

# 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)

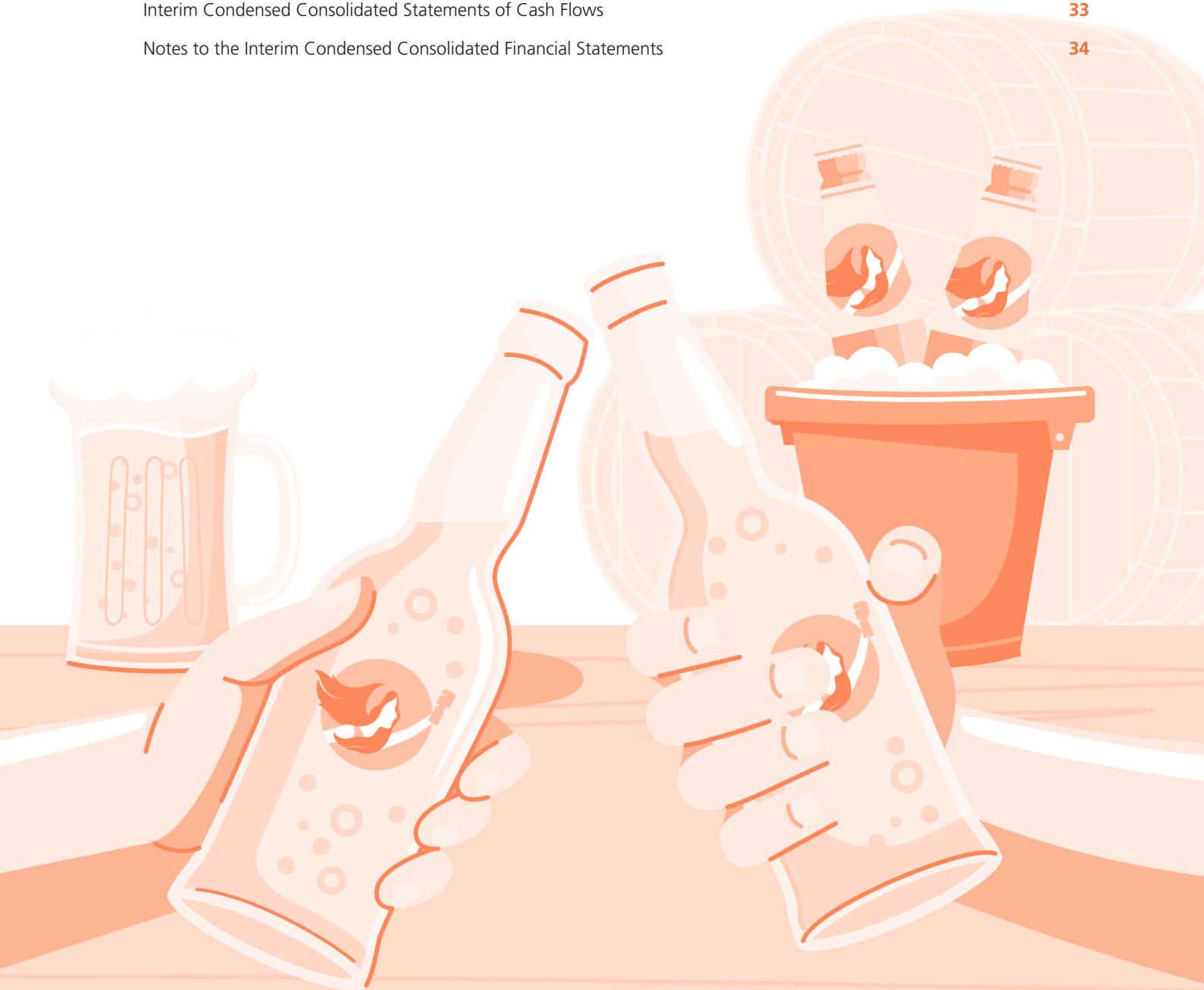
Stock code : 9869

INTERIM REPORT  
2023



# Contents

Definitions	2
Corporate Information	6
Financial Highlights	8
Business Highlights	9
Management Discussion and Analysis	12
Corporate Governance and Other Information	21
Interim Condensed Consolidated Statements of Comprehensive Income	30
Interim Condensed Consolidated Statements of Financial Position	31
Interim Condensed Consolidated Statements of Changes in Equity	32
Interim Condensed Consolidated Statements of Cash Flows	33
Notes to the Interim Condensed Consolidated Financial Statements	34



## 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, as amended from time to time
“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
“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 the 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 the 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 20, 2023, 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, 2023
“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



## Definitions

“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Share(s)” or “Ordinary Share(s)”	the shares of our Company, as the context so requires
“Shareholder(s)”	holder(s) of our Share(s)
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“US\$”	United States dollars, the lawful currency for the time being of the United States
“%”	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)  
Ms. Lei Xing (雷星女士)  
(resigned on September 15, 2023)  
Ms. Cai Wenjun (蔡文君女士)  
Ms. Yu Zhen (余臻女士)  
Mr. He Daqing (賀大慶先生)  
(elected on September 15, 2023)

### 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. Lui Wing Yat Christopher (ACG, HKACG)

## AUTHORIZED REPRESENTATIVES

Ms. Yu Zhen  
Mr. Lui Wing Yat Christopher (ACG, HKACG)

## 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

### LEGAL ADVISER IN HONG KONG

Davis Polk & Wardwell  
Level 10, The Hong Kong Club Building  
3A Chater Road  
Central  
Hong Kong

### AUDITOR

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

### PRINCIPAL BANKS

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

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

### STOCK CODE

9869

### COMPANY WEBSITE

[www.helensbar.com](http://www.helensbar.com)



## Financial Highlights

	For the six months ended June 30,	
	2023 (RMB in thousands) (unaudited)	2022 (RMB in thousands) (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)
<b>Adjusted net profit/(loss)<sup>(1)</sup></b>	<b>177,203</b>	<b>(99,936)</b>

### Non-HKFRS Measures

	For the six months ended June 30,	
	2023 (RMB in thousands) (unaudited)	2022 (RMB in thousands) (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
<b>Adjusted net profit/(loss)</b>	<b>177,203</b>	<b>(99,936)</b>

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 sub-section headed "Management Discussion and Analysis — Non-HKFRS Measures".

### Interim Condensed Consolidated Statement of Financial Position

	As at June 30, 2023 (RMB in thousands) (unaudited)	As at December 31, 2022 (RMB in thousands) (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

## DISTRIBUTION OF OUR BAR NETWORK

As of the Latest Practicable Date, we had a total of 561 bars, of which 559 bars are located in mainland China, covering 26 provincial-level administrative regions and 154 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 Latest Practicable Date and dates indicated.

	As at		June 30, 2022
	September 20, 2023	June 30, 2023	
<b>Mainland China</b>			
Bars in first-tier cities	55	63	88
Bars in second-tier cities	263	314	427
Bars in third and lower-tier cities	241	274	330
<b>Outside of Mainland China</b>	2	2	1
<b>Total</b>	<b>561</b>	<b>653</b>	<b>846</b>

	As at		June 30, 2022
	September 20, 2023	June 30, 2023	
Self-operated bars	409	515	846
Franchised bars	126	138	—
"HiBeer Partnership" bars	26	—	—
<b>Total</b>	<b>561</b>	<b>653</b>	<b>846</b>

## OPERATING INDICATORS<sup>(2)</sup>

### 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 (RMB in thousands)	2022 (RMB in thousands)
<b>Average daily sales per bar</b>		
<b>Mainland China</b>		
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
<b>Overall</b>	<b>8.2</b>	<b>7.2</b>

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.

## Business Highlights

### 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 (RMB in thousands)	2022 (RMB in thousands)
<b>Average daily sales per bar</b>		
Self-operated bars	7.9	7.2
Franchised bars	9.0	—
<b>Overall</b>	<b>8.2</b>	<b>7.2</b>

### 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 of August 25, 2023, 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 (RMB in thousands)	2022 (RMB in thousands)
<b>Average daily sales per bar</b>		
<b>Mainland China</b>		
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
<b>Overall</b>	<b>8.2</b>	<b>7.2</b>



## 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	
	2023	2022
Number of same-store	188	
Same-store sales (RMB'000)	<b>379,379.56</b>	347,610.63
Growth of same-store sales (%)	9.1	
Same-store average daily sales (RMB'000)	<b>2,184.10</b>	2,182.50
Growth of same-store average daily sales (%)	0.1	
Same-store average daily sales per store (RMB'000)	<b>11.62</b>	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	
	2023	2022
<b>All Helen's branded alcoholic drinks</b>		
Contribution (RMB'000)	<b>317,795</b>	376,558
Contribution margin (%)	<b>79.4</b>	78.7
<b>All third-party branded alcoholic drinks</b>		
Contribution (RMB'000)	<b>66,801</b>	86,544
Contribution margin (%)	<b>55.6</b>	48.5

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

# 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 Latest Practicable Date, over 120 partners have signed contracts with us and 26 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.



# Management Discussion and Analysis



## 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 Revenue		2022 Revenue	
	(RMB in thousands)	% of total revenue	(RMB in thousands)	% of total revenue
<b>Helen's branded products</b>	<b>541,399</b>	<b>76.3</b>	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
<b>Third-party brand alcoholic drinks</b>	<b>120,182</b>	<b>16.9</b>	178,597	20.4
<b>Other products<sup>(1)</sup></b>	<b>7,097</b>	<b>1.0</b>	25,740	2.9
<b>Revenue from franchising cooperation</b>	<b>38,969</b>	<b>5.5</b>	188	0.1
<b>Other revenue<sup>(2)</sup></b>	<b>2,345</b>	<b>0.3</b>	7,002	0.8
<b>Total</b>	<b>709,992</b>	<b>100</b>	<b>873,612</b>	<b>100</b>

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.

# Management Discussion and Analysis

## 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.

# Management Discussion and Analysis



## 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.



# Management Discussion and Analysis

## 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 (Note)	19,716	101,508
<b>Adjusted net profit/(loss)</b>	<b>177,203</b>	<b>(99,936)</b>

Note: For the six months ended June 30, 2023, 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).

# Management Discussion and Analysis

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

## Management Discussion and Analysis

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.



# Management Discussion and Analysis



## 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.

# Management Discussion and Analysis

## 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 this interim report. 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.

## Corporate Governance and Other Information



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

As at June 30, 2023, 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 (%) <sup>(1)</sup>
Mr. Xu Bingzhong <sup>(2)</sup>	Founder of a discretionary trust and interest in a controlled corporation	861,000,000	67.96
Ms. Cai Wenjun	Beneficial owner	1,253,476	0.10
	Founder of a discretionary trust who can influence how the trustee exercises his discretion	16,054,976	1.27
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, 2023.
- (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, 2023, none of the Directors and chief executive of the Company had or was deemed to have any interests or short positions in the 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 taken 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, 2023, 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 taken 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 (%) <sup>(1)</sup>
Mr. Xu Bingzhong <sup>(2)</sup>	Founder of a discretionary trust and interest in a controlled corporation	861,000,000 (Long position)	67.96
Cantrust <sup>(2)</sup>	Trustee	861,000,000 (Long position)	67.96
HLSH Holding <sup>(2)</sup>	Interest in a controlled corporation	861,000,000 (Long position)	67.96
HHL International <sup>(2)</sup>	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, 2023.

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

Save as disclosed above, as at June 30, 2023, 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 to 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.



# Corporate Governance and Other Information

## 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 the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" 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 corporate, 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, namely the Senior Management RSU Scheme, the Director RSU Scheme and the Employee RSU Scheme, and re-granted new RSUs to the aforesaid grantees.

On June 7, 2021, (i) 3,100,389 Shares were issued to TLQ Holding Limited, which is wholly-owned by Cantrust, for the purpose of the Director RSU Scheme; (ii) 9,999,611 Shares were 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 were issued to NLNQ Holding Limited, which is wholly-owned by Infiniti Trust, for the purpose of the Employee RSU Scheme. As such, no Shares are available for issue under the Pre-IPO RSU Schemes.

Before the Listing Date, all of the Pre-IPO RSUs under the Pre-IPO RSU Schemes had 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 (the "**Adoption Date**"), and restated and amended by our Company on January 16, 2022.

### Summary of Terms

#### 1. Purpose

The purpose of the Post-IPO RSU Scheme 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

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

## Corporate Governance and Other Information



As the Shares under the Post-IPO RSU Scheme are existing Shares, the total number of Shares available for issue under the Post-IPO RSU Scheme is 0. The number of Shares that may be issued in respect of the awards granted under the Post-IPO RSU Scheme during the Reporting Period divided by the weighted average number of Shares in issue for the Reporting Period is not applicable. The numbers of awards available for grant at the beginning and the end of the Reporting Period are 4,661,257 and 4,661,257, respectively.

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. There is no maximum entitlement of each participant under the Post-IPO RSU Scheme.

### 3. *Selected persons*

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.

### 4. *Duration*

The Post-IPO RSU Scheme shall be valid and effective for a term of ten years commencing on the Adoption Date (the “**Post-IPO RSU Scheme Period**”), after which period no further Post-IPO RSUs shall be granted or accepted, but the provisions of the Post-IPO RSU Scheme shall remain in full force and effect in order to give effect to the vesting of Post-IPO RSUs granted and accepted prior to the expiration of the Post-IPO RSU Scheme Period. Therefore, as at the date of this report, the remaining life of the Post-IPO RSU Scheme approximately seven years and seven months.

### 5. *Administration*

The Post-IPO RSU Scheme 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 Post-IPO RSU Scheme and the terms of the awards granted thereunder. Any decision of the Board made in accordance with the rules of the Post-IPO RSU Scheme 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 Post-IPO RSUs to be granted to each of them, the vesting schedule and other terms and conditions (if any) that the Post-IPO RSUs are subject to as determined by the Board.

Subject to limitations and conditions of the Post-IPO RSU Scheme, the RSU Trustees shall, upon receipt of the notification from the Board, 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.

## Corporate Governance and Other Information

### 7. *Acceptance of Awards*

If the selected person intends to accept the offer of the grant of Post-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 application or acceptance of awards.

### Awards Granted

As at the beginning and the end of the Reporting Period, there was no outstanding or unvested RSU and awards under the Post-IPO RSU Scheme.

During the Reporting Period, no award under the Post-IPO RSU Scheme has been granted, exercised, cancelled or lapsed.

## 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, 2023.

## CHANGE IN THE POSITION AND INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

In accordance with Rule 13.51(B)(1) of the Listing Rules, the details of the changes in information of Directors during the Reporting Period are set out below:

Mr. Wong Heung Ming Henry, an independent non-executive Director, resigned as an independent non-executive director of Shifang Holding Limited (a company listed on the Stock Exchange, stock code: 1831) with effect from April 19, 2023, and was appointed as an independent non-executive director of Nature Wood Group Limited (a company listed on NASDAQ, stock ticker: NWGL) on September 11, 2023.

Save as disclosed above, during the Reporting Period and as at the Latest Practicable Date, there has been no change in the information of the Directors as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## 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 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.

## Corporate Governance and Other Information



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.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the 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, 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.

# Corporate Governance and Other Information

## EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this interim report, the Company is not aware of any material subsequent events from June 30, 2023 to the Latest Practicable Date.

## 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 August 25, 2023, 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 has been approved by the Shareholders at the extraordinary general meeting (the “**EGM**”) 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 (i.e. RMB1 : HK\$1.0904). 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 despite her resignation as an executive Director. In accordance with Article 111 of the Articles of Association, Mr. He Daqing (“**Mr. He**”) has been elected as an executive Director with effect from the date of the EGM as approved by the Shareholders by an ordinary resolution at the EGM. For further details, please refer to the circular for the EGM published by the Company on August 25, 2023.

## 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.

# Corporate Governance and Other Information



## 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\$1,313.7 million as at the end of the Reporting Period and the Company has used and will continue to use the net proceeds 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.

During the Reporting Period, the Group has used the net proceeds in the same manner and proportions as set out in the Prospectus as follows:

Intended use of net proceeds <sup>(1)</sup>	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, 2023 (HK\$ in million)	Balance of net proceeds as at December 31, 2022 (HK\$ in million)	Amount of net proceeds utilized during the Reporting Period (HK\$ in million)	Balance of net proceeds as at June 30, 2023 (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	1,091.7	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
<b>Total</b>	<b>100.0%</b>	<b>2,980.1</b>	<b>1,666.4</b>	<b>1,453.7</b>	<b>140.0</b>	<b>1,313.7</b>	

Note:

(1) Figures in the table are approximate.

## Interim Condensed Consolidated Statements of Comprehensive Income

		Six months ended June 30,	
		2023	2022
		RMB'000	RMB'000
	Note		
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)
<b>Profit/(loss) before income tax</b>		<b>132,549</b>	<b>(324,649)</b>
<b>Income tax credit</b>	8	<b>24,938</b>	<b>20,505</b>
<b>Profit/(loss) for the period attributable to owners of the Company</b>		<b>157,487</b>	<b>(304,144)</b>
<b>Other comprehensive income:</b>			
Item that may be subsequently reclassified to profit or loss			
Currency translation differences		18,074	62,832
<b>Total comprehensive income/(loss) for the period</b>		<b>175,561</b>	<b>(241,312)</b>
<b>Profit/(loss) for the period attributable to:</b>			
Owners of the Company		157,487	(304,144)
<b>Earnings/(losses) per share for profit/(loss) attributable to owners of the Company (expressed in RMB per share)</b>			
Basic	9	0.124	(0.249)
Diluted	9	0.124	(0.249)

# Interim Condensed Consolidated Statements of Financial Position



	Note	As of June 30, 2023 RMB'000	As of December 31, 2022 RMB'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	515,600	693,254
Intangible assets		66	75
Right-of-use assets	16	268,123	457,037
Deposits and prepayments	12	78,848	89,689
Deferred tax assets		76,570	46,469
		<b>939,207</b>	<b>1,286,524</b>
<b>Current assets</b>			
Inventories	13	27,541	35,962
Prepayments, deposits and other receivables	12	72,006	55,718
Cash and bank balances	14	820,613	1,096,998
Term deposit with original maturity over three months	14	629,277	201,566
		<b>1,549,437</b>	<b>1,390,244</b>
<b>Total assets</b>		<b>2,488,644</b>	<b>2,676,768</b>
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	15	1	1
Reserves		1,998,428	1,822,867
<b>Total equity</b>		<b>1,998,429</b>	<b>1,822,868</b>
<b>Liabilities</b>			
<b>Non-current liability</b>			
Lease liabilities	16	298,128	565,202
<b>Current liabilities</b>			
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		19,824	12,346
		<b>192,087</b>	<b>288,698</b>
<b>Total liabilities</b>		<b>490,215</b>	<b>853,900</b>
<b>Total equity and liabilities</b>		<b>2,488,644</b>	<b>2,676,768</b>



## Interim Condensed Consolidated Statements of Changes in Equity

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

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

# Interim Condensed Consolidated Statements of Cash Flows



		Six months ended June 30,	
		2023	2022
Note		RMB'000	RMB'000
<b>Cash flows from operating activities</b>			
		217,576	70,646
		(1,730)	(13,829)
		<u>215,846</u>	<u>56,817</u>
<b>Cash flows from investing activities</b>			
	11	(14,960)	(219,893)
	19	(1,541)	—
		26,676	888
		<u>10,175</u>	<u>(219,005)</u>
<b>Cash flows from financing activities</b>			
	16	(96,327)	(148,461)
	16	(17,431)	(37,104)
		<u>(113,758)</u>	<u>(185,565)</u>
<b>Net increase/(decrease) in cash and bank balances</b>			
		112,263	(347,753)
		1,298,564	1,626,731
		39,063	62,832
		<u>1,449,890</u>	<u>1,341,810</u>

# 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.

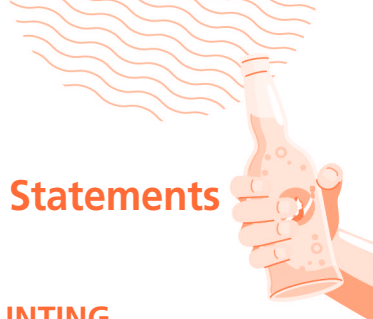
### 2.2 Summary of significant accounting policies

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.

# 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 and not been early adopted by the Group as of June 30, 2023 are as follows:

		<b>Effective for annual periods beginning on or after</b>
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.

# 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, 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
	<u>709,992</u>	<u>873,612</u>
Disaggregated by timing of revenue recognition:		
— Point in time	670,573	873,424
— Over time	39,419	188
	<u>709,992</u>	<u>873,612</u>

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.

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

### (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 RMB'000	2022 RMB'000
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
	<b>53,040</b>	<b>72,492</b>

# Notes to the Interim Condensed Consolidated Financial Statements

## 5 GOVERNMENT GRANTS AND CONCESSIONS

	Six months ended June 30,	
	2023 RMB'000	2022 RMB'000
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 RMB'000	2022 RMB'000
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.

# Notes to the Interim Condensed Consolidated Financial Statements



## 7 FINANCE (INCOME)/COSTS, NET

	Six months ended June 30,	
	2023 RMB'000	2022 RMB'000
Interest income on bank deposits	<u>(41,954)</u>	<u>(888)</u>
Interest expenses on lease liabilities (Note 16(c))	<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 RMB'000	2022 RMB'000
Current income tax expenses	5,163	10,700
Deferred income tax credit	<u>(30,101)</u>	<u>(31,205)</u>
<b>Income tax credit</b>	<u>(24,938)</u>	<u>(20,505)</u>



# Notes to the Interim Condensed Consolidated Financial Statements

## 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 (RMB'000)	157,487	(304,144)
Weighted average number of ordinary shares in issue (Thousand) (Note 15)	1,266,902	1,222,290
Basic earnings/(losses) per share (RMB)	<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.

# Notes to the Interim Condensed Consolidated Financial Statements



## 10 INTERIM DIVIDENDS AND SUBSEQUENT EVENTS

	Six months ended June 30,	
	2023 RMB'000	2022 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 also approved by the shareholders in the extraordinary general meeting held on September 15, 2023.

## 11 PROPERTY, PLANT AND EQUIPMENT

	Computer equipment RMB'000	Furniture and fixture RMB'000	Leasehold improvement RMB'000	Building RMB'000	Motor and Vehicle RMB'000	Total RMB'000
<b>Six months ended</b>						
<b>June 30, 2023</b>						
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>
<b>As of June 30, 2023</b>						
Cost	1,339	283,478	847,121	211,082	5,979	1,348,999
Accumulated depreciation and impairment losses	<u>(598)</u>	<u>(150,012)</u>	<u>(673,778)</u>	<u>(7,962)</u>	<u>(1,049)</u>	<u>(833,399)</u>
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>

# Notes to the Interim Condensed Consolidated Financial Statements

## 12 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>As of June 30, 2023 RMB'000</b>	As of December 31, 2022 RMB'000
<b>Non-current portion</b>		
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>
<b>Current portion</b>		
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.

# Notes to the Interim Condensed Consolidated Financial Statements



## 13 INVENTORIES

	<b>As of June 30, 2023 RMB'000</b>	As of December 31, 2022 RMB'000
Food ingredients, beverages and consumables	<b><u>27,541</u></b>	<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

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

# Notes to the Interim Condensed Consolidated Financial Statements

## 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.

# Notes to the Interim Condensed Consolidated Financial Statements



## 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:

	<b>As of June 30, 2023 RMB'000</b>	As of December 31, 2022 RMB'000
<b>Right-of-use assets-properties</b>		
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>
<b>Lease liabilities</b>		
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.

### (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:

	<b>Six months ended June 30,</b>	
	<b>2023 RMB'000</b>	2022 RMB'000
Depreciation charge of right-of-use assets	60,992	157,351
Finance costs on lease liabilities (Note 7)	17,431	37,104
Gain on COVID-19 rent concessions (Note 5)	—	11,711
	<u>78,423</u>	<u>206,166</u>

# Notes to the Interim Condensed Consolidated Financial Statements

## 16 LEASES (CONTINUED)

### (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:

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

\* 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

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

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

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

# Notes to the Interim Condensed Consolidated Financial Statements



## 18 OTHER PAYABLES AND ACCRUALS

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

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.



# Notes to the Interim Condensed Consolidated Financial Statements

## 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	Controlling Shareholder
Shenzhen Jiangzhu Technology Co., Ltd	A company owned indirectly as to 25% by Mr. Xu Bingzhong

### (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

	Six months ended June 30,	
	2023 RMB'000	2022 RMB'000
Purchase of plant and equipment	1,448	—

#### (ii) Balances with related parties

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