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Helens International Holdings Company Limited

海倫司國際控股有限公司

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

(Stock Code: 9869)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2023

The board (the “**Board**”) of directors (the “**Directors**”) of Helens International Holdings Company Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended June 30, 2023 (the “**Reporting Period**”), together with the comparative figures for the six months ended June 30, 2022. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the prospectus of the Company dated August 31, 2021 (the “**Prospectus**”).

FINANCIAL HIGHLIGHTS

**For the six months ended
June 30,**

	2023	2022
	<i>(RMB in thousands)</i>	<i>(RMB in thousands)</i>
	(unaudited)	(unaudited)
Revenue	709,992	873,612
Profit/(Loss) before income tax	132,549	(324,649)
Profit/(Loss) for the period attributable to owners of the Company	157,487	(304,144)
Adjusted net profit/(loss)⁽¹⁾	177,203	(99,936)

Non-HKFRS Measures

**For the six months ended
June 30,**

	2023	2022
	<i>(RMB in thousands)</i>	<i>(RMB in thousands)</i>
	(unaudited)	(unaudited)
Profit/(Loss) for the period	157,487	(304,144)
Add:		
Equity-settled share-based payments	—	102,700
Losses from bars optimization and adjustment	19,716	101,508
Adjusted net profit/(loss)	<u>177,203</u>	<u>(99,936)</u>

Note:

- (1): We define adjusted net profit/(loss) as profit/(loss) for the period adjusted by adding back equity-settled share-based payments and losses from bars optimization and adjustment (which comprise impairment losses of plant and equipment and right-of-use assets, loss on disposal of plant and equipment, loss on forfeiture of rental deposits and gain on termination of leases) during the six months ended June 30, 2023 and 2022. For details of non-HKFRS measures, please refer to the subsection headed “Management Discussion and Analysis — Non-HKFRS Measures”.

Interim Condensed Consolidated Statement of Financial Position

	As at June 30, 2023 <i>(RMB in thousands)</i> (unaudited)	As at December 31, 2022 <i>(RMB in thousands)</i> (audited)
Non-current assets	939,207	1,286,524
Current assets	1,549,437	1,390,244
Total assets	2,488,644	2,676,768
Total equity	1,998,429	1,822,868
Non-current liabilities	298,128	565,202
Current liabilities	192,087	288,698
Net current assets	1,357,350	1,101,546
Total liabilities	490,215	853,900
Total equity and liabilities	2,488,644	2,676,768

BUSINESS HIGHLIGHTS

Distribution of Our Bar Network

As of the date of this announcement, we had a total of 562 bars, of which 560 bars are located in mainland China, covering 26 provincial-level administrative regions and 158 cities. The following tables set forth the number of Helen's bars located in each geographic location and by type of bars as of the date of this announcement and dates indicated.

	August 25, 2023	As at June 30, 2023	June 30, 2022
Mainland China			
Bars in first-tier cities	56	63	88
Bars in second-tier cities	268	314	427
Bars in third and lower-tier cities	236	274	330
Outside of Mainland China	2	2	1
Total	<u>562</u>	<u>653</u>	<u>846</u>

	August 25, 2023	As at June 30, 2023	June 30, 2022
Self-operated bars	425	515	846
Franchised bars	126	138	—
“HiBeer Partnership” bars	11	—	—
Total	562	653	846

OPERATING INDICATORS⁽²⁾

Average Daily Sales Per Bar Opened in Each City

The table below shows the average daily sales per bar opened in different tier cities during the indicated periods.

	For the six months ended June 30,	
	2023 <i>(RMB in thousands)</i>	2022 <i>(RMB in thousands)</i>
Average daily sales per bar Mainland China		
Bars in first-tier cities	8.4	7.3
Bars in second-tier cities	8.3	6.6
Bars in third and lower-tier cities	7.9	7.9
Overall	8.2	7.2

Average Daily Sales Per Bar by Type of Stores

The table below shows the average daily sales per bar by type of stores during the indicated periods.

	For the six months ended June 30,	
	2023 <i>(RMB in thousands)</i>	2022 <i>(RMB in thousands)</i>
Average daily sales per bar		
Self-operated bars	7.9	7.2
Franchised bars	9.0	—
Overall	8.2	7.2

Note:

- (2): As the “HiBeer Partnership” programme was officially launched in June 2023 and the first “HiBeer Partnership” bar opened in July 2023, the operating indicators data (average daily sales and same-store performance) for the six months ended June 30, 2022 and the six months ended June 30, 2023 excluded the “HiBeer Partnership” bars.

Average Daily Sales Per Bar Opened at Different Times

The table below shows the performance of bars opened at different times in the first half of 2023 and 2022. In the first half of 2023, our bars have gradually resumed operations and our average daily sales per bar increased by 13.9% from RMB7.2 thousand in the first half of 2022 to RMB8.2 thousand in the first half of 2023. With the high-quality social resources being mobilized as we began to explore the franchised cooperation model in 2022, our average daily sales for bars newly opened in the first half of 2023 amounted to RMB8.2 thousand, representing an increase of 30.2% over the average daily sales for bars newly opened in the first half of 2022 of RMB6.3 thousand.

In June 2023, we launched the “HiBeer Partnership” programme and introduced a new single-store model. As we provided consumers with better store experience while also further mobilizing the high-quality social resources to acquire better site at lower cost, our “HiBeer Partnership” bars achieved a better average daily sales and higher average daily area-effectiveness per store (average daily sales per store/store area) at lower operating cost. As at the date of this announcement, the average daily area-effectiveness per store for bars newly opened by our “HiBeer Partners” was approximately 2.6 times that of the new bars opened in the first half of 2023. The single-store margins at store level have increased significantly with significant reductions in store break-even point.

	For the six months ended	
	June 30,	
	2023	2022
	<i>(RMB in</i>	<i>(RMB in</i>
	<i>thousands)</i>	<i>thousands)</i>
Average daily sales per bar		
Mainland China		
Bars newly opened in the first half of 2023	8.2	N/A
Bars newly opened in 2022	6.8	6.3
Bars newly opened in 2021	7.2	6.3
Bars newly opened in 2020	9.6	8.5
Bars newly opened in 2019 and before	10.6	8.9
	<hr/>	<hr/>
Overall	<u>8.2</u>	<u>7.2</u>

Same-store Performance

The following table sets forth the same-store sales of Helen’s bars during the Reporting Period. “Same-store” means bars that opened for at least 140 days during the six months ended June 30, 2022 and the six months ended June 30, 2023, respectively. For the first half of 2023, same stores performance was flat compared to the first half of 2022.

	For the six months ended June 30,	
	2023	2022
Number of same-store		188
Same-store sales (<i>RMB’000</i>)	379,379.56	347,610.63
Growth of same-store sales (%)		9.1
Same-store average daily sales (<i>RMB’000</i>)	2,184.10	2,182.50
Growth of same-store average daily sales (%)		0.1
Same-store average daily sales per store (<i>RMB’000</i>)	11.62	11.61
Growth of same-store average daily sales per store (%)		0.1

Contribution from Our Featured Products

The following table sets forth the overall contribution and contribution margin of all of Helen’s branded alcoholic drinks and third-party branded alcoholic drinks respectively during the indicated periods. The increases in contribution margin from our self-owned branded alcoholic drinks and from third-party branded alcoholic drinks were mainly due to higher proportion of sales of our new self-owned spirituous drinks with high margin and a decrease in marketing activities resulting from the rebound in our overall results upon the epidemic.

	For the six months ended June 30,	
	2023	2022
All Helen’s branded alcoholic drinks		
Contribution (<i>RMB’000</i>)	317,795	376,558
Contribution margin (%)	<u>79.4</u>	<u>78.7</u>
All third-party branded alcoholic drinks		
Contribution (<i>RMB’000</i>)	66,801	86,544
Contribution margin (%)	<u>55.6</u>	<u>48.5</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

In the first half of 2023, our bars have gradually resumed normal operation and saw a remarkable improvement in our operation along with the lifting of the COVID-19 pandemic control measures. In the first half of 2023, we recorded the revenue of RMB710.0 million, representing a decrease of 18.7% as compared to the revenue of RMB873.6 million in the first half of 2022. Such decrease was mainly due to the higher proportion of franchised bars, the revenue of which was calculated by a certain percentage of the turnovers. In the first half of 2023, our contribution margin amounted to 72.3%, representing an increase from 66.0% in the first half of 2022. Despite a decrease in revenue, we recorded an adjusted net profit of RMB177.2 million, as compared to an adjusted net loss of RMB99.9 million in the first half of 2022, and adjusted net profit margin of 25.0% in the first half of 2023.

In the first half of 2023, we continued to actively adjust our development strategies to transform from a linear chain model to a platform-based company. On the one hand, we optimized and upgraded the existing bar network, taking into account the changes in the post-pandemic economy environment and the subsequent uncertainties. In the first half of 2023, we opened 25 new bars and closed 139 bars. As at June 30, 2023, the number of bars in our bar network decreased to 653 from 846 as at June 30, 2022.

On the other hand, upon actively exploring the franchised cooperation model since 2022, we have formally launched the “HiBeer Partnership” programme in June 2023 and introduced a new cooperation model and single-bar model so as to create a stylish gathering space for consumers by achieving complementary advantages with our partners via co-creation and sharing. Since the launch of the “HiBeer Partnership” programme, “HiBeer Partnership” bars have been recognized by partners for various advantages such as low investment costs, low operating costs, high sales per square meter per store as well as good atmosphere and experience. As of the date of this announcement, over 80 partners have signed contracts with us and 11 bars have been opened through the “HiBeer Partnership” programme.

Going forward, we will continue to focus on our platform-based development strategy to accelerate the layout of our bar network through “HiBeer Partnership” programme. We will also optimize the atmosphere of our bars through new materials and new technologies, and enrich the product mix of our bars through supply chain integration and product research and development. By doing so, we strive to provide simple happiness for customers and create long-term value for our partners, thereby turning a stylish gathering space into the infrastructure for the daily life of the public.

Revenue

Our revenue decreased by 18.7% from RMB873.6 million for the six months ended June 30, 2022 to RMB710.0 million for the six months ended June 30, 2023, mainly due to the rising proportion of franchised bars, the revenues of which were calculated by a certain percentage of the turnovers. In the first half of 2023, the proportion of sales of our self-owned spirituous drinks increased fairly to 42.4% from 37.2% in the first half of 2022, mainly due to the spirituous drinks such as Passion Fruit Beer Tower and Old Popsicle Tower that we newly launched catering to consumers' demand for spirituous and sharing-oriented products.

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

	For the six months ended June 30,			
	2023		2022	
	Revenue		Revenue	
	<i>(RMB in thousands)</i>	<i>% of total revenue</i>	<i>(RMB in thousands)</i>	<i>% of total revenue</i>
Helen's branded products	541,399	76.3	662,085	75.8
Helen's beer	99,221	14.0	155,000	17.7
Spirituous drinks	301,136	42.4	324,710	37.2
Snacks	141,042	19.9	182,375	20.9
Third-party brand alcoholic drinks	120,182	16.9	178,597	20.4
Other products⁽¹⁾	7,097	1.0	25,740	2.9
Revenue from franchising cooperation	38,969	5.5	188	0.1
Other revenue⁽²⁾	2,345	0.3	7,002	0.8
Total	<u>709,992</u>	<u>100</u>	<u>873,612</u>	<u>100</u>

Notes:

- (1) Including paper towels and other consumer goods that we provide to customers in bars.
- (2) Including the revenue generated from our mobile device charging service in bars.

We strategically explored and turned to adopt the new business model of cooperation by franchise in the second half of 2022 and launched the “HiBeer Partnership” programme in June 2023, which we believe will bring our partners and us numerous advantages and substantial revenue. Firstly, we can complement each other’s strengths with our partners, fully mobilize the high-quality social resources via co-creation and sharing and acquire quality bars at lower prices and with greater precision, thus lowering the operating cost of bars and increasing the profitability and risk resistance of our bars. Secondly, by working with our partners, we can rapidly deploy our bar network and increase our market share. In particular, these models can facilitate our access to a wide range of downstream markets, which is an important step in promoting our long-term business development. In addition, our partners will benefit from our brand recognition, standardized management model and strong supply chain capabilities to effectively manage their operational risks as a result of our uniform and standardized management.

Government Grants and Concessions

Our government grants and concessions decreased from RMB17.5 million for the six months ended June 30, 2022 to RMB4.9 million for the six months ended June 30, 2023, mainly due to the decrease in gain from COVID-19 rent concession post the pandemic.

Cost of Raw Materials and Consumables Used

The cost of our raw materials and consumables used decreased by 33.8% from RMB297.1 million for the six months ended June 30, 2022 to RMB196.6 million for the six months ended June 30, 2023. The decrease in the cost of raw materials and consumables used was mainly due to the decrease of revenue. Additionally, there was a greater decrease in the cost of raw materials and consumables used compared to the decrease in revenue, which can be attributed to a decrease in marketing activities as our overall results recovered after the COVID-19 pandemic.

Employee Benefit and Manpower Service Expenses

Our employee benefit and manpower service expenses decreased by 55.4% from RMB380.0 million for the six months ended June 30, 2022 to RMB169.5 million for the six months ended June 30, 2023. The decrease in employee benefit and manpower services expenses was primarily due to: (i) that our equity-settled share-based payment for the six months ended June 30, 2023 were nil (for the six months ended June 30, 2022: RMB102.7 million), and (ii) a concurrent reduction in employee wages and benefits resulting from the decline in the number of our employees.

Depreciation of Right-of-use Assets

The depreciation of our right-of-use assets decreased by 61.2% from RMB157.4 million for the six months ended June 30, 2022 to RMB61.0 million for the six months ended June 30, 2023. The decrease was mainly due to the termination of certain bars lease contracts under the optimization and adjustment of our self-operated bars. The number of our bars decreased from 846 as at June 30, 2022 to 653 as at June 30, 2023.

Depreciation of Property, Plant and Equipment

The depreciation of our property, plant and equipment decreased by 27.8% from RMB81.2 million for the six months ended June 30, 2022 to RMB58.6 million for the six months ended June 30, 2023. The decrease was mainly due to the decrease in fixed assets of our self-operated bars in line with the decrease in the number of bars.

Amortization of Intangible Assets

Our amortization of intangible assets remained at RMB9,000 for the six months ended June 30, 2022 and 2023, representing the amortization expenses incurred in software.

Short-Term Rental and Other Related Expenses

Our short-term rental and other related expenses decreased by 3.6% from RMB41.1 million for the six months ended June 30, 2022 to RMB39.6 million for the six months ended June 30, 2023. The decrease was primarily due to that we leased fewer short-term staff dormitories as the number of our self-operated bar staff decreased with the optimization and adjustment of our bar network.

Utilities Expenses

Our utilities expenses decreased by 60.1% from RMB29.1 million for the six months ended June 30, 2022 to RMB11.6 million for the six months ended June 30, 2023. The decrease was mainly due to that: the electricity bills and network energy consumption costs and the dormitory electricity and water utilities expenses decreased with the decrease in the number of bars accordingly.

Travelling and Related Expenses

Our travelling and related expenses increased by 9.7% from RMB3.1 million for the six months ended June 30, 2022 to RMB3.4 million for the six months ended June 30, 2023. The increase was mainly due to the growth in travel arrangements in order to conduct business with the end of the COVID-19 pandemic.

Advertising and Promotion Expenses

Our advertising and promotion expenses decreased by 74.7% from RMB16.6 million for the six months ended June 30, 2022 to RMB4.2 million for the six months ended June 30, 2023. The decrease was mainly due to the refined management of our online promotion.

Other Expenses

Our other expenses decreased by 26.9% from RMB72.5 million for the six months ended June 30, 2022 to RMB53.0 million for the six months ended June 30, 2023. The decrease was primarily due to the corresponding decrease in our daily operation and maintenance expenses as the number of bars decreased.

Other Losses, net

For the six months ended June 30, 2023, we incurred net other losses of RMB9.2 million which primarily comprised (i) losses on optimization and adjustment of our bars of RMB19.7 million (including loss on disposal of plant and equipment (approximately RMB134.9 million), loss on forfeiture of leases deposits (approximately RMB3.5 million), and gain on termination of leases (approximately RMB118.7 million)); and (ii) exchange gain of RMB21.0 million due to appreciation of USD and/or HKD denominated assets, and penalties and compensation for early termination of leases of RMB10.5 million.

Finance Income

Our finance income increased from RMB0.89 million for the six months ended June 30, 2022 to RMB41.95 million for the six months ended June 30, 2023. The increase was primarily due to our better management of bank deposits.

Finance Costs

Our finance costs decreased by 53.1% from RMB37.1 million for the six months ended June 30, 2022 to RMB17.4 million for the six months ended June 30, 2023. The decrease in finance costs was mainly attributable to the fact that lease liabilities decline with an decrease in the number of bars, resulting in a down in related interest.

Profit/(Loss) before Income Tax

As a result of the foregoing, the loss before income tax was RMB324.6 million for the six months ended June 30, 2022, and the profit before income tax was RMB132.5 million for the six months ended June 30, 2023, and the (loss)/profit before income tax margin was (37.2)% and 18.7% for the same periods, respectively.

Income Tax Credit

The income tax credit of RMB20.5 million for the six months ended June 30, 2022 compared with the income tax credit of RMB24.9 million for the six months ended June 30, 2023. This was mainly due to the utilization of tax losses from the unrecognized deferred income tax assets of previous years, resulting in the decrease in current income tax expense.

Non-HKFRS Measures

To supplement the comprehensive statement of profit or loss presented in accordance with Hong Kong Financial Reporting Standards, we also use adjusted net profit/(loss) 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 equity-settled share-based payments and losses from bars optimization and adjustment). Such non-HKFRS measures allow investors to consider metrics used by our management in evaluating our performance. We believe that equity-settled share-based payments and losses from bars optimization are non-operating or non-recurring expenses and incomes that will not affect our ongoing operating performance. We believe that adjusted net profit/(loss) provides investors with useful information in facilitating a comparison of our operating performance from period to period by eliminating potential impacts of equity-settled share-based payments and losses from bars optimization and adjustment.

	For the six months ended June 30,	
	2023 (RMB in thousands)	2022 (RMB in thousands)
Profit/(Loss) for the period	157,487	(304,144)
Add:		
Equity-settled share-based payments	—	102,700
Losses from bars optimization and adjustment (<i>Note</i>)	19,716	101,508
Adjusted net profit/(loss)	177,203	(99,936)

Note: Losses from bars optimization and adjustment comprised the aggregation of loss on disposal of plant and equipment (approximately RMB134,887,000), loss on forfeiture of rental deposits (approximately RMB3,503,000), and gain on termination of leases (approximately RMB118,674,000).

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.

Property, Plant and Equipment

Our property, plant and equipment represent (i) building, (ii) office equipment such as printers, (iii) computer equipment, (iv) furniture and fixture used in bars such as tables and chairs and facilities in kitchens, (v) leasehold improvement and (vi) motor and vehicle. Our property, plant and equipment decreased from RMB693.3 million as of December 31, 2022 to RMB515.6 million as of June 30, 2023. The decrease in our property, plant and equipment in the first half of 2023 was mainly due to the shutdown of certain bars.

Intangible Assets

Our intangible assets mainly include office systems and software that we have purchased. Our intangible assets remained generally stable with RMB75,000 and RMB66,000, respectively, as of December 31, 2022 and June 30, 2023.

Right-of-use Assets

Our right-of-use assets (i.e. our confirmed long-term leased properties) decreased from RMB457.0 million as of December 31, 2022 to RMB268.1 million as of June 30, 2023. 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 Helen's branded alcoholic drinks and third-party brand alcoholic drinks; (ii) a variety of snacks, and (iii) other inventories.

The following table sets forth our inventory balance as of the dates indicated.

	As of	
	June 30,	December 31,
	2023	2022
	<i>(RMB in</i>	<i>(RMB in</i>
	<i>thousands)</i>	<i>thousands)</i>
Inventories		
Alcoholic drinks	21,634	26,936
Food	5,347	6,614
Consumables	560	2,412
	<u> </u>	<u> </u>
Total	<u>27,541</u>	<u>35,962</u>

Our inventories decreased from RMB36.0 million as of December 31, 2022, to RMB27.5 million as of June 30, 2023. The decrease in our inventories was mainly driven by the decreased amount of bars.

Our inventory turnover days decreased from 31.7 days as of December 31, 2022, to 29.1 days as of June 30, 2023. The decrease in inventory turnover days was mainly due to our refined management of the inventories.

Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables primarily include rental and other deposits, other tax receivable and other prepayments. Our prepayments, deposits and other receivables increased from RMB145.4 million as of December 31, 2022 to RMB150.8 million as of June 30, 2023. The increase was mainly due to the increase in interest receivables.

Cash and Cash Equivalents

Our cash and cash equivalents were RMB1,298.6 million and RMB1,449.9 million as of December 31, 2022 and June 30, 2023, respectively, which were mainly from the proceeds raised from the Global Offering in 2021. The increase in cash and cash equivalents in the first half of 2023 was mainly due to net cash inflows from operating activities.

Lease Liabilities

We had lease liabilities of RMB741.0 million and RMB398.1 million as of December 31, 2022 and June 30, 2023, respectively. The decrease of lease liabilities was mainly because of the decrease of bar lease contracts resulted from 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 RMB62.7 million as of December 31, 2022 to RMB48.3 million as of June 30, 2023. The decrease was primarily due to our refined operational strategy and brand effect enabling us to manage our purchases more effectively. Thus, our trade payables turnover days increased from 44.8 days as at December 31, 2022 to 50.8 days as at June 30, 2023.

Other Payables and Accruals

Our other payables and accruals decreased from RMB37.8 million as of December 31, 2022 to RMB24.0 million as of June 30, 2023. Such decrease was mainly due to the decrease in the number of bars caused by the optimization and adjustment of bars, leading to a decrease in our product procurement and other payables for logistics, labor, and other related operations.

Liquidity and Capital Resources

We have adopted a prudent treasury management policy. We placed a strong emphasis on having funds readily available and accessible and were 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 RMB1,298.6 million and RMB1,449.9 million as of December 31, 2022 and June 30, 2023, respectively. Our cash were mainly used to meet the needs of business operation. We financed 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, 2023, we did not have any bank borrowings.

Lease liabilities

As of June 30, 2023, our lease liabilities amounted to RMB398.1 million.

Convertible Preferred Shares

As of June 30, 2023, we had no convertible preferred shares issued to investors.

Contingent Liabilities

As of June 30, 2023, we did not have any material contingent liabilities.

Capital Commitments

As of June 30, 2023, we did not have any capital commitments.

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 decreased from RMB219.9 million as of June 30, 2022 to RMB15.8 million as of June 30, 2023. The decrease was attributable to our proactive adjustment of the development strategy to transform into a platform-based company.

Gearing Ratio

As of June 30, 2023, 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, 2023, we mainly operated in China. We are exposed to foreign exchange risk primarily because the proceeds from the Global Offering are denominated in Hong Kong dollars and certain bank deposits denominated in US dollars.

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

Pledge of Assets

As of June 30, 2023, 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, 2023, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries, associates and joint ventures. In addition, except for the expansion plan disclosed in sections "Business" and "Future Plans and Use of Proceeds" in the Prospectus, the Group did not have any specific plans for significant investments or acquisition of material capital assets or other businesses. The Group, however, will continue to identify new business development opportunities.

Employees and Remuneration Policies

As of June 30, 2023, we had 965 employees and 2,825 outsourced personnel, most of whom were based in China. We offer competitive wages and other benefits to the employees and provide discretionary performance bonus as a further incentive. For more details, please refer to the sections headed "Pre-IPO RSU Schemes" and "Post-IPO RSU Scheme" of the interim report of the Company which will be published in due course. We have also improved career development pathways and talent training systems for employees to facilitate their self-growth. The Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly.

During the six months ended June 30, 2023, the total employee benefit expenses (including Directors' remuneration) and manpower service expenses were RMB169.5 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, 2023.

FINANCIAL INFORMATION

The Board announces the unaudited condensed consolidated results of the Group for the six months ended June 30, 2023, with comparative figures for the six months ended June 30, 2022, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	Six months ended June 30,	
		2023	2022
		RMB'000	RMB'000
Revenue	3	709,992	873,612
Government grants and concessions	5	4,907	17,499
Raw materials and consumables used	13	(196,619)	(297,113)
Employee benefit and manpower service expenses		(169,531)	(379,951)
Depreciation of right-of-use assets	16	(60,992)	(157,351)
Depreciation of property, plant and equipment	11	(58,582)	(81,216)
Amortisation of intangible assets		(9)	(9)
Short-term rental and other related expenses		(39,633)	(41,147)
Utilities expenses		(11,639)	(29,099)
Travelling and related expenses		(3,401)	(3,071)
Advertising and promotion expenses		(4,242)	(16,587)
Other expenses	4	(53,040)	(72,492)
Impairment losses of property, plant and equipment	11	—	(47,168)
Other losses, net	6	(9,185)	(54,340)
Finance income	7	41,954	888
Finance costs	7	(17,431)	(37,104)
Profit/(loss) before income tax		132,549	(324,649)
Income tax credit	8	24,938	20,505
Profit/(loss) for the period attributable to owners of the Company		<u>157,487</u>	<u>(304,144)</u>
Other comprehensive income:			
Item that may be subsequently reclassified to profit or loss			
Currency translation differences		18,074	62,832
Total comprehensive income/(loss) for the period		<u>175,561</u>	<u>(241,312)</u>
Profit/(loss) for the period attributable to:			
Owners of the Company		<u>157,487</u>	<u>(304,144)</u>
Earnings/(losses) per share for profit/(loss) attributable to owners of the Company (expressed in RMB per share)			
Basic	9	0.124	(0.249)
Diluted	9	0.124	(0.249)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As of June 30, 2023	As of December 31, 2022
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets			
Non-current assets			
Property, plant and equipment	<i>11</i>	515,600	693,254
Intangible assets		66	75
Right-of-use assets	<i>16</i>	268,123	457,037
Deposits and prepayments	<i>12</i>	78,848	89,689
Deferred tax assets		76,570	46,469
		<u>939,207</u>	<u>1,286,524</u>
Current assets			
Inventories	<i>13</i>	27,541	35,962
Prepayments, deposits and other receivables	<i>12</i>	72,006	55,718
Cash and bank balances	<i>14</i>	820,613	1,096,998
Term deposit with original maturity over three months	<i>14</i>	629,277	201,566
		<u>1,549,437</u>	<u>1,390,244</u>
Total assets		<u>2,488,644</u>	<u>2,676,768</u>
Equity			
Equity attributable to owners of the Company			
Share capital	<i>15</i>	1	1
Reserves		1,998,428	1,822,867
Total equity		<u>1,998,429</u>	<u>1,822,868</u>

		As of June 30, 2023 <i>RMB'000</i>	As of December 31, 2022 <i>RMB'000</i>
	<i>Note</i>		
Liabilities			
Non-current liability			
Lease liabilities	16	<u>298,128</u>	<u>565,202</u>
Current liabilities			
Trade payables	17	48,263	62,742
Other payables and accruals	18	24,049	37,810
Lease liabilities	16	99,951	175,800
Current income tax liabilities		<u>19,824</u>	<u>12,346</u>
		<u>192,087</u>	<u>288,698</u>
Total liabilities		<u><u>490,215</u></u>	<u><u>853,900</u></u>
Total equity and liabilities		<u><u>2,488,644</u></u>	<u><u>2,676,768</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company						Total <i>RMB'000</i>
	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Share-based	Statutory reserve <i>RMB'000</i>	Exchange reserve <i>RMB'000</i>	Accumulated loss <i>RMB'000</i>	
			compensation reserve <i>RMB'000</i>				
Balance at January 1, 2023	1	2,860,214	595,974	18,666	38,887	(1,690,874)	1,822,868
Comprehensive income							
Profit for the period	—	—	—	—	—	157,487	157,487
Other comprehensive income							
Currency translation differences	—	—	—	—	18,074	—	18,074
Total comprehensive income	—	—	—	—	18,074	157,487	175,561
Transaction with owners							
Appropriation to statutory reserve	—	—	—	1,310	—	(1,310)	—
Total transaction with owners	—	—	—	1,310	—	(1,310)	—
Balance at June 30, 2023	<u>1</u>	<u>2,860,214</u>	<u>595,974</u>	<u>19,976</u>	<u>56,961</u>	<u>(1,534,697)</u>	<u>1,998,429</u>

	Attributable to owners of the Company						Subtotal	Non-controlling interests	Total
	Share capital	Share premium	Share-based compensation reserve	Statutory reserve	Exchange reserve	Accumulated loss			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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 for the period	—	—	—	—	—	(304,144)	(304,144)	—	(304,144)
Other comprehensive income									
Currency translation differences	—	—	—	—	62,832	—	62,832	—	62,832
Total comprehensive income	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>62,832</u>	<u>(304,144)</u>	<u>(241,312)</u>	<u>—</u>	<u>(241,312)</u>
Transaction with owners									
Capital injection from minority shareholders	—	—	—	—	—	—	—	353	353
Equity-settled share-based payment	—	—	102,700	—	—	—	102,700	—	102,700
Appropriation to statutory reserve	—	—	—	230	—	(230)	—	—	—
Total transaction with owners	<u>—</u>	<u>—</u>	<u>102,700</u>	<u>230</u>	<u>—</u>	<u>(230)</u>	<u>102,700</u>	<u>353</u>	<u>103,053</u>
Balance at June 30, 2022	<u><u>1</u></u>	<u><u>2,860,214</u></u>	<u><u>195,483</u></u>	<u><u>18,666</u></u>	<u><u>57,612</u></u>	<u><u>(393,868)</u></u>	<u><u>2,738,108</u></u>	<u><u>353</u></u>	<u><u>2,738,461</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

		Six months ended June 30,	
		2023	2022
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from operating activities			
Cash generated from operations		217,576	70,646
Income tax paid		(1,730)	(13,829)
		<u>215,846</u>	<u>56,817</u>
Net cash generated from operating activities			
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(14,960)	(219,893)
Net cash paid for business combination	19	(1,541)	—
Interest received		26,676	888
		<u>10,175</u>	<u>(219,005)</u>
Net cash generated from/(used in) investing activities			
Cash flows from financing activities			
Payment of principal element of lease liabilities	16	(96,327)	(148,461)
Payment of interest element of lease liabilities	16	(17,431)	(37,104)
		<u>(113,758)</u>	<u>(185,565)</u>
Net cash used in financing activities			
Net increase/(decrease) in cash and bank balances			
		112,263	(347,753)
Cash and bank balances at beginning of the period		1,298,564	1,626,731
Currency translation differences		39,063	62,832
		<u>1,449,890</u>	<u>1,341,810</u>
Cash and bank balances at end of the period			

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, 2023 (“**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 25, 2023.

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, 2022 (“**2022 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 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Summary of significant accounting policies

The accounting policies applied are consistent with those of the 2022 Financial Statements, as described in those annual consolidated financial statements, except for the adoption of amended HKFRSs effective as of January 1, 2023. 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, 2023. The adoption of these new and revised standards does not have any significant impact on the Interim Financial Information.

New and amended standards and interpretations not yet adopted

Standards and amendments to existing standards that have been issued but not yet effective and not been early adopted by the Group as of June 30, 2023 are as follows:

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Classification of liabilities as current or non-current	January 1, 2024
Amendments to HKAS 1	Non-current liabilities with covenants	January 1, 2024
Amendments to HKAS 16	Lease liability in sale and leaseback	January 1, 2024
Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (Revised))	January 1, 2024
Amendments to HKFRS 7 and HKAS 7	Supplier Finance Arrangements (amendments)	January 1, 2024
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.

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, 2023 and 2022, 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,	
	2023	2022
	RMB’000	RMB’000
Revenue from:		
— Bar operations	670,573	873,424
— Franchisee	39,419	188
	709,992	873,612
Disaggregated by timing of revenue recognition:		
— Point in time	670,573	873,424
— Over time	39,419	188
	709,992	873,612

No customers contributed over 10% of the total revenue of the Group for the six months ended June 30, 2023 and 2022.

Generally, franchise fee contracts are for periods of more than one year, and the franchise fees are billed according to the contracts. The Group has applied the practical expedient as permitted by HKFRS 15 and the transaction allocated to the remaining performance obligations is not disclosed.

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,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
The PRC	707,580	872,890
Outside of Mainland China	2,412	722
	<u>709,992</u>	<u>873,612</u>

(c) Non-current assets by geographical location

As of June 30, 2023 and December 31, 2022, 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,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Logistics, warehousing and repair costs	21,197	30,114
Office expenses	6,492	8,495
Service fees to third-party platform service providers	5,460	5,439
Cleaning and garbage handling fees	1,903	2,422
Telecommunications	1,499	1,753
Others	16,489	24,269
	<u>53,040</u>	<u>72,492</u>

5 GOVERNMENT GRANTS AND CONCESSIONS

	Six months ended June 30,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants	4,907	5,788
Gain on COVID-19 rent concessions (Note 16(c))	—	11,711
	<u>4,907</u>	<u>17,499</u>

6 OTHER LOSSES, NET

	Six months ended June 30,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Loss on disposal of property, plant and equipment (a)	(134,887)	(43,433)
Loss on forfeiture of rental deposits (a)	(3,503)	(12,566)
Gain on termination of leases (a)	118,674	1,659
Exchange gain	20,989	—
Penalties and compensation for early termination of leases	(10,458)	—
	<u>(9,185)</u>	<u>(54,340)</u>

- (a) Due to 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 property, plant and equipment, termination of leases, and loss on forfeiture of rental deposits during the six months ended June 30, 2023.

7 FINANCE (INCOME)/COSTS, NET

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
Interest income on bank deposits	<u>(41,954)</u>	<u>(888)</u>
Interest expenses on lease liabilities (<i>Note 16(c)</i>)	<u>17,431</u>	<u>37,104</u>
Finance (income)/costs, net	<u>(24,523)</u>	<u>36,216</u>

8 INCOME TAX CREDIT

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
Current income tax expenses	5,163	10,700
Deferred income tax credit	<u>(30,101)</u>	<u>(31,205)</u>
Income tax credit	<u>(24,938)</u>	<u>(20,505)</u>

9 EARNINGS/(LOSSES) PER SHARE

(a) Basic

The basic earnings/(losses) per share is calculated by dividing the earning/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended June 30, 2023 and 2022.

	Six months ended June 30,	
	2023	2022
Earnings/(losses) for the period attributable to owners of the Company (<i>RMB'000</i>)	157,487	(304,144)
Weighted average number of ordinary shares in issue (<i>Thousand</i>) (<i>Note 15</i>)	1,266,902	1,222,290
Basic earnings/(losses) per share (<i>RMB</i>)	<u>0.124</u>	<u>(0.249)</u>

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

There were no dilutive potential ordinary shares during the six months ended June 30, 2023. And, 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 losses per share as they are anti-dilutive. Therefore, diluted earnings/(losses) per share for the six months ended June 30, 2023 and 2022 are the same as basic earnings/(losses) per share.

10 INTERIM DIVIDENDS AND SUBSEQUENT EVENTS

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
Proposed interim dividend — RMB0.1162 (six months ended June 30, 2022: nil) per ordinary share	<u>147,214</u>	<u>—</u>

The proposed interim dividend for the period has been approved by the Board of Directors and is subject to approval by the shareholders in the upcoming extraordinary general meeting.

11 PROPERTY, PLANT AND EQUIPMENT

	Computer equipment <i>RMB'000</i>	Furniture and fixture <i>RMB'000</i>	Leasehold improvement <i>RMB'000</i>	Building <i>RMB'000</i>	Motor and Vehicle <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended						
June 30, 2023						
Opening net book amount	669	173,066	307,618	206,106	5,795	693,254
Additions	265	3,016	11,679	—	—	14,960
Business combinations	—	290	565	—	—	855
Disposal	(39)	(25,469)	(109,185)	—	(194)	(134,887)
Depreciation	(154)	(17,437)	(37,334)	(2,986)	(671)	(58,582)
Closing net book amount	<u>741</u>	<u>133,466</u>	<u>173,343</u>	<u>203,120</u>	<u>4,930</u>	<u>515,600</u>
As of June 30, 2023						
Cost	1,339	283,478	847,121	211,082	5,979	1,348,999
Accumulated depreciation and impairment losses	(598)	(150,012)	(673,778)	(7,962)	(1,049)	(833,399)
Net book amount	<u>741</u>	<u>133,466</u>	<u>173,343</u>	<u>203,120</u>	<u>4,930</u>	<u>515,600</u>

12 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As of June 30, 2023 <i>RMB'000</i>	As of December 31, 2022 <i>RMB'000</i>
Non-current portion		
Rental and other deposits	28,142	37,126
Prepayments for acquisitions of property, plant and equipment	—	3,373
Other prepayments (a)	50,706	49,190
	<u>78,848</u>	<u>89,689</u>
Current portion		
Rental and other deposits	8,333	10,974
Prepayments	1,226	2,461
Interest receivables	15,278	—
Amount due from a related party (Note 20(a))	483	—
Other tax receivable	24,574	25,667
Other prepayments (a)	14,815	10,656
Others	7,297	5,960
	<u>72,006</u>	<u>55,718</u>

- (a) Other prepayments represent subsidies to certain franchisees for pre-opening capital expenditures to the franchisees. These subsidies are amortised on a straight-line basis over the franchise period which aligns with the franchisee's access to the franchise rights. During the six months ended June 30, 2023, amortisation of approximately RMB5,990,000 was recognised as write-offs of service fees charged to franchisees.

13 INVENTORIES

	As of June 30, 2023 RMB'000	As of December 31, 2022 RMB'000
Food ingredients, beverages and consumables	<u>27,541</u>	<u>35,962</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, 2023 amounted to approximately RMB196,619,000 (June 30, 2022: RMB297,113,000).

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, 2023 and 2022, respectively.

14 CASH AND BANK BALANCES

	As of June 30, 2023 RMB'000	As of December 31, 2022 RMB'000
Cash and bank balances	820,613	1,096,998
Term deposit with original maturity over three months	<u>629,277</u>	<u>201,566</u>
	<u>1,449,890</u>	<u>1,298,564</u>
Maximum exposure to credit risk (excluding cash on hand)	<u>1,448,745</u>	<u>1,297,206</u>

As of June 30, 2023 and December 31, 2022, the carrying amounts of cash and bank balances approximated their fair values.

15 SHARE CAPITAL

Authorised

	Number of ordinary shares	Nominal value of ordinary shares <i>USD</i>
As of June 30, 2023 and December 31, 2022	<u>500,000,000,000,000</u>	<u>50,000</u>

Issued

	Number of ordinary shares	Nominal value of ordinary shares* <i>USD</i>	Share capital <i>RMB</i>
As of June 30, 2023	<u>1,266,901,524</u>	<u>0.101</u>	<u>1</u>

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

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.

16 LEASES (CONTINUED)

(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, 2023 <i>RMB'000</i>	As of December 31, 2022 <i>RMB'000</i>
Right-of-use assets-properties		
Opening net book amount	457,037	1,348,338
Additions	16,296	197,657
Depreciation charge	(60,992)	(315,923)
Impairment losses	—	(279,456)
Derecognition from termination of leases	(144,218)	(493,579)
	<u>268,123</u>	<u>457,037</u>
Lease liabilities		
Non-current portion	298,128	565,202
Current portion	99,951	175,800
	<u>398,079</u>	<u>741,002</u>

As of June 30, 2023 and December 31, 2022, the carrying amounts of the Group's right-of-use assets and lease liabilities were primarily denominated in RMB.

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,	
	2023	2022
	RMB'000	RMB'000
Depreciation charge of right-of-use assets	60,992	157,351
Finance costs on lease liabilities (<i>Note 7</i>)	17,431	37,104
Gain on COVID-19 rent concessions (<i>Note 5</i>)	<u>—</u>	<u>11,711</u>

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

During the six months ended June 30, 2023 and 2022, the total cash outflows for leases were as follows:

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
Cash outflows from operating activities		
Payments for short-term leases in respect of staff quarters (*)	<u>10,601</u>	<u>27,537</u>
Cash outflows from financing activities		
Payment of principal element of lease liabilities	96,327	148,461
Payment of interest element of lease liabilities	<u>17,431</u>	<u>37,104</u>

* Payments for short-term leases were not shown separately, but included in the line of “profit before income tax” in respect of the net cash generated from operations using the indirect method.

17 TRADE PAYABLES

	As of June 30, 2023 <i>RMB'000</i>	As of December 31, 2022 <i>RMB'000</i>
Trade payables	<u>48,263</u>	<u>62,742</u>

As of June 30, 2023 and December 31, 2022, the aging analysis of trade payables, based on invoice date, were as follows:

	As of June 30, 2023 <i>RMB'000</i>	As of December 31, 2022 <i>RMB'000</i>
0–90 days	<u>48,263</u>	<u>62,742</u>

18 OTHER PAYABLES AND ACCRUALS

	As of June 30, 2023 <i>RMB'000</i>	As of December 31, 2022 <i>RMB'000</i>
Salary, staff welfare payables and manpower service	15,225	22,806
Amount due to a related party (<i>Note 20(a)</i>)	—	530
Others	<u>8,824</u>	<u>14,474</u>
	<u>24,049</u>	<u>37,810</u>

As of June 30, 2023 and December 31, 2022, the carrying amounts of other payables and accruals approximated their fair values.

19 BUSINESS COMBINATION

On February 28, 2023 (“**Acquisition Date**”), the Group acquired 100% equity interests of JJR181 Pte. Ltd.(“**JJR181**”) at a total cash consideration of approximately RMB1,584,000. The principal activities of JJR181 are bar and restaurant operations.

As the aforementioned consideration of this acquisition approximated the fair value of the identified net assets recognised at the Acquisition Date, no goodwill was recognised.

Net cash outflow of approximately RMB1,541,000 arising on the acquisition comprised the cash consideration paid being approximately RMB1,584,000, and the cash and cash equivalents in JJR181 acquired being approximately RMB43,000.

20 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, 2023 and 2022 were as follows:

Name of the related parties	Relationship with the Group
Mr. Xu Bingzhong Shenzhen Jiangzhu Technology Co., Ltd	Controlling Shareholder A company owned indirectly as to 25% by Mr. Xu Bingzhong

20 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties

Save as disclosed elsewhere in the interim condensed consolidated financial statements, during the six months ended June 30, 2023 and 2022, the following transactions were carried out with related parties at terms mutually agreed by both parties:

(i) Transactions with related parties

	As of June 30, 2023 <i>RMB'000</i>	As of December 31, 2022 <i>RMB'000</i>
Purchase of plant and equipment	<u><u>1,448</u></u>	<u><u>—</u></u>

(ii) Balances with related parties

	As of June 30, 2023 <i>RMB'000</i>	As of December 31, 2022 <i>RMB'000</i>
Non-trade nature		
Amount due from a related party		
— Shenzhen Jiangzhu Technology Co., Ltd	<u><u>483</u></u>	<u><u>—</u></u>
Non-trade nature		
Amount due to a related party		
— Shenzhen Jiangzhu Technology Co., Ltd	<u><u>—</u></u>	<u><u>530</u></u>

CORPORATE GOVERNANCE RELATED INFORMATION

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 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.

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

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) set out in Appendix 10 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company by the Directors, and the Group's employees who, because of his/her office or employment, 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.

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

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

Material Litigation

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

Use of Net Proceeds

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

The balance of unutilized net proceeds amounted to approximately HK\$1,313.7 million as at the end of the Reporting Period and the Company intends to use them in the same manner and proportions as described in the Prospectus and proposes to use the unutilized net proceeds in accordance with the expected timetable disclosed in the table below.

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

Intended use of net proceeds ⁽¹⁾	Percentage of total net proceeds (at the same rate as stated in the Prospectus)	Amount of net Proceeds (at the same rate as stated in the Prospectus) <i>(HK\$ in million)</i>	Amount of net proceeds utilized up to June 30, 2023 <i>(HK\$ in million)</i>	Balance of net proceeds as at December 31, 2022 <i>(HK\$ in million)</i>	Amount of net proceeds utilized during the Reporting Period <i>(HK\$ in million)</i>	Balance of net proceeds as at June 30, 2023 <i>(HK\$ in million)</i>	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	1,091.7	1,011.5	17.1	994.4	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	242.0	92.0	36.0	56.0	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	38.7	140.8	30.5	110.3	Before December 31, 2024
Used for further strengthening the brand awareness of the Helen's	5.0%	149.0	92.1	72.3	15.4	56.9	Before December 31, 2024
Used for working capital and general corporate purposes	10.0%	298.0	201.9	137.1	41.0	96.1	Before December 31, 2024
Total	<u>100.0%</u>	<u>2,980.1</u>	<u>1,666.4</u>	<u>1,453.7</u>	<u>140.0</u>	<u>1,313.7</u>	

Note (1):

Figures in the table are approximate.

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, 2023. The Audit Committee has reviewed and considered that the interim financial results for the six months ended June 30, 2023 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

INTERIM DIVIDEND OUT OF THE SHARE PREMIUM ACCOUNT

The Board recommended the payment of an interim dividend of RMB0.1162 per ordinary share of the Company in issue out of the share premium account of the Company for the six months ended June 30, 2023. On the basis of the total issued share capital of 1,266,901,524 shares of the Company as of the date of this announcement, it is estimated that the aggregate amount of interim dividend would be approximately RMB147 million. The actual total amount of interim dividends to be paid will be subject to the total number of issued share capital of the Company as at the record date for determining the entitlement of shareholders to the interim dividend. The record date for determining entitlement to the interim dividend will be Monday, September 25, 2023.

The proposed dividend payment is subject to the approval by the Shareholders at the forthcoming extraordinary general meeting (the “**EGM**”) to be held on Friday, September 15, 2023. The interim dividend is payable in Hong Kong dollars based on the official exchange rate of Renminbi against Hong Kong dollars as quoted by the People’s Bank of China on Friday, September 15, 2023. Upon Shareholders’ approval, the interim dividend will be paid and the dividend warrants will be posted by ordinary mail to the Shareholders whose names shall appear on the register of members of the Company on Monday, September 25, 2023 at their own risk on or around Tuesday, October 17, 2023.

CHANGE OF EXECUTIVE DIRECTORS

On August 25, 2023, Ms. Lei Xing (“**Ms. Lei**”) tendered her resignation as an existing executive Director of the Company to devote more time for her other commitments with effect from the conclusion of the EGM. In the meantime, Ms. Lei will remain in her position as the senior vice president of the Company responsible for the sales and marketing despite her resignation as an executive Director.

In accordance with Article 111 of the Articles of Association, Mr. He Daqing (“**Mr. He**”) will be elected as an executive Director with effect from the date of the EGM subject to approval by the Shareholders by an ordinary resolution at the EGM. Mr. He is not an existing executive Director or independent non-executive Director of the Company.

Biographical details of Mr. He are set out as follows:

Mr. He Daqing (賀大慶), aged 39, is currently a director of legal inspection and audit department at Shenzhen Helens Enterprise Management Co., Ltd. (深圳海倫司企業管理有限公司), a wholly-owned subsidiary of our Company, as well as a supervisor at Maidilong Technology (Hubei) Co., Ltd. (邁迪隆科技(湖北)有限公司), a subsidiary of our Company. He joined our Group in August 2020.

Prior to joining our Group, Mr. He served as a deputy investigator at the publicity department of the CPC Huangshi Municipal Committee (黃石市委宣傳部) and the director of news and public opinion center from October 2015 to July 2020. Before that, he was an editor and the director of industry information department at the Xinhua News Agency, Hubei Branch (新華社湖北分社), from February 2012 to October 2015. Mr. He also worked at the Xinhua News Agency, Yunnan Branch (新華社雲南分社), as an economic analyst and editor from July 2009 to February 2012.

Mr. He obtained a bachelor’s degree in economics and a master’s degree in management, both from Sichuan University (四川大學), in July 2006 and July 2009, respectively.

As at the date of this announcement, Mr. He was directly interested in 71,508 ordinary shares which represented approximately 0.0056% of the number of total issued shares of the Company.

Subject to the approval of the Shareholders by way of an ordinary resolution at the forthcoming EGM, the Company will enter into a service agreement with Mr. He for a term of three years commencing from the date of the EGM and will continue thereafter until terminated by not less than three months’ notice in writing served by either party on the other, and he is subject to retirement by rotation and re-election at least once every three years at the annual general meeting of the Company in accordance with the provision of the memorandum and articles of association of the Company.

Under the aforesaid service agreement, Mr. He will be entitled to receive emoluments of approximately RMB458,000 per annum including salary, discretionary bonus, allowances and benefits in kind and employer's contribution to pension scheme as determined by the Board with reference to the experience, responsibility, workload, time devoted, contribution to the Group, emoluments paid by comparable companies and performance of the Group. The Board has determined that for the time being no additional emoluments will be payable to Mr. He in taking on additional responsibility as executive Director, save for his entitlement to any restricted share units, pursuant to the terms and conditions of any restricted share unit scheme adopted by the Company from time to time as part of his remuneration package under his service contract as an executive Director, as determined by the Board from time to time.

Mr. He did not hold any directorship in other listed companies in Hong Kong or overseas during the past three years. Mr. He is not connected with any Directors, senior management, substantial Shareholders or controlling Shareholders (as defined under the Listing Rules).

As at the date of this announcement, save as disclosed above, Mr. He does not (i) have any other interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong); (ii) hold any other office in the Company or any other members of the Group; and (iii) have any other major appointments and professional qualifications.

Save as disclosed above, there is no other information relating to the election of Mr. He as an executive Director that are required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

CLOSURE OF THE REGISTER OF MEMBERS

For the purpose of determining the identity of the Shareholders entitled to attend and vote at the EGM, the Register of Members will be closed from Tuesday, September 12, 2023 to Friday, September 15, 2023, both dates inclusive, during which period no transfer of shares will be effected. To be eligible and attend and vote at the EGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Monday, September 11, 2023. The record date for determining the entitlement of the Shareholders to attend and vote at the EGM will be Friday, September 15, 2023.

To determine the entitlement to the proposed Interim Dividend, the Register of Members will be closed from Thursday, September 21, 2023 to Monday, September 25, 2023, both days inclusive, during which period no transfers of Shares shall be effected. To be eligible to receive the Interim Dividend, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Wednesday, September 20, 2023.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, the Company is not aware of any other material subsequent events from June 30, 2023 to the date of this announcement.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

The interim report of the Company for the Reporting Period containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the aforementioned websites of the Stock Exchange and the Company in due course.

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

Hong Kong, August 25, 2023

As at the date of this announcement, the executive Directors are Mr. Xu Bingzhong, Ms. Lei Xing, Ms. Cai Wenjun and Ms. Yu Zhen, and the independent non-executive Directors are Mr. Li Dong, Mr. Wang Renrong and Mr. Wong Heung Ming Henry.