had an impact on our bar operations, and thereby slowed down the inventory turnover speed of our stores.

PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Our prepayments, deposits and other receivables primarily include (i) rent and other deposits, i.e., the deposit we paid for the staff dormitory lease, utility deposit and other short-term deposits; and (ii) other tax receivables. Our prepayments, deposits and other receivables increased from RMB25.9 million as of December 31, 2021 to RMB49.5 million as of June 30, 2022. The increase was mainly due to the increase in other tax receivables.

CASH AND CASH EQUIVALENTS

Our cash and cash equivalents were RMB1,626.7 million and RMB1,341.8 million as of December 31, 2021 and June 30, 2022, respectively, which were mainly from the proceeds raised from the Global Offering in 2021. The decrease in cash and cash equivalents in the first half of 2022 was due to the capital expenditure incurred by our expansion of our bar network and the daily operating expenses of the bars.

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS FOR THE PERIOD

As of June 30, 2022, we had no financial liabilities at fair value through profit or loss for the period.

LEASE LIABILITIES

We had lease liabilities of RMB1,246.1 million and RMB1,157.6 million as of December 31, 2021 and June 30, 2022, respectively. The decrease of lease liabilities was due to the Group's strategic consideration of bars optimization and adjustment (including shutdown of certain bars).

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 decreased from RMB75.1 million as of December 31, 2021 to RMB62.3 million as of June 30, 2022. The decrease was primarily due to our refined operational strategy enabling us to manage our purchases more effectively. Thus, our trade payables turnover days increased from 34.3 days as at December 31, 2021 to 42.2 days as at June 30, 2022.

Management Discussion and Analysis

OTHER PAYABLES AND ACCRUALS

Our other payables and accruals decreased from RMB63.2 million as of December 31, 2021 to RMB59.9 million as of June 30, 2022.

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 RMB1,626.7 million and RMB1,341.8 million as of December 31, 2021 and June 30, 2022, respectively. Our cash is mainly used to meet the needs of business operation. We finance our capital requirements through cash generated from operating activities, the net proceeds from Global Offering, and other future equity or debt financings.

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 June 30, 2022, we did not have any bank borrowings.

Lease liabilities

As of June 30, 2022, our lease liabilities amounted to RMB1,157.6 million.

Convertible Preferred Shares

As of June 30, 2022, we did not have any convertible preferred shares.

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any significant contingent liabilities.

Management Discussion and Analysis

CAPITAL COMMITMENTS

Our capital commitments mainly represented the leasehold improvement which had been authorized and contracted for. Our capital commitments outstanding as of June 30, 2022 not provided for in the financial statements were RMB5.4 million.

CAPITAL EXPENDITURES

Our capital expenditures were incurred primarily for opening new bars, acquiring equipment, refurbishing existing bars and purchasing furniture and equipment required for bar operations. Our total capital expenditures increased from RMB203.6 million as of June 30, 2021 to RMB219.9 million as of June 30, 2022. The increase was attributable to our expansion of our bar network during the Reporting Period.

GEARING RATIO

As of June 30, 2022, 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 period multiplied by 100%.

FOREIGN EXCHANGE RISK

For the six months ended June 30, 2022, we mainly operated in China, with only one bar located in Hong Kong, PRC. 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 AND CHARGE OF ASSETS

As of June 30, 2022, the Group did not pledge any group assets and no charge was created on the Group's assets.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL

For the six months ended June 30, 2022, 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.

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICIES

As of June 30, 2022, we had 1,697 employees and 6,532 outsourced personnel, most of whom were based in China. We offer competitive wages and other benefits to the employees and provide discretionary performance bonus as a further incentive. We have also improved career development pathways and talent training systems for employees to facilitate their self-growth. Our Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly.

During the six months ended June 30, 2022, the total employee benefit expenses (including Directors' remuneration) were RMB380.0 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 six months ended June 30, 2022.

OTHER INFORMATION

On January 28, 2022, Wuhan City Aoerdesang Catering Services Co., Ltd. (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.

Corporate Governance and Other Information

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

As at June 30, 2022, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) to be notified to the Company and the Hong Kong 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 and interest in a controlled corporation	861,000,000	67.96
Ms. Cai Wenjun	Beneficial owner	1,253,476	1.37
	Founder of a discretionary trust who can influence how the trustee exercises his discretion	16,054,976	
Ms. Lei Xing	Founder of a discretionary trust who can influence how the trustee exercises his discretion	16,054,976	1.27
Ms. Yu Zhen	Restricted shares granted to Ms. Yu Zhen pursuant to the listed corporation's Post-IPO RSU Scheme	1,166,667	0.09

Notes:

- (1) The calculation is based on the total number of 1,266,901,524 shares issued as of June 30, 2022.
- (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.

Corporate Governance and Other Information

(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 June 30, 2022, none of the Directors and chief executive of the Company had or were deemed to have any interests or short positions in Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange.

Corporate Governance and Other Information

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

To the best knowledge of the Company and based on the public information, as at June 30, 2022, 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 ⁽³⁾	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 June 30, 2022.
- (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.

Corporate Governance and Other Information

Save as disclosed above, as at June 30, 2022 (upon the completion of the full exercise of the Over-allotment 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the above section headed "Interests and Short Positions of the Directors and Chief Executive in Shares, Underlying Shares and Debentures" or otherwise disclosed in this interim report, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares or debentures of the Company or any other body corporate, and none of the Directors or their spouse and children under the age of 18 was given any right to subscribe for the equity or debt securities of the Company or any other body corporates, or had exercised any such rights.

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 pursuant to 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 TLQ 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.

Corporate Governance and Other Information

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 June 30, 2022, the remaining life of the Pre-IPO RSU Scheme was approximately eight years and nine 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.

Corporate Governance and Other Information

Awards Granted

During the Reporting Period, no Award under the Pre-IPO RSU Scheme has been granted. As of the Latest Practicable Date, all of the Shares underlying RSUs under the Pre-IPO RSU Schemes have already been granted and vested.

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.

Summary of Terms

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.

Corporate Governance and Other Information

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.

Awards Granted

The following table shows the details of Post-IPO RSUs that the Company granted under the Post-IPO RSU Schemes as of June 30, 2022.

Category	Grantees	Grant date	Number of underlying Shares represented by Post-IPO RSUs during the Reporting Period				Outstanding as of June 30, 2022
			Outstanding as of January 1, 2022	Granted	Vested	Cancelled or lapsed	
Employee RSU Scheme	Mr. Hu Wenbang ⁽¹⁾	January 16, 2022	—	13,476	13,476	—	—
	Mr. Sun Wenping ⁽¹⁾	January 16, 2022	—	2,907	2,907	—	—
	Mr. Zhou Xingxing ⁽¹⁾	January 16, 2022	—	1,000	1,000	—	—
	950 Non-Connected Grantees	January 16, 2022	—	6,708,236	6,702,139	6,097	—

Note:

- (1) Mr. Zhou Xingxing (周星星) and Mr. Sun Wenping (孫文憑), each a cousin of a director of a significant subsidiary of the Company, and Mr. Hu Wenbang (胡文榜), brother of a director of another significant subsidiary of the Company, all of whom are employees of the Group.
- (2) On 5 July 2022, the Board resolved that a total of 12,469,015 RSUs be granted to certain employees of the Group under the revised Post-IPO RSU Scheme.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended June 30, 2022.

Corporate Governance and Other Information

CHANGE IN THE POSITION AND INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhang Bo and Mr. Zhao Jun have retired as executive Directors and decided not to seek for re-election. Ms. Cai Wenjun and Ms. Yu Zhen have been elected as executive Directors since June 17, 2022. For details of the above, please refer to the announcements of the Company dated April 26, 2022 and June 17, 2022.

Having made specific enquiry by the Company and as confirmed by Directors and senior management, save for the disclosure above, the Company is not aware of any changes in the information of Directors and senior management which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules during the Reporting Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 Corporate Governance Code as contained in Appendix 14 to the Listing Rules ("**Corporate Governance Code**") as its own code of corporate governance practices.

The Board is of the view that during the Reporting Period, the Company has complied with all the applicable code provisions as set out in the Corporate Governance 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.

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 made 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, 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.

Corporate Governance and Other Information

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (“**Model Code**”) as its code of conduct regarding dealings in the securities of the Company by the Directors, and the Group’s employees who, because of his/her office or employment, are likely to possess inside information in relation to the Group or the Company’s securities. Specific enquiries have been made to all Directors and the Directors have confirmed that they have complied with the Model Code during the Reporting Period.

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

AUDIT COMMITTEE

The Audit Committee of the Company has three members comprising three independent non-executive directors, being Mr. Li Dong (chairman), Mr. Wang Renrong and Mr. Wong Heung Ming Henry, with terms of reference in compliance with the Listing Rules.

The Audit Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to risk management, internal control and financial reporting with the management, including the review of the unaudited condensed consolidated interim financial results of the Group for the six months ended June 30, 2022. The Audit Committee has reviewed and considered that the interim financial results for the six months ended June 30, 2022 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made. The accounting information given in this report has not been audited or reviewed by the Company’s external auditor.

EVENTS AFTER THE REPORTING PERIOD

The Company is not aware of any material subsequent events from June 30, 2022 to the Latest Practicable Date.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend to shareholders of the Company for the six months ended June 30, 2022.

Corporate Governance and Other Information

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.

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\$1,560.1 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 (at the same rate as stated in the Prospectus)	Amount of net proceeds (at the same rate as stated in the Prospectus) (HK\$ in million)	Amount of net proceeds utilized up to June 30, 2022 (HK\$ in million)	Balance of net proceeds as at December 31, 2021 (HK\$ in million)	Amount of net proceeds utilized during the Reporting Period (HK\$ in million)	Balance of net proceeds June 30, 2022 (HK\$ in million)	Intended timetable for use of the unutilized net proceeds
Used for opening new bars and realizing our expansion plan over the next three years	70.0%	2,086.1	1,011.8	1,330.0	255.7	1,074.3	Before December 31, 2024
Used for further enhancing the construction of the talent echelon of our bars to optimize the human resource management system	10.0%	298.0	190.4	252.7	145.1	107.6	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	5.0%	149.0	6.1	146.4	3.5	142.9	Before December 31, 2024
Used for further strengthening the brand awareness of the Helens'	5.0%	149.0	50.8	117.5	19.3	98.2	Before December 31, 2024
Used for working capital and general corporate purposes	10.0%	298.0	160.9	137.1	—	137.1	Before December 31, 2023
Total	100.0%	2,980.1	1,420.0	1,983.7	423.6	1,560.1	

Note (1):

Figures in the table are approximate.

Interim Condensed Consolidated Statement of Comprehensive Income

		Six months ended June 30,	
	Note	2022 RMB'000	2021 RMB'000
Revenue	3	873,612	868,083
Government grants and concessions	5	17,499	3,557
Raw materials and consumables used	13	(297,113)	(271,594)
Employee benefit and manpower service expenses		(379,951)	(311,032)
Depreciation of right-of-use assets	16	(157,351)	(81,774)
Depreciation of plant and equipment	11	(81,216)	(26,439)
Amortisation of intangible assets		(9)	(15)
Short-term rental and other related expenses		(41,147)	(34,956)
Utilities expenses		(29,099)	(20,851)
Travelling and related expenses		(3,071)	(6,238)
Listing expenses		—	(25,135)
Advertising and promotion expenses		(16,587)	(16,698)
Other expenses	4	(72,492)	(57,092)
Impairment losses of plant and equipment	11	(47,168)	—
Fair value changes of convertible preferred shares		—	11,351
Other losses	6	(54,340)	—
Finance income	7	888	26
Finance costs	7	(37,104)	(26,206)
(Loss)/profit before income tax		(324,649)	4,987
Income tax credit/(expense)	8	20,505	(29,823)
Loss for the period attributable to owners of the Company		(304,144)	(24,836)
Other comprehensive income:			
<i>Item that may be subsequently reclassified to profit or loss</i>			
Currency translation differences		62,832	490
Total comprehensive loss for the period		(241,312)	(24,346)
Loss for the period attributable to:			
Owners of the Company		(304,144)	(24,836)
Losses per share for loss attributable to owners of the Company (expressed in RMB per share)			
Basic	9	(0.249)	(0.025)
Diluted	9	(0.249)	(0.025)

The accompanying notes are an integral part of this interim financial information.

Interim Condensed Consolidated Statement of Financial Position

	Note	As of June 30, 2022 RMB'000	As of December 31, 2021 RMB'000
Assets			
Non-current assets			
Plant and equipment	11	1,142,616	871,280
Intangible assets		83	92
Right-of-use assets	16	1,252,566	1,348,338
Deposits and prepayments	12	93,882	323,047
Deferred tax assets		61,091	29,886
		2,550,238	2,572,643
Current assets			
Inventories	13	99,058	61,502
Prepayments, deposits and other receivables	12	49,545	25,890
Cash and cash equivalents	14	1,341,810	1,626,731
		1,490,413	1,714,123
Total assets		4,040,651	4,286,766
Equity			
Equity attributable to owners of the Company			
Share capital	15	1	1
Reserves		2,738,107	2,876,719
		2,738,108	2,876,720
Non-controlling interests		353	—
Total equity		2,738,461	2,876,720
Liabilities			
Non-current liability			
Lease liabilities	16	986,785	1,060,620
Current liabilities			
Trade payables	17	62,270	75,139
Other payables and accruals	18	59,880	63,197
Lease liabilities	16	170,814	185,520
Current income tax liabilities		22,441	25,570
		315,405	349,426
Total liabilities		1,302,190	1,410,046
Total equity and liabilities		4,040,651	4,286,766

The accompanying notes are an integral part of this interim financial information.

Interim Condensed Consolidated Statements of Changes in Equity

	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	Accumulated loss RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at January 1, 2022	1	2,860,214	92,783	18,436	(5,220)	(89,494)	2,876,720	—	2,876,720
Comprehensive income									
(Loss)/profit for the period	—	—	—	—	—	(304,144)	(304,144)	—	(304,144)
Other comprehensive income									
Currency translation differences	—	—	—	—	62,832	—	62,832	—	62,832
Total comprehensive income	—	—	—	—	62,832	(304,144)	(241,312)	—	(241,312)
Transaction with owners									
Capital injection from minority shareholders	—	—	—	—	—	—	—	353	353
Equity-settled share-based payment (Note 20)	—	—	102,700	—	—	—	102,700	—	102,700
Appropriation to statutory reserve	—	—	—	230	—	(230)	—	—	—
Total transaction with owners	—	—	102,700	230	—	(230)	102,700	353	103,053
Balance at June 30, 2022	1	2,860,214	195,483	18,666	57,612	(393,868)	2,738,108	353	2,738,461

	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 RMB'000	Total equity RMB'000
Balance at January 1, 2021	1	—	1,100	10,985	195	147,957	160,238
Comprehensive income							
Loss for the period	—	—	—	—	—	(24,836)	(24,836)
Other comprehensive income							
Currency translation differences	—	—	—	—	490	—	490
Total comprehensive income	—	—	—	—	490	(24,836)	(24,346)
Transaction with owners							
Appropriation to statutory reserve	—	—	—	—	—	—	—
Equity-settled share-based payment (Note 20)	—	—	91,683	—	—	—	91,683
Total transaction with owners	—	—	91,683	—	—	—	91,683
Balance at June 30, 2021	1	—	92,783	10,985	685	123,121	227,575

The accompanying notes are an integral part of this interim financial information.

Interim Condensed Consolidated Statements of Cash Flows

	Six months ended June 30,	
	2022 RMB'000	2021 RMB'000
Cash flows from operating activities		
Cash generated from operations	70,646	144,682
Income tax paid	(13,829)	(38,380)
	56,817	106,302
Cash flows from investing activities		
Purchase of plant and equipment	(219,893)	(202,433)
Net cash paid for business combination	—	(1,130)
Interest received	888	26
	(219,005)	(203,537)
Cash flows from financing activities		
Proceeds from borrowings	—	55,000
Repayments of borrowings	—	(13,000)
Repayments to a director	—	(35,136)
Proceeds from issuance of convertible preferred shares	—	213,049
Interests paid	—	(1,018)
Payment of listing expenses	—	(1,513)
Payment of principal element of lease liabilities	(148,461)	(93,485)
Payment of interest element of lease liabilities	(37,104)	(25,188)
	(185,565)	98,709
Net (decrease)/increase in cash and cash equivalents	(347,753)	1,474
Cash and cash equivalents at beginning of the period	1,626,731	24,255
Currency translation differences	62,832	500
	1,341,810	26,229

The accompanying notes are an integral part of this interim financial information.

Notes to the Interim Condensed Consolidated Financial Statements

1 GENERAL INFORMATION

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 address of its registered office is 3-212 Governors Square, 23 Lime Tree Bay Avenue, P.O. Box 30746, Seven Mile Beach, Grand Cayman KY1-1203, Cayman Islands.

The Company is an investment holding company and its subsidiaries comprising the Group principally engage in bar operations and franchise business in the People's Republic of China (the "PRC") and Hong Kong. The ultimate holding company of the Company is Helens Hill Holding Limited ("Helens Hill (BVI)"), a company incorporated in the British Virgin Islands ("BVI"). The ultimate controlling shareholder is Mr. Xu Bingzhong ("Mr. Xu" or the "Controlling Shareholder") who has been controlling the group companies since their incorporation.

This interim condensed consolidated financial information for the six months ended June 30, 2022 ("Interim Financial information") is presented in Renminbi ("RMB"), unless otherwise stated, and was approved for issue by the Board of Directors of the Company on August 26, 2022.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

This Interim Financial Information has been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The Interim Financial Information does not include all the notes of the type normally included in an annual financial report. Accordingly, this Interim Financial information should be read in conjunction with the annual report for the year ended December 31, 2021 ("2021 Financial Statements"), which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"), and any public announcements made by the Company during the interim reporting period.

2.2 Summary of significant accounting policies

The accounting policies applied are consistent with those of the 2021 Financial Statements, as described in those annual consolidated financial statements, except for the adoption of amended HKFRSs effective as of January 1, 2022. Income tax expense was recognised based on management's estimate of the annual income tax rate expected for the full financial year.

New and amended standards adopted by the Group

The Group has applied new and amended standards effective for the financial period beginning on January 1, 2022. The adoption of these new and revised standards does not have any significant impact on the Interim Financial Information.

Notes to the Interim Condensed Consolidated Financial Statements

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies (continued)

New and amended standards and interpretations not yet adopted

Standards and amendments to existing standards that have been issued but not yet effective on January 1, 2022 and not been early adopted by the Group as of June 30, 2022 are as follows:

		Effective for annual periods beginning on or after
Amendments to HKFRS 3	Reference to the Conceptual Framework	January 1, 2022
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract	January 1, 2022
Annual Improvements	Annual Improvements to HKFRSs 2018–2020 Cycle	January 1, 2022
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
HK Interpretation 5 (2020)	Presentation of financial statements — classification by the borrower of a term loan that contains a repayment on demand clause	January 1, 2023
HKFRS 17	Insurance contracts	January 1, 2023
Amendments to HKAS 1	Classification of liabilities as current or non-current	January 1, 2023
Amendments to HKAS 8	Definition of accounting estimates	January 1, 2023
Accounting Guideline 5 (Revised)	Merger accounting for common control combinations	January 1, 2022
Amendment to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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.

Notes to the Interim Condensed Consolidated Financial Statements

3 REVENUE AND SEGMENT INFORMATION

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

The chief operating decision-maker (“**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 six months ended June 30, 2022 and 2021, all of the Group’s revenues are from contracts with customers.

(a) Disaggregation of revenue

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

	Six months ended June 30,	
	2022 RMB'000	2021 RMB'000
Revenue from:		
— Bar operations	873,424	867,575
— Franchisee	188	508
	<u>873,612</u>	<u>868,083</u>
Disaggregated by timing of revenue recognition:		
— Point in time	873,424	867,575
— Over time	188	508
	<u>873,612</u>	<u>868,083</u>

No customers contributed over 10% of the total revenue of the Group for the six months ended June 30, 2022 and 2021.

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.

Notes to the Interim Condensed Consolidated Financial Statements

3 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:

	Six months ended June 30,	
	2022	2021
	RMB'000	<i>RMB'000</i>
The PRC	872,890	867,935
Hong Kong	722	148
	873,612	868,083

(c) Non-current assets by geographical location

As of June 30, 2022 and December 31, 2021, most of the Group's non-current assets (other than intangible assets and deferred tax assets) were located in the PRC.

4 OTHER EXPENSES

	Six months ended June 30,	
	2022	2021
	RMB'000	<i>RMB'000</i>
Logistics and warehousing related costs	20,688	20,766
Office expenses	8,495	8,442
Repair and maintenance	9,426	5,379
Service fees to third-party platform service providers	5,439	3,651
Cleaning and garbage handling fees	2,422	1,963
Telecommunications	1,753	910
Others	24,269	15,981
	72,492	57,092

Notes to the Interim Condensed Consolidated Financial Statements

5 GOVERNMENT GRANTS AND CONCESSIONS

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
Government grants (a)	5,788	3,073
Gain on COVID-19 rent concessions (Note 16(c))	11,711	484
	<u>17,499</u>	<u>3,557</u>

6 OTHER LOSSES

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
Loss on disposal of plant and equipment (a)	(43,433)	—
Expected credit loss on rental deposits (a)	(12,566)	—
Gain on termination of leases (a)	1,659	—
	<u>(54,340)</u>	<u>—</u>

- (a) Due to the continued impact of the COVID-19 pandemic and the Group's strategic consideration of bars' optimization and adjustments including the closure of certain bars, the Group incurred net losses arising from the aggregation of disposal of plant and equipment, termination of leases, impairment of plant and equipment, and expected credit losses on rental deposits during the six months ended June 30, 2022.

Additional details on the impairment of plant and equipment are set out in Note 11.

7 FINANCE COSTS, NET

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
Interest income on bank deposits	<u>(888)</u>	<u>(26)</u>
Interest expenses on lease liabilities (Note 16(c))	37,104	25,188
Interest expenses on borrowings	—	1,018
Finance costs	<u>37,104</u>	<u>26,206</u>
Finance costs, net	<u>36,216</u>	<u>26,180</u>

Notes to the Interim Condensed Consolidated Financial Statements

8 INCOME TAX (CREDIT)/EXPENSE

	Six months ended June 30,	
	2022 RMB'000	2021 RMB'000
Current income tax	10,700	31,554
Deferred income tax	(31,205)	(1,731)
Income tax (credit)/expense	(20,505)	29,823

9 LOSSES PER SHARE

(a) Basic

The basic losses per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended June 30, 2022 and 2021.

	Six months ended June 30,	
	2022	2021
Loss for the period attributable to owners of the Company (RMB'000)	(304,144)	(24,836)
Weighted average number of ordinary shares in issue (Thousand) (Note 15)	1,222,290	1,009,423
Basic loss per share (RMB)	(0.249)	(0.025)

(b) Diluted

The diluted losses 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 15.

For the six months ended June 30, 2022, 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 six months ended June 30, 2022 is the same as basic loss per share.

10 DIVIDENDS

No dividend was declared or paid by the Company during the six months ended June 30, 2022 and 2021.

Notes to the Interim Condensed Consolidated Financial Statements

11 PLANT AND EQUIPMENT

	Office equipment <i>RMB'000</i>	Computer equipment <i>RMB'000</i>	Furniture and fixture <i>RMB'000</i>	Leasehold improvement <i>RMB'000</i>	Leasehold land and building <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended						
June 30, 2022						
Opening net book amount	11	128	147,882	723,259	—	871,280
Additions	—	—	42,052	189,641	211,460	443,153
Disposal	(4)	(11)	(12,218)	(31,200)	—	(43,433)
Depreciation	(3)	(24)	(16,929)	(62,761)	(1,499)	(81,216)
Impairment losses (a)	—	—	(10,090)	(37,078)	—	(47,168)
Closing net book amount	<u>4</u>	<u>93</u>	<u>150,697</u>	<u>781,861</u>	<u>209,961</u>	<u>1,142,616</u>
As of June 30, 2022						
Cost	23	283	210,735	989,892	211,460	1,412,393
Accumulated depreciation and impairment losses	<u>(19)</u>	<u>(190)</u>	<u>(60,038)</u>	<u>(208,031)</u>	<u>(1,499)</u>	<u>(269,777)</u>
Net book amount	<u>4</u>	<u>93</u>	<u>150,697</u>	<u>781,861</u>	<u>209,961</u>	<u>1,142,616</u>

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

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

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

Based on the results of the impairment assessment conducted, the carrying amount of certain bars exceeded their recoverable amount and therefore impairment of approximately RMB47,168,000 was recognised for these bars' plant and equipment in the Group's interim condensed consolidated statement of comprehensive income during the six months ended June 30, 2022.

Notes to the Interim Condensed Consolidated Financial Statements

12 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As of June 30, 2022 RMB'000	As of December 31, 2021 RMB'000
Non-current portion		
Rental and other deposits	87,406	83,179
Prepayments for acquisitions of property, plant and equipment	6,476	239,868
	<u>93,882</u>	<u>323,047</u>
Current portion		
Rental and other deposits	22,476	21,641
Prepayments	2,862	743
Other tax receivable	19,903	1,841
Others	4,304	1,665
	<u>49,545</u>	<u>25,890</u>

13 INVENTORIES

	As of June 30, 2022 RMB'000	As of December 31, 2021 RMB'000
Food ingredients, beverages and consumables	<u>99,058</u>	<u>61,502</u>

The cost of inventories recognised as expenses and included in the interim consolidated statement of comprehensive income during the six months ended June 30, 2022 amounted to approximately RMB297,113,000 (June 30, 2021: RMB271,594,000).

No write-downs of inventories to net realisable value were charged to the interim condensed consolidated statement of comprehensive income during the periods ended June 30, 2022 and 2021, respectively.

Notes to the Interim Condensed Consolidated Financial Statements

14 CASH AND CASH EQUIVALENTS

	As of June 30, 2022 RMB'000	As of December 31, 2021 RMB'000
Cash and cash equivalents	1,341,810	1,626,731
Maximum exposure to credit risk (excluding cash on hand)	<u>1,337,987</u>	<u>1,622,019</u>

As of June 30, 2022 and December 31, 2021, the carrying amounts of cash and cash equivalents approximated their fair values.

15 SHARE CAPITAL

Authorised

	Number of ordinary shares	Nominal value of ordinary shares USD
As of June 30, 2022 and December 31, 2021	<u>500,000,000,000,000</u>	<u>50,000</u>

Issued

	Number of ordinary shares	Nominal value of ordinary shares* USD	Share capital RMB
As of December 31, 2021	1,219,249,507	0.101	1
Restricted shares granted (Note(a))	6,725,619	—	—
Restricted shares lapsed (Note(a))	<u>(6,097)</u>	<u>—</u>	<u>—</u>
As of June 30, 2022	<u>1,225,969,029</u>	<u>0.101</u>	<u>1</u>

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

Notes:

- (a) On January 16, 2022, 6,725,619 restricted share units (“RSUs”) were granted to the Group’s employees (the “Grantees”) subject to the Post-IPO RSU Scheme, representing 1 ordinary share of par value USD0.0000000001 each in the share capital of the Company. 6,097 RSUs subsequently lapsed.

Notes to the Interim Condensed Consolidated Financial Statements

16 LEASES

(a) The Group's leasing activities

The Group leases various properties and the rental contracts are typically made for fixed periods of 5 to 8 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. None of the Group's leases contain variable lease payment terms that are linked to sales generated from the leased premises.

Certain of the Group's leases contain extension options to allow the Group to notify and negotiate with the lessors on renewal of leases a few months in advance before the expiry of leases. Termination options are also included in a number of the Group's property leases and exercisable by the Group. Options which are reasonably certain to be exercised are taken into account when determining lease terms and measuring lease liabilities.

(b) Amounts recognised in the interim condensed consolidated statements of financial position

The interim condensed consolidated statements of financial position included the following amounts relating to leases:

	As of June 30, 2022	As of December 31, 2021
	RMB'000	RMB'000
Right-of-use assets-properties		
Opening net book amount	1,348,338	554,506
Additions	159,473	1,018,712
Depreciation charge	(157,351)	(220,246)
Impairment losses	—	(4,634)
Disposal	(97,894)	—
	1,252,566	1,348,338
Lease liabilities		
Non-current portion	986,785	1,060,620
Current portion	170,814	185,520
	1,157,599	1,246,140

As of June 30, 2022 and December 31, 2021, the carrying amounts of the Group's right-of-use assets and lease liabilities were primarily denominated in RMB.

Notes to the Interim Condensed Consolidated Financial Statements

16 LEASES (CONTINUED)

(c) Amounts recognised in the interim condensed consolidated statement of comprehensive income

The interim condensed consolidated statement of comprehensive income included the following amounts relating to leases:

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
Depreciation charge of right-of-use assets	157,351	81,774
Finance costs on lease liabilities (Note 7)	37,104	25,188
Gain on COVID-19 rent concessions (Note 5)	11,711	484

During the six months ended June 30, 2022 and 2021, the Group received rent concessions from landlords during certain periods of severe social distancing and travel restriction measures introduced by the PRC and Hong Kong government to contain the spread of COVID-19. These aforementioned rent concessions were RMB11,711,000 and RMB484,000, respectively. Pursuant to the applicable practical expedients under the amendments to HKFRS 16, the Group has recognised all of these concessions in the Group's interim condensed consolidated statement of comprehensive income under "government grants and concessions" during the six months ended June 30, 2022 and 2021.

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

During the six months ended June 30, 2022 and 2021, the total cash outflows for leases were as follows:

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
Cash outflows from operating activities		
Payments for short-term leases in respect of staff quarters (*)	27,537	11,758
Cash outflows from financing activities		
Payment of principal element of lease liabilities	148,461	93,485
Payment of interest element of lease liabilities	37,104	25,188

* 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 using the indirect method.

Notes to the Interim Condensed Consolidated Financial Statements

17 TRADE PAYABLES

	As of June 30, 2022 RMB'000	As of December 31, 2021 RMB'000
Trade payables	62,270	75,139

As of June 30, 2022 and December 31, 2021, the aging analysis of trade payables, based on invoice date, were as follows:

	As of June 30, 2022 RMB'000	As of December 31, 2021 RMB'000
0-90 days	62,270	75,139

18 OTHER PAYABLES AND ACCRUALS

	As of June 30, 2022 RMB'000	As of December 31, 2021 RMB'000
Salary, staff welfare payables and manpower service	53,117	54,930
Others	6,763	8,267
	59,880	63,197

As of June 30, 2022 and December 31, 2021, the carrying amounts of other payables and accruals approximated their fair values.

Notes to the Interim Condensed Consolidated Financial Statements

19 CAPITAL COMMITMENTS

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

	As of June 30, 2022 RMB'000	As of December 31, 2021 RMB'000
Contracted but not provided for	5,432	14,311

20 EQUITY-SETTLED SHARE-BASED PAYMENTS

The equity-settled share-based payments expense recognized during six months ended June 30, 2022 and 2021 are summarized as below:

	Six months ended June 30, 2022 RMB'000	2021 RMB'000
Share-based payments expenses	102,700	91,683

On January 16, 2022, the board of the Company resolved to grant an aggregate of 6,725,619 RSUs under the Post-IPO RSU Scheme to the Grantees for nil consideration. All of these restricted share units shall be vested immediately upon the later of the (i) execution of the relevant grant letter and acceptance by the Grantees within the time period stipulated in the relevant grant letter; and (ii) satisfaction of certain relevant vesting condition as set out in the relevant grant letter.

During the six months ended June 30, 2022, all of the aforementioned 6,725,619 RSUs were granted. The fair value of these RSUs was determined with reference to the share price of the Company on January 17, 2022. Save as 6,097 RSUs which had subsequently lapsed, the remaining 6,719,522 RSUs were fully vested.

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 grantees is accounted for as share-based payment expenses in the Group's interim condensed consolidated statement of comprehensive income. Accordingly, share-based payment expenses of approximately RMB102,700,000 were recognised during the six months ended June 30, 2022.

Notes to the Interim Condensed Consolidated Financial Statements

21 RELATED PARTY TRANSACTIONS

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 six months ended June 30, 2022 and 2021 were as follows:

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

(a) Transactions with related parties

Save as disclosed elsewhere in the interim condensed consolidated financial statements, during the six months ended June 30, 2022 and 2021, 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 six months ended June 30, 2021, the Group's bank borrowings and banking facilities were secured by personal guarantee from Mr. Xu. The aforementioned bank borrowings were repaid and the personal guarantee from Mr. Xu was released as of June 30, 2021.

Notes to the Interim Condensed Consolidated Financial Statements

21 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (continued)

(ii) *Discontinued transactions with franchisees operated by related parties as sole proprietors*

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
Provision of services to franchisees	—	206

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