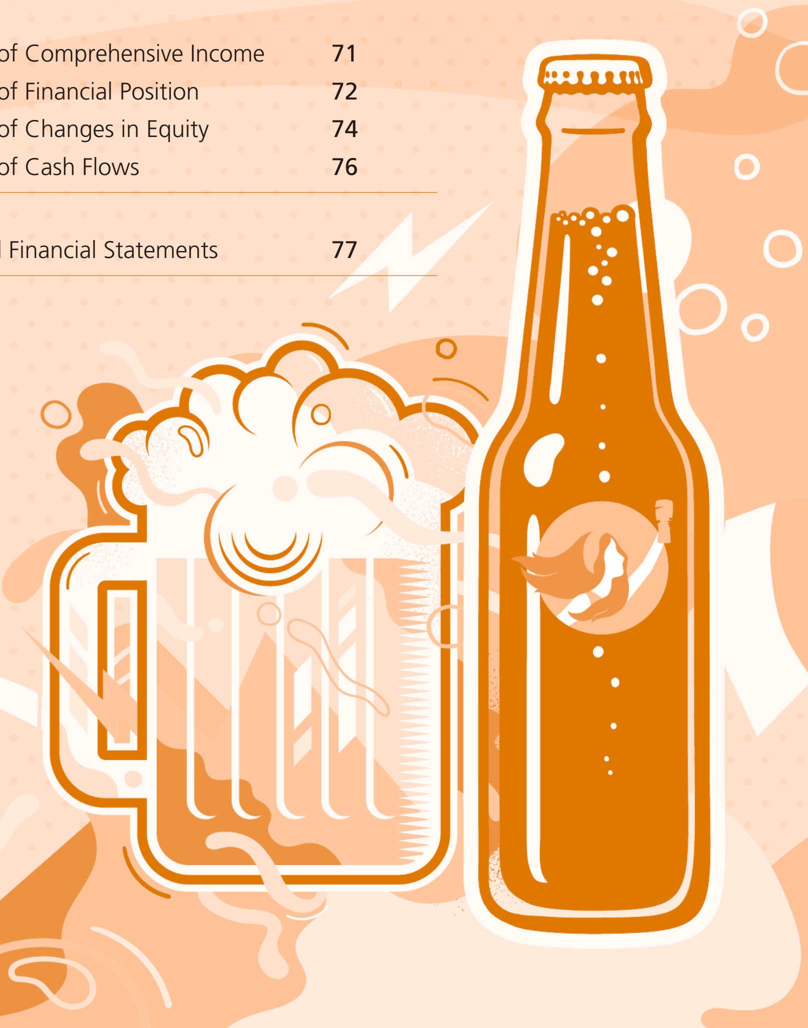
Helens International Holdings Company Limited

海倫司國際控股有限公司

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

Stock code : 9869

CONTENTS



Definitions

"Articles of Association" or "Articles"	the amended and restated articles of association of our Company adopted on June 16, 2023
"Audit Committee"	the audit committee of the Board
"Board"	the board of directors of our Company
"BVI"	the British Virgin Islands
"Cantrust"	Cantrust (Far East) Limited, the trustee of the Mr. Xu's Trust and the Director RSU Scheme
"China" or "PRC"	People's Republic of China, but for the purpose of this annual report and for geographical reference only and except where the context requires otherwise, references in this annual report to "China" and the "PRC" do not include Hong Kong, Macau and Taiwan
"Code", "CG Code" or "Corporate Governance Code"	the Corporate Governance Code set out in Part 2 of Appendix C1 to the Listing Rules
"Company" or "our Company"	Helens International Holdings Company Limited (海倫司國際控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands on January 16, 2018
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to HHL International, Helens Hill (BVI), HLSH Holding and Mr. Xu
"Director(s)"	the directors of our Company, including all executive and independent non-executive directors
"Director RSU Scheme"	the restricted share unit scheme of the Company approved and adopted by the Board on March 31, 2021, the principal terms of which are set out in the paragraph headed "D. Share Incentive Schemes — 1. Pre-IPO RSU Schemes" in Appendix IV to the Prospectus
"Employee RSU Scheme"	the restricted share unit scheme of the Company approved and adopted by the Board on March 31, 2021, the principal terms of which are set out in the paragraph headed "D. Share Incentive Schemes — 1. Pre-IPO RSU Schemes" in Appendix IV to the Prospectus
"Global Offering"	the Hong Kong public offering and the international offering of our Shares

"Group," "our Group," "our," "we" or "us"	our Company, its subsidiaries from time to time
"Helens Hill (BVI)"	Helens Hill Holding Limited, a company incorporated in the BVI with limited liability on January 11, 2018, one of our Controlling Shareholders
"HHL International"	HHL International Limited (HHL國際有限公司), a company incorporated in BVI on May 12, 2021 with limited liability and wholly owned as to 1% by Helens Hill (BVI) and 99% by HLSH Holding, a Controlling Shareholder
"HK$" or "Hong Kong Dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HLSH Holding"	HLSH Holding Limited, a company incorporated in BVI on March 24, 2021 with limited liability and wholly owned by Cantrust, a Controlling Shareholder
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchange and Clearing Limited
"Infiniti Trust"	Infiniti Trust (Asia) Limited, the trustee of the Senior Management RSU Scheme, Employee RSU Scheme and Post-IPO RSU Scheme
"Latest Practicable Date"	April 15, 2024, being the latest practicable date prior to the printing of this annual report for the purpose of ascertaining certain information contained herein
"Listing"	the listing of the Shares on the Main Board
"Listing Date"	September 10, 2021, the date 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 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 C3 to the Listing Rules
"Mr. Xu's Trust"	Tiny Tiny Hill Trust, a discretionary trust set up by Mr. Xu with Cantrust acting as trustee, the beneficiaries of which are Mr. Xu's family members and Helens Hill (BVI)

Definitions

"NEWCE Holding"	NEWCE Holding Limited, a company incorporated in the BVI with limited liability on May 15, 2019, and a shareholder of our Company wholly owned by Mr. Wang Zhenpeng, our former senior vice president of finance
"Over-allotment Option"	the option to be granted by us to the International Underwriter(s), exercisable by the Sole Global Coordinator on behalf of the International Underwriter(s), pursuant to which we are required to allot and issue up to an aggregate of 20,197,500 additional Shares (representing 15% of the Shares initially being offered under the Global Offering) to cover over-allocations in the International Offering, details of which are described in the section headed "Structure of the Global Offering — Over-allotment Option" of the Prospectus
"Post-IPO RSU"	a restricted share unit to be granted under the Post-IPO RSU Scheme
"Post-IPO RSU Scheme"	the post-IPO restricted share unit scheme of the Company approved and adopted by the Board on March 31, 2021, the principal terms of which are set out in the paragraph headed "D. Share Incentive Schemes — 2. Post-IPO RSU Scheme" in Appendix IV to the Prospectus
"Pre-IPO RSU"	a restricted share unit granted under the Pre-IPO RSU Schemes
"Pre-IPO RSU Schemes"	the Director RSU Scheme, the Employee RSU Scheme and the Senior Management RSU Scheme
"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 12 months ended December 31, 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
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Share(s)" or "Ordinary Share(s)"	the shares of our Company, as the context so requires

"Shareholder(s)"	holder(s) of our Share(s)
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"WTSJ Holding"	WTSJ Holding Limited, a company incorporated in the BVI with limited liability on May 15, 2019, and a Substantial Shareholder of our Company
"%"	per cent

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

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Xu Bingzhong (徐炳忠先生)
(Chairman and Chief Executive Officer)
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)
(appointed 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 BRANCH SHARE REGISTRAR

Link Market Services (Hong Kong) Pty Limited
Suite 1601, 16/F, Central Tower
28 Queen's Road Central
Hong Kong

LEGAL ADVISER IN HONG KONG

Jingtian & Gongcheng LLP
Suites 3203–3207, 32/F
Edinburgh Tower, The Landmark
15 Queen's Road Central
Hong Kong

AUDITOR

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

PRINCIPAL BANKS

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

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

STOCK CODE

9869

COMPANY WEBSITE

www.helensbar.com

Five-Year Financial Summary

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December				
	2023	2022	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**1,208,613**	1,559,308	1,835,616	817,945	564,809
Profit/(loss) before income tax	**151,964**	(1,616,472)	(176,850)	96,967	104,918
Profit/(loss) for the year attributable to owners of the Company	**180,500**	(1,601,150)	(230,000)	70,072	79,136
Adjusted net profit/(loss) [(1)]	**280,191**	(240,784)	111,230	75,752	79,136

Note:

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of December 31				
	2023	2022	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Assets					
Non-current assets	**740,830**	1,286,524	2,572,643	788,632	524,681
Current assets	**1,424,154**	1,390,244	1,714,123	71,310	50,088
Total assets	**2,164,984**	2,676,768	4,286,766	859,942	574,769
Equity and liabilities					
Equity attributable to owners of the Company	**1,821,407**	1,822,868	2,876,720	160,238	89,215
Non-current liabilities	**191,231**	565,202	1,060,620	460,379	337,288
Current liabilities	**152,346**	288,698	349,426	239,325	148,266
Total liabilities	**343,577**	853,900	1,410,046	699,704	485,554
Total equity and liabilities	**2,164,984**	2,676,768	4,286,766	859,942	574,769

	For the year ended December 31,	
	2023	2022
	(RMB in thousands)	*(RMB in thousands)*
Revenue	**1,208,613**	1,559,308
Profit/(Loss) before income tax	**151,964**	(1,616,472)
Profit/(Loss) for the year attributable to owners of the Company	**180,500**	(1,601,150)
Adjusted net profit/(loss) [(1)]	**280,191**	(240,784)

NON-HKFRS MEASURES

	For the year ended December 31,	
	2023	2022
	(RMB in thousands)	*(RMB in thousands)*
Profit/(Loss) for the year	**180,500**	(1,601,150)
Add:		
Equity settled share-based payments	**—**	503,191
Losses from bars optimization and adjustment[(2)]	**99,691**	857,175
Adjusted net profit/(loss)	**280,191**	(240,784)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at December 31, 2023 ***(RMB in thousands)*** **(audited)**	As at December 31, 2022 *(RMB in thousands)* (audited)
Non-current assets	**740,830**	1,286,524
Current assets	**1,424,154**	1,390,244
Total assets	**2,164,984**	2,676,768
Total equity	**1,821,407**	1,822,868
Non-current liabilities	**191,231**	565,202
Current liabilities	**152,346**	288,698
Net current assets	**1,271,808**	1,101,546
Total liabilities	**343,577**	853,900
Total equity and liabilities	**2,164,984**	2,676,768

Note (1): We define adjusted net profit/(loss) as profit/(loss) for the year adjusted by adding back equity settled share-based payments and losses from bars optimization and adjustment. For details of non-HKFRS measures, please refer to the sub-section headed "Management Discussion and Analysis — Non-HKFRS Measures". We consider this change in definition to be more meaningful to the management for review and analysis purposes.

Note (2): Losses from bars optimization and adjustment in 2023 represented losses incurred as the Company made a strategic transformation to a platform-based company and adjusted its self-operated bar network in order to cope with the changes in the economic environment. In particular, such losses included the sum of impairment losses of plant and equipment and right-of-use assets, loss on disposal of plant and equipment, loss on rental deposits, and penalties and compensation for early termination of leases, which amounted to approximately RMB11,338,000, RMB215,052,000, RMB30,058,000 and RMB26,912,000 respectively, and offset by gain on termination of leases amounting to RMB183,669,000.

Chairman's Statement

Dear Shareholders,

I am pleased to present to shareholders the annual report for the year ended December 31, 2023.

In 2023, our bars have gradually resumed normal operation and saw a remarkable improvement in the profit of our operation along with the lifting of the COVID-19 pandemic control measures. In 2023, our revenue decreased to RMB1,210 million from RMB1,560 million in 2022, mainly due to strategic transformation of the Company towards a light-asset model by actively adjusting its self-operated stores and developing partnership bar network. In 2023, our contribution margin of bars amounted to 70.1%, representing an increase from 64.0% in 2022. Despite the decrease in revenue, we recorded an adjusted net profit of RMB280.2 million in 2023, with an adjusted net profit margin of 23.2%, compared to an adjusted net loss of RMB240.8 million in 2022.

In 2023, in order to cope with the complex changes in the economic environment, the Company firmly made a strategic transformation to a platform-based company by implementing an asset-light model. By proactively adjusting its existing bar network, the Company vigorously developed its partnership bar network to fully mobilize high-quality resources from the community and re-engage in a long-term market layout. As of December 31, 2023, the number of bars in our bar network decreased to 479 from 767 as of December 31, 2022. With the rapid and smooth progress of the "HiBeer Partnership" programme, the number of bars in our bar network increased to 503 as of March 19, 2024, and will consistently accelerate its expansion.

The success of the "HiBeer Partnership" programme reflects our broad market demand and the industry-leading position of our brand. As of March 28, 2024, a total of 383 bars under the "HiBeer Partnership" programme have been contracted, of which 188 are already in operation, These establishments are spread across 136 cities, ranging from first-tier cities to county-level cities, of which 69 in existing markets and 67 in newly established markets.

The success of the "HiBeer Partnership" programme also demonstrates the alignment between the new single-bar model with the market environment. On the one hand, the single-bar model with the lowest break-even point (i.e. the daily turnover required to maintain the break even of bars) can better cope with the fluctuations of the economic environment and improve the risk resistance of bars. On the other hand, by mobilizing the partners' external quality resources, such as qualified site selection, abundant customer acquisition resources and flexible marketing channels suitable for the local market, both parties can tap into mutually complementary advantages and enhance the operating results of bars, as well as achieve higher average daily area-effectiveness of bars and respond flexibly and timely to market competition, which is conducive to the long-term and stable development of bars.

Looking forward, we will continue to focus on our platform-based development strategy, accelerate the deployment of our bar network through the "HiBeer Partnership" programme, inspire the vitality of our partners through "Frontline Striker Incentive Programme", enrich the product portfolio of our bars through supply chain integration and product research and development, provide consumers with simple happiness, create long-term value for our partners, and make our stylish gathering space into essential infrastructure for everyday life for the public.

Distribution of Our Bar Network

In 2023, in order to cope with the complex changes in the economic environment, the Company firmly made a strategic transformation to a platform-based company by implementing an asset-light model. By proactively adjusting its existing bar network, the Company vigorously developed its partnership bar network to fully mobilize high-quality resources from the community and re-engage in a long-term market layout. Therefore, there was a decrease in the number of the Company's bars in 2023.

With the rapid and smooth progress of the "HiBeer Partnership" ("嗨啤合夥人") programme, the number of the Company's bars saw a rebound as of March 19, 2024, and will consistently accelerate its expansion. The success of the "HiBeer Partnership" programme reflects not only our broad market demand and the industry-leading position of our brand but also the fit of the new single-bar model with the market environment.

As of March 28, 2024, a total of 383 bars under the "HiBeer Partnership" programme have been contracted, of which 188 are already in operation, These establishments are spread across 136 cities, ranging from first-tier cities to county-level cities, of which 69 in existing markets and 67 in newly established markets.

As of March 19, 2024, we had a total number of 503 bars globally, including Mainland China, Hong Kong, China, and Singapore, and covering 32 provincial-level administrative regions and 200 cities in China. The following table sets forth the number of Helen's bars by geographic location and types as of March 19, 2024 and the dates indicated.

	As of		
	March 19, 2024	**December 31, 2023**	December 31, 2022
Mainland China			
Bars in first-tier cities	**39**	**38**	80
Bars in second-tier cities	**187**	**186**	372
Bars in third and lower-tier cities	**274**	**252**	314
Other regions out of Mainland China	**3**	**3**	1
Total	**503**	**479**	767

	As of		
	March 19, 2024	**December 31, 2023**	December 31, 2022
Self-operated bars	**236**	**255**	653
Franchised bars	**84**	**92**	114
"HiBeer Partnership" bars	**183**	**132**	—
Total	**503**	**479**	767

OPERATING INDICATORS

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 period.

	For the year ended December 31, 2023 (RMB in thousands)	2022 (RMB in thousands)
Average daily sales per self-operated bar and franchised bar		
Mainland China		
Bars in first-tier cities	**7.5**	7.6
Bars in second-tier cities	**7.1**	6.6
Bars in third and lower-tier cities	**7.4**	7.3
Overall	**7.3**	7.0

	2023 (RMB in thousands)
Average daily sales per "HiBeer Partnership" bar	
Mainland China	
Bars in first-tier cities	**9.4**
Bars in second-tier cities	**7.7**
Bars in third and lower-tier cities	**6.9**
Overall	**7.1**

Average Daily Area-effectiveness Per Bar of Different Types

The table below shows the performance of average daily area-effectiveness (average daily sales per bar/store area) of different types of bars in 2023.

By implementing the new single-bar model, the "HiBeer Partnership" bars provide consumers with a better bar experience through a smaller covering area, which makes it easier to create an ambience. Meanwhile, with achieving complementary advantages by further mobilization of high-quality resources from the community, the "HiBeer Partnership" bars have achieved a better selection of sites at a lower cost, and a higher average daily area-effectiveness per bar at a lower operating cost.

	2023 ***(RMB/square meters)***
Average daily sales per bar	
Mainland China	
Self-operated bars	**19**
Franchised bars	**20**
"HiBeer Partnership" bars	**34**
Overall	**21**

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 200 days in 2023 and 2022, respectively.

	For the year ended December 31,		
	2023		2022
Number of same-store		**333**	
Same-store sales *(RMB'000)*	**1,038,908.3**		986,293.7
Growth of same-store sales *(%)*		**5.3**	
Same-store sales per day[(1)] *(RMB'000)*	**3,104.8**		3,392.6
Growth of same-store sales per day *(%)*		**-8.5**	
Same-store average daily sales per store[(2)] *(RMB'000)*	**9.3**		10.2
Growth of same-store average daily sales per store *(%)*		**-8.8**	

Notes:

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

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

Chairman's Statement

In 2023, our same-store performance declined, mainly due to the volatile domestic economic environment.

he Company is taking various measures to improve its same-store performance, including (i) continuously optimizing the operation model, improving the flexibility of store operation, and strengthening the performance incentive effect; (ii) intensifying efforts to launch new products and enhancing the attractiveness of stores by enriching the product matrix; (iii) further enhancing brand influence and customers' experience, and increasing our ability to continuously acquire new customers and facilitate the repurchase of old customers.

Contribution from Our Featured Products

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

	For the year ended December 31,	
	2023	2022
All Helen's branded alcoholic drinks		
Contribution *(RMB'000)*	**473,168**	650,680
Contribution margin	**75.7%**	75.6%
All third-party brand alcoholic drinks		
Contribution *(RMB'000)*	**123,799**	156,068
Contribution margin	**54.8%**	50.1%

Note:

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

ACKNOWLEDGEMENTS

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

REVENUE

Our revenue decreased by 22.5% from RMB1,559.3 million for the year ended December 31, 2022 to RMB1,208.6 million for the year ended December 31, 2023, primarily due to strategic transformation of the Company towards a light-asset model by actively adjusting its self-operated stores and developing partnership bar network. In 2023, we intensified our efforts to introduce new products, ongoing launch of alcoholic beverages such as Passion Fruit Beer Tower (百香果大扎) and Old Popsicle Tower (老冰棍噸噸桶), we catered to consumers' demand for spirituous and sharing-oriented products, boosting in the respective sales proportion.

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

	For the year ended December 31,			
	2023		2022	
	Revenue *(RMB in thousands)*	***% of total revenue***	Revenue *(RMB in thousands)*	*% of total revenue*
Revenue from self-operated bars				
Helen's branded products	**858,713**	**71.1**	1,192,374	76.5
Helen's beer	**125,996**	**10.4**	280,798	18.0
Spirituous drinks	**498,784**	**41.3**	579,749	37.2
Snacks	**233,933**	**19.4**	331,827	21.3
Third-party brand alcoholic drinks	**225,727**	**18.7**	311,213	20.0
Other products(1)	**12,219**	**1.0**	36,277	2.3
Other revenue(2)	**6,641**	**0.5**	8,124	0.5
Sub-total	**1,103,300**	**91.3**	**1,547,988**	**99.3**
Revenue from franchising cooperation service(3), net	**71,107**	**5.9**	11,320	0.7
Revenue from sales of products to partnership bar	**34,206**	**2.8**	—	—
Total	**1,208,613**	**100**	1,559,308	100

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.

(3) Including the revenue generated from providing franchising service to franchised bars and "HiBeer Partnership" bars, please see Note 5 to the Consolidated Financial Statements for details.

In 2023, we introduced a new cooperation model and the single-bar model in the "HiBeer Partnership" programme so as to create a stylish gathering space for consumers by achieving complementary advantages with our partners via co-creation and sharing. We believe this will bring our partners and us numerous advantages and substantial revenue. Firstly, we can complement each other's strengths with our partners, fully mobilize advanced 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, which will help them effectively manage their operational risks as a result of our uniform and standardized management.

GOVERNMENT GRANTS AND CONCESSIONS

Our government grants and concessions decreased from RMB38.2 million for the year ended December 31, 2022 to RMB9.0 million for the year ended December 31, 2023. It mainly refers to the decrease in gain from COVID-19 rent concession post-pandemic.

COST OF RAW MATERIALS AND CONSUMABLES USED

The cost of our raw materials and consumables used was RMB359.8 million for the year ended December 31, 2023, including the cost of raw materials and consumables of self-operated bars of RMB330.3 million and the cost of raw materials and consumables generated by sales of products to partnership bar of RMB29.5 million, representing a decrease of 36.0% from RMB561.9 million for the year ended December 31, 2022, primarily due to the decrease of the revenue, and 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 70.2% from RMB1,003.5 million for the year ended December 31, 2022 to RMB298.8 million for the year ended December 31, 2023. The substantial decrease in employee benefit and manpower service expenses was mainly attributable to:

(1) There was no equity settled share-based payments for the year ended December 31, 2023 (for the year ended December 31, 2022: RMB503.2 million);

(2) The employee wages and benefits decreased as the number of employees reduced as a result of the adjustment of our existing store network.

DEPRECIATION OF RIGHT-OF-USE ASSETS

The depreciation of our right-of-use assets decreased by 65.1% from RMB315.9 million for the year ended December 31, 2022 to RMB110.2 million for the year ended December 31, 2023. The decrease is primarily due to the termination of certain self-operated bars' lease contracts under the optimization and adjustment of the strategic transformation of the Company.

DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

The depreciation of our property, plant and equipment decreased by 55.3% from RMB200.0 million for the year ended December 31, 2022 to RMB89.4 million for the year ended December 31, 2023. The decrease was primarily due to the fixed assets of self-operated bars reduced as the number of bars decreased.

AMORTISATION OF INTANGIBLE ASSETS

Our amortisation of intangible assets remained at RMB17,000 for the years ended December 31, 2022 and 2023, representing the amortisation expenses incurred in software.

SHORT-TERM RENTAL AND OTHER RELATED EXPENSES

Our short-term rental and other related expenses decreased by 49.1% from RMB84.8 million for the year ended December 31, 2022 to RMB43.2 million for the year ended December 31, 2023. The decrease was primarily due to the number of employees in self-operated bars declined as a result of the implementation of optimization and adjustment of our bar network, leading to less short-term dormitories we leased for employees.

UTILITIES EXPENSES

Our utilities expenses decreased by 46.5% from RMB65.1 million for the year ended December 31, 2022 to RMB34.8 million for the year ended December 31, 2023. The decrease was primarily due to 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 16.5% from RMB11.5 million for the year ended December 31, 2022 to RMB13.4 million for the year ended December 31, 2023. The increase was primarily due to increased travel arrangements in order to carry out business, especially the "HiBeer Partnership" programme, since the end of COVID-19.

ADVERTISING AND PROMOTION EXPENSES

Our advertising and promotion expenses decreased by 42.7% from RMB34.4 million for the year ended December 31, 2022 to RMB19.7 million for the year ended December 31, 2023. The decrease is mainly due to the refined management of our online promotion.

OTHER EXPENSES

Our other expenses decreased by 23.6% from RMB103.8 million for the year ended December 31, 2022 to RMB79.3 million for the year ended December 31, 2023 mainly due to the corresponding decrease in our daily operation and maintenance expenses as the number of bars decreased.

IMPAIRMENT LOSSES OF PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

Our impairment losses significantly decreased from RMB712.9 million for the year ended December 31, 2022 to RMB11.3 million for the year ended December 31, 2023. The decrease was primarily due to the impact of COVID-19 gradually faded and the condition of the stores gradually improved, so there was no further significant impairment provision.

OTHER LOSSES, NET

For the year ended December 31, 2023, we incurred net other losses of RMB46.3 million which primarily comprised (i) losses on optimization and adjustment of our bars of RMB88.4 million (including loss on disposal of plant and equipment (approximately RMB215.1 million), loss on forfeiture of leases deposits (approximately RMB30.1 million), penalties and compensation for early termination of leases (approximately RMB26.9 million), and gain on termination of leases (approximately RMB183.7 million)); and (ii) exchange gain of RMB42.0 million due to appreciation of USD and/or HKD denominated assets.

FAIR VALUE CHANGES OF CONVERTIBLE PREFERRED SHARES

For the year ended December 31, 2023, we did not have any fair value changes of convertible preferred shares.

FINANCE INCOME

Our finance income increased by 1,272.0% from RMB5.0 million for the year ended December 31, 2022 to RMB68.6 million for the year ended December 31, 2023. The increase was primarily due to our better management of bank deposits.

FINANCE COSTS

Our finance expenses decreased by 33.8% from RMB42.0 million for the year ended December 31, 2022 to RMB27.8 million for the year ended December 31, 2023. The decrease in financial costs was mainly attributable to lease liabilities decline with a decrease in the number of bars, resulting in a decrease in related interest.

PROFIT/(LOSS) BEFORE INCOME TAX

As a result of the foregoing, our loss before income tax was RMB1,616.5 million for the year ended December 31, 2022, and the profit before income tax was RMB152.0 million for the year ended December 31, 2023. The loss before income tax margin was -103.7% and the profit before income tax margin was 12.6% for the same periods, respectively.

INCOME TAX CREDIT

The income tax credit was RMB15.3 million for the year ended December 31, 2022 compared with the income tax credit of RMB28.5 million for the year ended December 31, 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 charge.

NON-HKFRS MEASURES

To supplement the comprehensive statement of profit or loss presented in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**"), we also use adjusted net profit as a non-HKFRS measure, which is not required by, or presented in accordance with, HKFRSs. We believe that the presentation of such non-HKFRS measure when shown in conjunction with the corresponding HKFRS measures provides useful information to investors and management in facilitating a comparison of our operating performance from period to period by eliminating potential impacts of certain non-operating or non-recurring expenses and incomes that do not affect our ongoing operating performance (including 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, penalties and compensation for early termination, loss on rental deposits and gain on termination of leases)). 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 and adjustment are non-operating or non-recurring expenses and incomes that will not affect our ongoing operating performance. We believe that adjusted net (loss)/profit 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 year ended December 31,	
	2023 ***(RMB in thousands)***	2022 *(RMB in thousands)*
Profit/(Loss) for the year	**180,500**	(1,601,150)
Add:		
Equity settled share-based payments	**—**	503,191
Losses from bars optimization and adjustment	**99,691**	857,175
Adjusted net profit/(loss)	**280,191**	(240,784)

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

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 RMB423.4 million as of December 31, 2023. The decrease is mainly due to 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 at RMB75,000 and RMB58,000 as of December 31, 2022 and December 31, 2023, respectively.

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 RMB182.8 million as of December 31, 2023. The decrease is mainly due to the termination of certain self-operated bars' lease contracts under the optimization and adjustment of the strategic transformation of the Company.

INVENTORIES

Our inventories represent the alcoholic drinks, food and consumables used in our bar operations.

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

	As at	
	December 31, 2023 ***(RMB in thousands)***	December 31, 2022 *(RMB in thousands)*
Inventories		
Alcoholic drinks	**16,397**	26,936
Food	**3,416**	6,614
Consumables	**404**	2,412
Total	**20,217**	35,962

Our inventories decreased from RMB36.0 million as of December 31, 2022, to RMB20.2 million as of December 31, 2023. The decrease in our inventories was mainly driven by the decrease in number of bars.

Our inventory turnover days decreased from 31.7 days as of December 31, 2022 to 28.5 days as of December 31, 2023, 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. The decrease in balance from approximately RMB145.4 million as of December 31, 2022 to approximately RMB135.1 million as of December 31, 2023 was mainly because the Group's strategic consideration of bars optimization and adjustment, resulting in the rental deposit decreased.

CASH AND CASH EQUIVALENTS

Our cash and cash equivalents were RMB1,298.6 million and RMB1,277.2 million as of December 31, 2022 and December 31, 2023, respectively. The decrease was mainly due to dividends paid in 2023 after offsetting by net cash generated from daily operating activities and financial income from our investment activities.

LEASE LIABILITIES

We had lease liabilities of RMB741.0 million and RMB255.7 million as of December 31, 2022 and December 31, 2023, respectively. The decrease in lease liabilities was due to decrease in number of bars as a result of the Group's strategic consideration of bars optimization and adjustment.

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 RMB30.7 million as of December 31, 2023. The decrease was primarily due to the decreasing number of bars, thus the procurement of suppliers was reduced.

The turnover days of our trade payables increased from 44.8 days as of December 31, 2022 to 47.4 days as of December 31, 2023, resulting from the improved management capacity of our suppliers.

OTHER PAYABLES AND ACCRUALS

Our other payables and accruals decreased from RMB37.8 million as of December 31, 2022 to RMB20.4 million as of December 31, 2023. Such decrease was mainly due to the decrease in product procurement accompanied by a decrease in other payables for logistics, labor services, and other related operations.

LIQUIDITY AND CAPITAL RESOURCES

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

During the Reporting Period, we mainly used cash generated from operating activities for our business. Our cash and cash equivalents were RMB1,298.6 million and RMB1,277.2 million as of December 31, 2022 and December 31, 2023, respectively. Our cash is mainly used to meet the needs of business operations.

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

INDEBTEDNESS

Bank borrowings

As of December 31, 2023, we did not have any bank borrowings.

Lease liabilities

As of December 31, 2023, our lease liabilities amounted to RMB255.7 million.

Convertible Preferred Shares

As of December 31, 2023, we had no convertible preferred shares issued to investors.

CONTINGENT LIABILITIES

As of December 31, 2023, we did not have any material contingent liabilities.

CAPITAL COMMITMENTS

As of December 31, 2023, we did not have any capital commitments.

CAPITAL EXPENDITURES

Our capital expenditures were incurred primarily for opening new bars, acquiring equipment, refurnishing existing bars and purchasing furniture and equipment required for bar operations. Our total capital expenditures decreased from RMB607.7 million as of December 31, 2022 to RMB46.4 million as of December 31, 2023. Such decrease resulted from the active transformation of the Group towards a platform-based company with a light-asset model .

GEARING RATIO

As of December 31, 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 year multiplied by 100%.

FOREIGN EXCHANGE RISK

For the year ended December 31, 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 AND CHARGE OF ASSETS

As of December 31, 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 year ended December 31, 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 headed "Business" and "Future Plans and Use of Proceeds" in the Prospectus, the Group did not have any specific plans for significant investments or acquisition of material capital assets or other businesses. The Group, however, will continue to identify new business development opportunities.

EMPLOYEES AND REMUNERATION POLICIES

As of December 31, 2023, we had 675 employees and 2,104 outsourced personnel, most of whom were based in China. We offer competitive wages and other benefits to the employees and provide discretionary performance bonus as a further incentive. For more details, please refer to the sections headed "Pre-IPO RSU Schemes" and "Post-IPO RSU Scheme" in the Report of the Directors of this annual 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 year ended December 31, 2023, the total employee benefit (including directors' remuneration) and manpower service expenses were RMB298.8 million.

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme, a defined contribution scheme managed by an independent trustee. As stipulated under the relevant rules and regulations in the PRC, the subsidiaries operating in the PRC contribute to state-sponsored retirement plans and the applicable housing provident funds and various social insurance plans for employees initiated by local and provincial governments. The Group and the PRC-based employees are required to make monthly contributions to these plans calculated as a specific percentage of the employees' salaries. There was no forfeited contribution utilized to offset employers' contributions and there was no forfeited contribution available to reduce the contribution for the years ended December 31, 2022 and 2023.

KEY RISKS AND UNCERTAINTIES

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

Risks Related to our Business

Our business operations and financial position may be materially and adversely affected by the slowdown in China and across the globe.

Our businesses, financial positions, results of operation and development prospects are affected, to a significant extent, by the macroeconomic conditions in China and across the globe as well as by the economic conditions specific to our businesses. The active level of the global economy, markets, customers and businesses are influenced by many factors beyond our control. The growth of the Chinese economy has slowed down in recent years as compared to the previous years. According to NBSC, China's real GDP growth rate was 6.8% in 2017 and decreased to 6.6% in 2018 and 6.0% in 2019. As a result of the COVID-19 pandemic, in 2020, China's real GDP growth rate was 2.3%. In 2021, China's real GDP growth rate was 8.4%. An economic downturn, whether actual or perceived, a further decrease in the economic growth rates or uncertainty in the economic outlook in China or any other places where we operate may have a material adverse impact on entrepreneurs and consumer expenditure, thereby adversely affecting our businesses, financial positions, results of operation and development prospects.

Risks Related to our Industry

We are exposed to the risks relating to foodborne diseases, sanitary epidemics and other outbreak of illnesses. Our businesses may be affected by outbreaks of foodborne diseases, epidemics and other illnesses. We cannot guarantee that our internal controls and training can fully and effectively prevent all food infectious diseases. In addition, our reliance on third-party brand alcoholic drinks suppliers and distributors increases the uncontrollable risks of food infectious disease events that may be caused by third-party brand alcoholic drinks suppliers and distributors, and the risks happening in bars in multiple locations instead of a single bar. Drug resistant diseases or diseases with a longer incubation period (such as mad cow disease) may occur in the future, which may further increase the risks that we are exposed to. If there is wide media coverage on foodborne diseases, it may have a negative impact on the entire industry and our businesses, regardless of whether we are liable to the spread of diseases. In addition, other diseases (such as hand-foot-mouth disease or avian flu) may adversely affect some of our food supplies and significantly increase our costs, thereby affecting the sales of our bars and forcing the closure of some of our bars, and this may have a material adverse impact on our results of operation.

We are also exposed to the risks associated with epidemics. The outbreak of the COVID-19 had caused varying degrees of damage to China's national and local economies. It also had caused adverse impact on our financial position and business operations. If the COVID-19 pandemic is repeated, it may have material adverse impact on our business, financial position and results of operation.

Risks Related to Conducting Business in the PRC

Changes in the economic, political and social conditions and government policies in China may have a material adverse impact on our businesses, financial positions, results of operation and prospects.

Our major business assets are located in China, and our major sales come from China. Therefore, our results of operation, financial position and prospects are, to a very large extent, affected by China's economic, political and legal developments. The political and economic policies of the Chinese government may affect our businesses and financial performance, and may prevent us from achieving continuous growth.

In recent years, the Chinese government has enacted a series of new laws, regulations, and policies that implement more stringent standards for governing the quality and safety control, supervision and inspection of enterprises engaging in the bar industry in China. In addition, the Chinese government may from time to time promulgates new laws, regulations or policies that would affect the bar industry in China, and it is difficult to foresee the specific timing, scope and impact of these potential laws, regulations and policies. For instance, PRC Ministry of Science and Technology lately posted an article on its official website which linked the occurrence of cancer to alcohol consumption. In the event that the Chinese government issued laws, regulations and policies in this regard, such as those relating to the consumption of alcohol, our business, results of operation and financial performance may be negatively affected. If the Chinese government continues to impose comparatively strict regulations on the bar industry in China, we may be exposed to higher costs in order to comply with those regulations that may affect our profitability.

China's economy is different from the economies of the most developed countries in various aspects, including the range of government involvement, level of development, growth rate and foreign exchange control. Before commencement of the reform and opening up policy in 1978, China mainly implemented a planned economy. Since then, the Chinese government has been unremittingly reforming China's economic system and has also begun to reform the government structure in recent years. These reforms have brought significant economic growth and social progress. Although the Chinese government still owns a large quantity of the productive assets in China, the economic reforms policies, since the late 1970s, have been constantly emphasizing the operation of autonomous enterprises and market mechanisms. In particular, such policies are enacted in our industry. Although we believe that such reforms will have a positive impact on our overall and long-term development, we cannot predict whether our future businesses, results of operation or financial position will be subject to any adverse impacts arising from changes in China's political, economic and social conditions, laws, regulations and policies.

Our ability to continue to expand our business depends on a number of factors, including the overall economic and capital market conditions and the availability of credit to banks or other borrowers. More stringent borrowing policies may affect (among other things) our ability to obtain financing, thereby incurring adverse impacts on our growth and financial position. We cannot guarantee that further measures to control the growth of borrowing will not be implemented in a way that can incur adverse impacts on our development and profitability over time.

China's economy has grown rapidly in the past few decades. However, there is no guarantee that the growth in the future will be maintained at a similar rate or whether it will continue to grow. The economic, political and social policies of the Chinese government (including policies relating to this industry) may have a material adverse impact on our businesses, financial position, results of operation and prospects.

Risks Relating to our Shares

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

The price and trading volume of the Shares may be volatile. The market price of the shares may fluctuate significantly and rapidly as a result of the following factors, among others, some of which are beyond our control:

- variations of our results of operation (including variations arising from foreign exchange rate fluctuations);
- loss of customers;
- changes in securities analysts' estimates of our financial performance;
- announcement by us of significant acquisitions, greenfield developments, strategic alliances or joint ventures;
- departure of key personnel;
- fluctuations in stock market price and volume;
- involvement in litigation; and
- general economic and stock market conditions.

In addition, stock markets and the shares of other companies listed on the Stock Exchange with significant operations and assets in China have experienced increasing price and volume fluctuations in recent years, some of which have been unrelated or disproportionate to the operating performance of such companies. These broad market fluctuations may materially and adversely affect the market price of our shares.

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

EVENTS AFTER THE REPORTING PERIOD

On March 25, 2024, the Company cancelled 1,424,000 shares repurchased on the Stock Exchange. For details, please refer to the next day disclosure return published by the Company on March 25, 2024.

Save as disclosed above, the Company is not aware of any material subsequent events from December 31, 2023 to the date of this annual report.

CHANGE OF HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

With effect from April 25, 2024, the Hong Kong Branch Share Registrar and Transfer Office of the Company will be changed to Link Market Services (Hong Kong) Pty Limited. For details, please refer to the announcement of the Company dated March 28, 2024.

DIRECTORS

Executive Directors

Mr. Xu Bingzhong (徐炳忠) ("Mr. Xu"), aged 50, is the founder of our Group, our chairman, executive Director, chief executive officer and one of the Controlling Shareholders.

Mr. Xu was first appointed as a Director on January 16, 2018 and was redesignated as the chairman of the Board, executive Director and chief executive officer of our Company. Mr. Xu is responsible for formulating the overall development strategies and business plans of our Company and overseeing the management and strategic development of our Group. Mr. Xu has over 19 years of experience in the bar operating market and corporate management. Mr. Xu set up the first bar under the brand "Helen's" in 2009, and has been expanding the business operation of the bars ever since.

Ms. Cai Wenjun (蔡文君) ("Ms. Cai"), aged 35, is an executive Director and director of human resources of the Company, responsible for the development and implementation of human resources strategies, management and recruitment in line with business objectives.

Ms. Cai joined our Group in April 2018. Ms. Cai was appointed as executive Director of the Company in June 2022. Ms. Cai has over 11 years of experience in the catering service industry and operation management. Prior to joining our Group, Ms. Cai successively served as store clerk, store manager, regional city manager and regional deputy manager of Helen's brand bars from 2012 to April 2018. During this period, Ms. Cai was involved in the construction of the standardized and supervisory system of Helen's brand bars. From April 2018 to August 2023, Ms. Cai served as deputy director for operations of the Company, responsible for supervising the standardization of operation, the supervisory system of operation, food safety management, etc..

Ms. Yu Zhen (余臻) ("Ms. Yu"), aged 31, is an executive Director and chief financial officer of the Company. Ms. Yu joined the Group in October 2021 and is responsible for the capital operation and financial management of the Group. Prior to joining our Group, Ms. Yu worked in the investment banking department of China International Capital Corporation Limited from July 2017 to September 2021. Ms. Yu obtained a bachelor's degree in accounting from Wuhan University in June 2015 and a master's degree in taxation from Peking University in June 2017. Ms. Yu passed the Association of Chartered Certified Accountants (ACCA) exam in January 2015 and the Chinese Certified Public Accountant (CPA) exam in December 2019.

Mr. He Daqing (賀大慶) ("Mr. He"), aged 40, is executive Director of the Company. Mr. He is currently a director of legal inspection and audit department at Shenzhen Helens Enterprise Management Co., Ltd. (深圳海倫司企業管理有限公司), a wholly-owned subsidiary of our Company, as well as a supervisor at Maidilong Technology (Hubei) Co., Ltd. (邁迪隆科技(湖北)有限公司), a subsidiary of our Company. He joined our Group in August 2020. Prior to joining our Group, Mr. He served as a deputy investigator at the publicity department of the CPC Huangshi Municipal Committee (黃石市委宣傳部) and the director of news and public opinion center from October 2015 to July 2020. Before that, he was an editor and the director of industry information department at the Xinhua News Agency, Hubei Branch (新華社湖北分社), from February 2012 to October 2015. Mr. He also worked at the Xinhua News Agency, Yunnan Branch (新華社雲南分社), as an economic analyst and editor from July 2009 to February 2012. Mr. He obtained a bachelor's degree in economics and a master's degree in management, both from Sichuan University (四川大學), in July 2006 and July 2009, respectively.

Directors and Senior Management

Independent Non-executive Directors

Mr. Li Dong (李東) ("Mr. Li"), aged 48, is the independent non-executive Director of the Company. He was first appointed as an independent non-executive Director on March 24, 2021 with effect on August 31, 2021. Mr. Li is responsible for supervising and providing independent advice to the Board.

Mr. Li Dong has more than 23 years' management experience in public accounting, investment banking and corporate finance. Mr. Li Dong currently serves as the chief financial officer of TH International Limited (NASDAQ: THCH), a premium coffee chain network in China listed on Nasdaq since September 2022. Prior to joining TH International Limited in September 2021, Mr. Li Dong served as the chief financial officer for several companies, including Ximalaya, Inc, a leading non-music audio platform in China, from September 2019 to September 2021; OneSmart International Education Group Limited, a leading premium K-12 education company in China listed on the New York Stock Exchange (NYSE: ONE) from July 2017 to June 2019; Pegasus Media Group Limited, a company focuses on movie and TV show production, investment, licensing, marketing and derivatives from April 2016 to April 2017; and Ecovacs Robotics Holdings Limited, a leading consumer robotics company in China listed on the Shanghai Stock Exchange (SSE: 603486) from March 2015 to February 2016. From September 2008 to February 2015, Mr. Li Dong worked as an associate and later vice president in investment banking at Bank of America Merrill Lynch and the vice president in investment banking of ICBC International Securities Limited in Hong Kong. Prior to that, Mr. Li Dong worked in KPMG's auditing practice group from August 1999 to April 2006 in its Beijing and U.S. Silicon Valley offices, respectively.

Mr. Li has served as an independent director of GreenTree Hospitality Group Ltd., a leading hospitality management group in China listed on the New York Stock Exchange (NYSE: GHG) since March 2018; an independent director of Boqii Holding Limited, China's largest pet-focused platform listed on the New York Stock Exchange (NYSE: BQ) since September 2020; an independent non-executive director of Sinosoft Technology Group Limited (stock code: 1297) since February 2023; an independent non-executive director of Logory Logistics Technology Co., Ltd. (stock code: 2482) since March 2023; and an independent non-executive director of ZJLD Group Inc (stock code: 6979) since April 2023.

Mr. Li received a bachelor's degree in accounting from School of Economics and Management, Tsinghua University in July 1999, as well as a master's degree in business administration in finance from Kellogg School of Management, Northwestern University in June 2008. Mr. Li is a member of the Chinese Institute of Certified Public Accountants and the Certified General Accountants Association of Canada.

Mr. Wang Renrong (王仁榮) ("Mr. Wang"), aged 57, was first appointed as an independent non-executive Director of our Company on March 24, 2021 with effect on August 31, 2021. Mr. Wang is responsible for supervising and providing independent advice to the Board.

Mr. Wang has solid experience in strategic investment, merger and acquisition, business development, legal affairs, compliance, communications and external affairs. Mr. Wang has approximately 19 years of experience serving in the beer industry since November 2003. Mr. Wang has been appointed as chairman of the board of directors of China Alcoholic Quintessence Exhibition Ltd since August 2021. Prior to his resignations in June 2021, Mr. Wang was the chairman of Budweiser Investment (China) Co., Ltd. (百威投資 (中國) 有限公司) and held directorship of several Chinese subsidiaries of Budweiser Brewing Company APAC Limited ("**Budweiser**", a beer company in Asia Pacific listed on the Main Board of the Stock Exchange (SEHK: 1876)). Prior to joining the Group, Mr. Wang was an executive director of Budweiser from April 2019 to May 2020. Mr. Wang then served as its General Counsel and one of its joint company secretaries from May 2019 to February 2021. Between January 2005 and January 2021, Mr. Wang served as the Vice President of Legal and Corporate Affairs (APAC) of the Budweiser Group. Mr. Wang has been serving as an independent director of Shanghai Fudan Forward S&T Co., Ltd. (上海復旦復華科技股份有限公司) a company listed on the Shanghai Stock Exchange (SSE: 600624) between October 2014 and November 2020 and a director of Guangzhou Zhujiang Brewery Co., Ltd. (廣州珠江啤酒股份有限公司), a company listed on the Shenzhen Stock Exchange (SZSE: 002461) from September 2005 to June 2020. Between 2001 and 2003, Mr. Wang worked in Colgate-Palmolive (China) Co., Ltd (高露潔棕欖 (中國) 有限公司). From 2000 to 2001, he worked in Guangdong Swire Coca-Cola Co., Ltd. (廣東太古可口可樂有限公司). From 1997 to 2000, he worked in Avon Products (China) Co., Ltd. (雅芳 (中國) 有限公司).

Mr. Wang obtained a bachelor's degree in Philosophy from Nanjing University (南京大學) in the PRC in July 1989 and a master's degree in Law from KU Leuven in Belgium in July 2008. He also obtained a PhD in Law from Fudan University (復旦大學) in the PRC in June 2012.

Mr. Wong Heung Ming Henry (黃向明), aged 55, was first appointed as an independent non-executive Director of our Company on March 24, 2021 with effect on August 31, 2021. Mr. Wong is responsible for supervising and providing independent advice to the Board.

Before the Latest Practicable Date, Mr. Wong served as the chief financial officer of Aimei Investment Ltd (stock ticker: AFJK). Mr. Wong has also been serving as the independent non-executive director of other five (5) listed companies, including Nature Wood Group Limited (stock ticker: NWGL) since September 2023; E-Home Household Service Holdings Ltd. (stock ticker: EJH) since March 2023; Ostin Technology Group Co., Ltd. (stock ticker: OST) since April 2022; Baiyu Holdings Inc. (formerly named as TD Holdings, Inc.) (stock ticker: BYU) since April 2021; and Raffles Interior Limited (stock code: 1376), a company listed on the Main Board of the Hong Kong Stock Exchange, since March 2020. In addition, Mr. Wong was an independent non-executive director of Sansheng Holdings (Group) Co. Ltd. (stock code: 2183), a company formerly listed on the Main Board of the Hong Kong Stock Exchange, from November 8, 2010 to December, 2023. From November 2010 to April 2023, Mr. Wong was an independent non-executive director of Shifang Holding Limited (HKSE stock code: 1831). From July 2022 to November 2023, Mr. Wong also served as an independent non-executive director of REDEX Pte. Ltd. Mr. Mr. Wong has over 29 years of experience in finance, accounting, internal controls, and corporate governance in Singapore. In China and Hong Kong, Mr. Wong has helped a number of companies listed in overseas stock exchanges, including those in the United States and Hong Kong. He was the CFO of Meten Holding Group Ltd. (stock ticker: METX, listed on Nasdaq) from May 2020 to March 2021. He has also served as CFO and senior finance executive of various companies, including Frontier Services Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0500) from April 2017 to September 2018, and Beijing Oriental Yuhong Waterproof Technology Co., Ltd., a leading waterproof materials manufacturer in China and a company listed on the Shenzhen Stock Exchange (stock code: 2271) from May 2014 to August 2015. Mr. Wong began his career in an international accounting firm and moved along in audit fields by taking some senior positions both in internal and external audits including being a senior manager and a manager in PricewaterhouseCoopers, Beijing office and Deloitte Touche Tohmatsu, Hong Kong, respectively.

Mr. Wong graduated from City University of Hong Kong in 1993 with a bachelor's degree in Accountancy and also obtained a master's degree in Electronic Commerce from The Open University of Hong Kong (currently known as Hong Kong Metropolitan University) in 2003. He is also a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Directors and Senior Management

SENIOR MANAGEMENT

The senior management position as of December 31, 2023 is as follows:

Mr. Xu Bingzhong (徐炳忠), aged 50, is the founder of our Group, our chairman of the Board, executive Director, chief executive officer and one of the Controlling Shareholders. For biographical details of Mr. Xu, please refer to the paragraph headed "Executive Directors" in this section above.

Mr. He Daqing (賀大慶), aged 40, is an executive Director and director of legal inspection and audit department of our Group. For biographical details of Mr. He, please refer to the paragraph headed "Executive Directors" in this section above.

Ms. Cai Wenjun (蔡文君), aged 35, is an executive Director and director of human resources of our Group. For biographical details of Ms. Cai, please refer to the paragraph headed "Executive Directors" in this section above.

Ms. Yu Zhen (余臻), aged 31, is an executive Director and Chief Financial Officer of our Group. For biographical details of Ms. Yu, please refer to the paragraph headed "Executive Directors" in this section above.

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

PRINCIPAL ACTIVITIES

The Company was incorporated in the Cayman Islands on January 16, 2018 as an exempted company with limited liability under the Companies Act (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 9869) since September 10, 2021.

We are China's largest bar chain network. As of March 19, 2024, we had a total number of 503 bars globally, including Mainland China, Hong Kong, China, and Singapore, and covering 32 provincial-level administrative regions and 200 cities in China.

Particulars of the Company' principal subsidiaries as at December 31, 2023 are set out in Note 34 to the Consolidated Financial Statements.

BUSINESS REVIEW AND OUTLOOK

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

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

RESULTS AND DIVIDEND

Details of the consolidated profit/(loss) of the Group for the Reporting Period and the Group's financial position as at December 31, 2023 are set out in the Consolidated Financial Statements and their accompanying notes on pages 71 to 136 of this annual report.

Our Company declared and paid dividends of approximately RMB146.9 million to its shareholders during the Reporting Period. No shareholder has waived or agreed to waive any dividends (2022: nil).

The Board recommended the payment of a final dividend of RMB0.3153 per ordinary share of the Company in issue out of the share premium account of the Company for the year ended December 31, 2023 (2022: Nil). The actual total amount of final 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 final dividend.

The proposed dividend payment is subject to the approval by the Shareholders at the forthcoming annual general meeting (the "**AGM**") to be held on Tuesday, May 14, 2024. The final 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 Tuesday, May 14, 2024. Upon Shareholders' approval, the final 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, May 20, 2024 at their own risk on or around Friday, May 24, 2024.

CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE

The register of members of the Company will be closed from Friday, May 10, 2024 to Tuesday, May 14, 2024, both days inclusive, in order to determine the identity of shareholders who are entitled to attend and vote at the AGM. Shareholders whose names appear on the register of members of the Company on Tuesday, May 14, 2024 will be entitled to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfers accompanied by relevant share certificates and transfer forms must be lodged with the Company's Hong Kong branch share registrar, Link Market Services (Hong Kong) Pty Limited, at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong before 4:30 p.m. on Thursday, May 9, 2024.

To determine the entitlement to the proposed final dividend, shareholders whose name appear on the register of members of the Company on Monday, May 20, 2024 will be entitled to receive the final dividend. To be eligible to receive the final dividend, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Link Market Services (Hong Kong) Pty Limited, at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong, not later than 4:30 p.m. on Monday, May 20, 2024.

FINANCIAL SUMMARY

A summary of the published results and of the assets, liabilities and equity of the Group for the last five financial years, as extracted from the published audited financial information and financial statements, is set out on page 8 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

The Group has established detailed internal rules regarding environmental protection and adopted effective measures to achieve efficient use of resources, waste reduction and energy saving. For further details of the Group's environmental policies and performance, please refer to the environmental, social and governance report of the Company for the Reporting Period issued separately, which has been prepared in accordance with Rule 13.91 and the Environmental, Social and Governance Reporting Guide contained in Appendix C2 to the Listing Rules.

DIRECTORS

During the Reporting Period and up to the Latest Practicable Date, the Board consists of the following 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) *(appointed 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)

DIRECTORS AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management of the Company are set out on pages 27 to 30 in the section headed "DIRECTORS AND SENIOR MANAGEMENT" of this annual report and the relationships between the Directors are disclosed in the respective Director's biography.

Ms. Lei Xing resigned as executive Director with effect from September 15, 2023 due to her decision to devote more time to for her other commitments. Ms. Lei Xing has confirmed that (i) she has no disagreement with the Board; and (ii) there are no matters with respect to her resignation that need to be brought to the attention of the Stock Exchange or the Shareholders.

Save as disclosed above, during the Reporting Period, there was no change to information which was required to be disclosed by the Directors and senior management of the Company pursuant to Rule 13.51B(1) of the Listing Rules.

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company with an initial term of three years commencing from their respective effective date of appointment, and will continue thereafter until terminated by not less than one month's notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered into a letter of appointment with our Company. The terms and conditions of each of such letters of appointment are similar in all material respects. Each of independent non-executive Directors is appointed with an initial term of three years commencing from their respective effective date of appointment subject to termination in certain circumstances as stipulated in the relevant letters of appointment.

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Pursuant to Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix C1 to the Listing Rules, the Company has established the Remuneration Committee to formulate remuneration policies. The remuneration is determined and recommended based on the experience, qualification, position and seniority of each Director and senior management. As for the independent non-executive Directors, their remuneration is determined by the Board based on the recommendation from the Remuneration Committee. The Directors and the senior management are eligible participants of the applicable share incentive plans.

Details of the remuneration of the Directors and the five highest paid individuals are set out in Note 9 and Note 31 to the Consolidated Financial Statements of this annual report.

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

PERMITTED INDEMNITY PROVISION AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

A permitted indemnity provision (as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) in relation to the director's and officer's liability insurance is currently in force and was in force during the Reporting Period.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

MANAGEMENT CONTRACTS

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

DIRECTORS' RIGHT TO PURCHASE SHARES OR DEBENTURES

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

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

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

As at December 31, 2023, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(A) Long position in the Shares of the Company

Name of Director	Capacity/ Nature of interest	Long position in number of Shares held in the Company	Approximate percentage of relevant Shares in the issued share capital of the Company (%)[1]
Mr. Xu Bingzhong[2]	Founder of a discretionary trust 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	7,400,000	0.58
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
Mr. He Daqing	Restricted shares granted to Mr. He Daqing pursuant to the listed corporation's Post-IPO RSU Scheme	71,508	0.01

Notes:

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

(B) Long position in the ordinary shares of associated corporations

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Long position in number of Shares in the relevant company	Approximate percentage of the issued share capital (%)
Mr. Xu Bingzhong	HHL International	Interest in a controlled corporation	2	1
		Founder of a discretionary trust	198	99

Save as disclosed above, as at December 31, 2023, none of the Directors and chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

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

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

Notes:

(1) The calculation is based on the total number of 1,266,901,524 shares issued as of December 31, 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 December 31, 2023 (upon the completion of the full exercise of the Over-allotment Option), no person (other than the Directors and chief executives of the Company) had or was deemed to have any interests or short positions in the shares, underlying shares of the Company which were required to be notified the Company or the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or which were required to be entered in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CONTROLLING SHAREHOLDERS' INTERESTS IN SIGNIFICANT CONTRACTS

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

PRE-IPO RSU SCHEMES

Our Company granted RSUs to certain individuals in our Group in 2018. Subsequently pursuant to the board resolution dated March 31, 2021, to extend such share incentives granted in 2018, our Company adopted the following Pre-IPO 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 had been issued to TLTQ Holding Limited, which is wholly-owned by Cantrust, for the purpose of the Director RSU Scheme; (ii) 9,999,611 Shares had been issued to SHXM Holding Limited, which is wholly-owned by Infiniti Trust, for the purpose of the Senior Management RSU Scheme; and (iii) 13,700,000 Shares had been issued to NLNQ Holding Limited, which is wholly-owned by Infiniti Trust, for the purpose of the Employee RSU Scheme. As such, no Shares are available for issue under the Pre-IPO RSU Schemes.

Before the Listing Date, all of the Shares underlying Pre-IPO RSUs under the Pre-IPO RSU Schemes have already been granted and vested.

POST-IPO RSU SCHEME

The following is a summary of the principal terms of the Post-IPO RSU Scheme approved and adopted by our Company on March 31, 2021 (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 had been issued by the Company to TSLZ Holding Limited, which is wholly-owned by Infiniti Trust, for the purpose of the Post-IPO RSU Scheme. 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. 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 each 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, on March 28, 2024, the remaining life of the Post-IPO RSU Scheme was approximately six years and eleven 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 Post-IPO 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, shall grant to each of the selected persons an offer of the grant of Award(s) by way of a letter, which shall attach an acceptance notice, subject to the conditions that the Board thinks fit at its discretion.

7. *Acceptance of Awards*

If the selected person intends to accept the offer of the grant of 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

The following table shows the details of Post-IPO RSUs that the Company granted under the Post-IPO RSU Schemes as of December 31, 2023.

Name of Participant or Category of Participant	Date of grant	Number of Post-IPO RSUs granted and vested in 2022	Number of shares underlying awards: not vested during the beginning of the Reporting Period	granted during the Reporting Period	vested during the Reporting Period	lapsed during the Reporting Period	cancelled during the Reporting Period	Purchase price
Directors								
Yu Zhen	January 16, 2022	1,166,667	—	—	—	—	—	0
Five highest paid individuals of the year 2022	January 16, 2022	1,843,249	—	—	—	—	—	0
	July 6, 2022	11,859,891	—	—	—	—	—	0
	October 31, 2022	25,938,030	—	—	—	—	—	0
Other grantees	January 16, 2022	3,709,606	—	—	—	—	—	0
	July 6, 2022	609,124	—	—	—	—	—	0
	October 31, 2022	7,863,804	—	—	—	—	—	0

Notes:

(i) On January 16, 2022, July 6, 2022, and October 31, 2022, 6,725,619, 12,469,015, and 33,801,834 Post-IPO RSUs were granted respectively to the Group's director and employees (the "**Grantees**"). 6,097 Post-IPO RSUs granted to other grantees on January 16, 2022 subsequently lapsed and the remaining 52,990,371 Post-IPO RSUs were vested during the year ended December 31, 2022. All of the grants made during the year ended December 31, 2022 were made without any performance conditions.

(ii) No Post-IPO RSUs were granted by the Company during the year ended December 31, 2023.

CONTINUING CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the Reporting Period are set out in Note 30 to the Consolidated Financial Statements contained herein.

For the year ended December 31, 2023, none of the related party transactions disclosed in Note 30 to the Consolidated Financial Statements constitute any non-exempt connected transactions or continuing connected transactions which should be disclosed pursuant to Chapter 14A of the Listing Rules.

For the year ended December 31, 2023, we have not entered into any non-exempt connected transaction or continuing connected transaction which should be disclosed pursuant to Rules 14A.49 and 14A.71 of the Listing Rules.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Reporting Period are set out in Note 14 to the Consolidated Financial Statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the Reporting Period are set out in Note 21 to the Consolidated Financial Statements on page 118 of this annual report.

DISTRIBUTABLE RESERVES

As at December 31, 2023, the Company's reserves available for distribution, being share premium in accordance with the provision of Companies Law of the Cayman Islands, amounted to approximately RMB2,707 million.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

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

The balance of unutilized net proceeds amounted to approximately HK$904.6 million as at the end of the Reporting Period and the Company intends to use them in the same manner and proportions as described in the Prospectus and proposes to use the unutilized net proceeds in accordance with the expected timetable disclosed in the table below.

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

Intended use of net proceeds (Note)	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)*	Balance of 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 December 31, 2023 *(HK$ in million)*	Amount of net proceeds utilized in total up to December 31, 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	1,011.5	275.0	736.5	1,349.6	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	92.0	80.0	12.0	286.0	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	140.8	70.8	70.0	79.0	Before December 31, 2024
Used for further strengthening the brand awareness of the Helens'	5.0%	149.0	72.3	62.3	10.0	139.0	Before December 31, 2024
Used for working capital and general corporate purposes	10.0%	298.0	137.1	61.0	76.1	221.9	Before December 31, 2024
Total	**100.0%**	**2,980.1**	**1,453.7**	**549.1**	**904.6**	**2,075.5**	

Note: Figures in the table are approximate.

SUFFICIENCY OF PUBLIC FLOAT

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the Reporting Period, the Company repurchased a total of 1,424,000 Shares ("**Shares Repurchased**") on the Stock Exchange, at an aggregate consideration (before expenses) of HKD7,271,450. Details of the Shares Repurchased are as follows:

Month	No. of Shares repurchased	Price paid per Share Highest *(HKD)*	 Lowest *(HKD)*	Aggregate Consideration (before expenses) *(HKD)*
October 2023	198,000	5.94	5.3	1,120,890
November 2023	721,000	6.12	4.78	3,861,205
December 2023	505,000	4.6	4.4	2,289,355
Total	1,424,000	6.12	4.4	7,271,450

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

BANK BORROWINGS

As at December 31, 2023, the Group had not made any bank borrowings.

As at December 31, 2023, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, unutilized banking facilities, bank overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees.

The maturity profile of financial liabilities of the Group as at December 31, 2023 is set out in Note 3.3 to the consolidated financial statements.

RELATIONSHIPS WITH THE GROUP'S CUSTOMERS AND SUPPLIERS

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

MAJOR CUSTOMERS AND SUPPLIERS

We are committed to our core values of being a customer-centric and a striver-oriented company, creating and sharing value with our customers and partners, and providing a free and happy offline social platform for our young customers. We have a large and diverse customer base. Revenue derived from our largest customer and five largest customers both accounted for less than 5.0% of our total revenue for the year ended December 31, 2023.

Purchases attributable to the Group's five largest suppliers and the largest supplier accounted for 41.7% and 12.6%, respectively, of the Group's total purchases for the Reporting Period.

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this annual report, the Company does not have any disclosure obligations under Rule 13.20, 13.21 and 13.22 of the Listing Rules.

RELATIONSHIPS WITH THE GROUP'S EMPLOYEES

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

CHARITABLE DONATIONS

During the Reporting Period, the Company did not make any charitable donations.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

CORPORATE GOVERNANCE

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

EQUITY-LINKED AGREEMENT

Save as disclosed in the sub-sections headed "PRE-IPO RSU SCHEMES" and "POST-IPO RSU SCHEME" in this annual report, no equity-linked agreement was entered into by the Company at any time during or subsisted at the end of the year ended December 31, 2023.

REVIEW BY AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Mr. Li Dong, Mr. Wang Renrong and Mr. Wong Heung Ming Henry. The chairman of the Audit Committee is Mr. Li Dong who holds the appropriate qualification as required under Rules 3.10(2) and 3.21 of the Listing Rules. The Audit Committee has reviewed the audited Consolidated Financial Statements for the year ended December 31, 2023 with the management and the auditor of the Company. The Audit Committee considers that the annual results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management of the Company.

INDEPENDENT AUDITOR

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

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

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

Hong Kong, March 28, 2024

The Board hereby presents to the Shareholders the corporate governance report of the Group for the year ended December 31, 2023 (the "**Corporate Governance Report**").

CORPORATE GOVERNANCE CULTURE AND PURPOSE

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that Shareholder wealth will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

— satisfactory and sustainable returns to Shareholders;

— that the interests of those who deal with the Company are safeguarded;

— that overall business risk is understood and managed appropriately;

— the delivery of high-quality products and services to the satisfaction of customers; and

— that high standards of ethics are maintained.

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 Part 2 of Appendix C1 to the Listing Rules ("**Corporate Governance Code**") as its own code of corporate governance practices.

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

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") set out in Appendix C3 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company by the Directors, and the Group's employees who, because of his/her office or employment, are likely to possess inside information in relation to the Group or the Company's securities. Specific enquiries have been made to all Directors and the Directors have confirmed that they have complied with the Model Code throughout the Reporting Period.

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

Corporate Governance Report

BOARD OF DIRECTORS

The Company is headed by an effective Board which assumes responsibility for its leadership and control and be collectively responsible for promoting the Company's success by directing and supervising the Company's affairs. Directors oversee the Group's businesses, strategic decisions and performance and take decisions objectively in the best interest of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board's responsibilities. The Board includes a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

Board Composition

During the Reporting Period and up to the Latest Practicable Date, the Board comprised Directors as follows:

Executive Directors

Mr. Xu Bingzhong *(Chairman and Chief Executive Officer)*
Ms. Lei Xing *(resigned on September 15, 2023)*
Ms. Cai Wenjun
Ms. Yu Zhen
Mr. He Daqing *(appointed on September 15, 2023)*

Independent Non-executive Directors

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

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

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

Chairman and Chief Executive Officer

Pursuant to Code Provision C.2.1 of the Corporate Governance Code, the roles of Chairman of the Board and Chief Executive Officer should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing.

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

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

Independent Non-executive Directors

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

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

Board Independence Evaluation

During the Reporting Period and up to the date of this annual report, the Board has met at all times the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise. The Company has also complied with Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive directors representing at least one-third of the Board.

The Company recognizes that the Board's access to independent advice is critical to good corporate governance and the effectiveness of the Board. The Board has established a mechanism to ensure that the Board can obtain independent opinions where necessary so as to enhance the objectivity and effectiveness of decision-making. The Board regularly reviews the structure, number and composition of the Board to ensure a balanced mix of executive Directors, non-executive Directors and independent non-executive Directors, so that the Board maintains a strong independent element.

When selecting an independent non-executive Director, the Company will examine the independence, professional qualifications, past experiences and working experience of the independent non-executive Director to ensure that the independent non-executive Director has sufficient talents, vision and opportunities to put forward influential independent opinions, so as to ensure that the Board obtains multi-angle thinking directions in decision-making. For the Directors' attendance records at meetings in 2023, please refer to the section headed "Attendance Record of Directors and Committee Members" in this annual report. The Directors may seek independent professional advice where necessary, and the relevant expenses shall be borne by the Company. The Board is of the opinion that the aforesaid mechanism is effectively implemented.

Corporate Governance Report

The Company has established a Board Independence Evaluation Mechanism which sets out the processes and procedures to ensure a strong independent element on the Board, which allows the Board effectively exercises independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct annual review on its independence. The Board Independence Evaluation Report will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

Appointment and Re-election of Directors

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

Responsibilities of the Directors and Management

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

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

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

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

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

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

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

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

Continuous Professional Development of Directors

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

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

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

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

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

Directors	Type of Training [Note]
Executive Directors	
Mr. Xu Bingzhong (*Chairman and Chief Executive Officer)*	**A and B**
Ms. Lei Xing *(resigned on September 15, 2023)*	**B**
Ms. Cai Wenjun	**B**
Ms. Yu Zhen	**A and B**
Mr. He Daqing *(appointed on September 15, 2023)*	**B**
Independent Non-executive Directors	
Mr. Li Dong	**A and B**
Mr. Wang Renrong	**B**
Mr. Wong Heung Ming Henry	**A and B**

Notes:

Types of Training

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

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

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the relevant Cayman Islands laws and regulations and Appendix C1 to the Listing Rules, our Company has formed three Board committees, namely the audit committee, the remuneration committee and the nomination committee.

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

Audit Committee

We have established an audit committee (the "**Audit Committee**") in compliance with Rule 3.21 of the Listing Rules and with written terms of references in compliance with the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group, review and approve connected transactions and to advise the Board. The Audit Committee consists of three independent non-executive Directors, namely, Mr. Li Dong, Mr. Wang Renrong and Mr. Wong Heung Ming Henry. Mr. Li Dong, who is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules, serves as the chairman of the Audit Committee.

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

The Audit Committee held 2 meetings during the Reporting Period to discuss and consider the interim results of the Company and its subsidiaries for the six months ended June 30, 2023 and the audited annual results and financial report for the year ended December 31, 2022 and discuss matters with respect to the accounting policies and practices adopted by the Company and the internal control and risk management systems.

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

Remuneration Committee

We have established a remuneration committee (the "**Remuneration Committee**") in compliance with Rule 3.25 of the Listing Rules and with written terms of reference in compliance with the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Remuneration Committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management. The Remuneration Committee consists of three members, namely Mr. Wang Renrong, Mr. Li Dong and Mr. Xu. Mr. Wang Renrong currently serves as the chairman of the Remuneration Committee.

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

During the Reporting Period, the Remuneration Committee held 3 meetings in relation to, amongst others, determining the policy for the remuneration of executive Directors, assessing performance of executive Directors and approving the terms of executive Directors' service contracts, making recommendations to the Board on the remuneration packages of individual executive Directors and senior management and reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

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

Details of the remuneration of the senior management by band for the year ended December 31, 2023 are set out below:

Remuneration by band *(RMB)*	Number of person(s)
Nil to 500,000	**3**
500,001 to 1,000,000	**1**

The Company's remuneration policy is to ensure that the remuneration offered to employees, including Directors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company's affairs and contributions. The remuneration packages of executive Directors are also determined with reference to the Company's performance and profitability, the prevailing market conditions and the performance or contribution of each executive Director. The remuneration for the executive Directors comprises basic salary, pensions, equity incentives and discretionary bonus. The remuneration policy for non-executive Directors and independent non-executive Directors is to ensure that non-executive Directors and independent non-executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs, including their participation in Board committees. The remuneration for the non-executive Directors and independent non-executive Directors mainly comprises Director's fee which is determined with reference to their duties and responsibilities by the Board. Individual Directors and senior management have not been involved in deciding their own remuneration.

Nomination Committee

We have established a nomination committee (the "**Nomination Committee**") in compliance with Rule 3.27A of the Listing Rules. The primary duties of the Nomination Committee are to make recommendations to our Board regarding the appointment of Directors and Board succession. The Nomination Committee will also consider the candidate(s)' ability to devote sufficient time to fulfill the duties of the Directors and members of the special committees of the Board and consider the candidate(s) of independent non-executive director(s)' ability to devote sufficient time to the Board if the candidate(s) will be holding his/her seventh (or more) listed company directorships. The Nomination Committee consists of three members, namely Mr. Xu, Mr. Li Dong and Mr. Wang Renrong. Mr. Xu currently serves as the chairman of the Nomination Committee.

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

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

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

During the Reporting Period, the Nomination Committee held 2 meetings in accordance with the Corporate Governance Code and its terms of reference in relation to, amongst others, determining the nomination procedures and the process and criteria adopted by the Nomination Committee to select and recommend candidates for directorship during the year.

Board Diversity Policy

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") in order to enhance the effectiveness of our Board and to maintain a high standard of corporate governance. The policy provides that our Company should endeavour to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy. The Board Diversity Policy sets out the criteria for selecting candidates to our Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board, and will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Our Board comprises seven members, including four executive Directors and three independent non-executive Directors. Our three independent non-executive Directors have different industry backgrounds, with solid experiences in the fields of investment, accounting and/or finance, representing more than one-third of the members of our Board. Furthermore, our Board has a wide range of age, ranging from 31 years old to 57 years old, and comprises of two female Directors and five male Directors. Our male to female ratio is approximately 69.02%: 30.98% as at December 31, 2023. We will continue to take steps to promote diversity at all levels of our Company to enhance the effectiveness of our corporate governance as a whole. The Company is not aware of any mitigating factor or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

Pursuant to the Board Diversity Policy, we aim to maintain at least 10% female representation in the Board and the composition of the Board satisfies this target gender ratio. We will implement policies to ensure gender diversity when recruiting staff to develop a pipeline of female senior management and potential successors to the Board. We will strive to enhance our female representation and achieve appropriate balance of gender diversity with reference to the stakeholders' expectation and international and local recommended best practices. Furthermore, we will implement comprehensive programs aimed at identifying and training our female staff who display leadership and potential, with the goal of promoting them to the senior management or the Board. Our nomination committee is responsible for ensuring the diversity of our Board members. Our nomination committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness and we will disclose the implementation of the Board Diversity Policy in our corporate governance report on an annual basis.

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and nomination process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The nomination process sets out in the Director Nomination Policy is as follows:

Appointment of New Director

(i) The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents.

(ii) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

(iii) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

(iv) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

(v) For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendation to Shareholders in respect of the proposed election of Director at the general meeting.

Re-election of Director at General Meeting

(i) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring Director and the level of participation and performance on the Board.

(ii) The Nomination Committee and/or the Board should also review and determine whether the retiring Director continues to meet the criteria as set out above.

(iii) The Nomination Committee and/or the Board should then make recommendation to Shareholders in respect of the proposed re-election of Director at the general meeting.

Where the Board proposes a resolution to elect or re-elect a candidate as Director at the general meeting, the relevant information of the candidate will be disclosed in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

The Director Nomination Policy sets out the criteria for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of Independent Non-executive Directors on the Board and independence of the proposed Independent Non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

During the year ended December 31, 2023, the Nomination Committee recommended to the Board the appointment of the new Executive Director, namely Mr. He Daqing. The appointment was subject to a stringent nomination process in accordance with the Director Nomination Policy and the Board Diversity Policy, to ensure the Board possesses the necessary skills, experience and knowledge in alignment with the Company's strategy.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

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

CORPORATE GOVERNANCE FUNCTIONS

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

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

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

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

Name of Director	Attendance/Number of Meetings Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
Mr. Xu Bingzhong	4/4	N/A	3/3	2/2	2/2
Ms. Lei Xing *(resigned on September 15, 2023)*	3/3	N/A	N/A	N/A	2/2
Ms. Cai Wenjun	4/4	N/A	N/A	N/A	2/2
Ms. Yu Zhen	4/4	N/A	N/A	N/A	2/2
Mr. He Daqing *(appointed on September 15, 2023)*	1/1	N/A	N/A	N/A	N/A
Mr. Li Dong	4/4	2/2	3/3	2/2	2/2
Mr. Wang Renrong	4/4	2/2	3/3	2/2	2/2
Mr. Wong Heung Ming Henry	4/4	2/2	N/A	N/A	2/2

Apart from regular Board meetings, the Chairman also held meetings with the independent non-executive Directors without the presence of other Directors during the year.

RISK MANAGEMENT AND INTERNAL CONTROLS

We have implemented a series of risk management policies and procedures to identify, assess and manage risks that we are exposed to in our operations. For details on the major risks identified by our management, see "KEY RISKS AND UNCERTAINTIES".

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

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

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

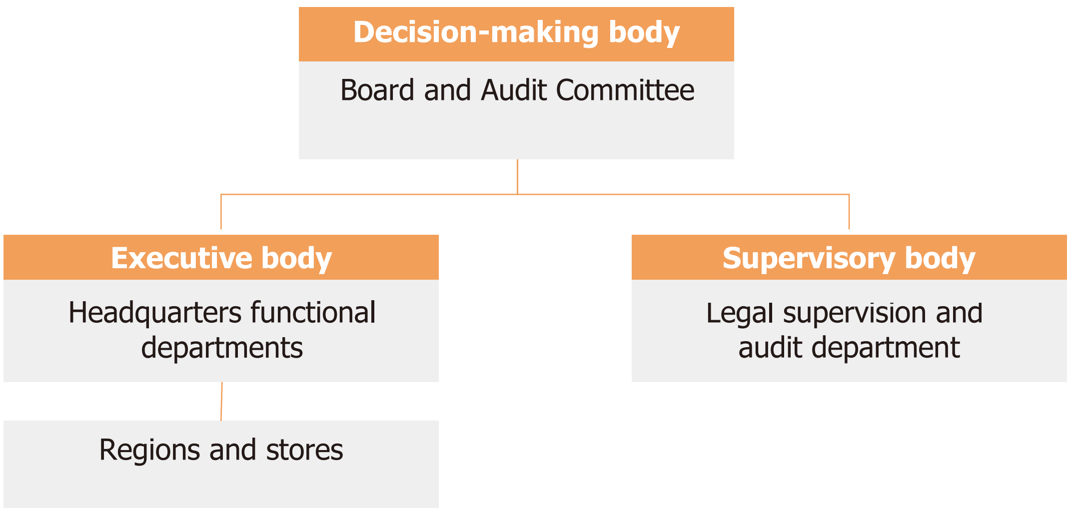
These risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance that there will be no material misstatement or loss.

Risk Management

1. Risk management system development

The Group has established a risk management system structure at the group level in the past years, which specifies the risk management process, promotes internal risk management culture, and keeps improving year by year according to the Company's strategy. During the year, the Group continued to improve the risk management system structure on the basis of the effort in previous years through the following actions to guide the implementation of risk assessment and the on-going risk control activities:

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



(Figure 1: risk management organisational structure)

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

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

(Figure 2: risk management process)

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

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

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

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

- **Continuous improvement and perfect mechanism:** The Group clarifies the frequency of risk assessment (at least once a year) and reporting and communication requirements, and continuously improves risk management workflow and improves risk management and control measures through regular assessment, implementation and follow-up of risk response measures, communication and reporting. For any significant deficiencies in the internal control, the management will identify the internal control deficiencies, review control activities and procedures, and revise necessary internal policies and procedures when necessary.

2. Conduct enterprise risk assessment for 2023

Based on the establishment of the above risk management system, the management continued to intensify risk management during the year with the assistance of external consulting agencies, and re-assessed the top ten risks in 2023.

During 2023, the management updated the risk assessment standards and risk database for the year according to the development strategy of "pursuing quality" and in light of external regulatory requirements for the Company, market environment, changes in the internal operating environment, business development and management's risk appetite. At the same time, we adopted a combination of qualitative and quantitative evaluation methods to review changes in the nature and degree of major risks of the Company, analyzed and ranked the risks identified based on possibility of the risks and the degree of their impact. We weighed risk and return based on our risk tolerance to determine key points and control priority of major risks, organized the status of risk control as well as subsequent measures and improvement plans, and reported to the Audit Committee the above top ten risk assessment results for the year.

Internal monitoring

With reference to the COSO (Committee of Sponsoring Organizations of the Treadway Commission) internal control management framework, the Group has established an internal control system and mechanism applicable to the Group. The monitoring system includes a mature organisational structure that clearly defines the powers and responsibilities of each department to protect the Group's assets and shareholders' interests. The internal audit function of the Company monitored the internal governance of the Company and provided independent assurances as to the adequacy and effectiveness of the Company's risk management and internal control systems.

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

Anti-Fraud and Whistleblower and Complaint Management Policy

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

Meanwhile, in order to continuously improve the compliance awareness of all employees of Helens, the Company has established an anti-corruption compliance training system that combines "on-site training + online courses", and organized directors, management and employees of respective departments to participate in trainings on off-line and online learning platforms, so that they can contribute to the goal of building a corruption-free enterprise.

Review of Risk Management and Internal Control System

The risk management and internal control systems of the Company are reviewed on an annual basis. During the year ended December 31, 2023, the Board conducted a comprehensive review of the effectiveness of the Group's risk management and internal control systems through the Audit Committee, including the establishment of the risk management systems, the 2023 annual risk assessment and the internal control review of key business processes. The period covers the fiscal year 2023 and covers the main business of the Group. The Board considers that the Group has complied with the risk management and internal control provisions set out in the Corporate Governance Code and considers that the risk management and internal control systems are effective and adequate.

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

Inside information

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2023. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

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

AUDITORS' REMUNERATION

The total fees paid/payable to the independent auditor of the Company, in respect of audit services and non-audit services for the year ended December 31, 2023 are set out as below. The non-audit services conducted by the Auditor mainly include advisory services.

	Fees payable or paid *RMB'000*
Services Category	
Audit Services	3,000
Non-audit Services	940
Total Fees	3,940

COMPANY SECRETARY

Mr. Lui Wing Yat Christopher ("**Mr. Lui**"), senior manager of Corporate Services of Tricor Services Limited, had been appointed as the company secretary of the Company with effect from May 27, 2022. Mr. Lui has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of the relevant professional training during the year.

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

Ms. Yu Zhen, the executive Director and chief financial officer of the Company, is the primary corporate contact person at the Company whom Mr. Lui contacts.

SHAREHOLDERS' RIGHTS

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

Convening Shareholders' General Meetings

The Company shall hold the annual general meeting within six months after the end of the financial year.

The Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

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

Putting Forward Proposals at General Meetings

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

Putting Forward Enquiries to the Board

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

Contact Details

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

CHANGE IN CONSTITUTIONAL DOCUMENTS

Upon the Shareholders' approval on June 16, 2023, certain changes were made to the Articles of Association to, inter alia, bring the Articles of Association in line with the Core Shareholder Protection Standards set out in Appendix A1 to the Listing Rules. For more details, please refer to the circular of the Company dated April 26, 2023.

Save as disclosed above, there has not been any changes to the Articles of Association during the Reporting Period and up to the date of the Latest Practicable Date.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable Shareholders and investors to make the best investment decisions.

To promote effective communication, up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.helensbar.com) for public access.

The general meetings of the Company provide a forum and an important channel for communication between the Board and the Shareholders. The chairman of the Board as well as chairmen of the Nomination Committee, the Remuneration Committee and the Audit Committee or, in their absence, other members of the respective committees and, where applicable, are available normally at the annual general meetings and other relevant shareholder meetings to answer questions. Shareholders are also encouraged to attend general meetings held by the Company and are invited to express their views and raise questions thereat.

As part of its regular review, the Board has reviewed the Shareholders' Communication Policy for the year ended December 31, 2023 and is of the view that the Policy is effective and adequately implemented.

Shareholders should direct their inquiries about their shareholdings to Link Market Services (Hong Kong) Pty Limited, the Company's Hong Kong share registrar. Investors may also write to the Company at its principal place of business in Hong Kong or China for any enquiries.

The Company sets out the following contact details for Shareholders to communicate with the Company:

Mailing address:	3/F, H8 Hau Fook Street Tsim Sha Tsui Kowloon Hong Kong
Attention:	Board of Directors/Company Secretary

The Company will not normally deal with verbal or anonymous enquiries.

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

DIVIDEND POLICY

Payment of dividends by the Company is also subject to the Companies Act and the Articles of Association. The Board will review the dividend policy as appropriate from time to time. The declaration and payment of dividends shall be determined at the sole discretion of the Board. The Board shall also take into account the following factors when considering whether to propose dividends and determining the dividend amount:

1. the Group's actual and expected financial performance;

2. retained earnings and distributable reserves of the Company and each of the members of the Group;

3. the Group's working capital requirements, capital expenditure requirements and future expansion plans;

4. the Group's liquidity position;

5. contractual restrictions on the payment of dividends by the Company to the Shareholders or by the Company's subsidiaries to the Company;

6. taxation considerations;

7. general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and

8. other factors that the Board deems relevant.

Independent Auditor's Report

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

Opinion

What we have audited

The consolidated financial statements of Helens International Holdings Company Limited (the "**Company**") and its subsidiaries (the "**Group**"), which are set out on pages 71 to 136, comprise:

- the consolidated statement of financial position as at December 31, 2023.
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of right-of-use assets and plant and equipment in bars Refer to Notes 2.2.3, 4.4, 14 and 23 to the consolidated financial statements. As at December 31, 2023, the right-of-use assets and plant and equipment of the Group amounted to approximately RMB182,779,000 and RMB423,423,000, respectively, majority of which are in relation to the Group's bars. Management reviews the performance of each bar at the end of each reporting period to identify impairment indicators, and performs impairment assessment where impairment indicator is identified. Each of the bars is identified as a cash generating unit ("**CGU**") by management in the impairment assessment. The recoverable amount of each of the bars with impairment indicators identified is assessed at the end of each reporting period by management based on the value-in-use ("**VIU**") calculation of the relevant CGU.	Our procedures in relation to impairment assessment of right-of-use assets and plant and equipment in bars included: • We obtained an understanding of the management's internal control and assessment process of the impairment and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • We evaluated management's key controls in respect of the impairment assessment, including the determination of CGU, the identification of impairment indicators, the preparation of cash flow forecast, and assumptions used in the calculation of VIU; • We evaluated the historical accuracy of management's cash flow forecasts by comparing the forecasts used in the prior year to the actual performance of the respective bars in current year; • We evaluated the reasonableness of the significant assumptions applied in the cash flow forecasts, such as forecasted revenue, forecasted raw material costs-to-revenue ratio, and forecasted employee benefit and manpower service expenses-to-revenue ratio, by considering market data, the Group's management plans and the bars' historical performances, and benchmarked with industry;

Key Audit Matter	How our audit addressed the Key Audit Matter
Based on the results of the impairment assessment conducted, impairment provision of approximately RMB2,228,000 and RMB9,110,000 was recognised for right-of-use assets and plant and equipment, respectively, in the Group's consolidated statement of comprehensive income for the year ended December 31, 2023.	• We evaluated the discount rates applied in the cash flow forecasts with the involvement of our internal valuation experts by comparing them with the industry or market data to assess whether the discount rates applied within the range of those adopted by comparable companies in the same industry; and
We focused on this area due to significant management's judgements involved in the determination of VIU of the related CGU, including the significant assumptions used in the compilation of the underlying cash flow forecast. The significant assumptions adopted by management are subjective, including forecasted revenue, forecasted raw material costs-to-revenue ratio, forecasted employee benefit and manpower service expenses-to-revenue ratio, and discount rates.	• We evaluated management's sensitivity analysis performed on the forecasted revenue, forecasted raw material costs, forecast employee benefit and manpower service expenses, and discount rates adopted in the impairment assessment so as to assess the potential implications on the results of the impairment assessment for changes in significant assumptions within a reasonable range. Based on the above procedures, we found the significant assumptions adopted in management's impairment assessment to be supported by the evidence we obtained.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 28, 2024

Consolidated Statements of Comprehensive Income

For the Year Ended December 31, 2023

	Note	Year ended 31 December 2023 RMB'000	2022 RMB'000
Revenue	5	**1,208,613**	1,559,308
Government grants and concessions	7	**8,953**	38,202
Raw materials and consumables used	18	**(359,769)**	(561,906)
Employee benefit and manpower service expenses	9	**(298,800)**	(1,003,455)
Depreciation of right-of-use assets	23	**(110,195)**	(315,923)
Depreciation of property, plant and equipment	14	**(89,369)**	(199,996)
Amortisation of intangible assets	15	**(17)**	(17)
Short-term rental and other related expenses		**(43,159)**	(84,769)
Utilities expenses		**(34,841)**	(65,050)
Travelling and related expenses		**(13,426)**	(11,528)
Advertising and promotion expenses		**(19,682)**	(34,384)
Other expenses	6	**(79,257)**	(103,787)
Impairment losses of plant and equipment and right-of-use assets	14&23	**(11,338)**	(712,905)
Net impairment losses of trade receivables	3.2(b)	**(241)**	—
Other losses, net	8	**(46,306)**	(83,215)
Finance income	10	**68,598**	4,960
Finance costs	10	**(27,800)**	(42,007)
Profit/(loss) before income tax		**151,964**	(1,616,472)
Income tax credit	11	**28,536**	15,322
Profit/(loss) for the year attributable to owners of the Company		**180,500**	(1,601,150)
Other comprehensive income:			
Item that may be subsequently reclassified to profit or loss			
Currency translation differences		**(28,440)**	44,107
Total comprehensive income/(loss) for the year attributable to owners of the Company		**152,060**	(1,557,043)
Profit/(loss) per share for profit/(loss) attributable to owners of the Company (expressed in RMB per share)			
Basic	12	**0.142**	(1.459)
Diluted	12	**0.142**	(1.459)

The notes on pages 77 to 136 are integral parts of these consolidated financial statements.

Consolidated Statements of Financial Position

For the Year Ended December 31, 2023

	Note	As of 31 December 2023 RMB'000	2022 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	14	423,423	693,254
Intangible assets	15	58	75
Right-of-use assets	23	182,779	457,037
Deposits and prepayments	17	58,006	89,689
Deferred tax assets	24	76,564	46,469
		740,830	1,286,524
Current assets			
Inventories	18	20,217	35,962
Prepayments, deposits and other receivables	17	77,073	55,718
Trade receivables	19	47,930	—
Term deposits with original maturity over three months	20	651,608	201,566
Cash and cash equivalents	20	625,612	1,096,998
Restricted cash	20	1,714	—
		1,424,154	1,390,244
Total assets		2,164,984	2,676,768
Equity			
Equity attributable to owners of the Company			
Share capital	21	1	1
Reserves	22	1,821,406	1,822,867
Total equity		1,821,407	1,822,868

	Note	As of 31 December 2023 RMB'000	2022 RMB'000
Liabilities			
Non-current liability			
Contract liabilities	5	5,620	—
Other payables	26	11,010	—
Lease liabilities	23	174,601	565,202
		191,231	565,202
Current liabilities			
Trade payables	25	30,717	62,742
Contract liabilities	5	3,550	—
Other payables and accruals	26	20,362	37,810
Lease liabilities	23	81,072	175,800
Current income tax liabilities		16,645	12,346
		152,346	288,698
Total liabilities		343,577	853,900
Total equity and liabilities		2,164,984	2,676,768

The notes on pages 77 to 136 are integral parts of these consolidated financial statements.

The consolidated financial statements on pages 71 to 136 were approved for issue by the Board of Directors on March 28, 2024 and were signed on its behalf.

Mr. Xu Bingzhong
Executive Director and Chief Executive Officer

Ms. Yu Zhen
Executive Director and Chief Financial Officer

Consolidated Statements of Changes in Equity

For the Year Ended December 31, 2023

	Attributable to owners of the Company						
	Share capital *RMB'000*	Share premium *RMB'000*	Share-based compensation reserve *RMB'000*	Statutory reserve *RMB'000*	Exchange reserve *RMB'000*	Accumulated losses *RMB'000*	Total Equity *RMB'000*
Balance at January 1, 2022	1	2,860,214	92,783	18,436	(5,220)	(89,494)	2,876,720
Comprehensive income							
Loss for the year	—	—	—	—	—	(1,601,150)	(1,601,150)
Other comprehensive income							
Item that may be subsequently reclassified to profit or loss							
Currency translation differences	—	—	—	—	44,107	—	44,107
Total comprehensive income	—	—	—	—	44,107	(1,601,150)	(1,557,043)
Transaction with owners							
Equity settled share-based payment *(Note 29)*	—	—	503,191	—	—	—	503,191
Appropriation to statutory reserve	—	—	—	230	—	(230)	—
Total transaction with owners	—	—	503,191	230	—	(230)	503,191
Balance at December 31, 2022	1	2,860,214	595,974	18,666	38,887	(1,690,874)	1,822,868

The notes on pages 77 to 136 are integral parts of these consolidated financial statements.

Consolidated Statements of Changes in Equity

For the Year Ended December 31, 2023

	Attributable to owners of the Company						
	Share capital *RMB'000*	Share premium *RMB'000*	Share-based compensation reserve *RMB'000*	Statutory reserve *RMB'000*	Exchange reserve *RMB'000*	Accumulated losses *RMB'000*	Total Equity *RMB'000*
Balance at January 1, 2023	1	2,860,214	595,974	18,666	38,887	(1,690,874)	1,822,868
Comprehensive income							
Profit for the year	–	–	–	–	–	180,500	180,500
Other comprehensive income							
Currency translation differences	–	–	–	–	(28,440)	–	(28,440)
Total comprehensive income	–	–	–	–	(28,440)	180,500	152,060
Transaction with owners							
Appropriation to statutory reserve	–	–	–	5,100	–	(5,100)	–
Repurchase of ordinary shares that are not yet cancelled *(Note 21)*	–	(6,614)	–	–	–	–	(6,614)
Dividend paid *(Note 13)*	–	(146,907)	–	–	–	–	(146,907)
Total transaction with owners	–	(153,521)	–	5,100	–	(5,100)	(153,521)
Balance at December 31, 2023	1	2,706,693	595,974	23,766	10,447	(1,515,474)	1,821,407

The notes on pages 77 to 136 are integral parts of these consolidated financial statements.

Consolidated Statements of Cash Flows

For the Year Ended December 31, 2023

	Note	Year ended 31 December 2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Cash generated from operations	28(a)	272,278	157,371
Income tax refund/(paid)		2,740	(14,485)
Net cash generated from operating activities		275,018	142,886
Cash flows from investing activities			
Purchase of property, plant and equipment		(45,554)	(371,164)
Withdrawal of bank deposits with original maturity over three months		201,566	—
Placement of bank deposits with original maturity over three months		(651,608)	(201,566)
Proceeds from disposal of plant and equipment	28(c)	2,702	10,200
Net cash paid for business combination	27	(1,541)	—
Interest received		57,277	4,960
Net cash used in investing activities		(437,158)	(557,570)
Cash flows from financing activities			
Repurchase of ordinary shares	21	(6,614)	—
Dividends paid	13	(146,907)	—
Payment of principal element of lease liabilities	28(b)	(140,112)	(178,204)
Payment of interest element of lease liabilities	28(b)	(27,800)	(42,007)
Restricted cash		(1,714)	—
Net cash used in financing activities		(323,147)	(220,211)
Net decrease in Cash and cash equivalents		(485,287)	(634,895)
Cash and cash equivalents at beginning of the year		1,096,998	1,626,731
Effect of exchange rate changes on cash and bank balances		13,901	105,162
Cash and cash equivalents at end of the year		625,612	1,096,998

The notes on pages 77 to 136 are integral parts of these 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's shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Listing**") on September 10, 2021 (the "**Listing Date**").

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

The financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated, and have been approved for issue by the Company's board of directors (the "**Board**") on March 28, 2024.

2 SUMMARY OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of preparation

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

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires the directors of the Company to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

New or revised standards, amendments and interpretations not yet adopted

Standards, amendments and interpretations that have been issued but not yet effective and not been early adopted by the Group during the year ended December 31, 2023 are as follows:

		Effective for annual periods beginning on or after
HKAS 1	Classification of liabilities as current or non-current	January 1, 2024
HKAS 1	Non-current liabilities with covenants	January 1, 2024
HKFRS 16	Lease liability in a 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 HKAS 7 and HKFRS 7	Supplier finance arrangements	January 1, 2024
Amendments to HKAS 21	Lack of exchangeability	January 1, 2025
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.

2.2 Material accounting policies

2.2.1 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.2 Material accounting policies (continued)

2.2.1 Foreign currency translation (continued)

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the balance sheet date exchange rates of monetary assets and liabilities denominated in foreign currencies are generally recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis within "other losses."

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities held at fair value through other comprehensive income.

(c) *Group companies*

The results and financial positions of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial positions;
- income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign operations are taken to other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.2 Material accounting policies (continued)

2.2.2 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. The carrying amounts of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs, net of their residual value, over their estimated useful lives, as follows:

• Buildings	40 years
• Office equipment	5 years
• Computer equipment	3 to 5 years
• Furniture and fixture	5 to 8 years
• Motor and Vehicles	5 years
• Leasehold improvement	Over the shorter of lease term and useful life

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with the carrying amount and are recognised in profit or loss.

2.2.3 Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amounts by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.2 Material accounting policies (continued)

2.2.4 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those measured at amortised cost.

The Group classifies its financial assets as assets to be measured at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows;
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group has classified all of its financial assets as assets to be measured at amortised cost.

(c) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and reward of ownership.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.2 Material accounting policies (continued)

2.2.5 Impairment of financial assets

The Group has following types of financial assets subject to HKFRS 9 expected credit loss model:

- Trade receivables; and
- Deposits and other receivables; and
- Cash and bank balances

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Impairment on deposits and other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. See Note 3.2(b) and Note 19 for further details.

To manage risk arising from cash and bank balances, the Group only transacts with state-owned or reputable financial institutions. There has been no recent history of default in relation to these financial institutions.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

2.2.6 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.2 Material accounting policies (continued)

2.2.7 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amounts and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

(c) Offsetting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.2 Material accounting policies (continued)

2.2.8 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts for the sale of goods in the ordinary course of the Group's activity. Revenue is shown net of returns and after eliminating sales within the Group. Revenue excludes value added tax or other sales taxes and is after deduction of other sales taxes of any trade discounts.

The Group does not expect to have any contracts where the period between the transfer of the promised goods to the customers and the payment by the customers exceeds one year. Hence, the Group does not adjust any of the transaction prices for the time value of money.

When either party to a contract has performed, the Group presents the contract in the consolidated statements of financial position as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment. A contract asset is the Group's right to consideration in exchange for goods that the Group has transferred to a customer. Incremental costs incurred to obtain a contract, if recoverable, are capitalised and presented as assets and subsequently amortised when the related revenue is recognised.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers the promised goods to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer the promised goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Revenue is recognised when specific criteria have been met for the Group's activities as described below:

(a) Revenue from self-operated bars

The Group operates bars and sells food and beverages to customers.

Revenue from self-operated bars and sales of food and beverages is recognised when the services have been rendered to customers and when control of food and beverages have been transferred to customers at a point in time and payments made.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.2 Material accounting policies (continued)

2.2.8 Revenue recognition (continued)

(b) Revenue from sales of goods to franchisees

The Group enters into a series of agreements with each franchisee, which mainly include a license agreement and a sales agreement (collectively "**Franchise Agreements**"), whereby the franchisees are licensed to operate the franchised bars and are authorised to sell food and beverages in their own bars. For sales of goods to franchisees, the Group has determined that the franchisees are the customers of the Group. Revenue from sales of goods to franchisees is recognised at the point in time when the franchisees accept the goods and the control over those goods is transferred to the franchisees.

(c) Revenue from provision of franchising services to franchisees

As part of the Franchise Agreements, the franchise rights are granted for certain years to franchisees upon payment of a non-refundable upfront initial payments. The non-refundable upfront initial fee is charged for pre-opening support services provided to the franchisees, including but not limited to market and location analysis, pre-opening marketing. As these services are highly interrelated with the franchise right, they are not individually distinct from the ongoing franchising arrangement with the franchisees. As a result, initial franchise fees, which are considered as consideration for the Group to provide right to access the Group's intellectual property, are recognised on a straight-line basis over the expected franchise period. Unrecognised non-refundable upfront initial fee is recognised as contract liabilities in the consolidated statements of financial position.

Franchisees are also required to pay a monthly royalty fee, which is determined based upon a certain percentage of franchisees' sales and recognised over the period when related services are rendered.

The Group also provides upfront subsidies to certain franchisees for their pre-opening capital expenditure including decoration and purchasing equipment in return for a higher monthly service fee rates. These subsidies do not represent distinct goods or services provided to the franchisees and are accounted for as a reduction of the services fee on a straight-line basis over the franchise period. The unrecognised portion are recognised as other prepayments (Note 17) in the Group's consolidated statements of financial position.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.2 Material accounting policies (continued)

2.2.9 Leases

The Group leases various properties. Rental contracts are typically made for fixed periods of 5 years to 8 years. Lease terms are negotiated on an individual basis and contain various terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as securities for borrowing purposes.

Leases are recognised as right-of-use assets and the corresponding lease liabilities at the date of which the respective leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the entity's incremental borrowing rate.

Right-of-use assets are measured at costs comprising the following:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.2 Material accounting policies (continued)

2.2.9 Leases (continued)

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases for properties with a lease term of less than 12 months.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension, or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in HKFRS 16 Leases. In such cases, the Group took advantage of the practical expedient set out in HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

2.3 Other accounting policies

2.3.1 Subsidiaries

2.3.1.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control cease

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3 Other accounting policies (continued)

2.3.1 Subsidiaries (continued)

2.3.1.1 Consolidation (continued)

(a) Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the consolidated statement of comprehensive income.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amounts of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the comprehensive income.

Inter-company transactions, balances and realized gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries comprising the Group have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3 Other accounting policies (continued)

2.3.1 Subsidiaries (continued)

2.3.1.1 Consolidation (continued)

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions - that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amounts of net assets of the subsidiary is recorded in equity. Gains or losses on disposal to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amounts recognised in profit or loss. The fair value is the initial carrying amounts for the purposes of subsequently accounting for the retained interest as an associate, or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.3.1.2 Separate financial statements

Investments in subsidiaries are accounted for by the Company at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3.2 Segment reporting

Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the directors who make strategic decisions.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3 Other accounting policies (continued)

2.3.3 Intangible assets

(a) *System software*

Acquired system software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using straight-line method over their estimated useful lives from five to twelve years.

2.3.4 Offsetting financial instruments

Financial assets and liabilities are offset and the net amounts reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.3.5 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of inventories comprises food ingredients, beverages consumables and other direct costs. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.3.6 Cash and bank balances

For the purpose of presentation in the consolidated statements of cash flows, cash and bank balances include cash and cash equivalents, term deposits with original maturity over three months and restricted cash.

2.3.7 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3 Other accounting policies (continued)

2.3.8 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and bills payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.3.9 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amounts can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.3.10 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statements of financial position.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3 Other accounting policies (continued)

2.3.10 *Employee benefits (continued)*

(b) Defined contribution plans

The Group pays contributions to state-managed pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(c) Bonus plans

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(d) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(e) Share-based benefits

The Group operates a Post-IPO Restricted Share Units ("**RSU**") Scheme, under which the Group receives service from its employees in exchange for the equity instruments of the Group. As disclosed in Note 29, during the years ended December 31, 2022. The fair value of the employee service received in exchange for the grant of share options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

— Including any market performance conditions (e.g., the entity's share price);

— Including the impact of any non-vesting conditions (e.g., the requirement for employees to save or holdings shares for a specific period of time).

Non-market performance and service conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

2 SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2.3 Other accounting policies (continued)

2.3.11 Interest income

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

2.3.12 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the years in which the dividend is approved by the Company's shareholders or directors, where appropriate.

2.3.13 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to expenses are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the expenses that they are intended to compensate.

2.3.14 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amounts of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3.1 Market risk

3.1.1 Foreign exchange risk

The Group's businesses are principally conducted in RMB, which is exposed to foreign currency risk with respect to transactions denominated in currencies other than RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity.

During the years ended December 31, 2023 and 2022, the Group has not entered into any derivative instruments to hedge its foreign exchange exposures.

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

		As of 31 December	
	Currency denomination	**2023**	2022
		RMB'000	*RMB'000*
Cash and bank balances	HKD	**84,382**	180,415
	USD	**1,056,348**	904,393
	SGD	**3,875**	—
	JPY	**252**	—

As of December 31, 2023, if HKD had strengthened/weakened by 5% against RMB with all other variables held constant, the profit before income tax for the year ended December 31, 2023 would have been approximately RMB4,219,000 higher/lower (2022: loss before income tax would have been approximately RMB9,021,000 lower/higher).

As of December 31, 2023, if USD had strengthened/weakened by 5% against RMB with all other variables held constant, the profit before income tax for the year ended December 31, 2023 would have been approximately RMB52,817,000 higher/lower (2022: loss before income tax would have been approximately RMB45,220,000 lower/higher).

As of December 31, 2023, if SGD had strengthened/weakened by 5% against RMB with all other variables held constant, the profit before income tax for the year ended December 31, 2023 would have been approximately RMB194,000 higher/lower (2022: Nil).

As of December 31, 2023, if JPY had strengthened/weakened by 5% against RMB with all other variables held constant, the profit before income tax for the year ended December 31, 2023 would have been approximately RMB13,000 higher/lower (2022: Nil).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Market risk (continued)

3.1.2 Interest rate risk

The Group's interest rate risk is mainly attributable to its cash and bank balances (excluding cash on hand). Details of the Group's cash and bank balances have been disclosed in Note 20 to the consolidated financial statements. The Group's lease liabilities are also interest-bearing but with fixed rates.

As of December 31, 2023, if interest rates on cash and bank balances (excluding cash on hand) had been 50 basis points higher/lower with all variables held constant, profit before income tax for the year then ended would have been approximately RMB6,390,000 higher/lower (2022: loss before income tax would have been approximately RMB6,483,000 lower/higher), mainly as a result of higher/lower interest income on the cash and bank balances (excluding cas hand).

3.2 Credit risk

The credit risk of the Group mainly arises from cash and bank balances (excluding cash on hand), trade receivables, deposits and other receivables. The carrying amounts of these financial assets represent the Group's maximum exposure to credit risk in relation to financial assets.

(a) Risk management

The Group has policies in place to ensure that credit terms are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers.

The Group's cash and bank balances (excluding cash on hand) were deposited with high quality financial and other institutions with sound credit ratings. Therefore, the Group does not expect material losses arising from non-performance by these counterparties.

To manage risk arising from trade receivables, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit valuations of its counterparties. The credit period granted to the customers is usually no more than 90 days and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors. In view of the sound collection history of receivables due from them, management believes that the credit risk inherent in the Group's outstanding trade receivable balances due from them is not significant.

For deposits and other receivables, the Group assessed that most of the underlying lease contracts grant the Group, as a lessee, the contractual rights to continue occupying the corresponding premises if the landlord does not refund these rental and other deposits at the end of the lease terms pursuant to the terms and conditions set out in the lease contracts. Hence, the Group does not expect material losses arising from non-performance by these counterparties.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Credit risk (continued)

(b) Impairment of financial assets

The Group has the following types of financial asset that is subject to the expected credit loss models:

- Cash and bank balances
- Trade receivables
- Deposits and other receivables

Cash and bank balances

While cash and bank balances are also subject to the impairment requirements of HKFRS 9, management considered the expected credit loss rates to be immaterial and the identified impairment loss was immaterial as substantially all of the Group's bank deposits were deposited with major financial and other institutions which management believes are of high-credit-quality without significant credit risk.

Trade receivables

The Group applies the simplified approach to provide for expected credi loss ("**ECL**") prescribed by HKFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables.

The Group measures the expected credit losses of trade receivables on a collective basis. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics.

For the Group's trade receivables from franchisees, the expected loss rates are based on the industry credit loss rates and aging profiles of trade receivables. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the urban per capital disposable income of the PRC in which the Group sells its goods and services to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

Deposits and other receivables

The Group's deposits and other receivables is carried at amortised cost in the consolidated statements of financial position. The impairment loss of deposits and other receivables is measured based on the twelve months expected credit loss. The twelve months expected credit loss is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within twelve months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Credit risk (continued)

(b) *Impairment of financial assets (continued)*

The loss allowance for trade receivables as at December 31, 2023 and 2022 reconcile to the opening loss allowance as follows:

	Trade receivables *RMB'000*
At December 31, 2022	—
Impairment losses for the year ended December 31, 2023	241
At December 31, 2023	**241**

On such basis, the loss allowance as at December 31, 2023 was determined as follows for trade receivables:

	Less than 1 year *RMB'000*	Total *RMB'000*
As at December 31, 2023		
Total		
Expected loss rate	**0.50%**	**0.50%**
Gross carrying amount	**48,171**	**48,171**
Loss allowance provision	**(241)**	**(241)**

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the shorter and longer term.

Taking into account the Group's financial resources, its internally generated cash and banking facilities, the directors of the Company believe that the Group has sufficient capital to meet its liquidity needs for at least twelve months from December 31, 2023.

There were no undrawn banking facilities available to the Group as of December 31, 2023 and 2022.

The table below analyses the non-derivative financial liabilities of the Group into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table were the contractual undiscounted cash flows and the earliest date the Group can be required to pay. Balances within twelve months equal their carrying balances as impact from discounting is not significant.

	Less than 1 year *RMB'000*	**More than 1 year** *RMB'000*	**Total** *RMB'000*
At December 31, 2023			
Trade payables	**30,717**	**—**	**30,717**
Other payables and accruals	**13,434**	**11,010**	**24,444**
Lease liabilities	**93,313**	**211,686**	**304,999**
	137,464	**222,696**	**360,160**
At December 31, 2022			
Trade payables	62,742	—	62,742
Other payables and accruals	30,764	—	30,764
Lease liabilities	210,389	640,472	850,861
	303,895	640,472	944,367

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and lease liabilities, less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position. As at December 31, 2023 and 2022, the Group has a net cash position.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4.1 Current and deferred taxation

The Group is subject to income taxes mainly in the PRC. Significant judgement is required in determining provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the periods in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and tax expense in the periods in which such estimate is changed.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

4.2 Depreciation

Property, plant and equipment and right-of-use assets are depreciated on a straight-line basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets. The depreciation expense for future periods is adjusted if there are material changes from previous estimates.

4.3 Determination of lease terms

In determining the lease terms, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

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

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

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

5 REVENUE AND SEGMENT INFORMATION

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

The chief operating decision-maker ("**CODM**") has been identified as the directors of the Company. The directors review the Group's internal reporting in order to assess performance and allocate resources. The directors have determined the operating segment based on these reports.

The directors consider the Group's operation from a business perspective and determine that the Group is managed as one single reportable operating segment.

During the years ended December 31, 2023 and 2022, all of the Group's revenues are from contracts with customers. Please refer to Note 2.2.8 for details of accounting policies on revenue recognition.

(a) Disaggregation of revenue

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

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Revenue from self-operated bars	**1,103,300**	1,547,988
Revenue from sales of goods to franchisees	**34,206**	—
Revenue from provision of franchising services to franchisees:		
Franchising services — gross	**81,763**	15,411
Less: amortisation of prepayment to franchisees as a reduction of service fees charged to franchisees *(Note 17(b))*	**(10,656)**	(4,091)
Franchising services — net	**71,107**	11,320
	1,208,613	1,559,308
Disaggregated by timing of revenue recognition:		
— Point in time	**1,137,506**	1,547,988
— Over time	**71,107**	11,320
	1,208,613	1,559,308

No customers contributed over 10% of the total revenue of the Group for the years ended December 31, 2023 and 2022.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment revenue by customers' geographical location

The Group's revenue by geographical location, which is determined by the operation's locations, is as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Mainland China	**1,200,697**	1,555,202
Outside of Mainland China	**7,916**	4,106
	1,208,613	1,559,308

(c) Non-current assets by geographical location

As of December 31, 2023 and 2022, most of the Group's non-current assets (other than intangible assets and deferred tax assets) were located in the PRC.

(d) Liabilities related to contracts with customers

	31 December 2023	31 December 2022	1 January 2022
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities	**9,170**	—	—

Contract liabilities of the Group represent non-refundable initial fees received from franchisees which are recognised as revenue on a straight-line basis over the expected franchise period.

During the year ended December 31, 2023, revenue of approximately RMB5,028,000 related to the aforementioned upfront initial fees are recognised.

The amount of transaction prices allocated to the remaining unsatisfied or partially unsatisfied performance obligations as at December 31, 2023 are as follows:

	31 December 2023	31 December 2022
	RMB'000	*RMB'000*
Amount expected to be recognised as revenue		
— Within one year	**3,550**	—
— More than one year but less than four years	**5,620**	—
	9,170	—

6 OTHER EXPENSES

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Logistics and warehousing-related costs	**35,905**	43,829
Office expenses	**4,984**	7,367
Repair and maintenance	**5,612**	8,576
Auditor's remuneration		
— Audit services	**3,000**	5,800
— Non-audit services	**940**	1,035
Cleaning and garbage handling fees	**3,065**	4,083
Service fees to third-party platform service providers	**8,695**	10,845
Software development fees	**3,981**	7,636
Others	**13,075**	14,616
	79,257	103,787

7 GOVERNMENT GRANTS AND CONCESSIONS

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Government grants *(a)*	**8,953**	26,491
Gain on COVID-19 rent concessions *(Note 23(c))*	**—**	11,711
	8,953	38,202

(a) During the year ended December 31, 2023, government grants mainly represented the grants amounting to a total of approximately RMB2,390,000 in respect of certain foreign enterprise investment funding programs operated by the PRC government, and the exemptions on value-added tax granted by the government authorities in the PRC which were applicable to certain subsidiaries of the Group.

8 OTHER LOSSES, NET

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Loss on disposal of plant and equipment *(a)*	**(215,052)**	(142,040)
Loss on rental deposits *(a)*	**(30,058)**	(17,436)
Penalties and compensation for early termination *(a)*	**(26,912)**	(4,095)
Gain on termination of leases *(a)*	**183,669**	19,301
Exchange gains	**42,047**	61,055
	(46,306)	(83,215)

(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 loss on disposal of plant and equipment, loss on rental deposits, penalties and compensation for early termination, and gain on termination of leases during the year ended December 31, 2023.

Additional details on the impairment of plant and equipment are set out in Note 14.

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

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Wages, salaries, and other benefits	**111,842**	157,784
Pension costs — defined contribution schemes *(a)*	**20,710**	28,230
Equity settled share-based payments *(Note 29)*	**—**	503,191
Total employee benefit expenses (including directors' remunerations)	**132,552**	689,205
Manpower service expenses *(b)*	**166,248**	314,250
	298,800	1,003,455

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

(a) Pensions costs — defined contribution plans

Hong Kong

Retirement benefit costs — defined contribution schemes

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "**MPF Scheme**"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, the Group and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the Group's and the employees' mandatory contributions were subject to a certain cap per month.

The PRC

As stipulated under the relevant rules and regulations in the PRC, the subsidiaries operating in the PRC contribute to state-sponsored retirement plans for its employees. For the years ended December 31, 2023 and 2022, depending on the provinces of the employees' registered residences and their current region of work, the subsidiaries contributed certain percentages of the basic salaries of its employees and had no further obligations for the actual payment of pensions or postretirement benefits beyond the contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to the retired employees.

Singapore

The Group is required to contribute a certain percentage of the salaries of the employees in Singapore under Central Provident Fund, and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the contributions.

(b) Manpower service expenses

During the years ended December 31, 2023 and 2022, the Group entered into certain manpower service arrangements with several external manpower service agents in the PRC. Under these arrangements, certain of the Group's manpower requirements were fulfilled by these agents at agreed service fees whereas the human resources provided were directly employed by the relevant service organisations. The individuals providing services to the Group do not have any employment relationship with the Group.

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

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group including 2 and 1 director for the years ended December 31, 2023 and 2022, respectively, whose emoluments are reflected in the analysis presented in Note 31. The emoluments payable to the remaining 3 and 4 individuals for the years ended December 31, 2023 and 2022 are as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Wages, salaries, and other benefits	**1,572**	568
Pension costs — defined contribution plans	**58**	63
Share-based payments expenses	**—**	365,478
	1,630	366,109

The emoluments fell within the following band:

	Year ended 31 December	
	2023	2022
	Number of individuals	*Number of individuals*
Emolument band		
Below HKD1,000,000	**3**	—
HKD21,000,001 to HKD21,500,000	**—**	1
HKD21,500,001 to HKD22,000,000	**—**	1
HKD38,000,001 to HKD38,500,000	**—**	1
HKD344,500,001 to HKD345,000,000	**—**	1

During the years ended December 31, 2023 and 2022, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10 FINANCE (INCOME)/COSTS, NET

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Interest income on bank deposits	**(68,598)**	(4,960)
Interest expenses on lease liabilities *(Note 23(c))*	**27,800**	42,007
Finance costs	**27,800**	42,007
Finance (income)/costs, net	**(40,798)**	37,047

11 INCOME TAX CREDIT

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Current income tax		
— PRC corporate income tax	**1,559**	1,261
Deferred income tax *(Note 24)*	**(30,095)**	(16,583)
Income tax credit	**(28,536)**	(15,322)

(a) Hong Kong profits tax

During the years ended December 31, 2023 and 2022, no provision for Hong Kong profits tax has been made at the rate of 16.5% as the Group did not derive any income subject to Hong Kong profits tax during the years ended December 31, 2023 and 2022.

(b) PRC corporate income tax

During the years ended December 31, 2023 and 2022, the Group's subsidiaries in the PRC are subject to corporate income tax ("**CIT**") at a standard rate of 25%, except for Shenzhen Helens Management Co., Ltd. which is an enterprise established in the Qianhai Shenzhen-Hong Kong Modern Services Industry Cooperation Zone ("**Qianhai Zone**") and is engaged in business that falls within the catalogue for CIT preferential treatments of Qianhai Zone and therefore subject to a preferential corporate income tax rate of 15%.

11 INCOME TAX CREDIT (CONTINUED)

(c) Singapore profits tax

During the year ended December 31, 2023, no provision for Singapore profits tax has been made at the rate of 17% as the Group did not derive any income subject to Singapore tax during the years ended December 31, 2023.

The taxation on the Group's profit before income tax differs from the theoretical amounts that would arise using the weighted average tax rate applicable to subsidiaries now comprising the Group as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Profit/(loss) before income tax	**151,964**	(1,616,472)
Tax calculated at the applicable tax rates of the respective subsidiaries	**18,823**	(291,794)
Tax effect of:		
Expenses not deductible for tax purpose	**615**	980
Tax losses and temporary differences not recognised for deferred tax assets	**59,902**	275,815
Tax effect of non-taxable income	**(5,931)**	(323)
Utilization of deductible temporary differences and unrecognised tax loss previously not recognized	**(35,918)**	—
Recognition of tax losses and temporary differences previously not recognized	**(66,027)**	—
Income tax credit	**(28,536)**	(15,322)

12 EARNINGS PER SHARE

(a) Basic

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended December 31, 2023 and 2022.

During the year ended December 31, 2022, the Company has granted an aggregate of certain RSUs which vested immediately. The basic earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue during the year as detailed in Note 29.

	Year ended 31 December	
	2023	2022
Profit/(loss) for the year attributable to owners of the Company *(RMB'000)*	**180,500**	(1,601,150)
Weighted average number of ordinary shares in issue *(Thousand) (Note 21)*	**1,266,747**	1,097,175
Basic profit/(loss) per share *(RMB)*	**0.142**	(1.459)

(b) Diluted

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue during the year with the weighted average number of ordinary shares deemed to be issued assuming the dilutive impact on the shares pursuant to the restricted shares granted as detailed in Note 29.

There were no dilutive potential ordinary shares during the year ended December 31, 2023. For the year ended December 31, 2022, the Group incurred losses and the potential ordinary shares were not included in the calculation of the diluted loss per share as they are anti-dilutive. Accordingly, diluted loss per share for the year ended December 31, 2022 is the same as basic loss per share.

13 DIVIDENDS

During the year ended December 31, 2023, the Company declared and paid dividends of approximately RMB146,907,000 to its shareholders.

14 PROPERTY, PLANT AND EQUIPMENT

	Building *RMB'000*	Office equipment *RMB'000*	Computer equipment *RMB'000*	Furniture and fixture *RMB'000*	Motor and Vehicle *RMB'000*	Leasehold improvement *RMB'000*	Total *RMB'000*
At January 1, 2022							
Cost	—	27	294	180,901	—	831,451	1,012,673
Accumulated depreciation	—	(16)	(166)	(32,693)	—	(102,167)	(135,042)
Impairment losses	—	—	—	(326)	—	(6,025)	(6,351)
Net book amount	—	11	128	147,882	—	723,259	871,280
Year ended December 31, 2022							
Opening net book amount	—	11	128	147,882	—	723,259	871,280
Additions	211,082	—	1,191	145,300	6,173	243,913	607,659
Depreciation	(4,976)	(5)	(278)	(50,097)	(378)	(144,262)	(199,996)
Disposals	—	(6)	(372)	(20,560)	—	(131,302)	(152,240)
Impairment losses *(a)*	—	—	—	(49,459)	—	(383,990)	(433,449)
Closing net book amount	206,106	—	669	173,066	5,795	307,618	693,254
At December 31, 2022							
Cost	211,082	21	1,113	305,641	6,173	944,062	1,468,092
Accumulated depreciation	(4,976)	(21)	(444)	(82,790)	(378)	(246,429)	(335,038)
Impairment losses	—	—	—	(49,785)	—	(390,015)	(439,800)
Net book amount	206,106	—	669	173,066	5,795	307,618	693,254

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Building RMB'000	Office equipment RMB'000	Computer equipment RMB'000	Furniture and fixture RMB'000	Motor and Vehicle RMB'000	Leasehold improvement RMB'000	Total RMB'000
At January 1, 2023							
Cost	211,082	21	1,113	305,641	6,173	944,062	1,468,092
Accumulated depreciation	(4,976)	(21)	(444)	(82,790)	(378)	(246,429)	(335,038)
Impairment losses	—	—	—	(49,785)	—	(390,015)	(439,800)
Net book amount	206,106	—	669	173,066	5,795	307,618	693,254
Year ended December 31, 2023							
Opening net book amount	206,106	—	669	173,066	5,795	307,618	693,254
Additions	—	—	69	10,175	3,239	32,071	45,554
Business combinations *(Note 27)*	—	—	—	290	—	565	855
Depreciation	(5,971)	—	(270)	(34,916)	(791)	(47,421)	(89,369)
Disposals	—	—	(82)	(37,587)	(2,501)	(177,584)	(217,754)
Impairment losses *(a)*	—	—	—	(1,486)	—	(7,624)	(9,110)
Exchange adjustments	—	—	—	(7)	—	—	(7)
Closing net book amount	200,135	—	386	109,535	5,742	107,625	423,423
At December 31, 2023							
Cost	211,082	10	800	176,056	5,925	268,338	662,211
Accumulated depreciation	(10,947)	(10)	(414)	(54,127)	(183)	(96,839)	(162,520)
Exchange adjustments	—	—	—	(7)	—	—	(7)
Impairment losses	—	—	—	(12,387)	—	(63,874)	(76,261)
Net book amount	200,135	—	386	109,535	5,742	107,625	423,423

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

As a result of the continuous changes in the PRC economy and operating environment, the Group has experienced negative conditions including closure and suspension of operation of certain bars, lukewarm customer consumptions for certain periods of time during the year ended December 31, 2022 and 2023 and the consequential decline in operating results of certain bars.

The management of the Group therefore concluded that there were impairment indicators identified on the plant and equipment and right-of-use assets of certain bars and conducted impairment assessment on these bars.

The recoverable amount of each CGU is determined based on value-in-use calculations derived from cash flow projections forecasted by management covering the remaining lease term, which is higher than the fair value less costs of disposal. The cash flows are discounted using pre-tax discount rates primarily ranging from 16.30% to 23.03% as at December 31, 2023 (2022: 16.13% to 23.94%). The discount rates used reflect the specific risks relating to the restaurant and beverage industries in which the relevant CGUs operate and the CGUs themselves. The discount rates used have been reassessed as at December 31, 2023 and increase in discount rates are primarily attributable to overall increase in the market risk premium of the PRC market and the risk of the restaurant and beverage industries due to macroeconomic uncertainties.

Other than discount rates, other key assumptions for the value-in-use calculations related to the estimation of CGUs' cash flows included forecasted revenue, forecasted raw material costs-to-revenue ratio, forecasted employee benefit and manpower service expenses-to-revenue ratio, which are estimated based on the CGUs' past performance and management's plan for these CGUs. All of these assumptions have been reassessed as at December 31, 2023 taking into account the uncertainties on how the forward-looking customer consumptions in the PRC will recover from the continuous changes in the PRC economy and operating environment.

Based on the results of the impairment assessment conducted, the carrying amount of certain bars exceeded their recoverable amount and therefore impairment of approximately RMB9,110,000 and RMB2,228,000 (Note 23(b)) was recognised for these bars' plant and equipment and right-of-use assets, respectively, in the Group's consolidated statement of comprehensive income for the year ended December 31, 2023 (2022: RMB433,449,000 and RMB279,456,000, respectively).

Furthermore, due to the closure of certain bars during the years ended December 31, 2022 and 2023, the Group disposed of certain plant and equipment with an aggregate carrying amount of approximately RMB217,754,000 (2022: RMB152,240,000) for cash proceeds of approximately RMB2,702,000 (2022: RMB10,200,000), resulting in a loss of approximately RMB215,052,000 (2022: RMB142,040,000).

15 INTANGIBLE ASSETS

	System software *RMB'000*
At January 1, 2022	
Cost	147
Accumulated amortisation	(55)
Net book amount	92
Year ended December 31, 2022	
Opening net book amount	92
Amortisation	(17)
Closing net book amount	75
At December 31, 2022	
Cost	147
Accumulated amortisation	(72)
Net book amount	75
At January 1, 2023	
Cost	147
Accumulated amortisation	(72)
Net book amount	75
Year ended December 31, 2023	
Opening net book amount	**75**
Amortisation	**(17)**
Closing net book amount	**58**
At December 31, 2023	
Cost	**147**
Accumulated amortisation	**(89)**
Net book amount	**58**

16 FINANCIAL INSTRUMENTS BY CATEGORIES

	As of 31 December	
	2023	2022
	RMB'000	*RMB'000*
Financial assets		
Financial assets carried at amortised cost		
Other receivables and deposits *(Note 17)*	**41,024**	54,060
Trade receivables *(Note 19)*	**47,930**	—
Cash and bank balances *(Note 20)*	**1,278,934**	1,298,564
	1,367,888	1,352,624
Financial liabilities		
Financial liabilities carried at amortised cost		
Trade payables *(Note 25)*	**30,717**	62,742
Other payables and accruals	**24,444**	30,764
Lease liabilities *(Note 23)*	**255,673**	741,002
	310,834	834,508

17 PREPAYMENTS, DEPOSITS, AND OTHER RECEIVABLES

	As of 31 December	
	2023	2022
	RMB'000	*RMB'000*
Non-current portion		
Rental and other deposits	**17,522**	37,126
Prepayments for acquisitions of property, plant, and equipment	**—**	3,373
Prepayment made to a related party *(Note 30(b))*	**2,202**	—
Other prepayments *(b)*	**38,282**	49,190
	58,006	89,689
Current portion		
Rental and other deposits	**6,524**	10,974
Prepayments	**12,031**	2,461
Other tax receivable	**30,632**	25,667
Other prepayments *(b)*	**10,908**	10,656
Interest receivables	**11,321**	—
Others	**5,657**	5,960
	77,073	55,718

(a) As of December 31, 2023, the carrying amounts of deposits and other receivables approximated their fair values and were primarily denominated in RMB.

(b) Other prepayments represent subsidies to certain franchisees for initial 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 year ended December 31, 2023, amortisation of approximately RMB10,656,000 (2022: RMB4,091,000) was recognised as a reduction of service fees charged to franchises.

18 INVENTORIES

	As of 31 December	
	2023	2022
	RMB'000	*RMB'000*
Food ingredients, beverages, and consumables	**20,217**	35,962

The cost of inventories recognised as expenses and included in the consolidated statement of comprehensive income during the year ended December 31, 2023 amounted to approximately RMB359,769,000 (2022: RMB561,906,000).

No write-downs of inventories to net realisable value were charged to the consolidated statement of comprehensive income during the years ended December 31, 2023 and 2022, respectively.

19 TRADE RECEIVABLES

	As of 31 December 2023 *RMB'000*
Trade receivables	48,171
Loss allowance *(Note 3.2(b))*	(241)
	47,930

Trade receivables mainly arose from sales of goods and provision of franchising services to franchisees, and the credit terms of 30 to 60 days are granted for these receivables.

At 31 December, the ageing analysis of the trade receivables based on recognition date were as follows:

	As of 31 December 2023 *RMB'000*
Within one year	48,171
	48,171

20 CASH AND BANK BALANCES

	As of 31 December	
	2023	2022
	RMB'000	*RMB'000*
Cash and cash equivalents	**625,612**	1,096,998
Term deposits with original maturity over three months	**651,608**	201,566
Restricted cash	**1,714**	—
	1,278,934	1,298,564
Maximum exposure to credit risk (excluding cash on hand)	**1,278,081**	1,297,206

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

As at December 31, 2023, restricted cash held at banks of RMB1,714,000 (December 31, 2022: nil) were restricted for two contractual disputes.

The carrying amounts of the Group's cash and bank balances were denominated in the following currencies:

	As of 31 December	
	2023	2022
	RMB'000	*RMB'000*
RMB	**134,077**	213,756
USD	**1,056,348**	904,393
HKD	**84,382**	180,415
SGD	**3,875**	—
JPY	**252**	—
	1,278,934	1,298,564

Cash and bank balances (excluding cash on hand) earned interest at floating rates based on daily deposits rate. As of December 31, 2023 and December 31, 2022, the carrying amounts of cash and bank balances approximated their fair values.

As of December 31, 2023, cash and bank balances of the Group amounting to approximately RMB292,246,000 (2022: RMB57,721,000), were deposited with the banks in the PRC where the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the government of the PRC.

21 SHARE CAPITAL

Authorised

	Number of ordinary shares	Nominal value of ordinary shares *USD*
As of December 31, 2023 and 2022	500,000,000,000,000	50,000

Issued

	Number of ordinary shares	Nominal value of ordinary shares* *USD*	Share capital *RMB*
As of January 1, 2022	1,219,249,507	0.101	1
Amendment to Post-IPO RSU Scheme *(Note(a))*	(9,999,611)	–	–
Restricted shares granted *(Note (a))*	52,996,468	–	–
Restricted shares lapsed *(Note (a))*	(6,097)	–	–
As of December 31, 2022	1,262,240,267	0.101	1
As of December 31, 2023	1,262,240,267	0.101	1

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

Note:

(a) On January 16, 2022, the Group increased the maximum aggregate number of awards that may be granted under the Post-IPO RSU Scheme by 9,999,611 Shares. On January 16, 2022, July 6, 2022, and October 31, 2022, a total of 52,996,468 restricted share units ("**RSUs**") were granted respectively to the Group's employees (the "**Grantees**") subject to the Post-IPO RSU Scheme, representing 1 ordinary share of par value USD0.0000000001 each in the share capital of the Company. 6,097 RSUs subsequently lapsed.

(b) During the year ended December 31, 2023, the Company repurchased 1,424,000 of its own shares and the shares were not yet cancelled as of December 31, 2023. The total amount paid to repurchase the shares was RMB6,614,000 and was charged to share premium with shareholders' equity.

22 RESERVES

	Share premium RMB'000	Surplus reserve RMB'000	Exchange reserve RMB'000	Share-based compensation reserve RMB'000	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000
As of January 1, 2022	2,860,214	18,436	(5,220)	92,783	(89,494)	2,876,719
Loss for the year	—	—	—	—	(1,601,150)	(1,601,150)
Share-based compensation expenses *(Note 29)*	—	—	—	503,191	—	503,191
Currency translation differences	—	—	44,107	—	—	44,107
Appropriation for statutory surplus reserve *(a)*	—	230	—	—	(230)	—
As of December 31, 2022	2,860,214	18,666	38,887	595,974	(1,690,874)	1,822,867
As of January 1, 2023	**2,860,214**	**18,666**	**38,887**	**595,974**	**(1,690,874)**	**1,822,867**
Profit for the year	—	—	—	—	**180,500**	**180,500**
Currency translation differences	—	—	**(28,440)**	—	—	**(28,440)**
Dividend declared and paid *(Note 13)*	**(146,907)**	—	—	—	—	**(146,907)**
Repurchase of ordinary shares that are not yet canceled *(Note 21)*	**(6,614)**	—	—	—	—	**(6,614)**
Appropriation for statutory surplus reserve *(a)*	—	**5,100**	—	—	**(5,100)**	—
As of December 31, 2023	**2,706,693**	**23,766**	**10,447**	**595,974**	**(1,515,474)**	**1,821,406**

(a) Appropriation for statutory surplus reserve

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

23 LEASES

(a) The Group's leasing activities

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

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

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

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

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

	As of 31 December	
	2023	2022
	RMB'000	*RMB'000*
Right-of-use assets-properties		
Opening net book amount	**457,037**	1,348,338
Additions	**39,634**	197,657
Business combination *(Note 27)*	**2,489**	—
Depreciation charge	**(110,195)**	(315,923)
Impairment losses *(Note 14)*	**(2,228)**	(279,456)
Exchange difference	**(287)**	—
Derecognition from termination of leases	**(203,671)**	(493,579)
Closing net book amount	**182,779**	457,037
Lease liabilities		
Non-current portion	**174,601**	565,202
Current portion	**81,072**	175,800
	255,673	741,002

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

23 LEASES (CONTINUED)

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

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

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Depreciation charge of right-of-use assets	**110,195**	315,923
Finance costs on lease liabilities *(Note 10)*	**27,800**	42,007
Gain on COVID-19 rent concessions *(Note 7)*	**—**	11,711
Impairment losses *(Note 14)*	**(2,228)**	(279,456)

During the year ended December 31, 2022, the Group received rent concessions from landlords during certain periods of severe social distancing and travel restriction measures introduced by the PRC and Hong Kong government to contain the spread of COVID-19. These aforementioned rent concessions amounted to a total of approximately RMB11,711,000. Pursuant to the applicable practical expedients under the amendments to HKFRS 16, the Group has recognised all of these concessions in the Group's consolidated statement of comprehensive income under "government grants and concessions" during the year ended December 31, 2022.

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

During the years ended December 31, 2023 and 2022, the total cash outflows for leases were as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Cash outflows from operating activities		
Payments for short-term leases in respect of staff quarters (*)	**18,684**	49,849
Cash outflows from financing activities		
Payment of principal element of lease liabilities	**140,112**	178,204
Payment of interest element of lease liabilities	**27,800**	42,007

* Payments for short-term leases were not shown separately, but included in the line of "profit before income tax" in respect of the net cash generated from operations which were presented in Note 28(a) using the indirect method.

24 DEFERRED INCOME TAX

	As of 31 December	
	2023	2022
	RMB'000	*RMB'000*
Deferred income tax assets	**119,837**	161,082
Deferred income tax liabilities	**(43,273)**	(114,613)
	76,564	46,469

Gross deferred income tax assets

	lease liabilities	**Advertising expenses**	**Tax losses**	**Impairment losses**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
As of January 1, 2022	340,933	1,252	21,835	2,746	366,766
(Charged)/credited to profit and loss	(224,458)	(1,251)	(5,832)	25,857	(205,684)
As of December 31, 2022	116,475	1	16,003	28,603	161,082
As of January 1, 2023	**116,475**	**1**	**16,003**	**28,603**	**161,082**
(Charged)/credited to profit and loss	**(71,994)**	**(1)**	**48,501**	**(17,751)**	**(41,245)**
As of December 31, 2023	**44,481**	**—**	**64,504**	**10,852**	**119,837**

24 DEFERRED INCOME TAX (CONTINUED)

Gross deferred tax liabilities

	Rights-of-use assets *RMB'000*	Total *RMB'000*
As of January 1, 2022	(336,880)	(336,880)
Charged to profit and loss	222,267	222,267
As of December 31, 2022	(114,613)	(114,613)
As of January 1, 2023	(114,613)	(114,613)
Charged to profit and loss	71,340	71,340
As of December 31, 2023	**(43,273)**	**(43,273)**

Deferred income tax assets are recognised for tax losses and deductible temporary differences carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. As of December 31, 2023, the Group did not recognize deferred income tax assets in respect of losses and deductible temporary differences of approximately RMB1,008,836,000 (2022: RMB1,129,214,000). These unrecognised tax losses include losses of approximately RMB53,657,000 (2022: RMB32,940,000) that are attributable to a Hong Kong subsidiary and a Singapore subsidiary and do not have an expiry date, and the remaining unrecognised tax losses will expire within 5 years.

The PRC subsidiaries of the Group have undistributed earnings of approximately RMB63,051,000 as of December 31, 2023 (2022: RMB72,016,000), which, if paid out as dividends, would be subject to tax in the hands of the recipient. Assessable temporary differences exist, but no deferred tax liabilities have been recognised as the parent entity is able to control the timing of distributions of dividends from the PRC subsidiaries and is not expected to distribute these profits in the foreseeable future.

25 TRADE PAYABLES

	As of 31 December	
	2023	2022
	RMB'000	*RMB'000*
Trade payables	**30,717**	62,742

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

	As of 31 December	
	2023	2022
	RMB'000	*RMB'000*
0–90 days	**30,717**	62,742

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

	As of 31 December	
	2023	2022
	RMB'000	*RMB'000*
RMB	**29,989**	62,742
SGD	**721**	—
HKD	**7**	—
	30,717	62,742

As of December 31, 2023 and 2022, the carrying amounts of trade payables approximated their fair values.

26 OTHER PAYABLES AND ACCRUALS

	As of 31 December	
	2023	2022
	RMB'000	*RMB'000*
Non-current portion		
Refundable deposits from franchisees	**11,010**	—
	11,010	—
Current portion		
Salary, staff welfare payables and manpower service	**14,370**	22,806
Amount due to a related party *(Note 30(b))*	**—**	530
Others	**5,992**	14,474
	20,362	37,810

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

The carrying amounts of the Group's other payables and accruals were denominated in the following currencies:

	As of 31 December	
	2023	2022
	RMB'000	*RMB'000*
RMB	**30,200**	37,810
SGD	**842**	—
HKD	**281**	—
JPY	**49**	—
	31,372	37,810

27 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 in Singapore.

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.

The following table summarises the consideration paid for the acquisition, the fair value of assets acquired, and liabilities assumed at the Acquisition Date:

	RMB'000
Cash consideration paid	1,584
Total consideration paid by the Company	1,584

The separately identifiable assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value ***RMB'000***
Cash and cash equivalents	43
Deposits	686
Plant and equipment	855
Right-of-use assets	2,489
Lease liabilities	(2,489)
Total identifiable net assets	1,584

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.

During the year ended December 31, 2023, the revenue and net loss attributable to the business operation of JJR181 since Acquisition Date amount to approximately RMB5,144,000 and RMB2,015,000, respectively.

Had JJR181 been consolidated from January 1, 2023, consolidated revenue and net profit of the Group for the year ended 2023 would have been approximately RMB1,209,027,000 and RMB179,766,000, respectively.

28 NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Profit/(loss) before income tax	**151,964**	(1,616,472)
Adjustments for:		
Other losses, net *(Note 8)*	**46,306**	83,215
Finance income *(Note 10)*	**(68,598)**	(4,960)
Finance costs *(Note 10)*	**27,800**	42,007
Depreciation of right-of-use assets *(Note 23)*	**110,195**	315,923
Depreciation of property, plant and equipment *(Note 14)*	**89,369**	199,996
Gain on COVID-19 rent concessions *(Note 7)*	**—**	(11,711)
Equity settled share-based payment *(Note 29)*	**—**	503,191
Impairment losses of plant and equipment and right-of-use assets *(Note 14&23)*	**11,338**	712,905
Amortisation of intangible assets *(Note 15)*	**17**	17
	368,391	224,111
Changes in working capital:		
— Inventories	**15,745**	25,540
— Prepayments, deposits and other receivables	**(7,723)**	(50,401)
— Contract liabilities	**9,170**	—
— Trade receivables	**(47,930)**	—
— Trade payables	**(32,025)**	(12,397)
— Other payables and accruals	**(33,350)**	(29,482)
Net cash generated from operations	**272,278**	157,371

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

(b) The reconciliations of liabilities arising from financing activities are as follows:

	Lease liabilities *RMB'000*	Dividend payable *RMB'000*
As of January 1, 2022	1,246,140	—
Interest expenses on lease liabilities	42,007	—
Cash flows		
— Payment of principal element of lease liabilities	(178,204)	—
— Payment of interest element of lease liabilities	(42,007)	—
Other non-cash movements		
— Gain on COVID-19 rent concessions *(Note 7)*	(11,711)	—
— Additions of lease liabilities	197,657	—
— Derecognition of lease liabilities from termination of leases	(512,880)	—
As of December 31, 2022	741,002	—
As of January 1, 2023	**741,002**	**—**
Interest expenses on lease liabilities	**27,800**	**—**
Cash flows		
— Payment of principal element of lease liabilities	**(140,112)**	**—**
— Payment of interest element of lease liabilities	**(27,800)**	**—**
Dividend paid *(Note 13)*	**—**	**(146,907)**
Other non-cash movements		
— Additions of lease liabilities	**39,634**	**—**
— Business combination *(Note 27)*	**2,489**	**—**
— Derecognition of lease liabilities from termination of leases	**(387,340)**	**—**
— Dividend declared *(Note 13)*	**—**	**146,907**
As of December 31, 2023	**255,673**	**—**

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

(c) In the consolidated cash flow statement, proceeds from disposal of plant and equipment comprise:

	As of 31 December	
	2023	2022
	RMB'000	*RMB'000*
Net book amount *(Note 14)*	**217,754**	152,240
Loss on disposal of plant and equipment *(Note 8)*	**(215,052)**	(142,040)
Proceeds from disposal of plant and equipment	**2,702**	10,200

(d) Major non-cash transactions

Apart from non-cash transactions disclosed in Note (b) above, during the years ended December 31, 2023 and 2022, there were no non-cash transactions among the group.

29 EQUITY SETTLED SHARE-BASED PAYMENTS

The equity-settled share-based payments expense recognized during the years ended December 31, 2023 and 2022 are summarized as below:

	As of 31 December	
	2023	2022
	RMB'000	*RMB'000*
Share-based payments expenses	**—**	503,191

On January 16, 2022, July 6, 2022, and October 31, 2022, the board of the Company resolved to grant an aggregate of 52,996,468 RSUs under the Post-IPO RSU Scheme to the Grantees for nil consideration. All of these restricted share units shall be vested immediately upon the later of the (i) execution of the relevant grant letter and acceptance by the Grantees within the time period stipulated in the relevant grant letter; and (ii) satisfaction of certain relevant vesting condition as set out in the relevant grant letter.

During the year ended December 31, 2022, all of the aforementioned 52,996,468 RSUs were granted. The fair value of these RSUs was determined with reference to the share price of the Company on January 17, 2022, July 6, 2022, and October 31, 2022. Save as 6,097 RSUs which had subsequently lapsed, the remaining 52,990,371 RSUs were fully vested. The excess of the fair value of the equity interest of the Group on the grant date over the cash consideration of par value paid by the grantees is accounted for as share-based payment expenses in the Group's consolidated statement of comprehensive income. Accordingly, share-based payment expenses of approximately RMB503,191,000 were recognised during the year ended December 31, 2022.

30 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amounts of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

The Controlling Shareholder is disclosed in Note 1.

Major related parties that had transactions with the Group during the years ended December 31, 2023 and 2022 were as follows:

Name of the related parties	Relationship with the Group
Mr. Xu Bingzhong	Controlling Shareholder
ZCYF (HK) LIMIED	A company owned as to 25% by Mr.Xu Bingzhong
Shenzhen Jiangzhu Technology Co., Ltd.	A company owned as to 25% by Mr.Xu Bingzhong
Shenzhen Zhuchao Jiujiu Technology Co., Ltd.	A company owned as to 25% by Mr.Xu Bingzhong

a) Transactions with related parties

Save as disclosed elsewhere in the consolidated financial statements, during the years ended December 31, 2023 and 2022, the following transactions were carried out with related parties at terms mutually agreed by both parties:

	As of 31 December	
	2023	2022
	RMB'000	*RMB'000*
Decoration and design fee	**1,000**	—
Purchase of plant and equipment	**11,893**	—
	12,893	—

b) Balances with related parties

	As of 31 December	
	2023	2022
	RMB'000	*RMB'000*
Non-trade nature		
Amount due to a related party *(Note 26)*		
— Shenzhen Jiangzhu Technology Co., Ltd.	**—**	530
Trade nature		
Amount due from a related party *(Note 17)*		
— Shenzhen Jiangzhu Technology Co., Ltd.	**2,202**	—

31 BENEFITS AND INTEREST OF DIRECTORS

a) Directors' emoluments

The remuneration of each director is set out below:

	Fees *RMB'000*	Salary *RMB'000*	Discretionary bonus *RMB'000*	Allowances and benefits in kind *RMB'000*	Employer's contribution to pension scheme *RMB'000*	Share-based payments expenses *RMB'000*	Total *RMB'000*
For the year ended December 31, 2022							
Directors							
— Mr. Xu Bingzhong	—	62	—	—	21	—	83
— Ms. Lei Xing	—	62	—	—	28	—	90
— Ms. Cai Wenjun *(Note)*	—	62	—	—	27	—	89
— Ms. Yu Zhen *(Note)*	—	397	—	144	136	17,840	18,517
— Mr. Zhang Bo *(Note)*	—	10	—	—	5	—	15
— Mr. Zhao Jun *(Note)*	—	15	—	—	8	—	23
	—	608	—	144	225	17,840	18,817
Independent Non-Executive Directors							
— Mr. Li Dong	400	—	—	—	—	—	400
— Mr. Wang Renrong	400	—	—	—	—	—	400
— Mr. Wong Heung Ming, Henry	400	—	—	—	—	—	400
	1,200	—	—	—	—	—	1,200

Note: Mr. Zhang Bo and Mr. Zhao Jun tendered their resignation as executive directors with effect from June 17, 2022; Ms. Yu Zhen and Ms. Cai Wenjun have been appointed as executive directors of the Company with effect from June 17, 2022.

31 BENEFITS AND INTEREST OF DIRECTORS (CONTINUED)

a) Directors' emoluments (continued)

The remuneration of each director is set out below:

	Fees *RMB'000*	Salary *RMB'000*	Discretionary bonus *RMB'000*	Allowances and benefits in kind *RMB'000*	Employer's contribution to pension scheme *RMB'000*	Share-based payments expenses *RMB'000*	Total *RMB'000*
For the year ended December 31, 2023							
Directors							
— Mr. Xu Bingzhong	—	62	—	—	13	—	75
— Ms. Lei Xing *(Note)*	—	342	—	—	20	—	362
— Ms. Cai Wenjun	—	62	—	—	18	—	80
— Ms. Yu Zhen	—	570	—	26	42	—	638
— Mr. He Daqing *(Note)*	—	79	—	42	9	—	130
	—	1,115	—	68	102	—	1,285
Independent Non-Executive Directors							
— Mr. Li Dong	350	—	—	—	—	—	350
— Mr. Wang Renrong	350	—	—	—	—	—	350
— Mr. Wong Heung Ming, Henry	350	—	—	—	—	—	350
	1,050	—	—	—	—	—	1,050

Note: Ms. Lei Xing tendered her resignation as executive director with effect from September 15, 2023; Mr. He Daqing have been appointed as executive director of the Company with effect from September 15, 2023.

31 BENEFITS AND INTEREST OF DIRECTORS (CONTINUED)

a) Directors' emoluments (continued)

During the years ended December 31, 2023 and 2022, none of the directors of the Company (i) received or paid any remuneration in respect of accepting office; (ii) received or paid emoluments in respect of services in connection with the management of the affairs of the Company or its subsidiaries' undertaking; and (iii) waived or has agreed to waive any emolument.

b) Directors' retirement benefits and termination benefits

During the years ended December 31, 2023 and 2022, no emoluments, retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable.

c) Consideration provided to third parties for making available directors' services

During the years ended December 31, 2023 and 2022, no consideration was provided to third parties for making available directors' services.

d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the years ended December 31, 2023 and 2022, there were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors.

e) Directors' material interests in transactions, arrangements or contracts

During the years ended December 31, 2023 and 2022, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the years ended December 31, 2023 and 2022 or at any time during the years ended December 31, 2023 and 2022.

32 NOTES TO THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	As of 31 December 2023 RMB'000	2022 RMB'000
Assets			
Non-current asset			
Investment in subsidiaries		6	6
Amounts due from subsidiaries		2,576,160	1,591,830
		2,576,166	1,591,836
Current assets			
Cash and bank balances		17,193	1,120,304
		17,193	1,120,304
Total assets		2,593,359	2,712,140
Equity			
Equity attributable to owners of the Company			
Share capital	*21*	1	1
Reserves	*(b)*	2,586,796	2,672,298
Total equity		2,586,797	2,672,299
Liabilities			
Current liabilities			
Amounts due to a subsidiary	*(a)*	—	34,035
Other payables and accrual		6,562	5,806
		6,562	39,841
Total liabilities		6,562	39,841

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

(a) Amount due to a subsidiary

As of December 31, 2023 and December 31, 2022, the Company's amounts due to a subsidiary were interest-free, unsecured, and repayable on demand.

(b) Reserve movement of the Company

	Share premium *RMB'000*	Exchange reserve *RMB'000*	Share-based compensation reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
As at January 1, 2022	2,860,214	(10,884)	91,683	(337,590)	2,603,423
Loss for the year	—	—	—	(434,316)	(434,316)
Share-based compensation expenses *(Note 29)*	—	—	503,191	—	503,191
As at December 31, 2022	2,860,214	(10,884)	594,874	(771,906)	2,672,298
As at January 1, 2023	**2,860,214**	**(10,884)**	**594,874**	**(771,906)**	**2,672,298**
Profit for the year	**—**	**—**	**—**	**68,019**	**68,019**
Repurchase of ordinary shares that are not yet cancelled *(Note 21)*	**(6,614)**	**—**	**—**	**—**	**(6,614)**
Dividend paid *(Note 13)*	**(146,907)**	**—**	**—**	**—**	**(146,907)**
As at December 31, 2023	**2,706,693**	**(10,884)**	**594,874**	**(703,887)**	**2,586,796**

33 COMPARATIVE INFORMATION

Certain comparative information in the consolidated financial statements have been modified in conformity with the Group's accounting policies.

34 SUBSIDIARIES

The Company's major subsidiaries as at December 31, 2023 and 2022 are set out below:

Name of subsidiary	Place of incorporation and kind of legal entity	Principal activities and place of operation	Date of incorporation/ establishment	Issued and paid up capital/registered capital	Effective interest held by the Group	
					31 December 2023	31 December 2022
XBZ Hill Holding Limited	The BVI; limited liability company	Investment holding; The BVI	January 25, 2018	USD1,000/ USD1,000	100%	100%
Helens Hill Limited	Hong Kong; limited liability company	Bar operations; Hong Kong	December 29, 2017	HKD1/HKD1	100%	100%
Fuzhou Zhiyingju Catering Management Co., Ltd.* (福州支應居餐飲管理有限責任公司)	The PRC; limited liability company	Bar operations; The PRC	January 12, 2018	RMB1,000,000/ RMB1,000,000	100%	100%
Wuhan City Aoerdesang Catering Services Co., Ltd.* (武漢市奧爾德桑餐飲服務有限公司)	The PRC; limited liability company	Bar operations; The PRC	February 6, 2018	RMB441,000,000/ RMB441,000,000	100%	100%
Jiangxi Suleiyige Catering Management Co., Ltd.* (江西蘇勒伊格餐飲管理有限公司)	The PRC; limited liability company	Bar operations; The PRC	April 9, 2018	RMB2,000,000/ RMB2,000,000	100%	100%
Shenzhen Helens Enterprise Management Co., Ltd.* (深圳海倫司企業管理有限公司)	The PRC; limited liability company	Management service; The PRC	April 20, 2018	RMB1,260,000,000/ RMB1,260,000,000	100%	100%
Shenzhen Guxiang Fengqing Catering Co., Ltd.* (深圳市古鄉風情餐飲有限責任公司)	The PRC; limited liability company	Bar operations; The PRC	May 23, 2018	RMB51,000,000/ RMB51,000,000	100%	100%
Hunan E'aisaisi Catering Management Co., Ltd.* (湖南額艾塞斯餐飲管理有限公司)	The PRC; limited liability company	Bar operations; The PRC	May 29, 2018	RMB52,000,000/ RMB52,000,000	100%	100%
Zhejiang Fuyixiang Catering Services Co., Ltd.* (浙江福怡祥餐飲服務有限公司)	The PRC; limited liability company	Bar operations; The PRC	June 5, 2018	RMB70,000,000/ RMB70,000,000	100%	100%
Zhengzhou Aolinpisi Catering Management Co.,Ltd.* (鄭州奧林匹斯餐飲管理有限公司)	The PRC; limited liability company	Bar operations; The PRC	December 21, 2018	RMB1,000,000/ RMB1,000,000	100%	100%
Suzhou Herders Catering Management Co., Ltd* (蘇州赫爾德斯餐飲管理有限公司)	The PRC; limited liability company	Bar operations; The PRC	July 16, 2018	RMB52,000,000/ RMB52,000,000	100%	100%