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Helens International Holdings Company Limited

海倫司國際控股有限公司

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

(Stock Code: 9869)

OVERSEAS REGULATORY ANNOUNCEMENT INTRODUCTORY DOCUMENT

This announcement is made by Helens International Holdings Company Limited (the “**Company**”) pursuant to Rule 13.10B of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Please refer to the attached for the introductory document published by the Company on the website of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on June 28, 2024 in connection with the proposed secondary listing of the issued ordinary shares by the Company on the SGX-ST.

By order of the Board

Helens International Holdings Company Limited

Mr. Xu Bingzhong

Chairman of the Board and Chief Executive Officer

Hong Kong, June 28, 2024

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



Helens International Holdings Company Limited

海伦司国际控股有限公司

(Company Registration Number: 331712)

(A company incorporated in the Cayman Islands with limited liability on 16 January 2018)

INTRODUCTORY DOCUMENT DATED 28 JUNE 2024

This document is important. You should consider the information provided in this document carefully, and consider whether you understand what is described in this document. If you are in any doubt as to the action you should take, you should consult your legal, financial, tax or other professional adviser. You are responsible for your own investment choices.

This introductory document (the “**Introductory Document**”) is issued by Helens International Holdings Company Limited (the “**Company**”) in connection with the secondary listing by way of an introduction (the “**Introduction**”) of the ordinary shares of our Company (the “**Shares**”) on the Main Board of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). This Introductory Document provides information on our Company and our Shares in compliance with the listing requirements of the SGX-ST. Our Shares are listed on The Stock Exchange of Hong Kong Limited (the “**HKSE**”) under the stock code “9869” and will continue to be listed and traded on the HKSE following the completion of the Introduction.

An application has been made to the SGX-ST for permission to list all our Shares on the Main Board of the SGX-ST, which will be granted when we have been admitted to the Official List of the SGX-ST. There are certain risks in connection with an investment in our Shares. Please refer to the section entitled “*Risk Factors*” of this Introductory Document for further details. When our Shares become tradable on the SGX-ST, they will be quoted and traded in Singapore dollars. Our Shares will be traded in board lot size of 100 Shares.

Our Company has received a letter of eligibility from the SGX-ST for the listing and quotation of our Shares on the Main Board of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements or opinions made or reports contained in this Introductory Document. Our Company’s eligibility to list and admission to the Official List of the SGX-ST are not to be taken as an indication of the merits of the Introduction, our Group (as defined herein), our Company or our Shares.

This Introductory Document is issued for information purposes only. Nothing in this Introductory Document constitutes or shall be construed as an offer, or an invitation or a solicitation of an offer by us or on our behalf, to the public to subscribe for or purchase, any of our Shares. No Shares or any other securities shall be allotted or allocated on the basis of this Introductory Document. This Introductory Document is not a prospectus under Singapore law and has not been lodged with, or registered by, the Monetary Authority of Singapore (the “**MAS**”). The MAS assumes no responsibility for the contents of this Introductory Document. The MAS has not, in any way, considered the merits of our Shares being listed.

Issue Manager



CGS International Securities Singapore Pte. Ltd.

10 Marina Boulevard

#10-01 Marina Bay Financial Centre Tower 2

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Financial Adviser to our Company as to HKSE Listing Rules



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NOTICE TO INVESTORS

No person is authorised to give any information or to make any representation not contained in this Introductory Document, and any information or representation not so contained must not be relied upon as having been authorised by our Company or the Issue Manager (as defined herein). The delivery of this Introductory Document shall not under any circumstances imply that the information herein is correct as at any date subsequent to the date hereof or constitute a representation that there has been no change or development reasonably likely to involve a material adverse change in the affairs, conditions and prospects of our Group or our Shares since the date hereof. Where such changes occur and are material or required to be disclosed by law, the SGX-ST and/or any other regulatory or supervisory body or agency, our Company will make an announcement of the same to the SGX-ST. Recipients of this Introductory Document and all prospective investors in our Shares should take note of such announcements and documents and upon release of such announcements or documents shall be deemed to have notice of such changes. No representation, warranty or covenant, expressed or implied, is made by our Company, the Issue Manager or any of our or their respective affiliates, directors, officers, employees, agents, representatives or advisers as to the accuracy or completeness of the information contained herein, and nothing contained in this Introductory Document is, or shall be relied upon, as a promise, representation or covenant by our Company, the Issue Manager or any of our or their respective affiliates, directors, officers, employees, agents, representatives or advisers.

Recipients of this Introductory Document and all prospective investors in our Shares should not construe the contents of this Introductory Document or its appendices as legal, business, financial or tax advice. Recipients of this Introductory Document and all prospective investors in our Shares should consult their own professional advisers as to the legal, business, financial, tax and related aspects of holding and owning our Shares.

This Introductory Document has been prepared solely for the purpose of the Introduction and may not be relied upon by any persons for purposes other than the Introduction prior to the Listing Date (as defined herein) or for any purpose whatsoever on or after the Listing Date. This Introductory Document does not constitute, and nothing in this Introductory Document constitutes or shall be construed to constitute an offer, invitation or solicitation in any jurisdiction to subscribe for or purchase our Shares. This Introductory Document does not constitute a prospectus under Singapore law and has not been lodged with or registered by the MAS.

The use or distribution of this Introductory Document may be prohibited or restricted by law in certain jurisdictions. Our Company and the Issue Manager require persons into whose possession this Introductory Document comes to inform themselves of and to observe any such prohibition or restriction at their own expense and without liability to our Company and the Issue Manager. Persons to whom a copy of this Introductory Document has been issued shall not circulate to any other person, reproduce or otherwise distribute this Introductory Document or any information herein for any purpose whatsoever nor permit or cause the same to occur.

Certain Chinese names and characters, such as those of entities, properties, cities, governmental and regulatory authorities, laws and regulations and notices, have been translated into English or from English names and characters, solely for your convenience, and such translations should not be construed as representations that the English names actually represent Chinese names and characters or that the Chinese names actually represent the English names and characters.

A copy of this Introductory Document is available on SGXNET at <http://www.sgx.com>.

FORWARD-LOOKING STATEMENTS

Certain statements in this Introductory Document constitute “forward-looking statements”. All statements other than statements of historical fact included in this Introductory Document, including those regarding our financial position and results, business strategies, plans and objectives of management for future operations (including development plans and dividends), are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future.

Forward-looking statements involve inherent risks and uncertainties. The forward-looking statements included in this Introductory Document reflect our current views with respect to future events and are not a guarantee of future performance. You can identify these forward-looking statements by words or phrases such as “may”, “will”, “expect”, “anticipate”, “aim”, “estimate”, “intend”, “plan”, “believe”, “likely to”, or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. A number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement. These include, but are not limited to:

- our operations and business prospects;
- our ability to maintain relationship with, and the actions and developments affecting, our franchisees and suppliers;
- future developments, trends and conditions in the industry and markets in which we operate or plan to operate;
- our business strategies and plans to achieve these strategies;
- the effectiveness of our quality control systems;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our ability to reduce costs and offer competitive prices;
- our dividend policy;

- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors;
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends;
- other factors beyond the control of our Group or any other matters not yet known to us; and
- additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to, those discussed under the sections entitled “*Risk Factors*”, “*Dividend Policy*”, “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and “*Business*” of this Introductory Document.

You should read this Introductory Document and the documents that we refer to in this Introductory Document with the understanding that our actual future results may be materially different from or worse than what we expect. Other sections of this Introductory Document include additional factors which could adversely impact our business and financial performance. Moreover, we operate in an evolving environment. New risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We qualify all of our forward-looking statements by these cautionary statements.

You should not rely upon forward-looking statements as predictions of future events. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

This Introductory Document contains certain data and information that we obtained from industry publications and reports generated by third party providers of market intelligence. We have not independently verified the accuracy or completeness of the data and information contained in these publications and reports. Statistical data in these publications also include projections based on a number of assumptions. The bar industry may not grow at the rate projected by market data, or at all. Failure of the industry to grow at the projected rate may have a material and adverse effect on our business and the market price of our Shares. If any one (1) or more of the assumptions underlying the market data are later found to be incorrect, actual results may differ from the projections based on these assumptions. These forward-looking statements are made only as at the date of this Introductory Document. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Any such information may change in light of future developments. We expressly disclaim any obligation or undertaking to release publicly any updates of or revisions to any

forward-looking statement or financial information contained herein to reflect any change in the expectations of our Company with regard thereto or any change in events, conditions or circumstances on which any such statement or information is based, subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any other relevant regulatory or supervisory body or agency.

MARKET AND INDUSTRY INFORMATION

We derive certain facts and statistics in this Introductory Document relating to the PRC's bar industry and nighttime industry from various publicly available industry, government and research publications. We have taken reasonable action to ensure that the facts and statistical data used in this Introductory Document have been extracted from these sources in their proper form and context. However, we have not verified the accuracy of the information extracted nor have we obtained the specific consent of these sources for the inclusion of such information in this Introductory Document.

Investors should note that market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions.

ENFORCEMENT OF CIVIL LIABILITIES

We are incorporated in the Cayman Islands to take advantage of certain benefits associated with being a Cayman Islands exempted company, such as:

- the political and economic stability;
- an effective judicial system;
- a favourable tax system;
- the absence of exchange control or currency restrictions; and
- the availability of professional and support services.

However, certain disadvantages accompany an incorporation in the Cayman Islands. These disadvantages include, but are not limited to, that the Cayman Islands may have a less developed body of securities laws as compared to Hong Kong and Singapore and these securities laws may provide less protection to investors as compared to Hong Kong and Singapore.

Most of our operations are conducted in the PRC, and substantially all of our assets are located in the PRC. All of our Directors and Executive Officers (as defined herein) are citizens or residents of the PRC or Hong Kong. As a result, depending on the subject of a claim, it may be difficult for a Shareholder within Hong Kong and/or Singapore to effect service of process upon these individuals (to the extent such service is to be effected in another jurisdiction), or to bring an action against us or these individuals in Hong Kong and/or Singapore (to the extent such

action is to be brought in another jurisdiction), or to enforce against us or them judgements obtained in Hong Kong and/or Singapore courts (as judgements obtained in a foreign jurisdiction, as applicable), including judgements predicated upon the civil liability provisions of the securities laws of Hong Kong or Singapore.

The Cayman Islands

Although there is no statutory enforcement in the Cayman Islands of judgments obtained in the courts of Hong Kong or Singapore (and the Cayman Islands are not a party to any treaties for the reciprocal enforcement or recognition of such judgments), the Grand Court of the Cayman Islands will at common law enforce final and conclusive *in personam* judgments of courts of Hong Kong or Singapore (each, a “**Non-Cayman Court**”) of a debt or definite sum of money against our Company (other than a sum of money payable in respect of taxes or other charges of a like nature, a fine or other penalty (which may include a multiple damages judgment in an anti-trust action) or where enforcement would be contrary to public policy). The Grand Court of the Cayman Islands will also at common law enforce final and conclusive *in personam* judgments of the Non-Cayman Court that are non-monetary against our Company, for example, declaratory judgments ruling upon the true legal owner of shares in a Cayman Islands company. The Grand Court of the Cayman Islands will exercise its discretion in the enforcement of non-money judgments by having regard to the circumstances, such as considering whether the principles of comity apply. To be treated as final and conclusive, any relevant judgment must be regarded as *res judicata* by the Non-Cayman Court. A debt claim on a foreign judgment must be brought within six (6) years of the date of the judgment, and arrears of interest on a judgment debt cannot be recovered after six (6) years from the date on which the interest was due. The Cayman Islands courts are unlikely to enforce a judgment obtained from the Non-Cayman Court under civil liability provisions of the securities laws of Hong Kong or Singapore if such a judgment is found by the Cayman Islands courts to give rise to obligations to make payments that are penal or punitive in nature. Such a determination has not yet been made by the Grand Court of the Cayman Islands. A Cayman Islands court may stay enforcement proceedings if concurrent proceedings are being brought elsewhere. A judgment entered in default of appearance by a defendant who has had notice of the Non-Cayman Court’s intention to proceed may be final and conclusive notwithstanding that the Non-Cayman Court has power to set aside its own judgment and despite the fact that it may be subject to an appeal the time-limit for which has not yet expired. The Grand Court of the Cayman Islands may safeguard the defendant’s rights by granting a stay of execution pending any such appeal and may also grant interim injunctive relief as appropriate for the purpose of enforcement.

The PRC

There is uncertainty as to whether the courts of the PRC would recognise or enforce judgments of Hong Kong courts or Singapore courts obtained against us or our Directors or Executive Officers predicated upon the civil liability provisions of the securities laws of Hong Kong or Singapore.

We understand that the recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law (《中华人民共和国民事诉讼法》) (“**PRC Civil Procedures Law**”). PRC courts may recognise and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between the PRC and the country where the judgment is made or on principles of reciprocity between jurisdictions. In addition, according to the PRC Civil Procedures Law, courts in the PRC will not enforce a foreign judgment against us or our Directors or Executive Officers if they decide that the judgment violates the basic principles of PRC law or national sovereignty, security or public interest. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in Singapore.

On 18 January 2019, Hong Kong government and the Supreme People’s Court of PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters between the Courts of the Mainland and of the Hong Kong Special Administrative Region (《关于内地与香港特别行政区法院相互认可和执行民商事案件判决的安排》) (the “**PRC-HK 2019 Arrangement**”), which extends the scope of judicial assistance available for civil and commercial matters. The effective date of the PRC-HK 2019 Arrangement is 29 January 2024, which shall apply to judgments made by the courts of Hong Kong and the PRC on or after the date of the commencement of the PRC-HK 2019 Arrangement. Notwithstanding the foregoing, recognition and enforcement of a Hong Kong court judgement could be refused if the PRC courts consider that the enforcement of such judgement is contrary to the social and public interest of the PRC or meets other circumstances specified by the PRC-HK 2019 Arrangement. While it is expected that the PRC courts will recognise and enforce a judgement given by Hong Kong courts, there can be no assurance that the PRC courts will do so for all such judgements as there is no established practice in this area.

Hong Kong

A foreign judgment may or may not be enforced in Hong Kong. A foreign judgment in civil and commercial matters (other than a PRC judgment) may be enforced in Hong Kong by one (1) of two (2) avenues, either through the statutory registration scheme based on reciprocity under the Foreign Judgments (Reciprocal Enforcement) Ordinance (Cap. 319 of the Laws of Hong Kong) (the “**HK FJRO**”), or under common law. The recognition and enforcement of PRC judgments in civil and commercial matters in Hong Kong are governed by the Mainland Judgments in Civil and Commercial Matters (Reciprocal Enforcement) Ordinance (Cap. 645 of the Laws of Hong Kong) (the “**HK Judgment Ordinance**”) and relevant rules (Cap. 645A of the Laws of Hong Kong) (the “**HK Judgment Rules**”) pursuant to the PRC-HK 2019 Arrangement (as defined above) signed between the Supreme People’s Court of China and Hong Kong in 2019. The HK Judgement Ordinance and the HK Judgement Rules became effective on 29 January 2024 and have superseded the reciprocal enforcement regime under the Mainland Judgments (Reciprocal Enforcement) Ordinance (Cap. 597 of the Laws of Hong Kong) (the “**HK Old Regime**”) since then.

The HK FJRO enables the enforcement of foreign judgments (other than PRC judgments) through a process of registration of judgments from the superior courts in designated countries and certain parts of the Commonwealth which have reciprocal arrangements with Hong Kong,

provided that requirements under the HK FJRO are met. Such requirements include (among other things) that the foreign judgment is final and conclusive as between the parties thereto, and there is payable under the foreign judgment a sum of money not being a sum payable in respect of taxes or a fine or other penalty. A judgment made by, for example, a Singapore court having unlimited jurisdiction in civil and criminal matters can be enforced in Hong Kong under the HK FJRO. The defences that are available to a defendant in enforcement proceedings under the HK FJRO include lack of jurisdiction of the original court, failure of the defendant to receive notice of the proceedings before the original court in sufficient time to enable him to defend the proceedings and did not appear, fraud, and contrary to public policy.

Foreign judgments in civil and commercial matters deriving from countries other than those designated under the HK FJRO and PRC judgments which met the requirements under either the HK Old Regime or the HK Judgment Ordinance, such as the United States and the Cayman Islands, may be enforced by common law, meaning that proceedings for enforcement of such a foreign judgment (e.g. a United States or a Cayman Islands judgment) may be commenced in the Hong Kong courts by writ. In a common law action for enforcement of a foreign judgment in civil and commercial matters in Hong Kong, the enforcement is subject to various conditions, including but not limited to, that the foreign judgment is a final judgment conclusive upon the merits of the claim, and such a judgment must be for a fixed sum and must also come from “competent” court as determined by the private international law rules applied by the Hong Kong courts. The defences that are available to a defendant in a common law action brought on the basis of a foreign judgment include lack of jurisdiction, breach of natural justice, fraud, and contrary to public policy.

Under the HK Old Regime, recognition and enforcement of PRC judgements in Hong Kong are on the condition that certain requirements are met, including but not limited to, that the judgment must be a final and conclusive judgment enforceable in the PRC, the judgment orders the payment of a sum of money (not being a sum payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty), the judgment was made by certain designated courts in the PRC, and the judgment is in connection with disputes arising from civil or commercial contracts. The HK Old Regime will continue to apply to judgments (given pursuant to an exclusive jurisdiction agreement in favour of the courts in the PRC or Hong Kong) entered into on or after 1 August 2008 and dated before the commencement date of the HK Judgment Ordinance and the HK Judgment Rules.

The HK Old Regime was succeeded by the PRC-HK 2019 Arrangement, which expanded the scope of judgments that could be enforced between Hong Kong and the PRC. The PRC-HK 2019 Arrangement has been implemented through the HK Judgment Ordinance and the HK Judgment Rules since 29 January 2024, applicable to judgments that are considered to be civil and commercial in nature (including both monetary and non-monetary rulings), as well as judgments which are criminal in nature but contain an order for the payment of a sum of money in respect of compensation and damages. A PRC judgment includes judgment, ruling, conciliatory statement or order of payment, but does not include a ruling given in respect of an

interim measure. In addition, there is no need for a written exclusive jurisdiction agreement under the PRC-HK 2019 Arrangement. The HK Judgment Ordinance and HK Judgment Rules will not apply retrospectively and will only apply to judgments given on or after 29 January 2024.

Singapore

Generally, money judgements and non-money judgements issued by the courts in Hong Kong are enforceable by way of registration in the Singapore courts, pursuant to the Reciprocal Enforcement of Foreign Judgments Act 1959 of Singapore (the “**REFJA**”) read with the Reciprocal Enforcement of Foreign Judgments (Hong Kong Special Administrative Region of the People’s Republic of China) Order. Registration of a Hong Kong judgement is subject to certain conditions being met.

However, there is uncertainty as to whether judgements of courts in Hong Kong based upon the civil liability provisions of the securities laws of Hong Kong will be recognised or enforced by the Singapore courts, and there is doubt as to whether the Singapore courts will enter judgements in original actions brought in the Singapore courts based solely on the civil liability provisions of these securities laws.

A “money judgement” is defined in the REFJA as “a judgement under which a sum of money is payable, not being a sum payable in respect of taxes or other charges of a similar nature or in respect of a fine or other penalty”; while a “non-money judgement” is defined in the REFJA as “a judgement that is not a money judgement, but does not include a judgement under which a sum of money is payable in respect of taxes or other charges of a similar nature or in respect of a fine or other penalty”. In other words, judgements that are registrable under the REFJA exclude “a judgement under which a sum of money is payable in respect of taxes or other charges of a similar nature or in respect of a fine or other penalty”.

The Singapore courts may not recognise or enforce any judgement from the courts of Hong Kong against us, our Directors and Executive Officers, based upon the civil liability provisions of the securities laws of Hong Kong, to the extent that the judgement is punitive or penal. It is uncertain as to whether a judgement obtained from Hong Kong courts under civil liability provisions of the securities law of Hong Kong would be determined by the Singapore courts to be or not to be punitive or penal in nature. Such a determination has yet to be made by any Singapore court.

Foreign judgments from the PRC are not covered by the REFJA but may be recognised and enforced under common law if they meet certain requirements, such as the judgement being a decision on the merits of the case having final and conclusive effect and the absence of applicable defences to its recognition. While there is no formal and binding reciprocal enforcement arrangement between Singapore and the PRC, a judgment creditor seeking to enforce a PRC court judgement under the common law should have regard to the Memorandum of Guidance on the Recognition and Enforcement of Money Judgments in Commercial Cases

("MOG") signed on 31 August 2018 between Singapore and the PRC. The MOG, though non-binding in nature, provides some guidance as to the recognition and/or enforcement in Singapore courts of judgments issued by the courts of the PRC.

PRESENTATION OF FINANCIAL AND STATISTICAL INFORMATION

This Introductory Document contains the audited consolidated financial statements of our Company and its subsidiaries as at and for each of the years ended 31 December 2021, 2022 and 2023 as set out in Appendix A to this Introductory Document (the "**Audited Consolidated Financial Statements**"). Investors should exercise care and caution when viewing these financial statements. In the event of doubt, investors should consult their own professional advisers.

The Audited Consolidated Financial Statements have been prepared by our Company in accordance with the Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

The Audited Consolidated Financial Statements have been audited by PricewaterhouseCoopers ("**PwC**" or the "**Independent Auditor**"), an auditing firm in Hong Kong that is a member firm of the PricewaterhouseCoopers network, in accordance with the Hong Kong Standards on Auditing ("**HKSA**") issued by the HKICPA.

We have obtained a waiver from the SGX-ST from compliance with Rule 211A(2) of the SGX-ST Listing Manual, which requires our financial statements to be reconciled to the Singapore Financial Reporting Standards (International) ("**SFRS(I)**"), International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IFRS Accounting Standards**") or US Generally Accepted Accounting Principles ("**US GAAP**"). In addition, we have obtained a waiver from the SGX-ST from compliance with Rule 211A(3) of the SGX-ST Listing Manual, which requires our financial statements to be audited by certified public accountants in accordance with the Singapore Standards on Auditing, International Standards on Auditing ("**ISA**") or US Generally Accepted Auditing Standards. Please see the section entitled "*Our Listing on the SGX-ST*" of this Introductory Document for more information. The Independent Auditor is of the opinion that there are no material adjustments required to restate our financial statements in accordance with the IFRS Accounting Standards and that there are no material differences between HKSA and ISA. Subject to Hong Kong's periodic disclosure regulations, it is currently expected that our Company's periodic financial reports will continue to be prepared (and released on the HKSE and the SGX-ST) in accordance with the HKFRS and our Company's annual financial reports will continue to be audited in accordance with the HKSA, which are in compliance with such requirements in relation to financial reporting and accounting and auditing standards under the applicable rules and requirements of the HKSE Listing Rules.

Figures in this Introductory Document have been subject to rounding adjustments. Accordingly, figures shown for the same item of information may vary and figures which are totals may not be an arithmetic aggregate of their components.

We maintain our accounts and publish our financial statements in RMB. This Introductory Document contains translations of RMB dollar amounts into Singapore dollars solely for the convenience of the reader. Unless otherwise indicated, RMB dollar amounts in this Introductory Document have been translated into Singapore dollars based on the exchange rate of RMB5.37 = S\$1.00, quoted by Bloomberg L.P.⁽¹⁾ as at the Latest Practicable Date. However, these translations should not be construed as representations that RMB dollar amounts have been, would have been or could be converted into Singapore dollars or that Singapore dollar amounts have been, would have been or could be converted into RMB dollars at those rates or any other rate or at all. See the section entitled “*Exchange Rates and Exchange Controls*” of this Introductory Document for certain historical information on the exchange rate between the RMB dollar and Singapore dollar.

Note:

- ⁽¹⁾ Source: Bloomberg L.P. Bloomberg L.P. has not provided its consent, for the purposes of Section 249 of the SFA, to the inclusion of the information extracted from its database, and is therefore not liable for such information under Sections 253 and 254 of the SFA. While our Company and the Issue Manager have taken reasonable actions to ensure that the information from Bloomberg L.P.’s database has been reproduced in its proper form and context, and that such information is extracted accurately and fairly in this Introductory Document, neither our Company, our Directors, the Issue Manager nor any other party has conducted an independent review of the information contained in that database or verified the accuracy of the contents of the relevant information.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Xu Bingzhong (徐炳忠) (Chairman of our Board, Executive Director and Chief Executive Officer)

Ms. Cai Wenjun (蔡文君) (Executive Director)

Ms. Yu Zhen (余臻) (Executive Director)

Mr. He Daqing (贺大庆) (Executive Director)

Mr. Li Dong (李东) (Independent Non-Executive Director)

Mr. Wang Renrong (王仁荣) (Independent Non-Executive Director)

Mr. Wong Heung Ming Henry (黄向明) (Independent Non-Executive Director)

COMPANY SECRETARY

Mr. Lui Wing Yat Christopher (ACG, HKACG)

REGISTERED OFFICE

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PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hau Fook Street
Tsim Sha Tsui, Kowloon
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

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Juta Building #02-00
Singapore 058415

ISSUE MANAGER

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10 Marina Boulevard #10-01 Marina Bay
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**FINANCIAL ADVISER TO OUR
COMPANY AS TO HKSE LISTING
RULES**

**China International Capital Corporation Hong
Kong Securities Limited**

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**LEGAL ADVISER TO OUR COMPANY
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**LEGAL ADVISER TO OUR COMPANY
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Verybest Law Offices

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AS TO U.S. LAW**

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MANAGER AS TO SINGAPORE LAW**

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INDEPENDENT AUDITOR

PricewaterhouseCoopers
22/F, Prince's Building
Central
Hong Kong
Partner-in-charge: Cecilia, Lai Ting Yau
(practising certificate holder of the HKICPA)

**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 AND TRANSFER OFFICE**

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

**SINGAPORE SHARE TRANSFER
AGENT**

In.Corp Corporate Services Pte. Ltd.
30 Cecil Street
#19-08 Prudential Tower
Singapore 049712

**PRINCIPAL BANKERS OF OUR
GROUP**

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

DEFINED TERMS AND ABBREVIATIONS

The following definitions of certain terms and abbreviations, when used in this Introductory Document, shall bear the same meanings as set forth below unless otherwise defined herein or the context otherwise requires:

Entities

- Company** : Helens International Holdings Company Limited (海伦司国际控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 16 January 2018
- Helens Hill (BVI)** : Helens Hill Holding Limited, a company incorporated in the BVI with limited liability on 11 January 2018
- HHL International** : HHL International Limited (HHL国际有限公司), a company incorporated in the BVI on 12 May 2021 with limited liability and wholly owned as to 1% by Helens Hill (BVI) and 99% by HLSH Holding
- HLSH Holding** : HLSH Holding Limited, a company incorporated in the BVI on 24 March 2021 with limited liability and wholly owned by Cantrust
- Shenzhen Helens Enterprise** : Shenzhen Helens Enterprise Management Co., Ltd. (深圳海伦司企业管理有限公司)

General

- Articles of Association or Articles** : the amended and restated articles of association of our Company adopted by special resolution on 16 June 2023, a summary of which is set out in the section entitled “*Summary of the Memorandum and Articles of Association of our Company and Cayman Islands Corporate Law*” in Appendix C to this Introductory Document
- Audit Committee** : the audit committee of our Board
- Board** : our board of directors of our Company
- BVI** : the British Virgin Islands
- Cantrust** : Cantrust (Far East) Limited, the trustee of Mr. Xu’s discretionary trust, Tiny Tiny Hill Trust, and the Director RSU Scheme

| | | |
|---------------------------------------|---|--|
| CCASS | : | the Central Clearing and Settlement System established and operated by HKSCC |
| CCASS Clearing Participant | : | a person admitted to participate in CCASS as a direct clearing participant or general clearing participant |
| CCASS Custodian Participant | : | a person admitted to participate in CCASS as a custodian participant |
| CCASS Investor Participant | : | a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation |
| CCASS Participant | : | a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant |
| CDP | : | the Central Depository (Pte) Limited |
| CDP Depositors | : | depositors holding Shares under direct accounts with CDP or securities sub-accounts with a Depository Agent |
| CEO or Chief Executive Officer | : | the chief executive officer of our Company |
| CFO or Chief Financial Officer | : | the chief financial officer of our Company |
| PRC | : | the People's Republic of China, but for the purpose of this Introductory Document and for geographical reference only and except where the context requires otherwise, references in this Introductory Document to the PRC do not apply to Hong Kong, Macau and Taiwan |
| Cayman Islands Companies Act | : | the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time |
| Contribution Margin | : | 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 the revenue generated from the sales of the given product |
| Controlling Shareholder(s) | : | has the meaning ascribed to it under the SGX-ST Listing Manual and unless the context otherwise requires, refers to HHL International, HLSH Holding and Mr. Xu |

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| Director(s) | : | the directors of our Company, including all executive and independent non-executive directors |
| Director RSU Scheme | : | the director RSU scheme of our Company approved and adopted by our Board on 31 March 2021 |
| Due Diligence Major Subsidiaries | : | the subsidiaries (and their branches) for which due diligence was conducted by the legal advisers of our Company, and for the avoidance of doubt include the Major Subsidiaries |
| Employee RSU Scheme | : | the employee RSU scheme of our Company approved and adopted by our Board on 31 March 2021 |
| Executive Officers | : | the executive officers of our Company as at the date of this Introductory Document, who are also key executives as defined under the SFR |
| Franchised Cooperation Model | : | a form of our franchising arrangements launched in the second half of FY2022, details which are set out in the section entitled “Business — Our Business Model — Franchising Arrangements” of this Introductory Document |
| Futu Trust | : | Futu Trustee Limited, the trustee of the Post-IPO RSU Scheme |
| FY2021 | : | financial year ended 31 December 2021 |
| FY2022 | : | financial year ended 31 December 2022 |
| FY2023 | : | financial year ended 31 December 2023 |
| Group, our Group, our, we or us | : | our Company, its subsidiaries from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time |
| GST | : | goods and services tax |
| “HiBeer Partnership” Programme | : | a form of our franchising arrangements launched in June 2023, details which are set out in the section entitled “Business — Our Business Model — Franchising Arrangements” of this Introductory Document |
| HKSCC | : | Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited |

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| <i>HKSCC Nominees</i> | : | HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC |
| <i>HKSE Listing</i> | : | the listing of our Company on the Main Board of the HKSE on 10 September 2021 |
| <i>Hong Kong</i> | : | the Hong Kong Special Administrative Region of the PRC |
| <i>Hong Kong Companies Ordinance</i> | : | the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time |
| <i>HK SFO</i> | : | the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time |
| <i>HKSE</i> | : | the Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchange and Clearing Limited |
| <i>HKSE Listing Rules</i> | : | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time |
| <i>Hong Kong Share Registrar</i> | : | Link Market Services (Hong Kong) Pty Limited |
| <i>Hong Kong Share Register</i> | : | the register of members of our Shares maintained by the Hong Kong Share Registrar |
| <i>Independent Third Party(ies)</i> | : | party or parties that is or are not a connected person of our Company within the meaning of the HKSE Listing Rules |
| <i>Infiniti Trust</i> | : | Infiniti Trust (Asia) Limited, the trustee of the Employee RSU Scheme and the Senior Management RSU Scheme and the former trustee of the Post-IPO RSU Scheme |
| <i>Introduction</i> | : | the secondary listing by way of introduction of our Shares on the Main Board of the SGX-ST |
| <i>Introductory Document</i> | : | this introductory document dated 28 June 2024 issued by our Company in respect of the Introduction |
| <i>Latest Practicable Date</i> | : | 17 June 2024, being the latest practicable date prior to the issuance of this Introductory Document |

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| <i>Listing Date</i> | : | the date on which trading of our Shares on the SGX-ST commences |
| <i>Major Subsidiaries</i> | : | subsidiary companies or entities of our Company which are considered material subsidiaries by our Directors, namely the entities which are involved in pub operations or have major assets or are integral to our Group’s off-shore shareholding structure, based on the judgment of the Directors, which are set out in the section entitled “History and Corporate Structure — Corporate Structure” of this Introductory Document (and each, a “Major Subsidiary”) |
| <i>Market Day</i> | : | a day on which the SGX-ST and the HKSE is open for trading in securities |
| <i>MAS</i> | : | Monetary Authority of Singapore |
| <i>Memorandum</i> | : | the amended and restated memorandum of association of our Company adopted by special resolution on 16 June 2023, a summary of which is set out in the section headed “Summary of the Memorandum and Articles of Association of our Company and Cayman Islands Corporate Law” in Appendix C to this Introductory Document |
| <i>Mr. Xu</i> | : | Mr. Xu Bingzhong, our founder, an executive Director, the chairman of our Board, the Chief Executive Officer and a Controlling Shareholder |
| <i>Period Under Review</i> | : | FY2021, FY2022 and FY2023 |
| <i>Post-IPO RSU</i> | : | an RSU to be granted under the Post-IPO RSU Scheme |
| <i>Post-IPO RSU Scheme</i> | : | the post-IPO RSU scheme of our Company approved and adopted by our Board on 31 March 2021 |
| <i>PRC Legal Adviser</i> | : | Jingtian & Gongcheng, the legal adviser of our Company as to PRC law |
| <i>PRC CSRC</i> | : | China Securities Regulatory Commission (中国证券监督管理委员会) |
| <i>PRC NPC</i> | : | National People’s Congress of the PRC (中华人民共和国全国人民代表大会) |
| <i>PRC PBOC</i> | : | People’s Bank of China (中国人民银行), the central bank of the PRC |

| | | |
|-------------------------------------|---|--|
| PRC SAFE | : | State Administration of Foreign Exchange of the PRC (中华人民共和国国家外汇管理局) |
| PRC SAMR | : | State Administration for Market Regulation of the PRC (中华人民共和国国家市场监督管理总局), formerly known as the PRC SAIC |
| PRC SAT | : | PRC State Administration of Taxation (中华人民共和国国家税务总局) |
| PRC State Council | : | State Council of the PRC (中华人民共和国国务院) |
| Pre-IPO RSU | : | a restricted share unit granted under the Pre-IPO RSU Schemes |
| Pre-IPO RSU Schemes | : | collectively, the Director RSU Scheme, Employee RSU Scheme and Senior Management RSU Scheme |
| Remuneration Committee | : | the remuneration committee of our Board |
| RSU | : | restricted share unit |
| RSU Trustees | : | Cantrust, Infiniti Trust and/or Futu Trust (as the case may be) |
| Securities Account | : | securities account maintained by a CDP Depositor |
| Senior Management RSU Scheme | : | the senior management RSU scheme of our Company approved and adopted by our Board on 31 March 2021 |
| SFA | : | Securities and Futures Act 2001 of Singapore, as amended, modified or supplemented from time to time |
| SFR | : | Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore, as amended, modified or supplemented from time to time |
| SGX-ST Listing Manual | : | The listing manual of SGX-ST, as amended, modified or supplemented from time to time |
| SGXNET | : | Singapore Exchange Network, the corporate announcement system maintained by the SGX-ST for the submission of information and announcements by listed companies |
| SGX-ST | : | Singapore Exchange Securities Trading Limited |

| | | |
|--------------------------------------|---|---|
| Share(s) or Ordinary Share(s) | : | the ordinary share(s) in the capital of our Company |
| Shareholder(s) | : | Registered holders of Shares, except where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares, mean the CDP Depositors whose Securities Accounts are credited with Shares |
| Singapore Companies Act | : | Companies Act 1967 of Singapore, as amended, modified or supplemented from time to time |
| Substantial Shareholder(s) | : | a person who has an interest or interests in one (1) or more voting shares (excluding treasury shares) in the listed corporation and the total votes attached to that share, or those shares, is not less than five per cent. (5%) of the total votes attached to all the voting shares (excluding treasury shares) in the listed corporation |
| U.S. or United States | : | the United States of America, its territories, its possessions and all areas subject to its jurisdiction |
| VAT | : | value-added tax |

Currencies, Units and Others

| | | |
|----------------------------------|---|---|
| % | : | Per centum, or percentage |
| HK\$ or Hong Kong dollars | : | The lawful currency of Hong Kong |
| RMB or Renminbi | : | Renminbi, the lawful currency of the PRC |
| S\$ or Singapore dollars | : | The lawful currency of the Republic of Singapore |
| US\$ or U.S. dollars | : | The lawful currency of the United States of America |

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

The terms **Depositor**, **Depository Agent** and **Depository Register** shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

The term **subsidiary** shall have the meaning ascribed to them in Section 5 of the Singapore Companies Act.

Any references in this Introductory Document to any statute or enactment is a reference to that statute or enactment for the time being amended or re-enacted. Any word defined under the Singapore Companies Act, SFA, the SFR, the SGX-ST Listing Manual or any statutory modification thereof and used in this Introductory Document shall have the meaning assigned to it under the Singapore Companies Act, SFA, the SFR, the SGX-ST Listing Manual or such statutory modification, as the case may be.

Any reference to a time and date in this Introductory Document shall be a reference to Singapore time and date unless otherwise stated.

Certain numerical figures set out in this Introductory Document, including financial data presented in billions, millions or thousands, and percentages, have been subject to rounding adjustments and, as a result, the totals of the data in this Introductory Document may vary slightly from the actual arithmetic totals of such information. Percentages and amounts reflecting changes over time periods relating to financial and other data set forth in the section entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" of this Introductory Document are approximate figures and have been calculated using the numerical data in our consolidated financial statements or the tabular presentation of other data (subject to rounding) contained in this Introductory Document, as applicable, and not using the numerical data in the narrative description thereof.

Certain Chinese names and characters, such as those of entities, properties, cities, governmental and regulatory authorities, laws and regulations and notices, have been translated into English or from English names and characters, solely for your convenience, and such translations should not be construed as representations that the English names actually represent Chinese names and characters or that the Chinese names actually represent the English names and characters.

GLOSSARY OF TECHNICAL TERMS

To facilitate a better understanding of our business, the following glossary provides a description of certain technical terms and abbreviations related to our business, as used in this Introductory Document. The terms and their assigned meanings set out below may not correspond to standard industry or common meanings or usage of these terms, and should not be treated as being definitive of their meanings.

| | | |
|---|---|--|
| <i>BPM</i> | : | beats per minute |
| <i>COVID-19</i> | : | coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2 |
| <i>self-operated bar</i> | : | a bar directly operated by our Group |
| <i>first-tier cities</i> | : | for the purpose of this Introductory Document, Beijing, Shanghai, Guangzhou and Shenzhen |
| <i>franchised bar</i> | : | a bar operated under the Franchised Cooperation Model, pursuant to which our Company authorised the trademarks, products, and operating techniques to the franchisee |
| <i>GFA</i> | : | gross floor area |
| <i>Helen's beer</i> | : | a series of beer with classic flavours designed by us |
| <i>Helen's branded alcoholic drink</i> | : | drinks with Helen's logo and freshly made drinks sold in Helen's bars, including Helen's beers and spirituous drinks |
| <i>Helen's branded product(s)</i> | : | for the purpose of illustration, Helen's branded products refer to Helen's branded alcoholic drinks and snacks |
| <i>"HiBeer Partnership" bar</i> | : | a bar operated under the "HiBeer Partnership" Programme |
| <i>second-tier cities</i> | : | all municipalities, provincial capitals, capitals of autonomous region in the PRC except for the first-tier cities |

SUMMARY

This summary highlights information contained in other parts of this Introductory Document. As this is only a summary, it does not contain all of the information that you should consider before investing in our Shares, and it is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial statements appearing elsewhere in this Introductory Document. Unless the context requires otherwise, references in this Introductory Document to “our Group”, “we”, “us” and “our” refer to Helens International Holdings Company Limited and our subsidiaries taken as a whole. You should read this entire Introductory Document, including, among others, our consolidated financial statements together with the related notes and the section entitled “Risk Factors” of this Introductory Document, before making a decision to invest in our Shares.

OUR COMPANY

Our Company runs one (1) of the largest bar chain networks in PRC. We also have operations outside of the PRC, and the total number of bars in our global bar network exceeds 500. By offering a value for money product portfolio and a relaxing customer experience, we aim to satisfy the young generation’s demand for affordable alcoholic drinks, quality service and social ambience.

We produce our own Helen’s branded alcoholic drinks, such as Helen’s draft beer, Helen’s craft beer, Helen’s fruit-flavoured beer and Helen’s milk beer, which have attracted massive attention and followers on social media. By leveraging on our in-depth understanding of the young generation’s preference and years of experience in the PRC’s bar industry, we continue to deliver products that meet our customers’ expectations.

We have also established a unified music library for our bars, where we carefully customise playlists for each bar based on various factors, such as the opening hours, duration of peak hours and consumer profiles, and we are able to select the appropriate tracks to play according to the time and customer traffic to provide a comfortable and enjoyable experience for our customers.

The majority of our bars are located in urban areas where young people like to gather. The unique decoration style of our bars which is also standardised across all our various bars is also an important aspect that distinguishes our bars from other bars.

We have explored various business models, including self-operated bars and various franchising arrangements. Our franchising arrangements allow us to create synergistic cooperation relationships with our franchisees and partners, enabling us to mobilise valuable social resources and our partners’ external resources and open more high-quality bars. This, in turn, helps us to reduce operational costs, increase profitability, and enhance risk resilience. At the same time, our partners benefit from our well-established brand recognition, standardised management practices, and robust supply chain capabilities, which effectively support their risk management efforts. Through collaboration with our franchisees and partners, we can rapidly

expand our bar network and strengthen our market position. Notably, the Franchised Cooperation Model enables us to expand into untapped markets, which is crucial for our long-term business development.

Our Company has been listed on the Main Board of the HKSE since 10 September 2021.

COMPETITIVE STRENGTHS

We believe that our Group benefits from a number of competitive strengths underpinned by our track record and the experience of our management team, including the following:

- we offer a premium-quality product portfolio, which consists of various affordable products;
- we have a highly standardised business model, which includes having an optimised product portfolio, integrated bar operations, efficient bar management systems, and systematised training for store managers;
- we provide a unique style of consumer experience, which includes having a unique decoration style, comprehensive bar events, and cordial and efficient service;
- we have excellent operational efficiency powered by digitalisation and technological innovation, in particular through the use of digital technology as well as a centralised music management system; and
- we are led by an experienced, professional and enterprising management team.

Please see the section entitled “*Business — Competitive Strengths*” of this Introductory Document for further details.

BUSINESS STRATEGIES

Our business strategies are as follows:

- we will continue to expand our bar network proactively in existing as well as new and untapped markets, in order to consolidate our position and satisfy the growing customer needs; and
- we will further enhance the awareness of our Helen’s brand through our bar expansion plans in regions where there are high concentrations of young customers or in regions identified through expectations and feedback of loyal customers. We will also continue to optimise and iterate our branded product portfolio by continuing to research and develop products through big data analysis and interactions with customers.

Please see the section entitled “*Business — Business Strategies and Future Plans — Business Strategies*” of this Introductory Document for further details.

FUTURE PLANS

We intend to continue to expand our bar network and further strengthen the management of our supply chain by deploying more warehousing centres to better support the supply of materials for our new bars across the PRC. We will also further expand the pool of our bar management talent and continue to optimise our talent training system in order to support the rapid expansion of our bar network.

We plan to continue to optimise the digital technology we use, enhance our data management capabilities, ensure information security and adopt agile software development methods. We will further drive the integration of data technology and operational management to enable our business departments to engage in more refined operational management.

We plan to continue to invest in our talent pool and optimise the human resource management system. We will attract and retain more employees who agree with our corporate culture as well as recruit talents with expertise and experience in the fields of supply chain management, brand communication and technology research and development. We will further optimise our human resource management system to provide more competitive reward and benefit packages for our employees, set up fair and effective incentive mechanisms and room for self-growth and promotion of our employees.

We will also further broaden our marketing channels and increase our outreach to target customers. We plan to utilise the influence of emerging social media and private domain traffic to develop digitalised marketing, accurately capture target customers based on their locations, hobbies and ages and implement targeted advertising on the popular social platforms of the youth. We plan to continue to enrich the events held at our bars and holiday activities and organise various promotional campaigns surrounding the places where young people gather in order to increase our brand exposure and interactions with young customers.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table sets forth a summary of our consolidated results of operations for the periods indicated. This information should be read together with our Audited Consolidated Financial Statements and related notes included elsewhere in this Introductory Document. The operating results in any period are not necessarily indicative of the results that may be expected for any future periods.

Our consolidated financial statements are reported in RMB and prepared and presented in accordance with the HKFRS.

Consolidated Statements of Comprehensive Income

The following table presents our selected consolidated statements of comprehensive income for the periods indicated.

| | Audited | | |
|--|------------------|--------------------|-----------------|
| | FY2021 | FY2022 | FY2023 |
| | RMB '000 | RMB '000 | RMB '000 |
| Revenue | 1,835,616 | 1,559,308 | 1,208,613 |
| Government grants and concessions | 14,024 | 38,202 | 8,953 |
| Raw materials and consumables used | (576,787) | (561,906) | (359,769) |
| Employee benefit and manpower service expenses | (581,628) | (1,003,455) | (298,800) |
| Depreciation of right-of-use assets | (220,246) | (315,923) | (110,195) |
| Depreciation of property, plant and equipment | (82,600) | (199,996) | (89,369) |
| Amortisation of intangible assets | (17) | (17) | (17) |
| Short-term rental and other related expenses | (46,865) | (84,769) | (43,159) |
| Utilities expenses | (57,710) | (65,050) | (34,841) |
| Travelling and related expenses | (12,601) | (11,528) | (13,426) |
| Listing expenses | (30,893) | — | — |
| Advertising and promotion expenses | (42,500) | (34,384) | (19,682) |
| Other expenses | (98,862) | (103,787) | (79,257) |
| Impairment losses of plant and equipment and right-of-use assets | (10,985) | (712,905) | (11,338) |
| Fair value changes of convertible preferred shares | (207,669) | — | — |
| Net impairment losses of trade receivables | — | — | (241) |
| Other losses, net | — | (83,215) | (46,306) |
| Finance income | 563 | 4,960 | 68,598 |
| Finance costs | (57,690) | (42,007) | (27,800) |
| (Loss)/profit before income tax | (176,850) | (1,616,472) | 151,964 |
| Income tax (expense)/credit | (53,150) | 15,322 | 28,536 |
| (Loss)/profit for the year attributable to owners of our Company | (230,000) | (1,601,150) | 180,500 |
| Other comprehensive (loss)/income Item that may be subsequently reclassified to profit or loss | | | |
| Currency translation differences | (5,415) | 44,107 | (28,440) |
| Total comprehensive (loss)/income for the year attributable to owners of our Company | (235,415) | (1,557,043) | 152,060 |
| (Loss)/profit per share for (loss)/profit attributable to owners of our Company (RMB per share) | | | |
| Basic | (0.213) | (1.459) | 0.142 |
| Diluted | (0.213) | (1.459) | 0.142 |

| | Non-HKFRS Measures | | |
|--|---------------------------|------------------|-----------------|
| | FY2021 | FY2022 | FY2023 |
| | RMB '000 | RMB '000 | RMB '000 |
| Profit/(Loss) for the year | (230,000) | (1,601,150) | 180,500 |
| Add: | | | |
| Listing expenses | 30,893 | — | — |
| Equity settled share-based payments | 91,683 | 503,191 | — |
| Fair value changes of convertible preferred shares | 207,669 | — | — |
| Losses from bar optimization and adjustment ⁽¹⁾ | 10,985 | 857,175 | 99,691 |
| Adjusted net profit/(loss) | 111,230 | (240,784) | 280,191 |

Note:

- (1) In 2022, losses from bars optimisation and adjustment represented losses arising from the decline in operating results of our bars as a result of the significant impact of COVID-19 pandemic, and the implementation of strategic adjustments in order to cope with the pandemic, such as closure of some bars and suspension of operation of our bars during the peak of the pandemic. In 2023, losses from bars optimisation and adjustment represented losses incurred as our 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. 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, penalties and compensation for early termination of leases and offset by gain on termination of leases.

Consolidated Statements of Financial Position

The following table presents our selected consolidated statements of financial position data as at the dates indicated.

| | Audited | | |
|---|---------------------------------------|---------------------------------------|---------------------------------------|
| | As at 31 December 2021 | As at 31 December 2022 | As at 31 December 2023 |
| | RMB '000 | RMB '000 | RMB '000 |
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 871,280 | 693,254 | 423,423 |
| Intangible assets | 92 | 75 | 58 |
| Right-of-use assets | 1,348,338 | 457,037 | 182,779 |
| Deposits and prepayments | 323,047 | 89,689 | 58,006 |
| Deferred tax assets | 29,886 | 46,469 | 76,564 |
| | 2,572,643 | 1,286,524 | 740,830 |
| Current assets | | | |
| Inventories | 61,502 | 35,962 | 20,217 |
| Prepayments, deposits and other receivables | 25,890 | 55,718 | 77,073 |
| Trade receivables | — | — | 47,930 |
| Term deposits with original maturity over three (3) months | — | 201,566 | 651,608 |
| Cash and cash equivalents | 1,626,731 | 1,096,998 | 625,612 |
| Restricted cash | — | — | 1,714 |
| | 1,714,123 | 1,390,244 | 1,424,154 |
| Total assets | 4,286,766 | 2,676,768 | 2,164,984 |
| Equity | | | |
| Equity attributable to owners of our Company | | | |
| Share capital | 1 | 1 | 1 |
| Reserves | 2,876,719 | 1,822,867 | 1,821,406 |
| Total equity | 2,876,720 | 1,822,868 | 1,821,407 |
| Liabilities | | | |
| Non-current liability | | | |
| Contract liabilities | — | — | 5,620 |
| Other payables | — | — | 11,010 |
| Lease liabilities | 1,060,620 | 565,202 | 174,601 |
| | 1,060,620 | 565,202 | 191,231 |

| | Audited | | |
|-------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | As at 31 December 2021 | As at 31 December 2022 | As at 31 December 2023 |
| | RMB '000 | RMB '000 | RMB '000 |
| Current liabilities | | | |
| Trade payables | 75,139 | 62,742 | 30,717 |
| Contract liabilities | — | — | 3,550 |
| Other payables and accruals | 63,197 | 37,810 | 20,362 |
| Lease liabilities | 185,520 | 175,800 | 81,072 |
| Current income tax liabilities | 25,570 | 12,346 | 16,645 |
| | 349,426 | 288,698 | 152,346 |
| Total liabilities | 1,410,046 | 853,900 | 343,577 |
| Total equity and liabilities | 4,286,766 | 2,676,768 | 2,164,984 |

DIVIDEND POLICY

Our dividend policy is that we may consider declaring and paying dividends to our Shareholders, provided that in no circumstances may a dividend be paid if this would result in our Company being unable to pay its debts as they fall due in the ordinary course of business. When deciding whether to propose a dividend and in determining the dividend amount, our Board shall take into account, among other things, our Group's actual and expected financial performance, retained earnings and distributable reserves of our Company, our Group's working capital requirements, capital expenditure requirements and future expansion plans, our Group's liquidity position and any other factors which our Board deems relevant. The payment of dividend is also subject to any requirements of the Cayman Islands Companies Act and our Memorandum and Articles of Association.

See the section entitled "*Dividend Policy*" of this Introductory Document for further information.

CORPORATE INFORMATION

Our registered office is located at 3-212 Governors Square 23 Lime Tree Bay Avenue P.O. Box 30746, Seven Mile Beach, Grand Cayman KY1-1203, Cayman Islands and the address of our head office and principal place of business in the PRC is Building B2, Guanggu Chongwen Centre Phase I, No. 792 Gaoxin Avenue, East Lake New Technology Development Zone, Wuhan, Hubei Province, PRC. Our telephone number is (+86) 400-860-7198 and our corporate e-mail address is media@helens.com.cn.

Investor enquiries should be directed to us at the address and telephone number of our head office and principal place of business in the PRC set forth above. Our website address is www.helensbar.com. The information contained in our website and any website directly or indirectly linked to such website or the websites of any of our related corporations or other entities in which we may have an interest do not constitute part of and are not incorporated by reference in this Introductory Document and should not be relied on as such.

SUMMARY OF THE INTRODUCTION

Our Company

Helens International Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability on 16 January 2018.

Our Shares have been primary listed on the HKSE under the stock code “9869” since 10 September 2021.

Listing on the SGX-ST

An application has been made to the SGX-ST for permission to list all our Shares on the Main Board of the SGX-ST. Such permission will be granted when we have been admitted to the Official List of the SGX-ST.

Trading on the SGX-ST

Our Shares will, upon their listing and quotation on the SGX-ST, be traded on the SGX-ST under the book-entry (scripless) settlement system of CDP. Dealing in and quotation of our Shares will be in Singapore dollars. Our Shares will be traded in a board lot size of 100 Shares.

Voting Rights

Shareholders may vote on all matters submitted to a vote of Shareholders, except as may otherwise be required by law. See the section entitled “*Description of Share Capital*” of this Introductory Document. However, the ability of CDP Depositors to vote at Shareholders’ meetings will be limited. See the section entitled “*Summary of the Memorandum and Articles of Association of our Company and Cayman Islands Corporate Law*” in Appendix C to this Introductory Document.

Dividends

Our dividend policy is that we may consider declaring and paying dividends to our Shareholders, provided that in no circumstances may a dividend be paid if this would result in our Company being unable to pay its debts as they fall due in the ordinary course of business. When deciding whether to propose a dividend and in determining the dividend amount, our Board shall take into account, among other things, our Group's actual and expected financial performance, liquidity position, working capital requirements and future expansion plans of our Group, and any other factors which our Board deems relevant. The payment of dividends is also subject to any requirements of the Cayman Islands Companies Act and our Memorandum and Articles of Association. See the section entitled "*Dividend Policy*" of this Introductory Document for a description of our dividend policy.

Shareholders whose Shares are held through CDP will receive their dividends through CDP in Singapore dollars. We will make the necessary arrangements to convert the dividends in RMB dollars into the Singapore dollars equivalent at the prevailing exchange rate obtained by us on the relevant date for onward distribution to CDP and CDP's onward distribution to entitled Shareholders.

Share Capital

As at the Latest Practicable Date, our registered and authorised share capital is US\$50,000 divided into 500 trillion Shares of par value of US\$0.0000000001 each and our issued and paid-up capital is RMB1 comprising 1,265,477,524 Shares. All of our 1,265,477,524 issued Shares are in registered form and fully paid up. We have only one (1) class of shares in the capital of our Company, being our Shares. Out of our 1,265,477,524 issued Shares, 4,661,257 Shares are held by Futu Trust pursuant to the Post-IPO RSU Scheme.

Market Capitalisation

Our Company has a market capitalisation of HK\$3,189 million (approximately S\$552 million) as at the Latest Practicable Date.

Risk Factors

Prospective investors should carefully consider certain risks connected with an investment in our Shares, as discussed in the section entitled "*Risk Factors*" of this Introductory Document.

OUR LISTING ON THE SGX-ST

Upon admission to the Official List of the SGX-ST, we will be listed on both the SGX-ST and the HKSE, with the HKSE being the primary exchange on which our Shares are traded and the SGX-ST being the secondary exchange. As the HKSE is the primary exchange on which our Shares are traded, we are subject to and are required to comply with the relevant regulations and notifications issued by the HKSE.

An eligibility-to-list letter has been obtained from the SGX-ST for the listing and quotation of all our issued Shares on the SGX-ST, subject to the following conditions:

- (a) compliance with the SGX-ST's listing requirements;
- (b) our Company maintaining our primary listing on the HKSE;
- (c) pre-quotation disclosure of information required by the SGX-ST;
- (d) our Company confirming that our Memorandum of Association and Articles of Association (incorporating all amendments to date) has been uploaded on the website of the HKSE;
- (e) our Company undertaking to comply with the following requirements as set out in Rule 217 of the SGX-ST Listing Manual to:
 - (i) release all information and documents in English to the SGX-ST at the same time as they are released on the HKSE;
 - (ii) inform the SGX-ST of any issue of additional securities in a class already listed on the SGX-ST and the decision of the HKSE; and
 - (iii) comply with such other listing rules as may be applied by the SGX-ST from time to time (whether before or after the Introduction);
- (f) our Company undertaking that in the event for a need for trading halt or suspension in our Shares, our Company would request for a trading halt or suspension on all exchanges at the same time;
- (g) our Company undertaking that we will ensure the appointment of a market maker for a minimum of six (6) months from the date of the Introduction;
- (h) written confirmation from the Issue Manager that adequate disclosures have been made on the major differences between the laws of Cayman Islands and Singapore on investor protection;
- (i) written confirmations from the Issue Manager and our Company that our Company has obtained all requisite approvals, including approvals required from the PRC CSRC, and is in compliance with the laws and regulations in respect of the Introduction;

- (j) written confirmations from the Issue Manager and our Company that arrangements satisfactory to the SGX-ST are in place to ensure:
 - (i) orderly trading in the market when trading begins in our Company's Shares in Singapore; and
 - (ii) timely settlement of trades, including but not limited to, procedures for the deposit, withdrawal and registration of our Company's Shares in Singapore;
- (k) written confirmation from the Issue Manager that Rules 246(4) and 246(12) of the SGX-ST Listing Manual have been complied with;
- (l) submission of the documents stipulated in Rules 248, 249 and 250 of the SGX-ST Listing Manual; and
- (m) the release of an SGXNET announcement disclosing the latest price of our Company's Shares (including the equivalent in SGD) on the HKSE prior to the Introduction.

We have obtained from the SGX-ST a waiver from compliance with the following rules under the SGX-ST Listing Manual:

- (a) Rule 210(5)(a) of the SGX-ST Listing Manual which requires, among others, that a director who has no prior experience as a director of an issuer listed on the SGX-ST must undergo training in the roles and responsibilities of a director of a listed issuer as prescribed by the SGX-ST. The waiver was sought on the basis that: (i) our Company has a primary listing on the HKSE and each of our Directors is equipped with the necessary experience and expertise to act as a director of company listed on the HKSE; (ii) the HKSE Listing Rules require all directors of companies listed on the HKSE to participate in continuous professional development and our Directors had attended training sessions on the respective obligations for directors as part of their continuous professional development; (iii) in accordance with Rule 246(4)(e) of the SGX-ST Listing Manual, our Directors have been briefed by our Company's legal adviser as to Singapore law on the roles and responsibilities of a director of a public listed company in Singapore pursuant to the SGX-ST Listing Manual and the relevant Singapore laws and regulations; and (iv) pursuant to Rule 217 of the SGX-ST Listing Manual, a foreign issuer with a secondary listing on the SGX-ST is not required to comply with the SGX-ST Listing Manual (except for such rules as may be applied by the SGX ST from time to time), and accordingly our Company would not have an obligation to comply with Rule 720 (read with Rule 210(5)) of the SGX-ST Listing Manual on an ongoing basis;
- (b) Rules 211A(2) and 211A(3) of the SGX-ST Listing Manual which require (i) in respect of a secondary listing, the financial statements submitted with the listing application, and future periodic financial reports, need only be reconciled to SFRS(I), or IFRS Accounting Standards, or US GAAP; and (ii) the annual financial statements must be audited by certified public accountants in accordance with SSA, ISA, or US GAAS, as the case may be. As stated under the section entitled "Presentation of Financial and Statistical

Information” of this Introductory Document, the Independent Auditor is of the opinion that there are no material adjustments required to restate our Company’s financial statements in accordance with the IFRS Accounting Standards and there are no material differences between HKSA and ISA. The financial statements of our Company following the Introduction would not be reconciled or restated to SFRS(I), IFRS Accounting Standards or US GAAP or audited in accordance with SSA, ISA or US GAAS, as our Company will continue to comply with such requirements in relation to accounting and auditing standards as may be applicable to our Company under the applicable rules and requirements in Hong Kong.

Our Company had sought a waiver from Rules 211A(2) and (3) of the SGX-ST Listing Manual for the following reasons:

- (i) our Company prepares our financial statements in accordance with HKFRS which are audited by the Independent Auditor in accordance with HKSA;
- (ii) the Independent Auditor is of the opinion that there are no material adjustments required to restate the Company’s financial statements in accordance with the IFRS Accounting Standards and there are no material differences between HKSA and ISA as stated under the section entitled “Notice to Investors — Presentation of Financial and Statistical Information” of this Introductory Document;
- (iii) the Independent Auditor has audited and issued unqualified audit reports in respect of our Company’s Audited Consolidated Financial Statements; and
- (iv) our Company will continue to prepare our financial statements in accordance with HKFRS and audited in accordance with HKSA, which are in compliance with such requirements in relation to financial reporting and accounting and auditing standards under the applicable HKSE Listing Rules.

See the section entitled “Notice to Investors — Presentation of Financial and Statistical Information” of this Introductory Document for further details; and

- (c) Rule 221 of the SGX-ST Listing Manual which requires a foreign issuer seeking admission to the Official List of the SGX-ST to have at least two (2) independent directors resident in Singapore (the “**Singapore Resident ID**”). Our Company had sought a waiver from Rule 221 of the SGX-ST Listing Manual, and instead, to have one (1) Singapore Resident ID within one (1) year of the Introduction and ensure that the appointment of such Singapore Resident ID is maintained at all times on a continuing basis as long as our Company is secondary listed on SGX-ST. The waiver was sought on the basis that our Company’s board composition is required to comply with the requirements under the applicable HKSE Listing Rules and our existing board composition is compliant with such requirements. Our board of directors currently comprises seven (7) directors, three (3) of whom are considered independent under the applicable HKSE Listing Rules although none of these independent directors are resident in Singapore. In addition, as a foreign issuer with a secondary listing on the SGX-ST, our Company is not required to comply with the SGX-ST

Listing Manual (except for such rules as may be applied by the SGX-ST from time to time). In addition, our Company also believes that it is necessary to have sufficient time to identify a suitable candidate as the Singapore Resident ID. Our Company has provided a written undertaking to the SGX-ST to appoint one (1) Singapore Resident ID within one (1) year of the Introduction and ensure that the appointment of the Singapore Resident ID or the Compliance Advisory Firm (as defined below) is maintained at all times on a continuing basis for so long as our Company is secondary listed on SGX-ST. Our Company has also provided a written undertaking to the SGX-ST that it has appointed a compliance advisory firm, being Drew & Napier LLC (the “**Compliance Advisory Firm**”), which is experienced in advising on compliance with the SGX-ST Listing Manual until the appointment of the Singapore Resident ID.

OBLIGATIONS UNDER THE SGX-ST LISTING MANUAL

As a foreign issuer with a secondary listing on the SGX-ST, pursuant to Rule 217 of the SGX-ST Listing Manual, upon the listing of our Shares on the SGX-ST, we will not be required to comply with the SGX-ST Listing Manual (except for such rules as may be applied by the SGX-ST from time to time), provided that we undertake to:

- (a) release all information and documents in English to the SGX-ST at the same time as they are released to the home exchange;
- (b) inform the SGX-ST of any issue of additional securities in a class already listed on the SGX-ST and the decision of the home exchange; and
- (c) comply with such other listing rules as may be applied by the SGX-ST from time to time (whether before or after listing).

INTRODUCTORY DOCUMENT DISCLOSURE

Pursuant to Rule 607 of the SGX-ST Listing Manual, this Introductory Document is required to comply with the disclosure requirements in the SFA. We have obtained the following waivers from the SGX-ST from compliance with certain of the Introductory Document disclosure requirements under the Fifth Schedule to the SFR (the “**Fifth Schedule**”): (i) Paragraph 6 of Part 4 (the “**Capitalisation and Indebtedness Provision**”); (ii) Paragraph 1(d) of Part 5 and Paragraph 8 of Part 6 (the “**Latest Practicable Date Provisions**”); (iii) Paragraph 5(a) of Part 6 (the “**Material Sources of Liquidity Provision**”); (iv) Paragraph 1(b) of Part 7 (the “**Principal Directorships Provision**”); (v) Paragraph 9(b) of Part 7 (the “**Remuneration Provision**”); (vi) Paragraph 3 of Part 7 (the “**Shareholding Provision**”); (vii) Paragraphs 1, 2, 3 and 4 of Part 8 (the “**IP T Provisions**”); and (viii) Paragraph 5 of Part 5 and Paragraph 8 of Part 11 (the “**Subsidiaries and Share Capital Disclosures**”), for reasons that include the following:

- (a) HKSE is our home exchange and we are subject to a set of disclosure requirements under the applicable Hong Kong laws and regulations including the HKSE Listing Rules;

- (b) disclosing information in this Introductory Document relating to the requirements under the Fifth Schedule may result in a non-parity of information, resulting in an uneven playing field and confusion between the different group of investors in Hong Kong and Singapore, or Hong Kong regulatory implications, including unequal dissemination of information and inside information compliance which could result in regulatory enquiries;
- (c) in respect of the Capitalisation and Indebtedness Provision, we are unable to provide information on the capitalisation and indebtedness of our Group as of a date no earlier than 60 days prior to the date of issue of this Introductory Document as this information has not yet been finalised as of the date of this Introductory Document for disclosure under the HKSE Listing Rules. Further, except in the case of significant transactions classified as “major transaction”, “very substantial acquisition” or “very substantial disposal” under Chapter 14 of the HKSE Listing Rules, our Group is only required to make disclosures in relation to our indebtedness, liquidity, financial resources and capital structure in our annual and interim reports;
- (d) in respect of the Latest Practicable Date Provisions, our Company is only required to disclose capital expenditure and capital investments in our annual and interim reports. If a capital investment is considered a notifiable transaction under Chapter 14 of the HKSE Listing Rules, we have to publish an announcement as soon as possible after the terms of such transaction have been finalised. If we were required to provide the disclosures required under paragraph 1(d) of Part 5 of the Fifth Schedule and paragraph 8 of Part 6 of the Fifth Schedule as of the Latest Practicable Date, such disclosures would be more extensive than the information which we are required to announce under the HKSE Listing Rules and the differences in disclosures will result in non-parity of information and could potentially be confusing for our shareholders and investors and may result in Hong Kong regulatory enquiries. On the other hand, providing historical capital expenditure for FY2021, FY2022 and FY2023 and committed capital expenditure information as of 31 December will be in line with our Company’s most recent financial reporting of the results of operations for FY2023;
- (e) in respect of Material Sources of Liquidity Provision, our Company discloses its current assets and liabilities (including its material sources of liquidity) in the half-yearly and full-yearly announcements and our interim and annual reports, in line with the HKSE Listing Rules. There is no requirement for our Company to disclose material unused sources of liquidity in our annual or interim reports. The disclosure of material sources and unused sources of liquidity as at the Latest Practicable Date which our Company has yet to report or publish on the HKSE may be potentially misleading and confusing for our shareholders and investors and may result in Hong Kong regulatory enquiries;
- (f) in respect of the Principal Directorships Provision, our Directors and Executive Officers are only required under HKSE Listing Rules to disclose their present and past directorships in the last three (3) years in publicly listed companies and other major appointments as well as positions held by them in our Company and other members of our Group. In addition, our Directors and Executive Officers are not required under HKSE Listing Rules to disclose directorships in private companies provided that such private companies do not compete directly or indirectly with the business of our Company. Hence, while our Directors and Executive Officers have disclosed in this Introductory Document their past

and present directorships in publicly listed companies in the last five (5) years preceding the date of this Introductory Document, they have only disclosed their other major appointments, their positions in members of our Group and any interest in competing companies in the last three (3) years preceding the Latest Practicable Date;

- (g) in respect of the Remuneration Provision, our Company is only required to disclose in its annual report: (i) the remuneration of our Directors on a named basis and in exact figures; (ii) the five (5) highest paid employees (which include the directors in the pool of employees being assessed) on an unnamed basis (except for our Directors who will be named) and by bands; and (iii) the remuneration of the senior management members (who are not directors) on an unnamed basis and by bands. If our Company is required to comply with the Remuneration Provision, it would be required to make disclosures which are more onerous than the requirements of our home exchange and variances in disclosures may result in Hong Kong regulatory enquiries;
- (h) in respect of the Shareholding Provision, the disclosure requirements relating to share ownership of companies and how deemed interest and beneficial ownership in shares are determined under the applicable Hong Kong rules differ from the requirements under the Shareholding Provision. If we are required to comply with the Shareholding Provision, it could be potentially confusing for our shareholders and potential investors due to the differences in disclosures and result in non-parity of information between the various groups of investors in Hong Kong and Singapore. Extensive time and resources would be unnecessarily expended by us to include such disclosures in this Introductory Document which will not be relevant to our Company post-Introduction;
- (i) in respect of the IPT Provisions, our Company is already subject to the HKSE Listing Rules on disclosure of connected transactions and the inclusion of an additional category of interested person transactions in the context of IPT Provisions could lead to market confusion. Further, it would be unduly onerous and extensive time and resources would be unnecessarily expended by our Company to perform an analysis to identify interested person transactions under the IPT Provisions for purposes of disclosure in this Introductory Document on a one-off basis since our Company will not be subject to the ongoing listing obligations relating to interested person transactions under Chapter 9 of the Listing Manual post-Introduction; and
- (j) in respect of the Subsidiaries and Share Capital Disclosures, details of only the subsidiaries which, in the opinion of our Directors, materially contribute to the net income of our Group or hold a material portion of the assets or liabilities of our Group, are required by the HKSE Listing Rules to be included in the annual reports of our Company. Our Group has 36 subsidiaries which would have been disclosed pursuant to the Subsidiaries and Share Capital Disclosures but were not disclosed in this Introductory Document as none of these 36 subsidiaries are individually material to our Group. Extensive time and resources would be unnecessarily expended by our Company to include the Subsidiaries and Share Capital Disclosures in respect of all entities without consideration to the aforesaid materiality category.

RISK FACTORS

An investment in our Shares involves risk. Prospective investors should rely on their own evaluation and carefully consider the following risk factors, in addition to other information contained elsewhere in this Introductory Document, before investing in our Shares. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the following risks and other factors included elsewhere in this Introductory Document. If any of the risks described herein actually occur, our performance, prospects, financial condition, results of operations and ability to make dividend payments could be negatively affected, the trading price of our Shares, if any, could decline and investors may lose all or part of their investment.

Unless quantified in the relevant risk factors set out herein, we are not in a position to quantify the financial or other implications of any of the risks described in this section. Potential investors should pay particular attention to the fact that we are governed in jurisdictions such as the Cayman Islands, the BVI, the US, Japan, the PRC and Hong Kong by a legal, regulatory and business environment which in some material respects may be different from that which prevails in Singapore and other countries. In addition, the following risk factors may not be exhaustive, and additional risks and uncertainties not presently known to us or which are currently deemed to be immaterial may become material in the future, which could have a material adverse effect on our businesses, performance, prospects, financial condition, results of operations and ability to make dividend payments or the trading price of our Shares, if any. Prospective investors should be aware that the price of our Shares may fluctuate. Investors should also note that they may not recoup all or any portion of their original investment.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Risks Relating to Our Operations

We may not be able to maintain and increase the sales volume and profitability of the existing bars.

The sales volume and profitability of existing bars would affect the growth of our sales amount and would remain as key factors affecting our revenue and profit. Our ability to increase the sales volume from existing bars partly depends on the successful implementation of measures for increasing customer traffic and sales per customer. These measures include providing diverse products and portfolios, enhancing consumer experience to attract recurring customers, increasing customer loyalty and attracting more customers during off-peak periods. We cannot assure you that the sales growth and profitability of existing bars will meet their targets. In addition, we cannot assure you that the sales of existing bars will not decline. In the event that we are unable to achieve our target in sales and profit in the existing markets, our businesses, performance, prospects, financial condition and results of operations could be materially and adversely affected.

In addition, in the event that we open new bars in existing markets, the sales volume and customer traffic of nearby existing bars may decline due to intensified competition, which could in turn have an adverse impact on the operation of existing bars, our businesses, performance, prospects, financial condition and results of operations.

We rely on a stable and sufficient supply of quality raw material, which could be affected by price fluctuations and other risks.

Any increase in our cost, especially an increase in the cost of raw materials, would cause a decline in our profitability and results of operations. Our costs of raw materials and consumables depend on various factors, many of which are beyond our control. The weather, supply and demand and fluctuation in economic condition may adversely affect the cost, availability and quality of our key raw materials. If we cannot obtain the necessary amount of quality raw materials at commercially reasonable prices, we may not be able to provide our products to customers in a timely manner. In addition, if we are unable to pass on such increase in cost to our customers, our profitability may be affected materially and adversely. In order to mitigate any risk of unstable or insufficient supply of raw materials and consumables, we obtain our raw materials and consumables from various suppliers.

In relation to our operations in the PRC, measures may be taken by relevant PRC authorities in accordance with the Price Law of the PRC (《中华人民共和国价格法》) or relevant regulations as updated from time to time to adjust price increase or decrease of certain material commodities. Such measures may cover raw materials that are important to our business. Such price adjustment measures in the PRC will have direct effects on the cost of relevant raw materials for our operations in the PRC. While it is generally the case that we may benefit from the measures that adjust price increase and are able to prevent the increase in our costs of raw materials, there is no guarantee for how long and to what extent such measures may be implemented. For instance, there is a possibility that price adjustment measures may frustrate the relevant suppliers and discourage supply, which may in turn materially and adversely affect our businesses, performance, prospects, financial condition and results of operations.

We rely on Helen's branded products to generate a significant portion of our revenue contribution.

We generate a significant portion of our revenue contribution through the sales of our Helen's branded products. For instance, in FY2021, FY2022 and FY2023, the overall Contribution Margin by our branded alcoholic drinks was 80.2%, 75.6% and 75.7%, respectively.

The sales and profitability of our Helen's branded products are affected by many factors, many of which are out of our control, such as market trends and customer tastes, preferences and perceptions. Therefore, in the event of any unfavourable trends in the sales or the profitability of our Helen's branded products, our business operations, financial performance and future growth could be harmed. We cannot guarantee that we will be able to continuously maintain the current popularity and profitability of Helen's branded products in light of the constantly changing customers' preferences and market trends. In addition, we may fail to launch new branded products that effectively anticipate, grasp and respond to changes in customer

demand. Any of the foregoing failure with respect to our Helen's branded products may have a material adverse impact on our businesses, performance, prospects, financial condition, results of operations and future growth.

Our business is affected by changes in consumer taste and discretionary spending, and we may not be able to develop new products in a timely manner to respond to such changes.

The bar industry is affected by consumer tastes and preferences. For instance, in the event of any negative trend with respect to the sales and customer acceptance of our Helen's branded products, such as those due to changes in customer tastes, the sales volume and profitability of our Helen's branded products and the sustainability of our business growth might be negatively impacted. We cannot assure you that we can continue to develop new products and maintain an attractive product portfolio to suit ever-changing customer demands. Notwithstanding that we may correctly predict, grasp and respond to changes in customer needs, we cannot assure you that we can launch new products that effectively respond to consumer preferences or which can increase profits. If our competitors are capable of responding to such issues more effectively, our businesses, performance, prospects, financial condition and results of operations will be adversely affected.

Further, our success in launching our brand in the territories which we operate in relies largely upon our ability to anticipate consumer preferences, including the dietary habits of our consumers. Although our management constantly monitors the trends in consumer tastes and preferences, there is no assurance that we will be able to continue to identify new brands which respond positively to these trends. In addition, if prevailing health or dietary preferences and perceptions cause consumers to avoid our products in favour of alternative products, our business could be adversely affected. Our failure to anticipate, identify or react to these particular preferences or changes may limit the demand for any new brands we introduce, which may result in us not being able to recover our investments in these brands.

To a large extent, our success also depends on customers' discretionary spending, which is influenced by macro-economic conditions. Accordingly, our sales may decline during economic downturns or prolonged periods of high unemployment rates. Any material decrease in the amount of discretionary spending in the jurisdictions in which we operate may have a material adverse effect on our businesses, prospects, financial condition and results of operations.

Counterfeit brands or products of Helen's and the quality issues of food and alcoholic drinks brought by customers may significantly damage our reputation and brand image, diverting potential customers.

The brand awareness we built has attracted copycats who exploit our trademarks and counterfeit our products to operate counterfeit bars without our authorisation. The counterfeit bars divert the potential customers from our own bars. More importantly, the counterfeit and defective products sold in counterfeit bars may significantly damage our reputation and brand image, including the perception and reliability of our products. Any act of unauthorised usage of our trademarks and counterfeiting of our products may cause adverse effects on our brands

and reputation, lead to a decline in our financial results, cause our market share to shrink, and may result in us needing to devote more resources to investigate and prosecute the unauthorised use of our trademarks or the counterfeiting of our products. While there were reports in the past that some counterfeit bars sold counterfeit alcohol, currently, we are not aware of any counterfeit bars and drinks. Further, there were no past incident(s) on counterfeit brands or products of Helen's that have a material adverse effect to our business operations and/or financials. However, we cannot assure you that any measures that we implement can effectively prevent the unauthorised use of our trademarks or the counterfeiting of our alcoholic drinks and other products by third parties, which may in turn adversely affect our reputation, results of operations and financial condition. For instance, we may not be able to protect our rights through legal enforcement action for those trademarks that are currently in the process of being registered or that we have yet to obtain.

Additionally, as we allow our customers to bring their own food and beverages into our bars, the quality of which are beyond our control, if such customers suffer from any illnesses, diseases or other losses due to the quality issues of such food and beverages that do not originate from our bars, the reputation of our bars may be adversely affected, and our operations and financial performance may be further affected. While we allow our customers to bring their own food and beverages into our bars, we have security cameras installed in our bars to provide full visibility to our staff to closely monitor the customers and the food and beverages brought into our bars. In addition, our staff are trained to observe customers for any signs of discomfort or distress. There were no previous incidents where our Group was held accountable for lawsuits or claims on food safety and/or allergy concerns arising from food and beverages brought into our bars by customers.

Our product sales and business operation are subject to seasonal fluctuations.

We experience seasonal fluctuations during the ordinary course of business and the operation of our bars, in particular with respect to the customer traffic, as a result of seasonal events such as public holidays. For instance, in relation to our operations in the PRC, as many of our customers return home during the Lunar New Year holidays, we typically have a relatively lower customer traffic in our bars located in first and second-tier cities. This, in turn, usually results in fewer purchase orders in the first quarter in each year as compared to the fourth quarter of the same year. On the other hand, we generally have a higher customer traffic during the periods where students have to attend classes in their schools and universities. Going forward, we expect that our financial condition and results of operations for the first quarter of each year may fluctuate and our historical quarterly results may not be comparable to future quarters.

Our business is dependent to a large extent on the awareness of our brands. If we cannot maintain or enhance the awareness of our brands, our businesses, performance, prospects, financial condition and results of operations may be adversely and materially affected.

We have successfully established the Helen's brand especially in the PRC. We believe that it is vital to maintain and enhance our brand in order to sustain our competitive advantages. However, our ability to maintain our brand awareness depends on various factors, some of

which are beyond our control. Whether we can continue to maintain and enhance our brands and images successfully depends to a great extent on our ability to maintain and further develop our unique portfolio (i.e., premium quality and value for money product portfolio), sincere and efficient customer service, a delightful and comfortable environment and our ability to adapt to any changes of competitive circumstances in the bar industry in each jurisdiction in which we operate. In the event that we fail to achieve the aforementioned, our brand value and image will be undermined and our businesses, performance, prospects, financial condition and results of operations may be adversely and materially affected. While we are expanding our scale and enlarging the geographical coverage of our operations, it will become more difficult for us to maintain the quality and consistency of products and services and we cannot assure you that customers' trust in our brand will not decline.

Any events that will harm our reputation, such as liability claims, litigation, customers' complaints, illegal activities conducted by customers in our bars or other negative publicity of our bars or any violations by our competitors as a result of using our brands illegally, may have a negative effect on our brand.

During the Period Under Review and up to the Latest Practicable Date, we are not aware of any material customer complaints or other claims in any of the jurisdictions in which we operate which may cause a material and adverse effect on our business and results of operation. We cannot assure you that we will not receive any material customer complaints or that no one will utilise our brand illegally, which may cause a material adverse effect on our future operations. Any damage to or violation of our reputation or brands may result in adverse impact on our operations and financial condition.

Our business, performance, prospects, financial condition and results of operations may be materially and adversely affected if we fail to acquire new customers or retain existing customers in a cost-effective manner.

Our ability to acquire new customers in a cost-effective manner and retain existing customers is critical to the continuing growth of our result of operations and profitability improvement. We have invested in branding, sales and marketing to acquire and retain customers since our inception and will continue to maintain our efforts to attract new customers and retain existing ones but there is no guarantee that new customers will stay with us or that the profits from new customers will outweigh the cost of acquiring them.

In addition, if our existing customers no longer find our products appealing or are dissatisfied with our services, or if our competitors deliver more appealing products, rates, discounts, or customer service, our existing customers may lose interest in us and consequently decrease their frequency of purchases or even stop purchasing from us. If we are unable to retain our existing customers or acquire new customers in a cost-effective manner, our revenue may decrease and our results of operations will be adversely affected.

The chosen locations of our existing bars may become unattractive, which may have a material adverse effect on our businesses, performance, prospects, financial condition and results of operations. We may still have to continue to pay rent even if we choose to cease operations at such sites.

We attach great importance to the selection of bar locations. A sufficient and stable source of customers is the most important consideration during the selection process of our bar locations. We cannot assure you that our current bar locations will remain attractive regardless of changes in economic or demographic conditions. If economic and demographic conditions become unfavourable to us in the future, we may experience a loss of customers in these locations, potentially causing the relevant bars to experience a decline in sales volume. As all of our lease agreements have fixed lease terms, we are exposed to the risk of having to pay rent for fixed periods of time in spite of unprofitable business operations or other unforeseen events that may occur before each lease term expires. In addition, we are also subjected to the risk of paying compensation for breach of contract if we choose to terminate the lease agreements before their expiration. Therefore, the lack of flexibility for earlier termination of these lease agreements may adversely affect our businesses, performance, prospects, financial condition and results of operations.

A significant number of our outlets are located in shopping complexes or malls. A change in the tenant mix or anchor tenant of a shopping complex or where our outlets are located may result in fewer customers visiting the shopping complex or mall, and patronising our outlets. In addition, there is no assurance that the buildings in which our outlets are located will continue to be in operation and will not be closed down or demolished. The closure or demolition of a particular shopping complex or mall where our outlet is located may require us to write off certain fixed assets of the affected outlets. This may result in a loss and disruption to our business operations. Poor maintenance of the shopping complex or mall may also result in a decrease in foot traffic and a decrease in the number of customers at our outlets and this may have an adverse effect on our businesses, performance, prospects, financial condition and results of operations.

We may not be able to detect, stop or prevent all fraud or other misconduct by our employees, customers or other third parties.

Although we have strict guidelines and controlling measures to prevent any illegal activities or misconduct such as theft, fraud, fighting, smoking and drug abuse, we may not be able to discover, stop or prevent all misconduct carried out by our employees, customers or other third parties. Furthermore, drunk customers may cause disturbances to other customers or have conflicts with our employees. If such incidents of misconduct happen frequently in our bars, our reputation and operation may be adversely affected.

We may not be able to prevent, discover or stop all misconduct that occur in our bars by our employees, customers or other third parties. For example, in the PRC, the Rules for the Implementation of the Administration of Sanitation of the Public Assembly Venue (《公共场所卫生管理条例实施细则》) and the other similar regulations introduced by different local government authorities in the PRC regarding smoking in a public venue prescribe that, if a customer smokes

in any of our bars and we fail to stop him in a timely manner, we may face penalties ranging from the issuance of administrative warnings or fines from the relevant authorities. Although we consider our internal control policies and procedures to be adequate, we may be unable to prevent, detect or deter all such instances of misconduct. Any misconduct that harms our interest, including past acts that have gone undetected as well as future acts, may lead to financial loss and/or damage to our reputation. Such misconduct may also cause material and adverse effects to our businesses, performance, prospects, financial condition and results of operations.

Under PRC law and Singapore law, we may be subject to tortious liability if we fail to ensure the safety of our bar premises which results in harm suffered by third parties such as employees and customers. Specifically, under the Civil Code of the PRC (《中华人民共和国民法典》), operators and managers of business and public places such as hotels, shopping markets, entertainment premises and the organisers of mass activities shall assume tort liability if they fail to fulfill the duty of maintaining safety and thus causing damage to another person, and that where the damage is caused by a third party, the third party shall assume tort liability; where the operator, manager or organiser fails to fulfill the duty of maintaining safety, it shall assume supplementary liability, although such operator, manager or organiser who has assumed such supplementary liability may claim reimbursement from those third parties who caused such damage.

We may also be liable for any contravention of the relevant laws relating to the entry of minors into our bars and/or the consumption of alcohol in our bars. For instance, under the PRC Minors Protection Law (《中华人民共和国未成年人保护法》), where a place unsuitable for minors to participate in activities, such as a commercial singing and dancing recreation site or internet access service business site, permits minors to enter, or does not set up a sign prohibiting minors' entry at a prominent position, it shall be ordered by the competent department to make a correction, and shall be given administrative penalties according to law. However, even if we prohibit minors from entering our bars and display signs in prominent locations prohibiting the entry of minors into our bars, or require those customers who our employees have difficulty determining whether they are minors to present their identification documents, we cannot guarantee that minors will not be able to sneak into our premises or deceive us with false or stolen identification documents.

Additionally, as we handle cash sales and food and beverage items at our bars, there is a risk of pilferage and theft by our employees or outsiders. While we have implemented controls in relation to cash management and inventory handling, as well as security measures for each of our bars, there is no assurance that lapses in internal controls will not occur. We may not be able to prevent pilferage, misappropriation or theft by employees or outsiders. In the event that such pilferage, misappropriation or theft occurs, our business operations, financial performance and position may be adversely affected.

Any failure to maintain food safety, consistency in quality and hygiene standards will cause material and adverse effects to our brands, businesses, performance, prospects, financial condition and results of operations.

Safety and quality of food and alcoholic drinks are vital to our reputation and success. Maintaining a consistency in the quality of food safety standards depends to a large extent on the effectiveness of our quality assurance system, and the effectiveness of our quality assurance system in turn depends on multiple factors, such as the design of our quality assurance system and our ability to ensure our employees and other third parties who are involved in the operation to comply with those quality assurance policies and guidelines. Although we have implemented certain quality assurance policies and guidelines for product processing, we cannot assure you that our quality assurance system remains effective at all times, and we cannot assure you that we can discover any flaw in the quality assurance system. For example, our quality assurance system for alcoholic drinks may not be able to completely and in a timely manner discover any counterfeit or inferior beverages provided by our suppliers. Failure to discover or prevent any food contamination that may adversely affect the quality of the products that we sell may lead to liability claims, lower customer flow in our bars, and result in us being subject to penalties and fines from the relevant authorities. There were no such past incidents related to failure to maintain food safety, consistency in quality and hygiene standards which had a material adverse impact on our Group's business operations and/or financials. However, there are no assurances that we will not face any food contamination claims or relevant administrative penalties in the future. Any of these events may cause material damage to our reputation, businesses, performance, prospects, financial condition and results of operations.

Our historical financial performance and results of operations are not indicative of future performance and we may not be able to implement and maintain the historical income and profit level.

Our historical results and growth may not be representative of our future performance. Our financial performance or results of operations may not meet the expectations of the open market analysts or investors, which may result in a decrease in the future price of our Shares. Our income, expenses and results of operations may change in the future due to various factors beyond our control, such factors including general economic conditions, outbreaks of communicable diseases, or the change in governmental regulations and policies, each of which may affect our bars' operations and/or our ability to control our costs and operational expenses. For instance, in relation to our operations in the PRC, we benefitted from the one-off government grants and concessions during the COVID-19 pandemic, which may not be recurring in the future. Therefore, you shall not rely on our historical results to predict our future financial performance.

Our bars are easily affected by risks related to the increase or fluctuation of rental costs, unexpected tenancy termination, unexpected land acquisition, and closure or demolition of buildings.

All our bars are located in leased properties. Our depreciation of right-of-use assets mainly include the depreciation charge of capitalised lease incurred by long-term leased properties for operating our bars. As our depreciation of right-of-use assets and other rents and related fees are a considerable part of our total operating expenses, if the rental expenses for our bars increase significantly, our profitability may be adversely affected.

Moreover, the governments in the PRC and Singapore have legal rights to expropriate and requisition any land use rights in the PRC and Singapore respectively. If any properties where our bars or facilities are located are compulsorily acquired, closed or demolished for reconstruction, the compensation we obtain may not necessarily be based on fair market value but rather valued on the basis regulated by law. Under such circumstances, we will be forced to move to other locations, and this could in turn affect our businesses, performance, prospects, financial condition and results of operations.

The negative publicity involving us or the industry may materially and adversely affect our business and results of operations.

The bar industry is especially sensitive to issues relating to food safety and quality, and our bars may be materially and adversely affected by relevant negative publicity or news reports (whether accurate or not) regarding such issues. Negative publicity may come from news reports or accusations about the operation of our bars or the quality and safety of our food and beverages. Any of these negative reports, whether targeting our industry or us specifically and whether founded or unfounded, may materially damage our brands, business, and results of operations. We may also become the target of public monitoring, and may incur significant cost for handling such negative reports. For example, in the past, there were reports that some bars sold counterfeit alcohol, causing customers to lose trust in the quality and the safety of alcohol products sold by bars in general. Nevertheless, this had no material adverse impact on our Group's business operations and/or financials and there were no past incident(s) of negative publicity which had a material adverse impact on our Group's business operations and/or financials. Negative publicity generated by complaints or claims, even if unjustifiable or unsuccessful, may result in customers losing trust in us and our brand, which may cause us to experience significant decline in income and customer traffic, and it may be difficult for us to recover from such impact.

Events that disrupt the operations of any of our bars, such as fires, floods, earthquakes or other natural or man-made disasters, may materially and adversely affect our business operations.

Our business is vulnerable to interruption caused by fires, floods, typhoons, power failures and shortages, hardware and software failures, computer viruses and other events beyond our control. Our business is also dependent on the prompt delivery and transportation of our alcoholic drinks, snacks and other raw materials. Certain events, such as adverse weather conditions, natural disasters, severe traffic accidents and delays and labour strikes, could also

lead to delayed or lost deliveries by our suppliers, logistics and our bars. All of the aforementioned events may result in a loss of potential business, and thus a loss in sales revenue. Perishable raw materials such as food supplies may deteriorate due to delivery delays, malfunctioning of refrigeration facilities or poor handling during transportation by our suppliers or our logistics partners. The third-party public portable chargers provided to customers in our bars and the kitchen appliances and furniture for the storage of alcoholic drinks in our bars may also cause accidents such as fires, which may require us to bear the liability for any personal injury suffered by our customers or staff. Fires, floods, earthquakes and terrorist attacks may lead to mandatory evacuations and other disruptions in our operations, which may also prevent us from providing quality alcoholic drinks and service to customers, thereby affecting our businesses and damaging our reputation. Any such event could materially and adversely affect our businesses, performance, prospects, financial condition and results of operations.

We need to conduct renovations during the process of opening new bars. Notwithstanding that we comply with the regulations under applicable laws, events out of our control, such as fire, flooding, injuries and death, may occur during the renovation process. Such events may negatively affect our reputation in the eyes of the public, resulting in financial losses, and may also result in us being investigated or penalised by regulatory authorities, and thus adversely affect our reputation and brands.

Information technology system failures or illegal breaches of our computer system could interrupt our operations and adversely affect our businesses. Any unauthorised use or leak of data by us, our staff, or our business associates may have severe reputational, financial, legal, and operational consequences.

We rely on our computer systems and network infrastructure to monitor the daily operations of our bars and to collect accurate up-to-date operating data, such as the procurement volume of supplies, for business analysis and decision making. Any damage or failure of our computer systems or network infrastructure that causes an interruption or inaccuracies in our operations could have a material adverse effect on our businesses, performance, prospects, financial condition and results of operations.

Additionally, the methods used to gain unauthorised access to or sabotage networks are constantly evolving and may not be identified before an attack is conducted against us or our third-party service providers. Accordingly, we may be unable to detect or enforce sufficient countermeasures against these threats. We have been subject to these forms of attacks in the past and are likely to be again in the future but no such attack has resulted in material loss or remediation costs during the Period Under Review and up to the Latest Practicable Date. If we are unable to prevent these attacks and security vulnerabilities, we risk considerable legal and financial responsibility, damage to our image, loss in potential revenue and consumer frustration. We may lack the expertise and technological sophistication necessary to predict and deter rapidly changing cyber-attack forms. Actual or planned attacks and threats can result in substantially increased costs, including staff and network security technology deployment, employee training, and engagement of third-party experts and consultants. In addition, if our network security is compromised, and such information is stolen or obtained by unauthorised persons or used inappropriately, we may become subject to litigation brought by customers and

related institutions. Any such proceedings could distract our management from running our business and cause us to incur significant unplanned losses and expenses. Consumer perception of our brand could also be negatively affected by these events, which could further adversely affect our businesses, performance, prospects, financial condition and results of operations.

Our Company has implemented a suite of cybersecurity measures to defend against distributed denial-of-service attacks targeting our Company's on-premise or cloud-hosted servers, including Anti-DDoS solutions which divert malicious traffic to scrubbing centres where it is filtered and cleaned before being forwarded to our Company's servers. Furthermore, our Company has set up a firewall which helps to inspect our Company's web traffic, identifying malicious activities to prevent unauthorised access and safeguard core business data. These measures address security vulnerabilities and performance issues that may arise from malicious attacks, protecting our Company's critical information technology systems.

Our insurance policies may not provide adequate coverage for all claims associated with our business operations.

As at the Latest Practicable Date, we have obtained insurance policies that we believe are customary for businesses of our similar size and type, and in line with the standard commercial practice in each of the jurisdictions in which we operate. We do not maintain an expansive insurance policy which covers all losses as the high costs of obtaining and maintaining insurance coverage for such events are not practical for our operations. Please see the section entitled "*Business — Insurance*" of this Introductory Document for more details on our insurance policies.

While we believe that we have adequately insured our business and operations, and in amounts that are commercially appropriate, we may be subject to liabilities for events against which we are not adequately insured or which we cannot be insured on terms which are acceptable to us, including losses suffered that are not easily quantifiable and which may damage our reputation, including natural disasters, fires, riots, general strikes, and acts of terrorism. With respect to losses which are covered by our insurance policies, it may be difficult and time-consuming to recover such losses from insurers. In addition, we may not be able to recover the full amount of losses incurred from the insurers. If we are held liable for uninsured losses or amounts and claims for insured losses exceeding the limits of our insurance coverage, our businesses, performance, prospects, financial condition and results of operations may be materially and adversely affected.

Our success depends on the continuing efforts of our key management and operating personnel and therefore our businesses may be affected if we lose their services.

Our business is highly service-oriented and labour intensive. Accordingly, our future success depends very much on the continuing services and performance of our key management and operating personnel. We should continue to attract, retain and motivate a sufficient number of qualified management and operating personnel to maintain consistency in the quality of our products and services and to enable us to proceed with our business expansion plans. We also give incentives to our area managers, regional managers and competent key personnel in order

to commend them for their commitment to our businesses. However, competition for employees with appropriate experience would require us to pay higher wages to attract and retain sufficient and capable employees. This could result in higher employee benefits expenses, thereby adversely affecting our businesses, performance, prospects, financial condition and results of operations.

If our key management and operating personnel fail to cooperate with each other successfully, or if any of our key management and operating personnel fails to effectively implement our business strategies, we may not be able to achieve business growth at the speed or in the manner we expect. There is keen competition for experienced management and operating personnel in the bar industry in the jurisdictions in which we operate, and the number of qualified candidates is limited. We may not be able to retain our key management and operating personnel, and we may not be able to attract and retain high-quality key management and operating personnel in the future. In addition, if one (1) or more of our key management and operating personnel are not able or willing to continue in their present positions, we may not be able to replace them easily or at all. Therefore, our businesses may be disrupted and our businesses, performance, prospects, financial condition and results of operations may be materially and adversely affected. In addition, if any member of our key management and operating personnel joins a competitor or forms a competing business, it may result in a leakage of business secrets and technical know-how. While we have put in place provisions in the service agreements with our Executive Directors relating to non-competition and confidentiality restrictions, we cannot assure you that such non-competition and confidentiality restrictions will always be held to be enforceable by a court, or that the departure will not cause disruption to our operations, or materially and adversely impact our business, results of operations and prospects. If we cannot attract, retain and motivate our key management and operating personnel, our reputation may be damaged and it may lead to a loss in our businesses.

Our businesses may be adversely affected by the difficulties in recruitment and retention of employees.

Our continuous success partly depends on our ability to attract, motivate and retain a sufficient number of qualified employees, including bar managers and other personnel. We cannot assure you that we will be able to recruit or retain a sufficient number of qualified employees for our businesses. If there is a material increase in the employee turnover rates in our existing bars, and there is failure to recruit skilled personnel and to retain key staff due to various factors such as the failure to keep up with the average employee salary levels in the market, it may create difficulties for us in implementing our growth strategy.

Labour shortages or increased labour costs may slow down our growth rate and reduce our profitability.

Historically, employee benefit and manpower service expenses covering salaries and benefits payable to all our employees and staff (including our directors, senior management, headquarters staff and bar staff) have always been the main components of our operating costs. We expect our labour costs to continue to increase in the future in tandem with the overall increase in average wages in the jurisdictions in which we operate.

At present, most of our employees are employed and working in the PRC. In relation to our operations in the PRC, the Labour Law of the People's Republic of China (《中华人民共和国劳动法》) and the Labour Contract Law of the People's Republic of China (《中华人民共和国劳动合同法》) stipulate the provision of overtime pay, pensions, layoffs, labour contracts, workers' rights and benefits and also stipulate specific standards and procedures for terminating labour contracts. In relation to our operations in Singapore, the Employment Act 1968 of Singapore and the Employment of Foreign Manpower Act 1990 of Singapore collectively provide for the basic terms and working conditions for most local and foreign employees, including the stipulation of the provision of overtime pay and benefits for certain groups of employees. Please see the section entitled "*Regulations — The PRC — Regulations relating to employment and social welfare*" and "*Regulations — Singapore — Regulations relating to employment*" of this Introductory Document for further details.

To comply with the relevant labour-related laws and regulations of each jurisdiction in which we operate, we need to continue to invest in operating expenses, especially our personnel expenses. The shortage of labour force or any substantial increase in the labour costs will weaken our competitive advantages and have a material adverse effect on our businesses, performance, prospects, financial position and results of operations.

Our future growth depends on our ability to expand bar network.

Our future growth depends on our ability to expand bar network. We plan to continue expanding our bar network to different cities worldwide. Such further expansion may significantly increase the demands on our management and operations, technology, labour force and other resources. The planned expansion also requires us to maintain the quality of our alcoholic drinks and service while upholding our corporate culture, so as to ensure that our brand will not be affected by any deterioration (whether actual or perceptible) in the quality of our alcoholic drinks or service.

We may not be able to continuously expand our business. Should there be any delay or failure in opening new bars, our development strategy, our expected financial position and results of operations may each be materially and adversely affected. While selecting sites for new bars, we may face intense competition from industry competitors. We may also experience delays in the approval process when applying for the relevant important licences from governmental authorities and such delays in time are beyond our control. Our continuous success is also dependent on our ability to recruit, train and retain more qualified management, administrative, sales and marketing personnel, especially during the time of expanding into new markets. We also have to continuously manage our relationship with suppliers and customers. All of the above matters require extra attention and effort from our management and significant additional expenditures which may result in the fluctuation in our results and profits. Furthermore, customers' demand for our products and services may not be as strong as we expect to support our rapid business growth, which may result in an over-expansion of our bar network.

Our new bars may not be able to successfully enter into new markets and achieve profitability.

Along with the expansion of our business, we may also open new bars in markets that we have limited experience operating in and markets in which we have not yet established a bar, but in which we believe we have great development potential based on the findings of our market research. Our current strategy in the PRC is to develop new bars in third- and lower-tier cities in the PRC (except those cities in remote areas) and other non-PRC markets (such as Singapore) that have a large number of potential customers. The competitive dynamics, consumer preferences and spending patterns of the new markets within and outside of the PRC may be different from our existing markets.

There is no assurance that our new bars will achieve sales that are commensurate with their investment costs, or that they will be successful in attracting such number of customers as anticipated. If these new outlets fail to achieve a sufficient level of revenue or fail to manage their costs efficiently within an expected time frame, we may not be able to recover our investment cost in relation to these outlets.

For instance, in Singapore, some of our competitors are well-established and may have significantly greater financial, marketing or other resources than us, and we may not be able to compete effectively against these competitors. We may also encounter increased competition in the future as a result of lowering of prices or other marketing strategies employed by our existing competitors or new entrants. Such inability to compete effectively may lead to a material adverse impact on our businesses, performance, prospects, financial condition and results of operations.

We cannot assure you that we will be able to maintain our profitability as we continue to expand into new markets. For instance, customers in new markets may not be familiar with our brands and we may need to develop brand awareness in such markets, which may lead to costs which are higher than originally planned for. We may find it more difficult in new markets to hire, inspire and retain qualified employees with the same concept and corporate culture recognition. Bars in new markets may have lower average sales and average spending per customer, or higher construction or operational costs than bars in existing markets. Additionally, we may need more time to establish similar supply chain systems, logistics systems and suitable quality control systems in the new markets. The bars established in new markets may take a longer time to increase sales and such failure in reaching expected sales and profit levels would in turn affect our overall profitability.

Our results of operations are affected by marketing and promotion activities.

We will continue to invest in the Helen's brand and utilise word-of-mouth marketing and marketing activities to further enhance the reputation and acceptance of the Helen's brand. We will continue to adopt such strategies in the future. We may be required to adopt new marketing strategies in order to keep pace with the development of the bar industry and the preference of the customers. As we continue to grow our online presence, we estimate that the relevant advertising and promotion expenses for digital marketing will continue to increase. However, if

our marketing plan fails to achieve the expected outcomes in the future, our businesses, performance, prospects, financial condition and results of operations may be materially and adversely affected.

Our business operations and financial position may be materially and adversely affected by the slowdown in the jurisdictions in which we operate and across the globe.

Due to the significant presence of our operations in the PRC, our businesses, financial positions, results of operations and development prospects may be affected by the macroeconomic conditions in the PRC as well as by the economic conditions specific to our businesses, including the changes in international, national, regional and local economic conditions, employment levels and expenditure patterns of customers.

Any change in the economy of the PRC or other places where we operate, decrease in the disposable income of customers, worry of economic changes and decline in consumer confidence may lead to a reduction in the customer traffic and the per capita consumption of our customers.

Additionally, the state of the global economy, markets, customers and businesses are influenced by many factors beyond our control. An economic change, whether actual or perceived, or a further decrease in the economic growth rates of or an uncertainty in the economic outlook in the PRC or any other place where we operate, may have a material adverse impact on entrepreneurs and consumer expenditure, thereby adversely affecting our businesses, performance, prospects, financial position and results of operations.

In addition, under general circumstances, the occurrence of sovereign debt crises, banking crises in the banking industry or other interruptions of the global financial markets may have a material adverse impact on the financing available to us. The turbulence of the financial market, banking system or currency exchange rate may seriously confine our ability to obtain financing from the capital market or financial institutions on commercially reasonable terms, or we may not be able to obtain financing at all. Such a situation may materially and adversely affect our businesses, performance, prospects, financial position and results of operations.

Our success depends on the ability to remain competitive in the industry.

The bar industry is highly competitive. Our competitors include various types of bars and other entertainment venues located in different regions and across the countries. Furthermore, new competitors may appear from time to time, which may further intensify the competition. In particular, these competitors may start to provide products and services with similar styles. We face fierce competition from different kinds of bars, ranging from local bars to regional bars and international bar chains. Our competitors may have stronger financial, marketing, personnel and other resources, and our competitors may be very established in the markets where our bars are located or in which we plan to open new bars. In addition, other companies may open new bars with similar concepts and target our customers, thereby leading to increased competition. We also have to adjust or improve the elements of our bar network so as to keep up with the development of popular new bar styles or concepts from time to time. However, we cannot

ensure that we can successfully implement such adjustments or that such adjustments will not weaken our profitability. The ability to remain competitive depends on various factors, including successful implementation of the expansion strategies of our bar network and the ability to improve our current product portfolio, develop and launch new products, and enhance the efficiency of our supply chains. If we fail to compete successfully, it may prevent us from increasing or maintaining revenue and affect our profitability, and it may also result in a loss of market share. In this regard, our businesses, performance, prospects, financial position, results of operations and cash flow may be affected materially and adversely.

We employ human resources companies to provide personnel for our operations.

Our staff include the outsourced labour personnel provided by third-party human resources companies. For our operations in the PRC, we entered into agreements with the human resources companies, but did not have any direct labour contract relationship with the outsourced personnel, and therefore had limited control over the outsourced personnel. We began to use the services from these human resources companies in the PRC since 2020.

If the third-party human resources companies that we rely on terminate or suspend their cooperation with us due to any reason, we may not be able to identify suitable alternative human resources companies to provide outsourcing services in a short period of time, which may affect our business operations. However, we engage a few human resources companies to mitigate such risk. The increase in labour costs caused by factors like competition, minimum salary requirements and employee benefits will also adversely affect our operating costs. Any of the foregoing will materially and adversely affect our businesses, performance, prospects, financial condition and results of operations.

Additionally, if any of the outsourced personnel fails to follow the instructions, policies and business guidelines formulated by the human resources companies in accordance with our requirements, our market reputation, brand image and results of operations may be materially and adversely affected. Although our agreement with the human resources companies may stipulate that we will not be liable for any obligations of the outsourced personnel, if the human resources companies violate any relevant labour laws and regulations or their employment agreements with the relevant personnel, those relevant personnel may file a claim against us given that they have rendered services in our bars. Therefore, we may assume legal liability, and our market reputation, brand image and businesses, financial position and results of operations may be materially and adversely affected.

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 for staff can fully and effectively prevent all food-borne infectious diseases. There are also risks that the third-party branded alcoholic drinks that we obtain from third-party suppliers and distributors may cause food infectious diseases which may affect bars in multiple locations and may not be limited to any single bar. Drug resistant diseases or diseases with a longer incubation period 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 affected by the spread of such 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 operations.

We are also exposed to the risks associated with epidemics. The outbreak of the COVID-19 pandemic had caused varying degrees of damage to the economies of the various jurisdictions in which we operate and caused a material interruption of our businesses. During the pandemic, various governments took emergency measures to prevent the spread of the virus, including the enactment of travel bans, blockage of certain roads, and closure of factories and companies. Most of our bars were shut down for a certain period of time due to the pandemic in the first half of 2020. Although all COVID-19 related measures in the jurisdictions in which we operate have since been removed, there is still great uncertainty about the future development of the pandemic as well as the responses and measures that will be taken by the government of each jurisdiction in which we operate, should there be a resurgence of COVID-19 or other outbreak of illnesses. Any outbreak or resurgence of the pandemic or a re-imposition of restrictions may still have a negative impact on customers' willingness to spend, which may have a material adverse impact on our businesses, financial position and results of operations.

We are subject to the risks of doing business in multiple jurisdictions.

As we operate in the PRC and other countries or regions, our business is subject to risks associated with doing business in multiple jurisdictions. Failure to comply with a variety of legal standards could impair our ability to compete in domestic and international markets, and we can face criminal liability and other serious consequences for violations, any of which could have a material adverse effect on our businesses, performance, prospects, financial condition and results of operations. In addition, our businesses, performance, prospects, financial condition and results of operations could be adversely affected by a variety of factors, including changes in a specific country's or region's political and cultural climate or economic condition, unexpected changes in laws and regulatory requirements in local jurisdictions, the occurrence of economic stagnation or downturn in certain jurisdictions, including those caused by inflation or political instability, the burden of complying with a variety of foreign laws, including difficulties in enforcement of contractual provisions, inadequate intellectual property protection in certain jurisdictions, enforcement of economic sanctions, anti-corruption and anti-bribery laws, trade-protection measures, import or export licensing requirements and fines, penalties or suspension or revocation of export privileges, delays resulting from difficulty in obtaining export licences, tariffs and other barriers and restrictions, potentially longer payment cycles, greater difficulty in accounts receivable collection and potentially adverse tax treatment, the effects of applicable local tax regimes and potentially adverse tax consequences, and significant adverse changes in local currency exchange rates.

Our business is therefore subject to constantly changing international economic, regulatory, social and political conditions, and local conditions in foreign countries and regions. Should we be subject to any new or additional tariffs for our products, or if our customers are unwilling to continue to bear such tariffs or additional tariffs, such tariffs may reduce our price competitiveness and negatively impact our businesses, performance, prospects, financial condition and results of operations. Any changes in trade policy by any of the world's major trading powers could trigger retaliatory actions by affected countries, resulting in "trade wars" where states increasingly raise or create tariffs. Furthermore, there can be no assurance that our existing or potential service providers or collaboration partners will not alter their perception of us or their preferences as a result of adverse changes to the state of political relationships between different countries or regions. Tensions and political concerns between countries or regions may therefore adversely affect our businesses, performance, prospects, financial condition and results of operations. In addition, we are subject to general geopolitical risks in foreign countries where we operate, such as political and economic instability and changes in diplomatic and trade relationships. The occurrence of any one (1) or more of these risks of doing business internationally, individually or in the aggregate, could materially and adversely affect our businesses, performance, prospects, financial condition and results of operations.

We may incur increased costs associated with compliance with laws of the differing jurisdictions in which we operate in, including any variation thereof.

Laws and regulations in the jurisdictions in which we operate vary and change over time. These laws may also be complex or loosely defined, and at times conflicting in nature, intent, or interpretation, in certain countries in which we operate. Many are untested in courts and can have different interpretation and guidance, even from the same regulators, and enforcement of such laws may be inconsistent. An adverse development related to any of the abovementioned factors and other risks associated with international trade may have a material and adverse effect on our business, financial position, results of operations and prospects if our Company is unable to adapt our business strategies or operations accordingly.

We maintain business and contractual relationships with customers and suppliers across different jurisdictions. Our contracts with such customers and suppliers may therefore be subject to the laws of the countries where such customers and suppliers are situated within. There is no assurance that the relevant laws, regulations and guidelines in such jurisdictions will not change. In the event that there are any such changes in the relevant laws, regulations and guidelines applicable to our business, such changes in the relevant laws and regulations may impose additional obligations on top of our existing contractual obligations, or modify or change the nature of our contractual obligations with such customers and suppliers. We may also incur additional costs on compliance and obtaining advice on the interpretation of such changes in the relevant laws, regulations and guidelines, and on the possible effects on our contractual relationships with such customers and suppliers in the affected jurisdictions. If we fail to comply with such amended and/or new laws and regulations, our businesses, performance, prospects, financial condition and results of operations may be adversely affected.

There are risks related to the payment methods through third party channels.

Customers may purchase food and beverages at Helen's bars using a variety of payment methods through third-party payment channels, including WeChat Pay, Alipay and Union Pay, and there are certain risks in relation to the foregoing payment methods, including but not limited to the following:

- the service fees paid to payment service providers may increase over time;
- there might be incidents of fraud, security breaches and other illegal activities in those payment methods; and
- there might be fines, increased expenses or the loss of ability to use payment methods if Helen's bars fail to comply with rules, regulations and requirements governing electronic funds transfers.

In addition, we do not have control over the security measures of third-party online payment platform service providers. Security breaches of the online payment platforms could result in litigation and possible liability for failing to secure confidential user information and could damage our reputation. Any leak of confidential information, breach of network security or other misappropriation or misuse of personal information could cause interruptions in the business operation of Helen's bars and subject them to increased costs, litigation and other liabilities, which could negatively affect our businesses, performance, prospects, financial condition and results of operations, and damage our reputation.

If we are unable to renew the leases of our existing bars at commercially reasonable terms or obtain ideal bar locations, our businesses, performance, prospects, financial condition, results of operations and ability to achieve growth strategies would be materially and adversely affected.

We compete with other bar operators for suitable strategic locations. In addition, some landlords and developers may offer priority or grant exclusive operating rights over desirable locations to some of our competitors. We cannot assure you that we will be able to enter into new lease agreements for suitable land lots or renew existing lease agreements at commercially reasonable terms.

We may need to negotiate the terms of renewal with lessors, who may insist on making material amendments to the terms and conditions of the lease agreement. In the event that the rental rates of the renewed lease agreement are substantially higher than the current amount, or other existing concessionary terms (if any) granted by the lessor are not extended, we must assess whether renewing the agreement in accordance with the amended terms is in our commercial interest. If we cannot renew the lease of any of our bar premises for any reason, we will have to close or relocate the relevant bar, which could reduce the revenue contribution of that bar during the period of closure, incur construction, decoration and other costs and risks, and potentially affect our existing customer base. In addition, the revenue and profit generated from any relocated bars could be lower than that before the relocation. Therefore, in the event that

we fail to secure lease agreements of desirable bar locations or our current lease agreements are not renewed at commercially reasonable conditions, our businesses, performance, prospects, financial condition and results of operations might be materially and adversely affected. Notwithstanding the aforementioned, during the Period Under Review, none of our bars were closed due to the inability to renew leases at commercially reasonable terms or the inability to obtain ideal bar locations.

In addition, certain of our leases contain provisions which may not be favourable to our Group. For instance, certain leases provide that the landlord may unilaterally terminate the lease prior to expiry if, among other things, the landlord intends to demolish or substantially renovate the building. In such an event, our business and operations may be disrupted, and we may have to incur time and expenses to source for new premises for our outlets.

Notwithstanding this, as at the Latest Practicable Date, we do not consider any of the leased premises of our Helen's bars on its own to be material to our business as our Directors are of the view that no single one (1) of our leases comprise material fixed assets of our Group and therefore any unilateral termination by any one (1) lessor is unlikely to have a material and adverse impact on our Group's business or operations. We believe that we will be able to secure leases for alternative premises in such event.

Our rights to use some of our leased properties may be queried by property owners or other third parties and we may be subject to fines as a result of unfiled leases which may adversely affect our businesses, performance, prospects, financial condition and results of operations.

As at the Latest Practicable Date, the lessors of 23 of the leased properties of our Due Diligence Major Subsidiaries in the PRC have failed to provide us with sufficient or valid ownership certificates or any form of permission to sublet from the rights holders, despite the proactive requests we previously made. These leased properties have an aggregate GFA of 8,286 square meters representing approximately 13.42% of total GFA leased by our Due Diligence Major Subsidiaries. 21 of such leased properties relate to our self-operated bars (the "**Defective Leased Bars**") and the remaining 2 relate to our office premises with gross floor area amounting to 102 sq.m. (the "**Defective Leased Offices**"). The Defective Leased Bars account for revenue amounting to RMB101.3 million in FY2023, representing 8.4% of our revenue of RMB1,208.6 million.

We have made proactive requests for the ownership certificates of our leased properties but failed in some cases. We will continue to request the lessors to provide sufficient or valid ownership certificates or any form of permission to sublet. As advised by our PRC Legal Adviser, it is the relevant lessors' responsibility to obtain the relevant ownership certificates or permission to sublet. As a tenant, our Group is not subject to any administrative punishment or penalties under relevant laws and regulations. However, if the title or the lessor's right to rent is challenged by any third-party owner, the lease may be affected.

As advised by our PRC Legal Adviser, if the lessors of the leased properties do not have the requisite rights to lease the relevant properties, the relevant lease agreements may be deemed invalid, and as a result, we may be required to vacate the relevant properties and relocate our bars or offices. In such event, our operation of bars in such properties may be impaired and we may not be adequately indemnified by the landlords for our related losses. Also, we will incur additional costs in relocating our bars or offices to other suitable locations, thus affecting our businesses, performance, prospects, financial condition and results of operations. As the Latest Practicable Date, the actual use of 4 of the leased properties of our Due Diligence Major Subsidiaries in the PRC does not fit into the prescribed scope of usage shown on the relevant ownership certificates. As advised by our PRC Legal Adviser, for the leased properties with usage defects, administrative penalties may be imposed on the landlords if the properties are leased for the usage incompatible with the prescribed scope, and our usage of the leased properties with usage defects may be interrupted. However, as a lessee, we are not subject to any penalties in this regard. Although our actual usage of the leased properties is not within the prescribed scope in the relevant ownership certificates, our use of the property is consistent with the use agreed by the lessor in the lease agreements, and therefore we, as the lessee, will not have to assume the liability for any breach in this regard. Further, there has been no request from any competent authority requesting the lessor to stop leasing to us. Our Group has not received any notification to vacate from the aforementioned leased properties (including the Defective Leased Bars and Defective Leased Offices) and relocate bars in the Period Under Review and up to the Latest Practicable Date. As these defective properties are scattered throughout the PRC, are leased from different counterparties and are subject to regulations of different local government authorities, it is unlikely that we will simultaneously face claims from various third parties or be required to relocate by government authorities. In the unlikely event we are required to relocate, we believe that we will be able to secure leases for alternative leases and we do not consider any of the individual leased properties to be material to our business. Taking into consideration the above and that the Controlling Shareholders have agreed to indemnify our Group for any claims, fines and other liabilities arising from the aforementioned non-compliance pursuant to the HKSE Listing, our Directors are of the view that the aforementioned defective leases are unlikely to have a material and adverse impact on our businesses, performance, prospects, financial condition and results of operations.

As at the Latest Practicable Date, the lease agreements with respect to 160 leased properties of our Due Diligence Major Subsidiaries in the PRC were not filed and registered with the relevant government authorities in the PRC (the “**Non Registered Leases**”). According to the requirements of the registration authority, the process of registering a lease agreement generally requires both parties to provide identification cards or business licences, as well as property ownership certificates for the leased property. If the lessor refuses to provide identification cards or business licences to our Group or is unwilling to provide property ownership certificates for the leased property, or if the leased property does not have a property certificate, or if the lessor is unwilling to accompany our Group for registration, these reasons will all result in the inability to register the lease agreements.

Although we have been reaching out to the lessors to complete the registration, our Group is unable to compel the lessors to do so. The measures in place to prevent the omission of registration are primarily to follow up with the lessors to complete the registration. As advised

by our PRC Legal Adviser, failure to complete the filing and registration of lease agreements will not affect the validity of such leases or result in us being required to vacate the leased properties but may lead to a fine ranging from RMB1,000 to RMB10,000 imposed by the relevant PRC authorities. The aggregate maximum penalty for the non-filing of the Non Registered Leases is approximately RMB1.6 million. Our Group has not been penalised for failure to register and file the Non Registered Leases during the Period Under Review and up to the Latest Practicable Date, and we have been advised by our PRC Legal Adviser that if the registration of lease agreements can be completed within a reasonable period of time from the date of application as required by the relevant laws and regulations or within the prescribed period of time as required by the government authorities, the risk that the government authorities will impose significant penalties in respect of such leased properties is remote. In respect of the Non Registered Leases, our Controlling Shareholders have agreed to indemnify our Group for any claims, fines and other liabilities arising from the non-compliance pursuant to the HKSE Listing. Taking into consideration the above, our Directors are of the view that the non-filing of the Non Registered Leases are unlikely to have a material and adverse impact on our businesses, performance, prospects, financial condition and results of operations.

From the HKSE Listing to date, to rectify the non-compliance in relation to the leased properties, our Group required all of our new lessors to provide sufficient and valid ownership certificates before entering into lease agreements with such lessors and our Group will not enter into lease agreements for properties with title defects. In addition, we have more proactively requested our lessors to register the lease agreements with the relevant housing authorities.

Our franchising business model is dependent on the cooperation and performance of our franchisees.

As at 19 March 2024, we have a total of 84 franchised bars and 183 “HiBeer Partnership” bars in the PRC. The reputation of our Helen’s brand may also be negatively affected as a result of the actions of our franchisees or the reputation of their outlets, which we may not have control over. Our consumers are often unaware that certain outlets in our portfolio of brands are franchised to third parties and often associate our franchisees as being part of our Group. Whilst we have operating manuals and standard procedures in place to maintain a high and consistent standard of quality and service in our franchised bars and “HiBeer Partnership” bars, there is no assurance that our franchisees will adhere to such standards, or that there will not be any accidents or incidents which may have a negative impact on the reputation of the Helen’s brand. If such events were to occur, our businesses, performance, prospects, financial condition and results of operations may be materially and adversely affected.

In addition, the continued success of our network of franchised outlets is affected by the quality and ability of our franchisees and partners, their financial strength and ability to penetrate the respective local markets and our ability to continue to recruit new franchisees and partners. We cannot give any assurance that our franchisees and partners will be successful in their business operations. As we collect one-off cooperation fees and management service fees from our franchisees and partners, our financial results are, to a certain extent, affected by their performance. If any of our franchise arrangements are terminated or not renewed at the end of

the contract term due to unfavourable business conditions and/or other factors beyond our control, the loss of our franchisees and partners will in turn result in a decrease in our revenue. We may also not be able to seek alternative suitable franchisees and partners or carry on the business ourselves. The loss of our franchisees and partners may also present an opportunity to competitors to increase their market share in that market.

Risks Relating to Regulatory Approvals and Government Regulations

Since we require various approvals, licences and permits to operate our businesses, any failure to obtain or renew any of these approvals, licences and permits could materially and adversely affect our businesses, performance, prospects, financial condition and results of operations.

Generally, we are required to hold various approvals, licences and permits in order to operate Helen's bars in each jurisdiction in which we operate. For example, in relation to our operations in the PRC, each of our bars in the PRC is required to obtain the relevant catering service licence and pass the necessary fire safety acceptance or fire safety inspection. In relation to our operations in Singapore, each of our bars must obtain the relevant licences relating to the sale of food and alcohol and the provision of public entertainment and be issued the relevant fire safety inspection certificates.

These aforementioned approvals, licences and permits are granted by the relevant authorities upon our satisfactory compliance with the applicable food, alcoholic drinks, hygiene and safety, fire safety laws and regulations in the relevant jurisdiction in which we operate. Most of the licences are subject to examinations or verifications by relevant authorities while some of the permits are valid only for a certain period of time and subject to renewal and accreditation. For example, for our operations in Singapore, the Food Shop Licence issued by the Singapore Food Agency and the Liquor Licence issued by the Liquor Licensing Board of the Police Licensing and Regulatory Department are each renewable annually by the relevant authorities. We are unable to assure you that our licences will be processed and/or issued in time, or at all. In addition, licences are generally subject to conditions stipulated in the licences, and/or applicable laws, rules and regulations, and we are unable to assure you that we will be in a position to comply with any such conditions, or that compliance with such conditions will not increase our operating costs.

Complying with laws and regulations may incur substantial cost and any non-compliance may expose us to liability. In the event of any non-compliance with laws and regulations, we may have to incur significant expense and divert substantial management time to resolve any deficiencies. We may also experience negative publicity arising from such non-compliance with laws and regulations that negatively impacts our brand. We may experience difficulties or failures in obtaining the necessary approvals, licences and permits for new bars in the same jurisdictions of our operations.

As at the Latest Practicable Date, some of our bars opened by our Due Diligence Major Subsidiaries in the PRC failed to complete the necessary fire safety procedures upon the opening, among which, two (2) opened bars failed to complete fire safety inspections or obtain

permission from the fire safety department for the opening and the same two (2) bars failed to complete the fire protection as-built filing (collectively, the “**Fire Safety Non-Compliance**”). The Fire-Safety Non-Compliance of these two (2) bars was mainly due to the following:

- (i) the property owner did not complete the initial fire protection as-built acceptance check of the property and as a result, we could not proceed with the fire safety inspections or obtain permission for opening and could not complete the fire protection as-built filing. Due to the lack of full understanding of the complicated PRC laws and regulations applicable to the fire safety issues and the detailed application procedures which vary from city to city, when we selected the property for opening of our bar, we did not ask the property owner to provide the documents evidencing the completion of the fire protection as-built acceptance check of the building. Thereafter, when we took appropriate actions by making applications to complete the fire safety inspections or obtain permission from the fire service department, the local fire service department required us to provide the fire protection as-built acceptance check documents of the building where the bar was located. It was only then we were informed by the property owner that the building had not completed the fire protection as-built acceptance check. The completion of the initial fire protection as-built acceptance check by the property owner is a necessary step before we can proceed to rectify the Fire Safety Non-Compliance. However, we are not able to compel the property owner to do so as the owner does not owe such obligation to us; or
- (ii) the property leased to operate our bar was situated in a historical building with defects with respect to the fire safety facilities, equipment, emergency exit and required fire-proof interior materials. Cooperation from the property owner is required for the implementation of additional measures with respect to the fire safety facilities, equipment, emergency exit or required fire-proof interior material to complete the fire safety inspections and obtain permission from the fire service department before the opening of some bars. Our Group had reached out to the property owner to complete the fire safety inspection but the owner had refused with the reason being that the only way to rectify the defects in the historical building is to demolish and rebuild the building.

Our Company has strengthened internal control measures and procedures related to fire safety to manage related risks and prevent such violations from recurring. The major measures we have implemented are as follows:

- (i) conducting comprehensive training for employees, including regular training on fire safety awareness and knowledge, as well as training on the proper use of fire safety equipment and emergency evacuation plans. We also conduct fire drills at premises where we operate to familiarise our employees with our evacuation plans;
- (ii) implementing detailed fire safety measures and procedures for our bars, including frequent inspections on our electrical appliances and fire safety equipment on our premises. We have also formulated an evacuation plan, firefighting and rescue plan in case of emergency;

- (iii) implementing a pre-opening licence and certificate management policy that governs applications for prescribed Construction Fire Services Completion Inspections; and
- (iv) designating specialists to manage the licences and certificates required for business operations. These personnel are responsible for managing the use of licences and certificates, monitoring their status, and renewing licences and certificates that are about to expire in a timely manner.

We have not been penalised with any substantial fines or other penalties arising from any past violation of applicable laws and regulations which have materially and adversely affected our businesses and results of operations. Nevertheless, should there be any future non-compliance with applicable laws and regulations by any of our bars and if we fail to remedy such non-compliance in a timely manner, we may be subject to fines, confiscation of income from and/or termination of the operations of such bars, or suspension of sales of the relevant non-compliant products. Our PRC Legal Adviser informed us that we may be required to close relevant non-compliant bars and the potential maximum penalty will be RMB0.61 million, of which the fine for each bar that failed to complete the required fire safety inspection is RMB30,000 to RMB300,000 and the fine for each bar that failed to complete the required fire protection as-built filing is up to RMB5,000.

Having taken into consideration that: (i) the proportion of the abovenamed bars to the total number of bars operated by Due Diligence Major Subsidiaries and their branches is relatively low; (ii) the abovenamed bars are geographically dispersed and managed by different authorities and we are unlikely to be required by the competent authorities to close or relocate the abovenamed bars at the same time; and (iii) the maximum possible fines resulting from the aforementioned non-compliances is RMB0.61 million, our PRC Legal Adviser is of the view that the likelihood of a material adverse impact on our businesses, performance, prospects, financial condition and results of operations is low.

In addition, there can be no assurance that we will be able to obtain, renew and/or convert all the relevant approvals, licences and permits required for our existing business operations in a timely manner or at all. If we fail to obtain and/or maintain all the licences required to operate our businesses, any proposed opening of new bars and/or business expansion may be delayed, and our business could be interrupted. We may also be investigated and receive penalties. In addition, government authorities may promulgate new laws, rules and regulations from time to time to strengthen the implementation of existing laws, rules and regulations, which may require us to obtain new and additional licences, permits or approvals. The interpretation and implementation of existing and future laws and regulations governing our business activities may change in the future. If we fail to comply with applicable laws and regulations, we may be subject to fines, confiscation of income generated from our non-compliant operations or termination of our non-compliant operations, any of which may have a material adverse impact on our businesses, performance, prospects, financial condition and results of operations.

We are subject to regulatory, accounting and other requirements for our business and operations, which are subject to change.

Our operations in the PRC and Singapore are subject to various regulations as stipulated by the relevant laws, affecting various aspects of our businesses in the cities where we operate, including but not limited to fire safety, food hygiene, environmental protection and control on indoor smoking. For example, our business in Singapore is subject to various laws, rules and regulations, including but not limited to, the Environmental Public Health Act 1987 of Singapore and the Liquor Control (Supply and Consumption) Act 2015 of Singapore. We are also required to comply with the regulations and policies of relevant authorities, such as the National Environment Agency of Singapore and the Singapore Police Force. Please see the section entitled “*Regulations — Singapore*” of this Introductory Document for further details.

Any of our bars that fail to comply with the applicable laws and regulations (including but not limited to laws governing our relationship with employees) may be subject to fines and penalties imposed by relevant authorities. Each of our bars is required to hold the relevant licences and permits issued by the relevant government departments, and should carry out its business within the scope of the licence or permit granted. Please see the section entitled “*Regulations — The PRC — Regulations relating to food safety and licensing requirements for food operations*”, “*Regulations — The PRC — Regulations relating to fire prevention*” and “*Regulations — The PRC — Risks Relating to Regulatory Approvals and Government Regulations — Since we require various approvals, licences and permits to operate our businesses, any failure to obtain or renew any of these approvals, licences and permits could materially and adversely affect our businesses, performance, prospects, financial condition and results of operations*” of this Introductory Document for further details.

The accounting standards of the jurisdictions in which we operate are also subject to change. The extent and timing of any such changes are currently unknown and subject to confirmation by the relevant authorities. Accordingly, we are not in a position to quantify the effects of such proposed changes (if any) and we cannot assure you that any such changes would not have a material impact on the presentation of our financial statements, our financial condition or results of operations.

If there are changes to applicable laws, regulations or policies in the jurisdictions in which we and our employees (on whom we depend to ensure compliance with applicable laws, rules and regulations, including those relating to maintaining hygiene standards) operate, we may be required to comply with additional and/or more stringent requirements, which may restrict or hamper our business or operations or result in higher operating costs. If we are unable to pass on any increase in operating costs to our customers, our businesses, performance, prospects, financial condition and results of operations may be materially and adversely affected. In addition, we are unable to assure you that we and our employees will continue to be able to comply with the requirements of new applicable laws, regulations, and policies in the jurisdictions in which we operate.

We are subject to government regulations relating to foreign workers.

For our operations in Singapore, due to the nature of our business where substantial manpower is required and the shortage of domestic manpower in Singapore, we expect to continue to employ foreign workers for our operations in Singapore. The employment of foreign workers is regulated by government authorities, which set a limit to the number of foreign workers that may be hired and also impose levies on each foreign worker hired. Hence, any change in government policies to lower the number of foreign workers permissible to be employed by us or any increase in levy may materially and adversely affect our businesses, performance, prospects, financial condition and results of operations. Additionally, any change in the policies of foreign workers' countries of origin may affect the supply of foreign workers and cause disruptions to our operations. Any increase in competition for foreign workers may also increase staff costs. In the event that the number of foreign workers that we can employ is reduced and/or the cost of foreign manpower increases, our businesses, performance, prospects, financial condition and results of operations will materially and adversely be affected. Please see the section entitled "*Regulations — Singapore — Regulations relating to employment*" in this Introductory Document for further details.

Tax laws could change, which could adversely impact our Company or a Shareholder's investment in our Company.

There may be future changes in tax laws resulting from legislative, administrative or judicial decisions, global initiatives to modify tax law, and future issuance of new or modified regulations implementing existing law, any of which may have adverse tax consequences to our Company and/or a Shareholder's investment in our Company. The rules dealing with taxation are constantly under review by persons involved in the legislative, administrative and judicial processes, resulting in revisions of regulations and revised interpretations of established concepts as well as statutory changes.

The relevant competent authorities may require us to pay additional social insurance fees or housing provident fund or impose late payment penalties on us.

Pursuant to the PRC laws and regulations, we are required to participate in the employee social welfare plan administered by local governments. Such plan consists of pension insurance, medical insurance, work-related injury insurance, maternity insurance, unemployment insurance and housing provident fund. The amount we are required to contribute for each of our employees under such plan should be calculated based on the minimum and maximum level as from time to time prescribed by national laws and regulations and local authorities. During the Period Under Review and up to the Latest Practicable Date, we did not pay social insurance and housing provident fund in full for part of our employees. As a result, we may be required by competent authorities to pay the outstanding amount, and may be subject to late payment penalties or enforcement application made to the court. Please see the section entitled "*Regulations — The PRC — Regulations relating to employment and social welfare — Social Insurance and Housing Fund*" of this Introductory Document for details. We estimate that the

total shortfall of social insurance and housing provident fund contributions for FY2021, FY2022, FY2023 and the four (4) months ended 30 April 2024 for our Due Diligence Major Subsidiaries amounted to RMB2.4 million, RMB3.1 million, RMB3.0 million and RMB0.9 million respectively.

The primary reasons why our Group did not pay social insurance and housing provident fund in full for part of our employees within the specified period for Period Under Review are that: (i) generally, except for special local policies, social insurance and housing provident fund paid by our Group can only be utilised by our employees within the city of our Helen's bar where such employees are working in and are not transferrable among cities. However, many of our Group's employees do not live for a long term in the city where they work and/or they do not work in the city that is reflected in their registered residency status (户口). As such, many of them will not be able to properly utilise the social insurance and housing provident fund later on; (ii) some of our employees are unwilling for our Group to pay social insurance and housing provident fund to them as their net salaries would be reduced; and (iii) it is practically impossible for our Group to pay the social insurance and housing provident fund in certain urban areas for employees who have already participated in the new rural insurance schemes in their places of residency. Due to the reasons above, our Group had not paid the social insurance and housing provident fund in full for part of our employees during the Period Under Review.

As advised by our PRC Legal Adviser, pursuant to the relevant PRC laws and regulations, if our Due Diligence Major Subsidiaries fail to pay the full amount of social insurance contributions as required, they may be ordered to pay the outstanding social insurance contributions within a prescribed period and may be subject to an overdue fine of 0.05% of the delayed payment per day from the date on which the payment is payable. If such payment is not made within the prescribed period, the competent authorities may further impose a fine from one (1) to three (3) times the amount of any overdue payment. Pursuant to the Regulations on Management of the Housing Fund of the PRC (《住房公积金管理条例》), if our Due Diligence Major Subsidiaries fail to pay the full amount of housing provident fund as required, the housing provident fund management center may order them to make the outstanding payment within a prescribed period. If the payment is not made within such period, the housing provident fund management center may make an application for compulsory enforcement to PRC courts. In view of the above and based on the estimation of our Directors, the potential maximum penalty with respect to fines that our Group may be exposed to due to shortfall of social insurance by our Due Diligence Major Subsidiaries would be approximately RMB179,000, RMB0.8 million, RMB1.9 million and RMB2.4 million for FY2021, FY2022, FY2023 and the four (4) months ended 30 April 2024 respectively. The fines stated for each financial year are cumulative fines as at the end of each financial period starting from 1 January 2021.

We have taken the following rectification measures to prevent future occurrences of such non-compliances:

- (i) strengthening our human resources management policy and explicitly stipulating that social insurance and housing provident funds should be contributed in full in accordance with applicable local regulations;

- (ii) communicating with employees to seek their understanding and cooperation to comply with the applicable contribution base, which also requires our employees' additional contributions;
- (iii) assigned the human resources department to review and monitor social insurance and housing provident fund reports and contributions on a monthly basis;
- (iv) continuing to keep abreast of the latest changes in PRC laws and regulations regarding social insurance and housing provident funds; and
- (v) regularly consulting our PRC Legal Adviser on relevant PRC laws and regulations, so that we can keep abreast of relevant regulatory developments.

We actively encourage and make such contributions for our employees. For example, we established the “Helens Social Insurance and Housing Provident Fund Management Policy” (《海伦司社会保险和公积金管理制度》) as the guidance of management and monitoring the failure to make adequate social insurance and housing provident fund contribution. Our Company's human resources department is responsible for the social insurance and housing provident fund management and review of the change of government requirement to ensure local practices are consistent with local government requirements. There is a regular review procedure by the human resources department in place to ensure adequate social insurance and housing provident fund contribution that complies with local government requirements.

As at the Latest Practicable Date, save for the social insurance and housing provident fund disputes arising from resignation disputes of our former employees, there have been no past incidents involving on-duty employees where our Company was held accountable for such lawsuits and claims and no competent government authorities had imposed administrative action, fine or penalty to us with respect to this non-compliance incident nor had any competent government authorities required us to settle the outstanding amount of social insurance payments and housing provident fund contributions in one-time payment. Having taken into consideration that: (i) during the Period Under Review and up to the Latest Practicable Date, our Due Diligence Major Subsidiaries have not been subject to any administrative penalties related to social insurance and housing provident fund contributions; (ii) during the Period Under Review and up to the Latest Practicable Date, our Due Diligence Major Subsidiaries have not received any material employee complaints against them in relation to social insurance and housing provident fund; (iii) as at the Latest Practicable Date, our Due Diligence Major Subsidiaries have not received any notice from the relevant PRC authorities requiring them to do a one-time settlement of all the outstanding amounts or late payment in respect of social insurance and housing provident fund accumulated in our Company's history; and (iv) as advised by our PRC Legal Adviser, taking into account the relevant regulatory policies and the above facts, if no employee complaint has arisen in the relevant districts, the likelihood of a material adverse impact on our businesses, performance, prospects, financial condition and results of operations is low. We have obtained the undertaking from our existing Controlling Shareholders to indemnify our Group for any claims, fines and other liabilities arising from the above non-compliance pursuant to the HKSE Listing.

We cannot guarantee you that the competent government authorities will not require us to settle the outstanding amount within the specified time limit or impose late payment penalties on us. Such action may have a material and adverse impact on our financial position and results of operations.

Any failure to comply with data privacy protection and information security laws could harm our reputation, result in a loss of revenue, lead to substantial additional costs and expose us to litigation and regulatory scrutiny.

We routinely receive, collect, generate, store, process, transmit and maintain personal information about our customers when customers place orders. As such, we are subject to the relevant local, national and international data protection and privacy laws, directives, regulations and standards that apply to the collection, use, retention, protection, disclosure, transfer and other processing of personal data in the various jurisdictions in which we operate.

The PRC government has enacted a series of laws, regulations and governmental policies for the protection of personal data in the past few years. See the section entitled “*Regulations — The PRC — Regulations relating to cyber security and data protection*” of this Introductory Document for more details. Such regulatory requirements on data privacy are evolving and may be subject to further interpretations or changes, which may affect the scope of our responsibilities in that regard.

We have adopted various measures to ensure compliance with data privacy protection and information security laws. However, these data protection and privacy law regimes continue to evolve and may result in strengthened public scrutiny, elevated levels of enforcement and sanctions and increased costs of compliance. Compliance with applicable laws, regulations, standards and obligations relating to data privacy, security and transfers may cause us to incur substantial operational costs or require us to change our data processing processes. Non-compliance with such laws or regulations, whether committed by us, our business partners, or other third parties, whether as a result of employee error or incompetence, or for any other reason, could result in enforcement action against us, including fines, imprisonment of our management personnel, public censure, claims for damages by customers and other affected individuals, damage to our reputation and loss of goodwill, any of which could have a material adverse effect on our businesses, performance, prospects, financial condition and results of operations.

Risks Relating to Intellectual Property Rights

We may not be able to adequately protect our intellectual property, which could harm the value of our brands and adversely affect our businesses and operations.

We believe that our brands are essential to our success and our competitive position. Although we have registered trademarks and have trademark applications pending in the jurisdictions in which we operate, these steps may not be adequate to protect our intellectual property. There is no assurance that any of our pending trademark applications will be granted. Although we are not aware of any legal impediment in completing the registrations, we cannot assure you that

the registrations will be successfully completed. If we fail to secure the registration of any trademarks under application, or if we are held by any court or tribunal in such jurisdictions to be infringing on any trademark of others, our business may be adversely affected. In addition, third parties may infringe upon our intellectual property rights or misappropriate our proprietary knowledge, which could have a material adverse effect on our businesses, performance, prospects, financial condition or results of operations. While our proprietary recipes are protected by confidentiality agreements between us and our employees and confidentiality provisions in relevant supply agreements with the relevant suppliers, which we believe are adequate measures to protect our proprietary recipes, there can be no assurance that these parties will not breach such agreements or leak our proprietary recipes to our competitors. In addition, although we can rely on confidentiality and non-compete agreements with key personnel of our Group and other precautionary procedures to protect our proprietary recipes, such measures may not be sufficient.

In the past, we have found out that certain third parties have used or imitated our trademarks or trade names, without our authorisation, to operate their own bars. Such unauthorised use of our trademarks, trade names and trade secrets by third parties may damage our reputation and brands. If the activities of third parties who have used or imitated our trademarks or trade names without our authorisation result in adverse impact on their customers, we may be affected adversely. Preventing trademark and trade name infringement and trade secret misappropriation in the jurisdictions in which we operate is difficult, costly and time-consuming. In the future, we may, from time to time, institute litigation to protect and enforce our trademarks and other intellectual property rights, and to protect our trade secrets, in the jurisdictions in which we operate. Such litigations could result in substantial costs and resources, which could negatively affect our sales, profitability and prospects. Furthermore, the application of laws governing intellectual property rights in certain jurisdictions in which we operate, is continually evolving, which could result in substantial risks to us. Even if any such litigation is ruled in our favour, we may not be able to successfully enforce the judgment and remedies awarded by the court and such remedies may not be adequate to compensate us for our actual or anticipated losses, whether tangible or intangible.

On the other hand, we may face claims of intellectual property infringement that could interfere with the use of our proprietary know-how, concepts, recipes or trade secrets. Defending against such claims may be costly and, if we are unsuccessful, we may be prohibited from continuing to use such proprietary information in the future, or be forced to pay damages, royalties or other fees for using such proprietary information, any of which could negatively affect our sales, profitability and prospects. There were no such past incidents related to failure to protect our intellectual property which had a material adverse impact on our Group's business operations and/or financials.

Copyright holders or other third parties may file claims against us for the copyright of musical works.

Our success partly depends on the music played in our bars and the ambience it creates. In the PRC, we have designed a nationally unified playlist for our bars, including currently popular tracks and tracks recommended by customers. During the Period Under Review, we pay annual

copyright fees to the China Music Copyright Association and recording product usage fees to the China Audio-Video Copyright Association, which are copyright collective management organisations in the PRC, to obtain permission to play the music tracks. Please see the section entitled “*Regulations — The PRC — Regulations Relating to intellectual property rights — Copyright and Software Products*” of this Introductory Document for further details. As at the Latest Practicable Date, we are in the process of negotiating the renewal of the authorisation for the use of music works with the China Audio-Video Copyright Association. Please see the section entitled “*Business — Intellectual Property — Licence of Musical Works*” of this Introductory Document for further details.

The copyright holders of some music works or other third parties may file claims against us for the musical works being played in our bars. Under such circumstances, although the China Music Copyright Association and the China Audio-Video Copyright Association shall be responsible for resolving the relevant disputes, we may be required to file litigation, arbitration or other legal proceedings to defend ourselves, which is likely to consume the time and attention of the management. The settlement costs of such legal procedures may be very high, which may have a material adverse effect on our businesses, performance, prospects, financial condition and results of operations.

We may be exposed to the claims for infringement of intellectual property rights filed by third parties, which may interrupt our businesses and cause us to incur substantial legal expenses or damage our reputation.

Third parties may claim that we have infringed their trademarks or other intellectual property rights. Defending these claims may involve substantial litigation expenses and distract the attention of our management from their routine duties. Even if there is no litigation, we may seek a licence from a third party in order to avoid litigation risks, and even if a licence is available, the counterparty may also charge us high trademark fees and other fees and expenses.

Even if any litigation or other legal proceeding is resolved in our favour, the announcements relating to such legal proceedings or developments may have a material adverse effect on the market price of our Shares if securities analysts or investors consider such results negative. The foregoing lawsuits or legal proceedings may significantly increase our operating losses and reduce the resources available for use in our development activities or any of our future sales, marketing or distribution activities. We may lack sufficient financial or other resources to properly conduct the foregoing litigation or legal procedures. As some of our competitors may have more financial resources, they may be more capable and effective in bearing the costs of the foregoing litigation or legal proceedings than us. The uncertainty caused by the initiation and continuation of the litigation in relation to intellectual property rights or other legal proceedings may have a material adverse impact on our ability to compete in the market.

Risks Relating to Our Reliance on Our Suppliers and Other Third Parties

We rely on the timely, stable and sufficient supply of alcoholic drinks, snacks and other supplies from our major suppliers. Any shortages, disruptions and increases in raw material cost may have an adverse effect on our businesses, performance, prospects, financial condition and results of operations.

Our business and operations are exposed to various supply chain risks. Currently, all food and beverages sold in our bars are either third-party branded goods provided by third-party suppliers or Helen's branded goods manufactured by third-party manufacturers, supplied by multiple suppliers. We expect to continue to rely on third parties to supply such materials for our operations.

In the event that our suppliers cannot provide alcoholic drinks, snacks and other supplies in a timely manner, we may experience a shortage in supply of such supplies and an increase in cost when sourcing for alternative supplies. The ability to purchase high quality alcoholic drinks at competitive prices and in a timely manner is crucial to our business. The ability to continually provide our product portfolio to customers in our bars at consistent standards partly depends on our ability to obtain a sufficient supply of alcoholic drinks and other supplies that meet our food safety and quality specification requirements. During the Period Under Review, there were no material delays or disruptions in the supply of alcoholic drinks, snacks and other raw materials from main suppliers, and there were no past incident(s) of such delay or disruption in supply which had a material adverse impact on our Group's business operations and/or financials. However, we cannot assure you that we can maintain our business relationship with main suppliers in the future.

We mainly purchase the following products from our suppliers: (i) our own customised Helen's branded products from third-party suppliers, including alcoholic drinks and snacks; (ii) third-party branded alcoholic drinks; and (iii) other consumables necessary for the operation of our bars. Our suppliers may pass the extra costs on to us if the raw material manufacturers increase their prices for any reason. If any of our main suppliers fails to supply sufficient products or provide sufficient service to us in a timely manner for any reason, we cannot assure you that we are able to find a suitable substitute supplier at acceptable conditions within a short period of time. We may not be able to predict and address the unforeseeable changes in cost, and we may be unable to pass such changes in cost to customers. Such conditions may lead to a material adverse impact on our businesses, performance, prospects, financial condition and results of operations. In order to mitigate any risk of unstable or insufficient supply of raw materials and consumables, we obtain our raw materials and consumables from various suppliers.

Supplies of raw material may be interrupted for various reasons, many of which are beyond our control, including severe weather conditions, international trade disputes, import and export restrictions, natural disasters, outbreaks of pandemics, diseases, cessation of operation of important suppliers, material negative news or unexpected shortage in production. We cannot assure you that our current suppliers can always meet our strict quality control requirements in the future. In addition, there can be no assurance that these third parties will be able to

maintain and renew all licences, permits and approvals necessary for their operations or comply with all applicable laws and regulations. Failure to do so by them may lead to interruption in their business operations, which, in turn, may result in shortages of alcoholic drinks, snacks and other supplies supplied to us. The non-compliance of these third parties may also subject us to potential product liability claims, causing us to fail to comply with continuing regulatory requirements, and result in us incurring significant costs to rectify such incidents of non-compliance. If any of our suppliers fails to conduct sufficient quality control, ceases cooperation with us, or otherwise fails to deliver materials to us in a timely manner, we cannot assure you that we are able to find a suitable substitute supplier at acceptable conditions on a timely basis. Therefore, if we fail to do so, our raw material cost might be increased and a shortage in alcoholic drinks, snacks and consumables may occur in our bars. Any serious shortages or disruptions in supply would affect the supply of some products on the menu, which would result in a significant decrease in revenue including as a result of customers patronising competitor bars instead. We engage third-party suppliers to produce certain products, including our fruit-flavoured beer. If any of our suppliers uses the recipes of our self-developed products in the production of other enterprises' products without our permission, the competitiveness of our Helen's branded products may be affected, which may in turn affect our businesses, performance, prospects, financial condition and results of operations.

We may be unable to receive compensation from suppliers for contaminated raw materials used in the alcoholic drinks and food sold in our bars and indemnity provisions in our supply contracts may be insufficient.

We face the risks of claims related to alcoholic drinks and food contamination. The quality of our alcoholic drinks, snacks and raw materials are partly dependent on what is provided by our suppliers, and we may not be able to detect all the defects in such supplies. Although we implement quality inspection on the materials, there can be no assurance that we will be able to identify all of the quality issues. Any undetected food contamination that occurs during the process of transporting alcoholic drinks, snacks and raw materials may adversely affect the quality of food provided in our bars. If we cannot discover the defects in supply chain during our operations, maintain appropriate hygiene or cleanliness levels, or meet other quality control requirements or standards, the quality of food provided in our bars may be adversely affected, which may lead to liability claims, complaints and negative publicity, a decrease in the customer traffic at our bars, penalties by the relevant authorities, and potential civil liabilities.

During the Period Under Review and up to the Latest Practicable Date, there were no material violations related to food and health related issues. We cannot assure you that we will not be subject to any claims related to alcoholic drinks and food contamination in the future. If we face food safety claims due to contaminated or other defective food, alcoholic drinks or raw materials from suppliers, we may try to seek compensation from the relevant suppliers. However, the compensation terms of our supply contracts may not be sufficient to cover loss of profits and indirect or joint losses. If the claim against the relevant supplier is not established, or we are unable to recover the amount of the claim from the relevant supplier, we may have to bear such losses and compensation by ourselves. Any of these events could adversely affect our reputation, businesses, performance, prospects, financial condition and results of operations.

Risks relating to our Financial Position and Need for Additional Capital

We recorded net operating cash inflows historically and there can be no assurance that we will not have net cash outflow in the future.

Throughout the Period Under Review, the major drivers behind the fluctuations in cash (used in)/generated from operations and our historical net operating cash inflows are (i) certain adjustments, such as depreciation of right-of-use assets, depreciation of plant and equipment, impairment losses of plant and equipment and right-of-use assets and equity settled share-based payment; and (ii) changes in working capital that positively or negatively affected cash flow. For a more comprehensive discussion of our liquidity and capital resources, please see the section entitled “*Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources*” of this Introductory Document for further details.

We cannot guarantee that prospective business activities of our Group and/or other matters beyond our control (such as market competition and changes to the macroeconomic environment) will not adversely affect our operating cash flow and lead to net operating cash outflows in the future. If we encounter long-term and continuous net operating cash outflow in the future, we may not have sufficient working capital to cover our operating costs, and our business, financial position and results of operations may be materially and adversely affected.

We may be subject to the risk of obsolescence for our inventory.

Our inventories, comprising foods, beverages and consumables used in our bar operations, mainly include Helen’s branded alcoholic drinks, snacks, third-party branded alcoholic drinks and other inventories. The risk of obsolescence for our inventory increases as the storage time of our inventory increases. In addition, certain factors such as unexpected fluctuations in the supply of raw materials or changes in customers’ tastes and preferences are beyond our control and may lead to decreased demand and overstocking of particular products, which in turn increases the risk of obsolescence for our inventory. Furthermore, as our bar network expands, our inventory level increases and our inventory obsolescence risk may also increase along with the increased purchase of inventories. In such circumstances, our businesses, performance, prospects, financial position and results of operations may be materially and adversely affected.

We are subject to risk of recoverability of deferred tax assets.

As at 31 December 2021, 2022 and 2023, our deferred tax assets amounted to RMB29.9 million, RMB46.5 million and RMB76.6 million respectively. As deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, our management is required to make a judgement to assess the probability of future taxable profits.

During the Period Under Review, some of our PRC subsidiaries incurred losses which were available for recognition of deferred tax assets to the extent that it was probable that future taxable profit would be available against which losses could be utilised. Any changes in

management's judgement as well as the future results of operations of the relevant entities would affect the carrying amounts of deferred tax assets to be recognised and the recoverability of deferred tax assets recognised in our consolidated financial statements, and therefore may materially and adversely affect our financial position and results of operations in the coming year.

Our approach of offering share-based payments may cause shareholding dilution to our existing Shareholders and have a material and adverse effect on our financial performance.

We adopted share incentive schemes as a form of remuneration for our employees (including directors) to incentivise and reward eligible persons who have contributed to the success of our Company. Please see the section entitled "*Management and Corporate Governance — Compensation of Directors and Executive Officers — Summary of the Share Incentive Scheme*" of this Introductory Document for further details. To further incentivise our employees to continue contributing to the success of our Company, we may grant additional share-based compensation in the future. Issuance of additional Shares under such share-based payment may dilute the shareholding percentage of our existing Shareholders. Expenses incurred with respect to such share-based payment may also increase our operating expenses and therefore have a material and adverse effect on our financial performance.

We may need additional funds to provide funding for our operation which may not be available under conditions acceptable to us, or not available at all. If we raise equity capital, the value of your investment may be adversely affected.

We may need additional cash resources to support our continuing growth or other development in the future, including any investments or acquisitions that we may decide to make. If our funding need is greater than our financial resources, we will need to seek additional funding or postpone our planned expenditure. We cannot guarantee that we can obtain additional funding on terms acceptable to us or successfully obtain any funding. In addition, our ability to raise additional funding in the future is subject to a number of uncertain factors, including but not limited to:

- our future financial position, results of operations and cash flow;
- the overall market conditions of equity and debt financing activities; and
- the economic, political and other conditions in the jurisdictions in which we operate.

In addition, if we raise additional funding through equity or equity related financing, your equity interest in our Company may be diluted. Furthermore, if we raise additional funding by incurring debt obligations, we may be subject to multiple covenants under the relevant debt instruments, which in turn may, among other things, restrict our ability to pay dividends or obtain additional financing. The fulfillment of debt obligations may also impose a burden on our operations. If we fail to fulfill our debt obligations or comply with any of such covenants, we may breach such debt obligations and our liquidity and financial condition may be adversely affected.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

We may be subject to additional regulatory requirements under new laws and regulations on overseas offerings and listings issued by PRC government authorities.

On 17 February 2023, the PRC CSRC issued the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境内企业境外发行证券和上市管理试行办法》) (the “**PRC Overseas Listing Regulations**”), and five (5) supporting guidelines, which became effective on 31 March 2023. See section entitled “*Regulations — The PRC — Regulations relating to overseas listing*” of this Introductory Document for more details.

Given that the PRC Overseas Listing Regulations were recently promulgated, their interpretation, application, and enforcement and how they will affect our operations and our future financing, need to be determined in accordance with the relevant laws and regulations in effect at that time. In addition, it is uncertain whether we can or how long it will take us to complete such filings. If we are unable to complete such filing procedure, we will suspend or terminate our application for listing on the SGX-ST.

In addition, according to the PRC Overseas Listing Regulations, any future issuance or listing after the listing on the SGX-ST may also be subject to filing procedure of PRC CSRC and we are also required to report certain material matters to PRC CSRC after the listing on the SGX-ST. Any failure to perform such filing or reporting procedure would subject us to administrative penalties by PRC CSRC which could harm our reputation and may adversely affect our results of financial condition.

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

Almost all of our business assets are located in the PRC, and almost all of our sales come from the PRC. Therefore, our results of operations, financial position and prospects are, to a very large extent, affected by the PRC’s economic, political and legal developments.

In recent years, the PRC government has enacted a series of new laws, regulations, and policies for governing the quality and safety control, supervision and inspection of enterprises engaging in the bar industry in the PRC. Please see the section entitled “*Regulations — The PRC*” of this Introductory Document for more details. In addition, the PRC government may from time to time promulgate new laws, regulations or policies that would affect the bar industry in the PRC, and it is difficult to foresee the specific timing, scope and impact of these potential laws, regulations and policies. In the event that the PRC government issues laws, regulations, policies and articles in this regard, such as those relating to the consumption of alcohol, our business, results of operations and financial performance may be negatively affected. If the PRC government continues to impose comparatively strict regulations on the bar industry in the PRC, we may be exposed to higher costs in order to comply with those regulations that may affect our profitability.

Before commencement of the reform and opening up policy in 1978, the PRC mainly implemented a planned economy. Since then, the PRC government has been unremittingly reforming the PRC'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. The economic reforms policies, since the late 1970s, have been constantly emphasising 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 operations or financial position will be subject to any adverse impacts arising from changes in the PRC'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 adjust the growth of borrowing will not be implemented in a way that can result in adverse impact on our development and profitability over time.

China's economy has grown rapidly in the past few decades. 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 PRC government (including policies relating to this industry) may have a material adverse impact on our businesses, performance, prospects, financial position and results of operations.

The interpretation and application of PRC laws shall be in accordance with laws and regulations for the time being in force. Any non-compliance with laws and regulations may have a material adverse impact on us and limit the legal protection you can obtain.

We mainly run our businesses and operations in the PRC and are regulated by the PRC laws, rules and regulations. In addition, our overseas holding companies and certain transactions among these companies may be subject to restrictions of various laws and regulations in the PRC. The legal system in the PRC is based on written regulations and judicial interpretation. References can be cited from previous court decisions, but as the PRC does not adopt the common law system, the precedent value of case law is limited.

Since the late 1970s, the PRC government has greatly improved the PRC's laws and regulations in order to provide protection for the implementation of various forms of foreign investments in the PRC. Since most of these laws, rules and regulations are relatively new and there are a limited number of decisions announced by the courts, the interpretation and enforcement of these laws, rules and regulations shall be in accordance with laws and regulations for the time being in force. Any non-compliance with laws and regulations may have a material adverse impact on us and limit the legal protection available to you and us. This may result in tremendous costs to be involved while causing a diversion of the resources and attention of the management.

Foreign exchange regulations may affect the value of your investment and limit our ability to utilise our cash effectively.

The conversion of Renminbi into foreign currencies is subject to applicable laws and regulations in the PRC. We receive substantially all of our payments from customers in Renminbi and will need to convert Renminbi into foreign currencies for the payment of dividends, if any, to holders of our Shares and to fund our business activities outside the PRC. Shortages in the availability of foreign currency may restrict the ability of our subsidiaries in the PRC to remit sufficient amount of foreign currency to pay dividends or make other payments to us, or otherwise to satisfy their foreign currency denominated obligations. Under the existing foreign exchange regulations in the PRC, we can pay dividends in foreign currencies without obtaining prior approval from the PRC SAFE or its local branches by complying with certain procedural requirements.

Fluctuations in exchange rates of the Renminbi may result in foreign currency exchange losses.

The exchange rate of the Renminbi against the U.S. dollar and other foreign currencies fluctuates and is affected by, among other things, changes in the PRC and in the international political and economic conditions as well as the supply and demand in the domestic markets. It is difficult to predict how the market forces or government policies may affect the exchange rate between the Renminbi and the Singapore dollar, the Hong Kong dollar, the U.S. dollar or other currencies in the future. In addition, we cannot exclude the possibility that PRC PBOC may introduce relevant measures to regulate the fluctuations in exchange rates.

There can be no assurance that the exchange rate of the Renminbi will remain stable against the Singapore dollar, the Hong Kong dollar, the U.S. dollar or other foreign currencies. Fluctuations in the exchange rates of the Renminbi may affect the value of, and any dividends payable on, our Shares in foreign currency. In addition, there are limited instruments available for us to reduce our exposure to foreign currency risk at reasonable costs. Any of the foregoing factors may materially and adversely affect our businesses, performance, prospects, financial position and results of operations, and may reduce the value of, and dividends payable on, our Shares in foreign currency terms.

We may be deemed to be a PRC tax resident under the PRC EIT Law and our PRC-sourced income may be subject to PRC withholding tax under the PRC EIT Law.

We are incorporated under the laws of the Cayman Islands and directly hold interests in our operating subsidiaries in the PRC. Pursuant to the Enterprise Income Tax Law of the PRC (《中华人民共和国企业所得税法》) (“**PRC EIT Law**”), which became effective on 1 January 2008, and was last amended on 29 December 2018, and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中华人民共和国企业所得税法实施条例》), which took effect on 1 January 2008 and was last amended on 23 April 2019, dividends payable by a foreign-invested enterprise to its foreign corporate investors who are not deemed a PRC

resident enterprise are subject to a ten per cent. (10%) withholding tax, unless such foreign investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding tax arrangement.

The PRC EIT Law provides that if an enterprise incorporated outside the PRC has its "de facto management bodies" within the PRC, such enterprise may be deemed a "PRC resident enterprise" for tax purposes and be subject to an enterprise income tax rate of 25% on its global incomes. "De facto management body" is defined as the body that has the significant and overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009, the PRC SAT promulgated the Notice of the State Administration of Taxation on Issues Concerning the Determination of Chinese-Controlled Enterprises Registered Overseas as Resident Enterprises on the Basis of Their Bodies of Actual Management (《关于境外注册中资控股企业依据实际管理机构标准认定为居民企业有关问题的通知》) which was amended on 29 December 2017 to clarify certain criteria for the determination of the "de facto management bodies" for foreign enterprises controlled by PRC enterprises. These criteria include (i) the enterprise's premises where its senior officers and senior management departments in charge of routine production and operation management perform their duties are mainly located in the PRC; (ii) decisions relating to the enterprise's financial and human resource matters are made or subject to approval by organisations or personnel within the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and our board and shareholders' meeting minutes are located or maintained in the PRC; and (iv) 50% or more of voting board members or senior executives of the enterprise habitually reside within the PRC. However, there have been no official implementation rules regarding the determination of the "de facto management bodies" for foreign enterprises which are not controlled by PRC enterprises (including companies like us). Therefore, it remains unclear how the tax authorities will treat a case such as ours. We cannot assure you that we will not be considered a PRC resident enterprise for PRC enterprise income tax purposes and be subject to the uniform 25% enterprise income tax on our global incomes. In addition, although the PRC EIT Law provides that dividend payments between qualified PRC resident enterprises are exempted from enterprise income tax, due to the short history of the PRC EIT Law, it remains unclear as to the detailed qualification requirements for this exemption and whether dividend payments by our incorporated subsidiaries in the PRC to us will meet such qualification requirements even if we are considered as a PRC resident enterprise for tax purposes.

Furthermore, the PRC EIT Law provides that (i) if the enterprise that distributes dividends is domiciled in the PRC; or (ii) if gains are realised from transferring equity interest of enterprises domiciled in the PRC, then such dividends or capital gains are treated as PRC-sourced income. It is not clear how "domicile" may be interpreted under the PRC EIT Law and it may be interpreted as the jurisdiction where the enterprise is a tax resident. Therefore, if we are considered as a PRC resident enterprise for tax purposes, any dividends we pay to our overseas corporate Shareholders who are not deemed as a PRC resident enterprise as well as gains realised by such Shareholders from the transfer of our Shares may be regarded as PRC-sourced income and as a result become subject to PRC withholding tax at a rate of up to ten per cent. (10%).

We rely principally on dividends paid by our subsidiaries to fund any cash and financing requirements we may have. If there is any limitation on the ability of our PRC subsidiaries to pay dividends to us, it may have a material adverse impact on our ability to develop our businesses.

We are a holding company incorporated in the Cayman Islands and mainly operate our businesses through our operating subsidiaries in the PRC. Therefore, the availability of funds to pay dividends to our Shareholders depends partly upon dividends received from these subsidiaries. If our subsidiaries incur debts or losses, such indebtedness or loss may impair their ability to pay dividends or other distributions to us. As a result, our ability to pay dividends will be restricted. The PRC laws and regulations stipulate that dividends be paid only out of the net profit calculated according to the PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including the HKFRS and the IFRS Accounting Standards. The PRC laws and regulations also require foreign-invested enterprises to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends. In addition, restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future may also restrict the ability of our subsidiaries to provide capital or declare dividends to us and our ability to receive distributions. Therefore, these restrictions on the availability and usage of our major source of funding may affect our ability to pay dividends to our Shareholders.

In addition, under the PRC EIT Law, if a foreign entity is deemed to be a “non-resident enterprise” as defined under the PRC EIT Law, a withholding tax at the rate of ten per cent. (10%) will be applicable to any dividends for earnings accumulated since 1 January 2008 payable to the foreign entity, unless it is entitled to reduction or elimination of such tax, including by tax treaties or agreements. According to the double taxation avoidance arrangement between the PRC and Hong Kong, dividends paid by a PRC foreign-invested enterprise in the PRC to its shareholder(s) incorporated in Hong Kong will be subject to withholding tax at a rate of five per cent. (5%) if the Hong Kong company directly holds 25% or more interest in the PRC enterprise. The PRC SAT promulgated the Circular on Several Questions regarding the “Beneficial Owner” in Tax Treaties (《国家税务总局关于税收协定中“受益所有人”有关问题的公告》) on 3 February 2018, which addresses the methods to determine the “beneficial owners” under the double taxation avoidance arrangement between the PRC and Hong Kong on dividends, interest and royalties.

It is possible, based on the abovementioned principles, that the PRC tax authorities may not consider our Company or our Hong Kong subsidiaries as the “beneficial owner” of any dividends paid from our PRC subsidiaries and will deny the claim for the reduced rate of withholding tax. Under the current PRC tax law, this will result in dividends from our PRC subsidiaries to our Hong Kong subsidiary being subject to the PRC withholding tax at a ten per cent. (10%) rate instead of a five per cent. (5%) rate. This will negatively impact us and it will also affect our ability to pay dividends.

Dividends from foreign investment and gains on the sale of our Company's shares may be subject to withholding taxes under PRC tax laws.

Under the PRC EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the PRC and your jurisdiction of residence that provides otherwise, the PRC withholding tax at a rate of ten per cent. (10%) is normally applicable to dividends from a source from the PRC paid to investors that are “non-resident enterprises”, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but whose relevant income is not effectively connected with the establishment or place of business. Any gain realised on the transfer of shares by such is generally subject to a ten per cent. (10%) PRC income tax if such gain is regarded as income derived from sources within the PRC.

Under PRC Individual Income Tax law and its implementation rules, dividends from sources within the PRC paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20%, and gains from PRC sources realised by such investors on the transfer of shares are generally subject to PRC income tax at a rate of 20% for individuals. Any PRC tax may be reduced or exempted under applicable tax treaties or similar arrangements.

If we are treated as a PRC resident enterprise as described under the risk factor entitled “*We may be deemed to be a PRC tax resident under the PRC EIT Law and our PRC-sourced income may be subject to PRC withholding tax under the PRC EIT Law*”, dividends we pay with respect to our Shares, or the gain realised from the transfer of our Shares, may be treated as income derived from sources within the PRC and as a result be subject to the PRC income taxes described above.

According to the Announcement on Issuing the Measures for the Administration of Non-Resident Taxpayers' Enjoyment of the Treatment under Agreements (《关于发布〈非居民纳税人享受协定待遇管理办法〉的公告》), which was issued on 14 October 2019 and which came into effect on 1 January 2020, an applicant who intends to prove his or her status as the “beneficial owner” shall submit the relevant documents to the relevant tax bureau. If determined to be ineligible for the foregoing tax treaty benefits, gains obtained from sales of our Shares and dividends on our Shares paid to such Shareholders will be subject to higher PRC tax rates. In such cases, the value of your investment in our Shares may be materially and adversely affected.

You may encounter difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions in the PRC or Hong Kong based on foreign laws against us and our Directors and senior management.

We are incorporated in the Cayman Islands. Almost all of our assets, and a significant portion of the assets of our Directors are located within the PRC. Therefore, it may not be possible for investors to effect service of process upon us or those persons within the PRC. On 14 July 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and

of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《关于内地与香港特别行政区法院相互认可和执行当事人协议管辖的民商事案件判决的安排》) (the “**PRC-HK 2006 Arrangement**”), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC, and vice versa. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the PRC-HK 2006 Arrangement in which a Hong Kong court or a court in the PRC is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in the dispute do not agree to enter into a choice of court agreement in writing under the PRC-HK 2006 Arrangement.

On 18 January 2019, the PRC Supreme Court and Hong Kong entered into the PRC-HK 2019 Arrangement, which extends the scope of judicial assistance available for civil and commercial matters. The effective date of the PRC-HK 2019 Arrangement is 29 January 2024, which shall apply to judgments made by the courts of Hong Kong and the PRC on or after the date of the commencement of the PRC-HK 2019 Arrangement. Notwithstanding the foregoing, recognition and enforcement of a Hong Kong court judgement could be refused if the PRC courts consider that the enforcement of such judgement is contrary to the social and public interest of the PRC or meets other circumstances specified by the PRC-HK 2019 Arrangement. While it is expected that the PRC courts will recognise and enforce a judgement given by Hong Kong courts, there can be no assurance that the PRC courts will do so for all such judgements as there is no established practice in this area. Please see section entitled “Notice to Investors — Enforcement of Civil Liabilities” of this Introductory Document for further details.

The heightened scrutiny over indirect transfer of onshore interests outside the PRC from the PRC tax authorities may have an adverse impact on our businesses, acquisitions or restructuring strategies.

Pursuant to the Announcement of SAT on Several Issues Concerning Enterprise Income Tax on Income from the Indirect Transfer of Assets by Non-resident Enterprises (《国家税务总局关于非居民企业间接转让财产企业所得税若干问题的公告》) (“**PRC Circular 7**”) promulgated by the PRC SAT on 3 February 2015 and the Announcement of SAT on Issues Concerning Withholding at Source of Income Tax of Non-resident Enterprises (《国家税务总局关于非居民企业所得税源泉扣缴有关问题的公告》) (the “**PRC Circular 37**”) issued on 17 October 2017 and effective on 1 December 2017, non-resident enterprises in the PRC which indirectly transferred assets (such as equity interests) in PRC resident enterprises through implementation of arrangements of no reasonable commercial purpose shall re-categorise the transaction of indirect transfer in accordance with the PRC EIT Law and recognise the transaction as direct transfer of assets (such as equity interests) in PRC resident enterprises. For the proceeds from the indirect transfer of equity interests subject to the PRC EIT Law in accordance with the PRC Circular 7, the entities or individuals directly obliged to make the relevant payment to the transferor of equity interests in accordance with relevant laws or contractual agreements are withholding obligors; the mutual parties and coordinators of the indirect transfer of PRC taxable assets, as well as the PRC resident enterprises whose equity interests are indirectly transferred shall

provide relevant declaration in accordance with the requirements from competent tax authority. The PRC Circular 7 and PRC Circular 37 may be considered by the tax authorities to be applicable to our offshore restructuring transactions or sale of the shares of our offshore subsidiaries. Furthermore, we, our non-resident enterprises and PRC subsidiaries may be required to input time, efforts and relevant resources to comply with the PRC Circular 7 and PRC Circular 37 or to establish that we and our non-resident enterprises should not be taxed under the PRC Circular 7 for our previous and future restructuring or disposal of shares of our offshore subsidiaries, which may have an adverse effect on our businesses, performance, prospects, financial condition and results of operations.

The PRC regulations on loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from making loans or additional capital contributions to our subsidiaries in the PRC. It may have a material and adverse impact on our liquidity, our subsidiaries and our ability to expand businesses.

Any loans provided by us to our subsidiaries in the PRC are subject to regulations in the PRC, and such loans must be registered with the local branch of the PRC SAFE. Additionally, our capital contributions must be registered with the PRC SAMR or its local branch. We cannot assure you that we will be able to obtain these government registrations or approvals or to complete filing and registration procedures on a timely basis, if at all, with respect to future loans or capital contributions by us to our subsidiaries or any of their respective subsidiaries. If we fail to obtain such approvals or registrations, our ability to make equity contributions or provide loans to our subsidiaries in the PRC or to fund their operations may be materially and adversely affected. This may materially and adversely affect our PRC subsidiaries' liquidity, their ability to fund their working capital and expansion projects, and their ability to meet their obligations and commitments. As a result, this may have a material and adverse effect on our businesses, performance, prospects, financial condition and results of operations.

If a shareholder or beneficial owner who is a resident in the PRC fails to make any necessary applications and filings in accordance with the relevant laws and regulations on overseas investment activities of residents in the PRC, it may prohibit us from distributing profits and may expose us and shareholders who are a resident in the PRC to the obligations of PRC laws and regulations.

The PRC SAFE has promulgated the Circular of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Overseas Investment, Financing and Roundtrip Investment through Special Purpose Vehicles Conducted by domestic Residents in China via Special-Purpose Companies (《关于境内居民通过特殊目的公司境外投融资及返程投资外汇管理有关问题的通知》) (the “**PRC SAFE Circular 37**”), effective on 4 July 2014 and promulgated the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《国家外汇管理局关于进一步简化和改进直接投资外汇管理政策的通知》) on 28 February 2015, both of which requires residents in the PRC to register with the banks designated by local branches of the PRC SAFE in connection with their direct establishment or indirect control over offshore entities

(referred to in the PRC SAFE Circular 37 as a “Special Purpose Vehicle”) engaged in return investments in onshore enterprises with domestic corporate assets or equity or offshore assets or interests.

If a shareholder (who is a resident in PRC) of an offshore holding company does not complete the necessary registration with the local PRC SAFE branches, the PRC subsidiaries of such offshore holding companies may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the offshore companies, and the offshore companies may be restricted to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with the various PRC SAFE registration requirements described above may result in liabilities under PRC laws for evasion of applicable foreign exchange regulations.

We may not be able to fully know the identity of all our Shareholders or beneficial owners who are residents in the PRC to ensure that they have complied with the PRC SAFE Circular 37 and other relevant regulations. In addition, we cannot guarantee that all of our shareholders and beneficial owners who are residents in the PRC will make, obtain or update any applicable registrations in a timely manner or comply with the PRC SAFE Circular 37 and other requirements stipulated in the relevant regulations. Notwithstanding that shareholders and beneficial owners who are PRC residents have complied with the relevant requirements, as there are a number of factors (which are beyond our and their control), we cannot guarantee that they will successfully obtain or update any registration required by the PRC SAFE Circular 37 or other relevant regulations in a timely manner. If our Shareholders or beneficial owners who are residents in the PRC fail to register with the PRC SAFE in a timely manner in accordance with the PRC SAFE Circular 37 and the subsequent implemented regulations or update their registration of the PRC SAFE or any Shareholders or beneficial owners who are resident in the PRC in the future fail to comply with the PRC SAFE Circular 37 and the subsequent implemented regulations, it may result in penalties and prohibition on our PRC subsidiaries’ ability to distribute dividends, settle other payments or have an impact on title structures and restrict our cross-border investment activities, which may adversely affect our businesses, performance, prospects, financial condition and results of operations.

Failure to comply with the requirements for employee stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative penalties.

In February 2012, the PRC SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Company (《关于境内个人参与境外上市公司股权激励计划外汇管理有关问题的通知》) (the “**PRC SAFE Circular 7**”), which replaced the earlier rules promulgated by the PRC SAFE in March 2007. Under the PRC SAFE Circular 7 and other relevant requirements and regulations, PRC residents who participate in stock incentive plans in an overseas publicly listed company are required to register with the PRC SAFE or other branches and complete certain other procedures. The PRC resident participants of stock incentive plans are required to retain a qualified PRC agent, which could be the PRC subsidiary of such overseas listing public company or other qualified institutions selected by the PRC subsidiary, to register with the PRC SAFE and complete other procedures on behalf of such participants for stock incentive plans.

The participants must also retain an overseas entrusted institution to complete matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the PRC SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. Also, the PRC SAFE Circular 37 stipulates that the PRC residents who participate in a share incentive plan of an overseas non-publicly listed special purpose company may register with the PRC SAFE or its lock branches before they exercise the share options. These regulations will continue to apply to us and our PRC employees who have been granted share options and restricted shares following the Introduction. Failure of our PRC RSU holders to complete their PRC SAFE registrations may subject these PRC residents to fines of up to RMB300,000 for entities and up to RMB50,000 for individuals, and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute dividends to us, or otherwise materially adversely affect our businesses, performance, prospects, financial condition and results of operations.

The PRC SAT has also issued relevant rules and regulations concerning employee share incentives. Under these rules and regulations, our employees working in the PRC will be subject to PRC individual income tax upon exercise of the share options or grant of the restricted shares. Our PRC subsidiaries have obligations to file documents with respect to the granted share options or restricted shares with relevant tax authorities and to withhold individual income taxes for their employees upon exercise of the share options or grant of the restricted shares. If our employees fail to pay or we fail to withhold their individual income taxes according to relevant rules and regulations, we may face sanctions imposed by the competent governmental authorities.

Inflation may materially and adversely affect our profitability and growth.

While the PRC economy as a whole has experienced rapid growth, such growth may lead to growth in the money supply and accordingly inflation. If the amounts we charge our customers in our bars in the PRC increases at a rate that is insufficient to compensate for the rise in our costs, our businesses, performance, prospects, financial condition and results of operations may be materially and adversely affected.

RISKS RELATING TO AN INVESTMENT IN OUR SHARES

We are incorporated in the Cayman Islands and our Shares have a primary listing on the HKSE and are subject to Cayman Islands laws and regulations, which may differ from laws and regulations applicable to Singapore-incorporated companies listed on the SGX-ST.

Our corporate affairs are governed by our Articles of Association, the Cayman Islands laws and the HKSE Listing Rules applicable to companies listed on the HKSE. The rights of our Shareholders and the responsibilities of our Board of Directors and management under Cayman Islands law may differ from those applicable to a company incorporated in Singapore. Our public Shareholders may have difficulty in protecting their interests in connection with actions

taken by our Board of Directors, management or Controlling Shareholders as compared with shareholders of a company incorporated in Singapore. Please see the section entitled “Appendix B — Comparison of Selected Cayman Islands Corporate Law Provisions and Singapore Corporate Law Provisions” of this Introductory Document for a comparison of key differences between the Cayman Islands Companies Act and the Singapore Companies Act.

Further, the nature and content of information required to be publicly disclosed under the HKSE Listing Rules may differ from the public disclosures made by companies listed on the SGX-ST. These differences may include, among others, differences with respect to the disclosure of beneficial ownership of our equity securities and related party or connected transactions.

As the listing of our Shares on the SGX-ST will be a secondary listing, we are subject to primary regulatory oversight by the HKSE. Under the SGX-ST Listing Manual, as a foreign issuer with a secondary listing on the SGX-ST, we will generally not be required to comply with the provisions of the SGX-ST Listing Manual, provided that we undertake to: (a) release all information and documents in English to the SGX-ST at the same time as they are released to the home exchange; (b) inform the SGX-ST of any issue of additional securities in a class already listed on the SGX-ST and the decision of the home exchange; and (c) comply with such other listing rules as may be applied by the SGX-ST from time to time (whether before or after listing). For example, certain transactions we propose to enter into with parties related to our Group will not be subject to the SGX-ST’s requirements in respect of interested person transactions. Instead, such transactions will be subject to the HKSE Listing Rules in respect of connected transactions.

The role of the SGX-ST in performing any regulatory, disciplinary or enforcement function in respect of our Company may also be limited. Accordingly, CDP Depositors may have difficulty in protecting their interests as compared with shareholders of a company with a primary listing on the SGX-ST.

We may not be able to pay dividends.

Our ability to declare dividends in relation to our Shares will depend on our future financial performance which, in turn, depends on our ability to successfully implement our business strategies as well as financial, competitive, regulatory and general economic conditions, and other factors specific to our industry or specific projects, many of which are beyond our control. Further, our ability to pay dividends will be substantially affected by the ability of our subsidiaries and associated companies to declare and pay us dividends or other distributions. The ability of our subsidiaries and such entities to declare and pay dividends or other distributions to us will in turn be dependent on the cash income of and cash available to such subsidiary or entity and may be restricted or subject to conditions under applicable laws, regulations or contractual agreements.

Any future declarations and payments of dividends will be at the absolute discretion of our Directors and will depend on our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors which our Directors consider relevant.

Exchange rate fluctuations may adversely affect the value of our Shares and any dividend distribution.

Our Shares will be quoted in Hong Kong dollars on the HKSE and in Singapore dollars on the SGX-ST. Dividends, if any, with respect to our Shares will be declared in Hong Kong dollars and converted to Singapore dollars for payment in relation to Shares which are listed on the SGX-ST. Fluctuations in the exchange rate between the Hong Kong dollars and the Singapore dollar will affect, among other things, the value of the dividends received in Singapore dollars by investors of our Shares listed on the SGX-ST. Please see the section entitled “*Exchange Rates and Exchange Controls — Exchange Rates*” of this Introductory Document for further information regarding fluctuations in the value of the Hong Kong dollars relative to the Singapore dollars.

The Introduction may not result in an active or liquid market on the SGX-ST for our Shares.

As at the date of this Introductory Document, there is no public market for our Shares in Singapore. We have received an eligibility-to-list letter from the SGX-ST to have our Shares listed on the SGX-ST. The listing and quotation of our Shares on the SGX-ST does not guarantee that a trading market for our Shares on the SGX-ST will develop or the liquidity of that market for our Shares. Although we currently intend that our Shares will remain listed on the HKSE and the SGX-ST, there is no assurance of the continued listing of our Shares on the SGX-ST.

Once our Shares are tradable on the SGX-ST, the trading prices of our Shares on the HKSE and the SGX-ST respectively may differ significantly due not only to currency fluctuations but also due to differences in market liquidity of our Shares, trading participants and investor bases, exchange trading systems and other factors outside our control. There is no guarantee that the trading price of our Shares on the SGX-ST will be equivalent to the trading price of our Shares on the HKSE.

Our post-Introduction Share price may not be reflective of our value and our Share price may be volatile in the future.

The listing will be by way of an Introduction. Unlike a listing undertaken with an initial public offering, there will not be a price-discovery process such as book building undertaken prior to and in connection with the Introduction. As such, the price of our Shares immediately post-Introduction may not reflect an appropriate value of our Company.

The price of our Shares may fluctuate widely, depending on various factors, including:

- changes in market valuations and share prices of companies with similar businesses to our Group that may be listed in Singapore and Hong Kong;
- announcements of significant acquisitions, strategic alliances or joint ventures;
- fluctuations in stock market prices and trading volume;
- involvement in material litigation;
- addition or departure of key personnel;
- success or failure of management in implementing business and growth strategies;
- variations in operating results;
- changes in securities analysts' recommendations, perceptions or estimates of our Group's financial performance;
- general changes in rules/regulations with regard to the bar industry that our Group operates in, including those that affect the demand for our Group's products and services; and
- changes in conditions affecting the bar industry in which our Group operates, the general economic conditions or stock market sentiments or other events or factors.

There is no assurance that we will remain listed on either the HKSE or the SGX-ST.

While our Shares are currently listed on the HKSE and will, following the Introduction, be listed on the SGX-ST, there is no assurance that they will continue to be so listed on both or either exchange in the future. We may not be able to continue to satisfy the listing requirements under the regulations of the HKSE or other relevant rules, regulations or laws in the Cayman Islands or Singapore. In addition, our eligibility to list on the SGX-ST is conditional upon, among others, the maintenance of our primary listing on the HKSE. In the event that our Shares cease to be listed on the HKSE, there is no assurance that our Shares will remain listed on the SGX-ST. If our Shares are suspended from quotation, removed from trading or otherwise cease to be traded on the HKSE or the SGX-ST, our Shareholders and CDP Depositors (as the case may be) will not be able to trade our Shares on the HKSE and/or the SGX-ST. Further, there is no assurance that any of such Shareholders or CDP Depositors will be entitled to compensation or an exit offer, or that the terms of any such compensation or exit offer will be satisfactory to them. If our Shares cease to be listed on the SGX-ST and in the event there is no exit offer or CDP Depositors choose not to accept the exit offer, such CDP Depositors may have to transfer their Shares to the HKSE for disposal or trading. Please see the section entitled "*Clearance and Settlement*" of this Introductory Document for further details regarding transfers of our Shares between the SGX-ST and the HKSE.

The price and trading volume of our Shares may be volatile, which could lead to substantial losses to investors.

The price and trading volume of our Shares may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of the securities in Hong Kong and elsewhere in the world. In particular, the business and performance and the market price of the shares of other companies engaging in similar business may affect the price and trading volume of our Shares. In addition to market and industry factors, the price and trading volume of our Shares may be highly volatile for specific business reasons, such as the results of our operations, regulatory developments affecting the bar industry, fluctuations in our revenue, earnings, cash flows, investments and expenditures, relationships with our suppliers, movements or activities of key personnel or actions taken by competitors.

Moreover, shares of other companies with significant operations and assets in the PRC that are listed on the HKSE and the SGX-ST have experienced price volatility in the past, and it is possible that our Shares may be subject to changes in price not directly related to our performance.

The different characteristics of the capital markets in Singapore and Hong Kong may negatively affect the trading prices of our Shares.

Upon the Introduction, we will be subject to Singapore and Hong Kong listing and regulatory requirements concurrently. The SGX-ST and HKSE have different trading hours, trading characteristics (including trading volume and liquidity), trading and listing rules, and investor bases (including different levels of retail and institutional participation). As a result of these differences, the trading prices of our Shares may not be the same, even allowing for currency differences. Fluctuations in the price of our Shares due to circumstances peculiar to the Hong Kong capital market could materially and adversely affect the price of our Shares, or *vice versa*. Certain events having significant negative impact specifically on the Hong Kong capital markets may result in a decline in the trading price of our Shares notwithstanding that such event may not impact the trading price of securities listed in Singapore generally or to the same extent, or *vice versa*. Due to the different characteristics of Singapore and Hong Kong capital markets, the historical market prices of our Shares may not be indicative of the trading performance of our Shares after the Introduction.

We will not be subject to full regulatory oversight from the SGX-ST after the Introduction and certain rules from the SGX-ST Listing Manual will not apply to us.

As our primary listing is on the HKSE and the listing of our Shares on the SGX-ST is a secondary listing, the HKSE will have primary regulatory oversight over our Company. Under the SGX-ST Listing Manual, a foreign issuer having a secondary listing on the SGX-ST, as is our case, need not comply with the SGX-ST Listing Manual, provided that it undertakes to:

- release all information and documents in English to the SGX-ST at the same time as they are released to the HKSE;

- inform the SGX-ST of any issue of additional securities in a class already listed on the SGX-ST and the decision of the HKSE; and
- to comply with such other Listing Rules as may be applied by the SGX-ST from time to time.

Whilst the SGX-ST has imposed certain conditions on us in connection with the listing of our Shares on the SGX-ST as stated in the section entitled “*Our Listing on the SGX-ST*” of this Introductory Document, our compliance with such conditions will nonetheless be less than that required of a company with a primary listing on the SGX-ST.

For example, we are also not subject to the continuing disclosure obligations under Chapters 9, 10 and 13 of the SGX-ST Listing Manual but will be subject to the relevant laws and regulations governing listed corporations on the HKSE. As we are not required to comply with Chapter 13 of the SGX-ST Listing Manual, CDP Depositors will not be entitled to an exit offer under Rule 1309(1) of the SGX-ST Listing Manual in the event of a delisting from the SGX-ST only. An announcement will be made to inform CDP Depositors in the event of a delisting from the SGX-ST.

Raising additional capital may cause dilution to our Shareholders or restrict our operations.

We may seek additional funding through a combination of equity offerings, debt financings, collaborations and licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest will be diluted, and the terms may include liquidation or other preferences that adversely affect the rights as a holder of our Shares. Issuance of additional Shares, or the possibility of such issuance, may cause dilution to our Shareholders if we issue additional Shares at a price which is lower than the net tangible asset value per Share prior to the issuance of such additional Shares or if new Shares other than on a *pro rata* basis are issued to then existing Shareholders, and may cause the market price of our Shares to decline. In addition, the incurrence of additional indebtedness or the issuance of certain equity securities could result in increased fixed payment obligations and could also result in certain additional restrictive covenants, such as limitations on our ability to incur additional debt or issue additional equity, and other operating restrictions that could adversely impact our ability to conduct our business. If we fail to utilise the additional funds raised to generate a commensurate increase in earnings, this will also lead to a dilution in our earnings per Share and could lead to a decline in the Share price.

CDP Depositors may be diluted as they may not be able to participate in any additional equity fundraising or rights issue.

We may in the future require additional equity funding after the Introduction and our Shareholders and CDP Depositors may face dilution of their shareholdings should we issue Shares to obtain such equity funding. Furthermore, if we were to conduct a rights issue in Hong Kong only, CDP Depositors may not be able to participate in such a rights issue. Compliance with securities laws or other regulatory provisions in Singapore may prevent us from offering

such rights to CDP Depositors without us incurring substantial additional costs (over and above any requirements we must comply with in Hong Kong) involved in the offering of such rights to CDP Depositors, including having to lodge an offer information statement with the MAS. If that is the case and Shares to be issued pursuant to a rights issue in Hong Kong only were offered to our Shareholders at a discount, CDP Depositors will face dilution of their beneficial shareholdings. Please see the section entitled “*Clearance and Settlement — Movement of Shares between Hong Kong and Singapore — “Transfer of Shares from Singapore to Hong Kong”*” of this Introductory Document for more information on the mechanism for conversion and transfer of Shares trading on the SGX-ST to Shares for trading on the HKSE to be eligible to participate in corporate actions offered to our Shareholders.

Future sale or major divestment of Shares by the Controlling Shareholders or financial investors of our Company may materially and adversely affect the prevailing market price of our Shares.

Our Controlling Shareholders own a significant number of Shares. The future sale of a significant number of our Shares in the public market, or the possibility of such sales, by the Controlling Shareholders or financial investors could materially and adversely affect the market price of our Shares and could materially impair our future ability to raise capital through offerings of our Shares. Any major disposal of our Shares by any of the Controlling Shareholders and financial investors (or the perception that these disposals may occur) may cause the prevailing market price of our Shares to fall, which may negatively impact our ability to raise equity capital in the future.

The interests of our Company may conflict with those of the Controlling Shareholders, who may take actions that are not in, or may conflict with, the best interests of our Company or our public shareholders.

The interests of the Controlling Shareholders may differ from the interests of our other Shareholders. If the interests of the Controlling Shareholders conflict with the interests of our other Shareholders, or if the Controlling Shareholders cause our business to pursue strategic objectives that conflict with the interests of our other Shareholders, the non-controlling Shareholders may be disadvantaged by the actions that the Controlling Shareholders choose to cause us to pursue.

The Controlling Shareholders have significant influence in determining the outcome of any corporate transaction or other matter submitted to our Shareholders for approval, including but not limited to, mergers, privatisations, consolidations and the sale of all, or substantially all, of our assets, election of directors, and other significant corporate actions. The Controlling Shareholders have no obligation to consider the interests of our Company or the interests of our other Shareholders. As such, the Controlling Shareholders’ interests may not necessarily be in line with the best interests of our Company or the interests of our other Shareholders, which may have a material and adverse effect on our Company’s business operations and the price at which our Shares are traded on the HKSE.

There are exchange rate risks in trading in our Shares.

Investors should note that prior to our Company conducting fundraising through an offering of Shares in Singapore in the future (with such Shares to be held through CDP), our Shares listed on the HKSE will need to be cancelled and withdrawn for delivery of Shares to enable transfer to the CDP for trading of our Shares on the SGX-ST. However, once our Company conducts fundraising through an offering of Shares in Singapore in the future (with such Shares to be held through CDP), investors will be able to trade our Shares on the SGX-ST and, subject to compliance with applicable laws, rules and regulations, may be able to convert our Shares for trading on the HKSE. Please see the section entitled “*Clearance and Settlement*” of this Introductory Document for more information.

Transactions in our Shares on the HKSE and transactions in our Shares on the SGX-ST will be settled in Hong Kong dollars and Singapore dollars respectively. However, should you sell our Shares on the HKSE or the SGX-ST, and you decide to convert the proceeds from the sale into Singapore dollars, you will be subject to the prevailing exchange rate between the Singapore dollars and Hong Kong dollars at the time you convert the proceeds from your sale into Singapore dollars. Any fluctuation in exchange rates of this nature may have an impact on the proceeds which you receive from the sale of your Shares. Please see the section entitled “*Exchange Rates and Exchange Controls*” of this Introductory Document for more information.

There may be difficulties in protecting your interests under the laws of the Cayman Islands.

Our corporate affairs are governed by, among other things, our Memorandum, Articles of Association, the Cayman Islands Companies Act and common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority Shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority Shareholders differ in some respects from those in other jurisdictions. Such differences may mean that the remedies available to the minority Shareholders may be different from those they would have under the laws of other jurisdictions.

Facts, forecasts and statistics in this Introductory Document relating to the bar industry may not be fully reliable.

Facts, forecasts and statistics in this Introductory Document relating to the bar industry are obtained from various sources that we believe are reliable, including official government publications. However, we cannot guarantee the quality or reliability of these sources. Neither we nor our respective affiliates or advisers have verified the facts, forecasts and statistics nor ascertained the underlying economic assumptions relied upon in those facts, forecasts and statistics obtained from these sources. Due to possibly flawed or ineffective collection methods or discrepancies between published information and factual information and other problems, the

industry statistics in this Introductory Document may be inaccurate and you should not place undue reliance on them. We make no representation as to the accuracy of such facts, forecasts and statistics obtained from various sources. Moreover, these facts, forecasts and statistics involve risk and uncertainties and are subject to change based on various factors and should not be unduly relied upon.

DIVIDEND POLICY

Statements contained in this section that are not historical facts are forward-looking statements. Such statements are subject to certain risks and uncertainties which could cause actual results to differ materially from those which may be forecasted and projected. Under no circumstances should the inclusion of such information herein be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by us, the Issue Manager, or any other person. Prospective investors are cautioned not to place undue reliance on these forward-looking statements that speak only as at the date hereof. See the section entitled “Notice to Investors — Forward-Looking Statements” of this Introductory Document.

Past Dividends

In respect of FY2023, our Board recommended the payment of the following dividends:

- (a) an interim dividend of RMB0.1162 per Ordinary Share of our Company out of the share premium account of our Company for the six (6) months ended 30 June 2023 (“6M2023”), payable in Hong Kong dollars. The total amount of interim dividends paid in respect of 6M2023 is approximately HK\$159.9 million; and
- (b) a final dividend of RMB0.3153 per Ordinary Share of our Company out of the share premium account of our Company for the year ended 31 December 2023, payable in Hong Kong dollars on 24 May 2024. The total amount of the final dividends paid for FY2023 is approximately HK\$438.6 million.

The total amount of dividends declared for FY2023 is approximately RMB545.9 million.

Save for the foregoing, no Group Company has declared or paid any dividends during the Period Under Review up to the Latest Practicable Date.

Dividend Policy

Payment of dividends by our Company is subject to the Hong Kong Companies Ordinance and our Memorandum and Articles of Association. Our 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 our Board. In considering whether to propose dividends and determining the dividend amount, our Board will take into account the factors outlined below:

- (i) our Group’s actual and expected financial performance;
- (ii) retained earnings and distributable reserves of our Company and each of the subsidiaries of our Group;
- (iii) our Group’s working capital requirements, capital expenditure requirements and future expansion plans;

- (iv) our Group's liquidity position;
- (v) contractual restrictions on the payment of dividends by our Company to our Shareholders or by the subsidiaries to our Company;
- (vi) taxation considerations;
- (vii) general economic conditions, business cycle of our Group's business and other internal and external factors that may have an impact on the business or financial performance and position of our Group; and
- (viii) other factors that our Board considers relevant.

Our Board will continue to review the dividend policy from time to time. There is no assurance that dividends will be paid in any particular amount for any given period.

We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend may be paid out of the profits or out of the share premium account of our Company. PRC laws require a foreign-invested enterprise to make up for its accumulative losses out of its after-tax profits and allocate at least ten per cent. (10%) of its remaining after-tax profits, if any, to fund its statutory reserves until the aggregate amount of its statutory reserves exceeds 50% of its registered capital.

Shareholders whose Shares are held through CDP will receive their dividends through CDP in Singapore dollars. We will make the necessary arrangements to convert the dividends into the Singapore dollar equivalent at the prevailing exchange rate obtained by us on the relevant date for onward distribution to CDP and CDP's onward distribution to entitled Shareholders. Neither our Company nor CDP will be liable for any loss incurred due to the conversion of the dividend entitlement of Shareholders holding their Shares through CDP into the Singapore dollar equivalent.

No inference should or can be made from any of the foregoing statements as to our Company's actual future profitability or our Company's ability to pay dividends in any of the periods discussed.

CAPITALISATION AND INDEBTEDNESS

The information in this section should be read in conjunction with the sections in this Introductory Document titled “*Summary — Selected Consolidated Financial Information*”, “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” as well as “*Appendix A — Audited Consolidated Financial Statements of Helens International Holdings Company Limited and its Subsidiaries as at and for each of the years ended 31 December 2021, 2022 and 2023*”.

The table below sets out our cash and cash equivalents as well as the capitalisation and indebtedness of our Group as at 31 December 2023 based on our audited consolidated financial statements.

| | Audited as at 31 December 2023 |
|--|---|
| | (RMB in millions) |
| Cash and cash equivalents | 625.6 |
| Current indebtedness | |
| Secured | — |
| Guaranteed | — |
| Non-guaranteed | — |
| Unsecured | — |
| Guaranteed | — |
| Non-guaranteed | — |
| Non-current indebtedness | — |
| Secured | — |
| Guaranteed | — |
| Non-guaranteed | — |
| Unsecured | — |
| Guaranteed | — |
| Non-guaranteed | — |
| Total indebtedness | — |
| Total Shareholders’ equity | 1,821.4 |
| Total capitalisation and indebtedness | 1,821.4 |

Contingent Liabilities

As at the Latest Practicable Date, we do not have any material contingent liabilities.

We currently do not have any bank borrowings or credit arrangements.

MARKET PRICE INFORMATION

The following table sets out certain historical pricing and trading volume information of our Shares on the HKSE. No inference should or can be made from any of the information below as to the actual price or movement of our Shares for any other periods.

Our Shares are currently listed on the HKSE. The following table sets out certain pricing and trading volume information for our Shares on the HKSE for FY2021, FY2022, FY2023 and each of the last six (6) months prior to the Latest Practicable Date. No inference should or can be made from any of the information below as to our actual share price performance or movement of our Shares. There can be no assurance that the market price of our Shares following the close of the Introduction will attain a price which is higher or lower than the range of prices set forth below or any price.

| Period | High (HK\$) ⁽¹⁾⁽⁴⁾ | Low (HK\$) ⁽¹⁾⁽⁴⁾ | Average Daily Trading Volume (Number of Shares) ⁽²⁾⁽⁴⁾ |
|--|----------------------------------|---------------------------------|---|
| FY2021 ⁽³⁾ | 24.30 | 14.92 | 3,366,293 |
| FY2022 ⁽³⁾ | 20.55 | 7.55 | 4,526,781 |
| FY2023 ⁽³⁾ | 17.12 | 3.70 | 3,329,129 |
| December 2023 | 4.63 | 3.70 | 2,174,604 |
| January 2024 | 3.71 | 3.06 | 2,559,814 |
| February 2024 | 3.60 | 2.85 | 1,817,087 |
| March 2024 | 3.56 | 2.89 | 1,969,388 |
| April 2024 | 3.60 | 2.72 | 2,553,594 |
| May 2024 | 3.77 | 2.79 | 3,694,911 |
| 1 June 2024 to the Latest Practicable Date | 2.92 | 2.52 | 1,394,400 |

Notes:

- (1) Based on daily closing prices.
- (2) The average daily trading volume is computed based on the total volume of shares traded on HKSE during the relevant periods, divided by the number of days when the HKSE was open for trading (excluding days with full day trading halts).
- (3) Information pertaining to FY2021, FY2022 and FY2023 are taken from 10 September 2021 to 31 December 2021, 1 January 2022 to 31 December 2022 and 1 January 2023 to 31 December 2023, respectively.
- (4) Source: Bloomberg L.P. Bloomberg L.P. has not provided its consent to the inclusion of the information extracted from its database and is therefore not liable for such information. While our Company and the Issue Manager have taken reasonable actions to ensure the information from Bloomberg L.P.'s database has been reproduced in its proper form and context, and that such information is extracted accurately and fairly in this Introductory Document, neither our Company, our Directors, the Issue Manager nor any other party has conducted an independent review of the information contained in that database or verified the accuracy of the contents of the relevant information.

The following table sets out the highest and lowest market prices of our Shares on the HKSE for each financial quarter of the two (2) most recently completed financial years and subsequent quarters before the date of this Introductory Document.

| Period | High (HK\$)⁽¹⁾⁽²⁾ | Low (HK\$)⁽¹⁾⁽²⁾ |
|---|---|--|
| Quarter ended 31 March 2022 | 20.55 | 8.75 |
| Quarter ended 30 June 2022 | 18.10 | 9.11 |
| Quarter ended 30 September 2022 | 16.90 | 10.88 |
| Quarter ended 31 December 2022 | 15.82 | 7.55 |
| Quarter ended 31 March 2023 | 17.12 | 12.78 |
| Quarter ended 30 June 2023 | 13.22 | 7.18 |
| Quarter ended 30 September 2023 | 9.12 | 5.99 |
| Quarter ended 31 December 2023 | 6.15 | 3.70 |
| Quarter ended 31 March 2024 | 3.71 | 2.85 |
| April 2024 to the Latest Practicable Date | 3.77 | 2.52 |

Notes:

- (1) Source: Bloomberg L.P. Bloomberg L.P. has not provided its consent to the inclusion of the information extracted from its database and is therefore not liable for such information. While our Company and the Issue Manager have taken reasonable actions to ensure the information from Bloomberg L.P.'s database has been reproduced in its proper form and context, and that such information is extracted accurately and fairly in this Introductory Document, neither our Company, our Directors, the Issue Manager nor any other party has conducted an independent review of the information contained in that database or verified the accuracy of the contents of the relevant information.
- (2) The high and low amounts were based on the highest and lowest closing prices, respectively, for our Shares for the particular period.

The closing price of our Shares on the HKSE as at the Latest Practicable Date was HK\$2.52. The closing price of our Shares on the HKSE as at date of the last trading day before the date of this Introductory Document, was HK\$2.28.

There has been no significant trading suspension that has occurred on the HKSE during the last three (3) years immediately preceding the Latest Practicable Date. Our Shares are regularly traded on the HKSE.

EXCHANGE RATES AND EXCHANGE CONTROLS

EXCHANGE RATES

Exchange rates between RMB and S\$

The table below sets forth, for the periods indicated, certain information on the exchange rates between the RMB and the Singapore dollar (in RMB per Singapore dollar), as quoted by Bloomberg L.P. and rounded to two (2) decimal places. These exchange rates have been presented solely for information only. We make no representation that the RMB or Singapore dollar amounts set out below and referred to elsewhere in this Introductory Document could have been or could be converted into any of the respective other currencies at the rates indicated or at any other rate or at all.

| Period | Closing Exchange Rates RMB per Singapore dollar ⁽¹⁾ | | | |
|--|---|--------------------|------------------------|------------|
| | High ⁽²⁾ | Low ⁽²⁾ | Average ⁽³⁾ | Period End |
| Financial year ended 31 December: | | | | |
| FY2021 ⁽⁴⁾ | 4.92 | 4.65 | 4.80 | 4.72 |
| FY2022 ⁽⁴⁾ | 5.25 | 4.63 | 4.91 | 5.16 |
| FY2023 ⁽⁴⁾ | 5.46 | 5.08 | 5.29 | 5.40 |
| Month: | | | | |
| December 2023 | 5.42 | 5.34 | 5.37 | 5.40 |
| January 2024 | 5.40 | 5.34 | 5.38 | 5.36 |
| February 2024 | 5.38 | 5.35 | 5.36 | 5.36 |
| March 2024 | 5.41 | 5.37 | 5.39 | 5.38 |
| April 2024 | 5.38 | 5.31 | 5.35 | 5.31 |
| May 2024 | 5.39 | 5.32 | 5.36 | 5.38 |
| 1 June 2024 to the Latest Practicable Date (both inclusive) | 5.39 | 5.37 | 5.38 | 5.38 |

Notes:

- (1) Source: Bloomberg L.P. Bloomberg L.P. has not provided its consent to the inclusion of the information extracted from its database and is therefore not liable for such information. While our Company and the Issue Manager have taken reasonable actions to ensure the information from Bloomberg L.P.'s database has been reproduced in its proper form and context, and that such information is extracted accurately and fairly in this Introductory Document, neither our Company, our Directors, the Issue Manager nor any other party has conducted an independent review of the information contained in that database or verified the accuracy of the contents of the relevant information.
- (2) The high and low amounts were determined using the closing exchange rates at the end of each day during the period indicated.
- (3) The yearly average rate was determined using the closing exchange rates on the last day of each month during the period indicated. The monthly or periodic average rate was determined using the closing exchange rates at the end of each day during the period indicated.
- (4) Information pertaining to FY2021, FY2022 and FY2023 are taken from 10 September 2021 to 31 December 2021, 1 January 2022 to 31 December 2022 and 1 January 2023 to 31 December 2023, respectively.

On the Latest Practicable Date, the closing exchange rate between the RMB and the Singapore dollar (in RMB per Singapore dollar) was RMB5.38:S\$1.00.

EXCHANGE CONTROLS

Cayman Islands

There are currently no exchange control regulations or currency restrictions in the Cayman Islands.

The PRC

The principal law governing foreign currency exchange in the PRC is the Foreign Exchange Administration Regulations of the PRC (《中华人民共和国外汇管理条例》). The Foreign Exchange Administration Regulations was promulgated by the PRC State Council on 29 January 1996 and amended from time to time. Under existing PRC foreign exchange regulations, currency transactions within the scope of the current account, including profit distributions, interest payments and expenditures from trade-related transactions, can be effected without requiring the approval of the PRC SAFE by complying with certain procedural requirements, while the payment under capital account will require the approval of or registration with the PRC SAFE or its local branch or its designated banks.

On 9 June 2016, the PRC SAFE promulgated the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《关于改革和规范资本项目结汇管理政策的通知》) (the “**PRC SAFE Circular 16**”). It unifies the Discretionary Foreign Exchange Settlement for all the domestic institutions, which refers to the foreign exchange capital under the capital account which has been confirmed by the relevant policies subject to the Discretionary Foreign Exchange Settlement (including foreign exchange capital, foreign debts and funds remitted from the proceeds from the overseas listing) and can be settled at the banks based on the actual operational needs of the domestic institutions. The proportion of Discretionary Foreign Exchange Settlement of the foreign exchange capital is temporarily determined as 100%. Furthermore, the PRC SAFE Circular 16 stipulates that the use of foreign exchange incomes of capital accounts by foreign-invested enterprises (“**FIEs**”) shall follow the principles of authenticity and self-use within the business scope of enterprises. The foreign exchange incomes of capital accounts and capital in Renminbi obtained by FIEs from foreign exchange settlement shall not be used for the following purposes: (a) directly or indirectly used for the payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations; (b) directly or indirectly used for investment in securities or financial schemes other than bank guaranteed products, unless otherwise provided by relevant laws and regulations; (c) used for granting loans to non-connected enterprises, unless otherwise explicitly permitted by its business scope; and (d) used for the construction or purchase of real estate that is not for self-use (except for the real estate enterprises). On 23 October 2019, the PRC SAFE issued the Notice of SAFE on Further Facilitating Cross-border Trade and Investment (《关于进一步促进跨境贸易投资便利化的通知》), which, among other

things, allows non-investment foreign-invested enterprises to use their capital funds to make equity investments in the PRC, provided that such investments do not violate the Negative List (as defined below) and the target investment projects are genuine and in compliance with laws.

According to the Circular of SAFE on Optimising Foreign Exchange Administration to Support the Development of Foreign-related Business (《国家外汇管理局关于优化外汇管理支持涉外业务发展的通知》) promulgated on 10 April 2020 by the PRC SAFE, the reform of facilitating the payments of incomes under the capital accounts shall be promoted nationwide. Enterprises satisfying the prescribed requirements are allowed to use receipts under the capital accounts such as capital funds, foreign debts and overseas listings for domestic payment without providing banks with authenticity certification materials on a transaction-by-transaction basis in advance, under the premise that funds are used in a truthful and compliant manner and comply with the existing provisions on the administration of use of receipts under capital accounts.

Hong Kong

There are currently no foreign exchange control restrictions or similar laws, decrees, regulatory or other requirements in Hong Kong.

Singapore

There are currently no foreign exchange control restrictions or similar laws, decrees, regulatory or other requirements in Singapore.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

We discuss below our historical results of operations and financial position for the Period Under Review which should be read in conjunction with our audited consolidated financial statements for FY2021, FY2022 and FY2023 and the accompanying notes and the related audit reports as set out in “Appendix A — Audited Consolidated Financial Statements of Helens International Holdings Company Limited and its Subsidiaries as at and for each of the years ended 31 December 2021, 2022 and 2023”. We have prepared our financial statements in accordance with HKFRS, which may differ in certain significant respects from generally accepted accounting principles in other countries.

Prospective investors should read the following discussion and analysis of our financial condition and results of operations in conjunction with the sections entitled “Risk Factors” and “Summary — Selected Consolidated Financial Information” of this Introductory Document and our consolidated financial statements and the related notes included elsewhere in this Introductory Document. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results and the timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those described under the section entitled “Risk Factors” and elsewhere in this Introductory Document. See the section entitled “Notice to Investors — Forward-Looking Statements” of this Introductory Document. Our consolidated financial statements have been prepared in accordance with the HKFRS.

OVERVIEW

We are an international bar chain network, operating under the brand “Helen’s” (海伦司). As at 31 December 2021, 2022, 2023 and 19 March 2024, the total number of bars in our bar network (including franchised bars) was 782, 767, 479, and 503 respectively. The reason for the decrease in the number of our Group’s bars from FY2021 to FY2022 is largely due to the impact of Covid-19 pandemic and the reason for the decrease in the number of our Group’s bars from end FY2022 to 19 March 2024 is largely due to the unfavourable economic conditions and weakening of consumers’ purchasing power.

Our Helen’s branded alcoholic drinks mainly include Helen’s draft beer, Helen’s craft beer, Helen’s fruit-flavoured beer and Helen’s milk beer. We also enrich our customers’ choices by providing products of third-party brands that are well known among the youth, including Budweiser, Corona, 1664 and Heineken.

In FY2021, FY2022 and FY2023, our revenue was RMB1.84 billion, RMB1.56 billion and RMB1.21 billion, respectively. Despite the decrease in revenue, we recorded an adjusted net profit of RMB280.2 million in 2023, with an adjusted net profit margin of 23.3%, compared to an adjusted net loss of RMB240.8 million in 2022. Even though the COVID-19 pandemic in various jurisdictions where we operate had an impact on the operation and profitability of our bars, we

adapted by adopting a new Franchised Cooperation Model in the second half of FY2022 and launching the “HiBeer Partnership” Programme in June 2023. We believe that such strategic partnerships will bring profitability and strengthen our financial position in the longer term.

Please refer to the section entitled “*Business*” of this Introductory Document for more details on our Group’s business.

Our revenue is primarily affected by, *inter alia*, the following factors:

- (i) the number of bars we operate and our ability to source and secure strategy locations for our bars;
- (ii) our ability to compete successfully with competitors (existing and new entrants) in terms of pricing, food quality, variety of food and beverage, music entertainment, marketing tactics and standards of services in the markets that we operate in;
- (iii) changes in economic and social conditions, in particular consumer spending and preferences and lifestyle trends; and
- (iv) outbreak of contagious diseases which may affect consumers’ willingness to consume food at food outlets.

Please refer to the section entitled “*Risk Factors*” of this Introductory Document for further details on the above factors and other factors that may affect our revenue.

The breakdown of our revenue by segment and services for the Period Under Review is set out in the table below:

| | ← Audited → | | | | | |
|---|------------------|--------------|------------------|--------------|------------------|--------------|
| | FY2021 | | FY2022 | | FY2023 | |
| | RMB '000 | % | RMB '000 | % | RMB '000 | % |
| Helen's branded products | | | | | | |
| Helen's beer | 456,759 | 24.9 | 280,798 | 18.0 | 125,996 | 10.4 |
| Spirituous drinks | 616,652 | 33.6 | 579,749 | 37.2 | 498,784 | 41.3 |
| Snacks | 358,194 | 19.5 | 331,827 | 21.3 | 233,933 | 19.4 |
| Third-party brand alcoholic drinks | 350,455 | 19.1 | 311,213 | 20.0 | 225,727 | 18.7 |
| Other products ⁽¹⁾ | 40,334 | 2.2 | 36,277 | 2.3 | 12,219 | 1.0 |
| Other revenue ⁽²⁾ | 12,714 | 0.7 | 8,124 | 0.5 | 6,641 | 0.5 |
| Revenue from franchising cooperation service ⁽³⁾ | 508 | 0.0 | 11,320 | 0.7 | 71,107 | 5.9 |
| Revenue from sales of products to "HiBeer Partnership" bars | — | — | — | — | 34,206 | 2.8 |
| Total | 1,835,616 | 100.0 | 1,559,308 | 100.0 | 1,208,613 | 100.0 |

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 services to franchised bars and "HiBeer Partnership" bars.

The breakdown of our revenue by geographical location for the Period Under Review is set out in the table below:

| | ← Audited → | | | | | |
|--------------------|------------------|--------------|------------------|--------------|------------------|--------------|
| | FY2021 | | FY2022 | | FY2023 | |
| | RMB '000 | % | RMB '000 | % | RMB '000 | % |
| The PRC | 1,832,982 | 99.9 | 1,555,202 | 99.7 | 1,200,697 | 99.3 |
| Outside of the PRC | 2,634 | 0.1 | 4,106 | 0.3 | 7,916 | 0.7 |
| Total | 1,835,616 | 100.0 | 1,559,308 | 100.0 | 1,208,613 | 100.0 |

Government grants and concessions

Our government grants and concessions mainly consist of various government grants, tax relief benefits, exemptions on value-add tax, investment incentives granted by the government to foreign-funded enterprises, and gain on COVID-19 rent concessions.

The breakdown of our government grants and concessions used for the Period Under Review is set out in the table below:

| | Audited | | | | | |
|-----------------------------------|-----------------|--------------|-----------------|--------------|-----------------|--------------|
| | FY2021 | | FY2022 | | FY2023 | |
| | RMB '000 | % | RMB '000 | % | RMB '000 | % |
| Government grants | 13,540 | 96.5 | 26,491 | 69.3 | 8,953 | 100.0 |
| Gain on COVID-19 rent concessions | 484 | 3.5 | 11,711 | 30.7 | — | — |
| Total | 14,024 | 100.0 | 38,202 | 100.0 | 8,953 | 100.0 |

Cost of raw materials and consumables used

Our cost of raw materials and consumables mainly consist of the purchase of goods from our suppliers for: (i) Helen's branded products, including alcoholic drinks and snacks, manufactured by third-party suppliers engaged by us; (ii) third-party brand alcoholic drinks; and (iii) other consumables necessary for the operation of Helen's bars.

In FY2021, FY2022 and FY2023, the cost of our raw material and consumables used were RMB576.8 million, RMB561.9 million and RMB359.8 million, representing 31.4%, 36.0% and 29.8% of our total revenue in the same periods, respectively.

Please refer to the section entitled "*Risk Factors*" of this Introductory Document for further details on the above factors and other factors that may affect our cost of raw materials and consumables used.

Employee benefit and manpower service expenses

Our employee benefit and manpower service expenses mainly consist of: (i) wages, salaries and other benefits for our staff; (ii) provision for pension cost and social insurance for our staff; (iii) equity settled share-based payments; and (iv) manpower service expenses paid to hire outsourcing staff from human resource outsourcing service providers and paid to such providers as service fees and advisory work.

The breakdown of our employee benefit and manpower service expenses used for the Period Under Review is set out in the table below:

| | Audited | | | | | |
|--|-----------------|--------------|------------------|--------------|-----------------|--------------|
| | FY2021 | | FY2022 | | FY2023 | |
| | RMB '000 | % | RMB '000 | % | RMB '000 | % |
| Wages, salaries and other benefits | 213,871 | 36.8 | 157,784 | 15.7 | 111,842 | 37.4 |
| Pension costs — defined contribution schemes | 32,572 | 5.6 | 28,230 | 2.8 | 20,710 | 6.9 |
| Equity settled share-based payments | 91,683 | 15.8 | 503,191 | 50.1 | — | — |
| Total employee benefit expenses (including directors' remuneration) | 338,126 | 58.1 | 689,205 | 68.7 | 132,552 | 44.4 |
| Manpower service expenses | 243,502 | 41.9 | 314,250 | 31.3 | 166,248 | 55.6 |
| Total | 581,628 | 100.0 | 1,003,455 | 100.0 | 298,800 | 100.0 |

In FY2021, FY2022 and FY2023, our employee benefit and manpower service expenses were RMB581.6 million, RMB1,003.5 million and RMB298.8 million, representing 31.7%, 64.4% and 24.7% of our total revenue in the same periods, respectively.

Depreciation of right-of-use assets

Our depreciation of right-of-use assets mainly consist of the depreciation of capitalised lease incurred by long-term leased properties for operating Helen's bars. In FY2021, FY2022 and FY2023, our depreciation of right-of-use assets were RMB220.2 million, RMB315.9 million and RMB110.2 million, representing 12.0%, 20.3% and 9.1% of our total revenue in the same periods, respectively.

Depreciation of property, plant and equipment

Our depreciation of property, plant and equipment mainly consist of: (i) the depreciation and amortisation fee of our building, kitchen equipment and other long-term assets; and (ii) the depreciation fee of decoration cost for our bars and our offices. In FY2021, FY2022 and FY2023, our depreciation of property, plant and equipment was RMB82.6 million, RMB200.0 million and RMB89.4 million, respectively, representing 4.5%, 12.8% and 7.4% of our total revenue in the same periods, respectively.

Amortisation of intangible assets

Our amortisation of intangible assets mainly consists of the amortisation fee incurred from office software and internal office systems. In FY2021, FY2022 and FY2023, our amortisation of intangible assets was RMB17,000 for each of the years.

Short-term rental and other related expenses

Our short-term rental and other related expenses mainly consist of rent and related fees in relation to short-term leases for our staff dormitories. In FY2021, FY2022 and FY2023, our short-term rental and other related expenses were RMB46.9 million, RMB84.8 million and RMB43.2 million, representing 2.6%, 5.4% and 3.6% of our total revenue in the same periods, respectively.

Utilities expenses

Our utilities expenses include electricity, water and internet charges paid by us for Helen's bars and staff dormitories. In FY2021, FY2022 and FY2023, our utilities expenses were RMB57.7 million, RMB65.1 million and RMB34.8 million, representing 3.1%, 4.2% and 2.9% of our total revenue in the same periods, respectively.

Travelling and related expenses

Our travelling and related expenses mainly consist of: (i) expenses incurred for site visits of our staff to selected locations for potential new bars in order to expand our bars network; and (ii) the related fees such as accommodation, transportation and documentation incurred to obtain mandatory qualifications and licences for opening new bars. In FY2021, FY2022 and FY2023, our travelling and related expenses were RMB12.6 million, RMB11.5 million and RMB13.4 million, representing 0.7%, 0.7% and 1.1% of our total revenue in the same periods, respectively.

Listing expenses

Our listing expenses mainly represent the expenses incurred in relation to our HKSE Listing. We have incurred listing expenses of RMB30.9 million in FY2021.

Advertising and promotion expenses

Our advertising and promotion expenses represent the expenses incurred by us for the marketing of Helen's bars. We promote our awareness mainly through word-of-mouth referral and online promotion, including promotion on online platforms such as WeChat official accounts, Weibo and Douyin, and incur advertising and promotion expenses as a result of these online promotions. Our marketing events also include: (i) the promotions we launch for promoting new bars; and (ii) marketing activities organized for festivals such as Thanksgiving. In addition, our marketing activities include some daily promotion. In FY2021, FY2022 and

FY2023, our advertising and promotion expenses were RMB42.5 million, RMB34.4 million and RMB19.7 million, representing 2.3%, 2.2% and 1.6% of our total revenue in the same periods, respectively.

Other expenses

Our other expenses mainly consist of: (i) logistics and warehousing expenses, representing the expenses incurred to engage third-party logistics companies to provide delivery and warehousing services; (ii) office expenses, representing expenses incurred to support different departments in daily work; (iii) repair and maintenance expenses, representing expenses incurred for repairing and maintaining the equipment of our bars; (iv) auditor's remuneration; (v) cleaning and garbage handling fees; (vi) service fees to third-party platform service providers; and (vii) software development fees.

The breakdown of our other expenses used for the Period Under Review is set out in the table below:

| | Audited | | | | | |
|--|-----------------|--------------|-----------------|--------------|-----------------|--------------|
| | FY2021 | | FY2022 | | FY2023 | |
| | RMB '000 | % | RMB '000 | % | RMB '000 | % |
| Logistics and warehousing-related costs | 51,731 | 52.3 | 43,829 | 42.2 | 35,905 | 45.3 |
| Office expenses | 11,369 | 11.5 | 7,367 | 7.1 | 4,984 | 6.3 |
| Repair and maintenance | 5,033 | 5.1 | 8,576 | 8.3 | 5,612 | 7.1 |
| Auditor's remuneration | | | | | | |
| — Audit services | 4,900 | 5.0 | 5,800 | 5.6 | 3,000 | 3.8 |
| — Non-audit services | 715 | 0.7 | 1,035 | 1.0 | 940 | 1.2 |
| Cleaning and garbage handling fees | 4,736 | 4.8 | 4,083 | 3.9 | 3,065 | 3.9 |
| Service fees to third-party platform service providers | 8,520 | 8.6 | 10,845 | 10.4 | 8,695 | 11.0 |
| Software development fees | 4,404 | 4.5 | 7,636 | 7.4 | 3,981 | 5.0 |
| Others | 7,454 | 7.5 | 14,616 | 14.1 | 13,075 | 16.5 |
| Total | 98,862 | 100.0 | 103,787 | 100.0 | 79,257 | 100.0 |

In FY2021, FY2022 and FY2023, our other expenses were RMB98.9 million, RMB103.8 million and RMB79.3 million, representing 5.4%, 6.7% and 6.6% of our total revenue in the same periods, respectively.

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

Our impairment losses of plant and equipment and right-of-use assets mainly consist of impairment of furniture and fixtures and leasehold improvements. In FY2021, FY2022 and FY2023, our impairment losses of plant and equipment and right-of-use assets were RMB11.0 million, RMB712.9 million and RMB11.3 million, representing 0.6%, 45.7% and 0.9% of our total revenue in the same periods, respectively.

Fair value changes of convertible preferred shares

The fair value changes were mainly due to the subsequent changes in the fair value of the convertible preferred shares that were issued in February 2021 and measured at fair value, with changes amortisation in profit or loss. On 10 September 2021, all the convertible preferred shares were converted into the same number of Ordinary Shares.

Other losses, net

Other losses mainly comprised of: (i) loss on disposal of plant and equipment; (ii) loss on rental deposits; (iii) penalties and compensation paid for early termination; (iv) gain on termination of leases; and (v) foreign exchange gains. In FY2021, FY2022 and FY2023, our other losses were nil, RMB83.2 million and RMB46.3 million, representing nil, 5.3% and 3.8% of our total revenue in the same periods, respectively.

Finance income

Our finance income represents interest income generated from our bank deposits. In FY2021, FY2022 and FY2023, our finance income was RMB0.6 million, RMB5.0 million and RMB68.6 million, respectively.

Finance costs

Our finance costs mainly consist of: (i) interest of lease liabilities; and (ii) interest of borrowings. In FY2021, FY2022 and FY2023, our finance costs were RMB57.7 million, RMB42.0 million and RMB27.8 million, representing 3.1%, 2.7% and 2.3% of our total revenue in the same periods, respectively.

(Loss)/profit before income tax

As a result of the above, loss before tax amounted to RMB176.9 million and RMB1,616.5 million in FY2021 and FY2022 respectively. Profit before tax amounted to RMB152.0 million in FY2023.

Income tax expense/(credit)

Our Group is subject to income tax at the applicable tax rates in Singapore, Hong Kong and the PRC. The statutory tax rate in Singapore, Hong Kong and the PRC was 17.0%, 16.5% and 25.0% respectively during FY2021, FY2022 and FY2023. In FY2021, our income tax expense

was RMB53.2 million. In FY2022 and FY2023, our income tax credit is RMB15.3 million and RMB28.5 million, respectively. Our income tax represents the income tax paid or payable at the applicable rate in accordance with the relevant laws and regulations of each tax jurisdiction in which we operate or are registered.

REVIEW OF RESULTS OF OPERATIONS

FY2021 vs FY2022

Revenue

Our revenue decreased by 15.1% from RMB1,835.6 million in FY2021 to RMB1,559.3 million in FY2022, primarily due to the impact of the recurrent outbreaks of COVID-19 on the operation of our bars. In the second half of FY2022, there was a significant increase in the frequency of COVID-19 outbreaks affecting the sales of our bars. To cope with the challenges of the COVID-19 outbreaks, we closed and suspended certain bars in the fourth quarter of FY2022.

Government grants and concessions

Our government grants and concessions increased from RMB14.0 million in FY2021 to RMB38.2 million in FY2022. This was mainly due to increase in investment incentives granted by the government to foreign-funded enterprises and an increase in gain from COVID-19 rent concessions.

Cost of raw materials and consumables used

The cost of our raw materials and consumables used decreased by 2.6% from RMB576.8 million in FY2022 to RMB561.9 million FY2021. The decrease in the cost of raw materials and consumables used was mainly due to the decrease in number of self-operated bars and the decline in revenue in FY2022. We operated 653 self-operated bars as at 31 December 2022 compared to 782 self-operated bars as at 31 December 2021. The decrease in the cost of raw materials and consumables used was lower than the decrease in revenue, mainly due to the intensified efforts in our promotional activities, which mainly included marketing giveaway campaign in the first half of FY2022 and promotion of inventory close to expiry due to the closure and suspension of operation of our bars in the second half of FY2022.

Employee benefit and manpower service expenses

Our employee benefit and manpower service expenses increased by 72.5% from RMB581.6 million in FY2021 to RMB1,003.5 million FY2022. The substantial increase in employee benefit and manpower service expenses was mainly attributable to:

- (i) an increase in equity settled share-based payments of RMB411.5 million;
- (ii) an increase in manpower service expense of RMB70.7 million due to the hiring of outsourcing staff from third-party labour outsourcing companies;

- (iii) a decrease in wages, salaries, other benefits of RMB56.1 million due to the continued impact of the COVID-19 pandemic and the closure and suspension of some bars; and
- (iv) a decrease in pension costs of RMB4.3 million.

Depreciation of right-of-use assets

The depreciation of our right-of-use assets increased by 43.5% from RMB220.2 million in FY2021 to RMB315.9 million in FY2022. The increase was mainly due to the increase in the number of bars from 471 bars as at 30 June 2021 to 846 bars as at 30 June 2022.

Depreciation of property, plant and equipment

The depreciation of our property, plant and equipment increased by 142.1% from RMB82.6 million in FY2021 to RMB200.0 million in FY2022. The increase was mainly due to the increase in the fixed assets of our bars with the rapid growth in the number of bars from 471 bars as at 30 June 2021 to 846 bars as at 30 June 2022 and commencement of use of a newly acquired building.

Amortisation of intangible assets

Our amortisation of intangible assets remained at RMB17,000 for FY2021 and FY2022, representing the amortisation expenses incurred in software.

Short-term rental and other related expenses

Our short-term rental and other related expenses increased by 80.8% from RMB46.9 million in FY2021 to RMB84.8 million in FY2022. The increase was mainly due to: (i) an increase in the number of our bars from 471 bars as at 30 June 2021 to 846 bars as at 30 June 2022, resulting in an increase in bars rental fee and property fees; (ii) an increase in staff dormitories we leased for a short term as the number of our bar staff increased with the rapid expansion of our bar network and an increase in the rental fee from the second half of FY2021 to the first half of FY2022.

Utilities expenses

Our utilities expenses increased by 12.8% from RMB57.7 million in FY2021 to RMB65.1 million in FY2022. The increase was primarily due to expansion of our bar network from 471 bars as at 30 June 2021 to 846 bars as at 30 June 2022.

Travelling and related expenses

Our travelling and related expenses decreased by 8.7% from RMB12.6 million in FY2021 to RMB11.5 million in FY2022. The decrease was primarily due to a fall in frequency of employees' business travel expenses due to the pandemic control.

Advertising and promotion expenses

Our advertising and promotion expenses decreased by 19.1% from RMB42.5 million in FY2021 to RMB34.4 million in FY2022, mainly due to our implementation of refined management and cost savings.

Other expenses

Our other expenses increased by 5.0% from RMB98.9 million in FY2021 to RMB103.8 million in FY2022 mainly due to slight increase in repair and maintenance, service fees paid to third-party platform service providers, software development fees and other miscellaneous expenses.

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

Our impairment losses significantly increased from RMB11.0 million in FY2021 to RMB712.9 million in FY2022. The increase was primarily due to the continued impact of the COVID-19 pandemic in FY2022, including the closure and suspension of operations of certain bars during certain periods of the year, severe reduction in passenger flow as a result of the prevention and control measures, and the resulting decline in the operating performance of certain bars. The management of our Group identified impairment indicators on the plant and equipment and right-of-use assets of certain bars, and conducted impairment assessment on these bars after considering the uncertainties in economic recovery cycle in future.

Other losses, net

In FY2022, we incurred net other losses of RMB83.2 million which mainly comprised: (i) net losses of RMB140.2 million arising from the aggregation of disposal of plant and equipment, termination of leases, impairment of plant and equipment, and losses on rental deposits, all of which were incurred due to the continued impact of the COVID-19 pandemic and our Group's strategic consideration of bars' optimisation and adjustments including the closure of certain bars; and (ii) exchange gain of RMB61.1 million due to appreciation of US dollar and/or HK dollar-denominated assets.

Finance income

Our finance income increased by 781.0% from RMB563,000 in FY2021 to RMB4,960,000 in FY2022. The increase was primarily due to the increase in interest income from bank deposits in FY2022 as a result of the proceeds raised from our HKSE Listing.

Finance costs

Our finance expenses decreased by 27.2% from RMB57.7 million in FY2021 to RMB42.0 million in FY2022. The decrease in financial costs was mainly attributable to no new bank borrowings during the year as well as the early termination of leases in FY2022.

Loss before income tax

As a result of the foregoing, our loss before income tax was RMB176.9 million and RMB1,616.5 million in FY2021 and FY2022, respectively. The loss before income tax margin was 9.6% and 103.7% for the same periods, respectively.

Income tax expense/(credit)

The income tax expense was RMB53.2 million in FY2021 compared with the income tax credit of RMB15.3 million in FY2022. This was mainly due to the loss before income tax incurred during the year ended 31 December 2022.

FY2022 vs FY2023

Revenue

Our revenue decreased by 22.5% from RMB1,559.3 million in FY2022 to RMB1,208.6 million in FY2023, primarily due to: (i) a reduction in the number of self-operated bars; and (ii) a strategic transformation of our Company towards a platform-based company by implementing an asset-light model. Our bar chain network consolidated further from 653 self-operated bars as at 31 December 2022 to 255 bars as at 31 December 2023. In 2023, we launched our “Hibeer Partnership” Programme and intensified our efforts to introduce new products, by launching alcoholic beverages such as Passion Fruit Beer Tower (百香果大扎) and Old Popsicle Tower (老冰棍吨吨桶), to cater to consumers' demand for spirituous and sharing-oriented products.

Government grants and concessions

Our government grants and concessions decreased from RMB38.2 million in FY2022 to RMB9.0 million in FY2023, mainly due 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 in FY2023, 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 in FY2022, primarily due to the decrease of our 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 in FY2022 to RMB298.8 million in FY2023. The substantial decrease in employee benefit and manpower service expenses was mainly attributable to: (i) an absence of equity-settled

share-based payments in FY2023 compared to an equity-settled share-based payment of RMB503.2 million in FY2022; and (ii) a reduction in employee wages and benefits resulting from an adjustment of our existing bar network.

Depreciation of right-of-use assets

The depreciation of our right-of-use assets decreased by 65.1% from RMB315.9 million in FY2022 to RMB110.2 million in FY2023. 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 our Group.

Depreciation of property, plant and equipment

The depreciation of our property, plant and equipment decreased by 55.3% from RMB200.0 million in FY2022 to RMB89.4 million in FY2023. The decrease was primarily due to the reduced fixed assets of self-operated bars as the number of bars decreased.

Amortisation of intangible assets

Our amortisation of intangible assets remained at RMB17,000 in FY2022 and FY2023, 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 in FY2022 to RMB43.2 million in FY2023. The decrease was primarily due to the decline in number of employees in self-operated bars and correspondingly a decline in short-term dormitories leased for employees as a result of the implementation of optimization and adjustment of our bar network.

Utilities expenses

Our utilities expenses decreased by 46.5% from RMB65.1 million in FY2022 to RMB34.8 million in FY2023. The decrease was primarily due to the lower electricity bills and network energy consumption costs as dormitory electricity and water utilities expenses decreased with the decrease in the number of self-operated bars.

Travelling and related expenses

Our travelling and related expenses increased by 16.5% from RMB11.5 million in FY2022 to RMB13.4 million in FY2023. The increase was primarily due to increased travel arrangements since the end of COVID-19 in order to expand our business, especially to develop the "HiBeer Partnership" programme.

Advertising and promotion expenses

Our advertising and promotion expenses decreased by 42.7% from RMB34.4 million in FY2022 to RMB19.7 million in FY2023. The decrease is mainly due to management of our online promotions.

Other expenses

Our other expenses decreased by 23.6% from RMB103.8 million in FY2022 to RMB79.3 million in FY2023 mainly due to the corresponding decrease in our daily operation and maintenance expenses as the number of self-operated bars decreased.

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

Our impairment losses significantly decreased from RMB712.9 million in FY2022 to RMB11.3 million in FY2023. The decrease was primarily due to the easing of the impact from COVID-19 leading to the improvement in the operating performance of our bars. Therefore, impairment provisions decreased significantly.

Other losses, net

Our net other losses significantly decreased by 44.4% from RMB83.2 million to RMB46.3 million mainly due to an increased in gain on termination of leases of RMB164.4 million. This was partially offset by: (i) an increase in loss on disposal of plant and equipment of RMB73.0 million; (ii) an increase in loss on rental deposits of RMB12.6 million relating to forfeited rental deposits due to early termination of leases; (iii) an increase in penalties and compensation payables to lessors for early termination of leases before their end term amounting to RMB22.8 million; and (iv) a decrease in exchange gains of RMB19.0 million.

Finance income

Our finance income increased by 1,272.0% from RMB5.0 million in FY2022 to RMB68.6 million in FY2023. 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 in FY2022 to RMB27.8 million in FY2023. The decrease in financial costs was mainly attributable to a reduction in lease liabilities with the decrease in the number of bars, resulting in a decrease in related interest expense on lease liabilities.

(Loss)/profit before income tax

As a result of the foregoing, our loss before income tax was RMB1,616.5 million in FY2022 compared with a profit before income tax of RMB152.0 million in FY2023. 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 in FY2022 compared with the income tax credit of RMB28.5 million in FY2023. This was mainly due to the utilisation of tax losses from the unrecognised deferred income tax assets of previous years, resulting in the decrease in current income tax charge.

REVIEW OF FINANCIAL POSITION

As at 31 December 2021

Non-Current Assets

As at 31 December 2021, our non-current assets amounted to RMB2,572.6 million, representing approximately 60.0% of our total assets.

Our non-current assets comprise property, plant and equipment, intangible assets, right-of-use assets, deposits and prepayments and deferred tax assets.

Property, plant and equipment amounted to RMB871.3 million and accounted for 33.9% of non-current assets, which includes office equipment such as printers, computer equipment, furniture and fixture used in bars such as tables and chairs and facilities in kitchens, and leasehold improvement.

Intangible assets amounted to RMB92,000 which comprised office systems and software purchased.

Right-of-use assets amounted to RMB1,348.3 million and accounted for 52.4% of non-current assets, which represent the long-term leased properties.

Deposits and prepayments amounted to RMB323.0 million and accounted for 12.6% of non-current assets, which comprised rental and other deposits and other prepayments for acquisitions of property, plant and equipment.

Deferred tax assets amounted to RMB29.9 million and accounted for 1.2% of non-current assets.

Current Assets

As at 31 December 2021, our current assets amounted to RMB1,714.1 million, representing approximately 40.0% of our total assets.

Our current assets comprised mainly inventories, prepayments, deposits and other receivables, cash and cash equivalents.

Inventories amounted to RMB61.5 million and accounted for 3.6% of current assets, which comprised of alcoholic drinks, food and consumables used in our bar operations.

Prepayments, deposits and other receivables amounted to RMB25.9 million and accounted for 1.5% of current assets, which comprised rental and other deposits and other tax receivable.

Cash and cash equivalents amounted to RMB1,626.7 million and accounted for 94.9% of current assets. Our cash and bank balances denominated in foreign currency consist of RMB799.9 million denominated in Hong Kong dollars and RMB40,000 denominated in U.S. dollars as at 31 December 2021.

Non-Current Liabilities

As at 31 December 2021, our non-current liabilities amounted to RMB1,060.6 million, and accounted for 75.2% of total liabilities.

Our non-current liabilities comprised of only lease liabilities.

Current Liabilities

As at 31 December 2021, our current liabilities amounted to RMB349.4 million, and accounted for 24.8% of total liabilities.

Our current liabilities comprised mainly of trade payables, other payables and accruals, lease liabilities and current income tax liabilities.

Trade payables amounted to RMB75.1 million and accounted for 21.5% of current liabilities. These are mainly related to expenses payable to our supplier to purchase raw materials, equipment and other supplies that are necessary for our bar operations.

Other payables and accruals amounted to RMB63.2 million and accounted for 18.1% of current liabilities, which comprised of salary, staff welfare payable and manpower service and others.

Lease liabilities amounted to RMB185.5 million and accounted for 53.1% of current liabilities.

Current income tax liabilities amounted to RMB25.6 million and accounted for 7.3% of current liabilities.

Total Equity

As at 31 December 2021, our total equity amounted to RMB2,876.7 million. This comprises issued capital of RMB1 and reserves of RMB2,876.7 million comprising share premium, surplus reserve, exchange reserve, share-based compensation reserve and accumulated losses.

As at 31 December 2022

Non-Current Assets

As at 31 December 2022, our non-current assets amounted to RMB1,286.5 million, representing approximately 48.1% of our total assets.

Property, plant and equipment amounted to RMB693.3 million and accounted for 53.9% of non-current assets. These consist of building, computer equipment, furniture and fixture used in bars, such as tables and chairs and facilities in kitchens, leasehold improvement and motor and vehicle. Our property, plant and equipment decreased from RMB871.3 million as at 31 December 2021 to RMB693.3 million as at 31 December 2022, mainly as a result of: (i) depreciation amounting to RMB200.0 million; (ii) disposals of office equipment, computer equipment, furniture, fixture and leasehold improvement amounting to RMB152.2 million; and (iii) impairment losses on furniture, fixture and leasehold improvement amounting to RMB433.4 million, partially offset by additions to building, computer equipment, furniture, fixture, motor and vehicle and leasehold improvements amounting to RMB607.7 million.

Intangible assets amounted to RMB75,000 which comprised office systems and software purchased.

Right-of-use assets amounted to RMB457.0 million and accounted for 35.5% of non-current assets, which represent the long-term leased properties. Our right-of-use assets decreased from RMB1,348.3 million as at 31 December 2021 to RMB457.0 million as at 31 December 2022, mainly as a result of: (i) depreciation charge amounting to RMB315.9 million; (ii) impairment losses amounting to RMB279.5 million; and (iii) derecognition of right-of-use assets from termination of leases amounting to RMB493.6 million, partially offset by additions to right-of-use assets amounting to RMB197.7 million.

Deposits and prepayments amounted to RMB89.7 million and accounted for 7.0% of non-current assets, which comprised of rental and other deposits, prepayment for acquisitions of property, plant and equipment, and other prepayments representing subsidies paid to certain franchisees for pre-opening capital expenditure to the franchisees.

Deferred tax assets amounted to RMB46.5 million and accounted for 3.6% of non-current assets.

Current Assets

As at 31 December 2022, our current assets amounted to RMB1,390.2 million, representing approximately 51.9% of our total assets.

Our current assets comprised mainly inventories, prepayments, deposits and other receivables, cash and cash equivalents and term deposit with original maturity over three (3) months.

Inventories amounted to RMB36.0 million and accounted for 2.6% of current assets, which comprised of alcoholic drinks, food and consumables used in our bar operations.

Prepayments, deposits and other receivables amounted to RMB55.7 million and accounted for 4.0% of current assets, which comprised of rental and other deposits, other tax receivable and other prepayments.

Cash and cash equivalents amounted to RMB1,097.0 million and accounted for 78.9% of current assets. Our cash and bank balances denominated in foreign currency consist of RMB178.9 million denominated in Hong Kong dollars and RMB794.7 million denominated in U.S. dollars as at 31 December 2022. The cash and bank balances in HK dollar currency denomination were originally from the proceeds of the HKSE Listing and the decrease in such HK dollar cash and bank balances from RMB799.9 million as at 31 December 2021 to RMB178.9 million as at 31 December 2022 was due to the utilisation of such cash and bank balances for the opening of new bars in 2022. The cash and bank balances in US dollar currency denomination increased from RMB40,000 as at 31 December 2021 to RMB794.7 million as at 31 December 2022 as we have decided to keep more bank deposits in US dollar currency so as to generate higher returns from the higher interest rates on US dollar-denominated deposits (compared to HK dollar-denominated deposits) and to better manage exchange rate risks. There were also sufficient domestic funds in RMB to meet the operational needs of our domestic entities in the PRC.

Term deposit with original maturity over three (3) months amounted to RMB201.6 million and accounted for 14.5% of current assets.

Non-Current Liabilities

As at 31 December 2022, our non-current liabilities amounted to RMB565.2 million, and accounted for 66.2% of total liabilities.

Our non-current liabilities comprised of only lease liabilities.

Current Liabilities

As at 31 December 2022, our current liabilities amounted to RMB288.7 million, and accounted for 33.8% of total liabilities.

Our current liabilities comprised mainly of trade payables, other payables and accruals, lease liabilities and current income tax liabilities.

Trade payables amounted to RMB62.7 million and accounted for 21.7% of current liabilities. These are mainly related to expenses payable to our supplier to purchase raw materials, equipment and other supplies that are necessary for our bar operations.

Other payables and accruals amounted to RMB37.8 million and accounted for 13.1% of current liabilities, which comprised of salary, staff welfare payable and manpower service, amount due to a related party and others.

Lease liabilities amounted to RMB175.8 million and accounted for 60.9% of current liabilities.

Current income tax liabilities amounted to RMB12.3 million and accounted for 4.3% of current liabilities.

Total Equity

As at 31 December 2022, our total equity amounted to RMB1,822.9 million. This comprises issued capital of RMB1 and reserves of RMB1,822.9 million comprising share premium, surplus reserve, exchange reserve, share-based compensation reserve and accumulated losses.

As at 31 December 2023

Non-Current Assets

As at 31 December 2023, our non-current assets amounted to RMB740.8 million, representing approximately 34.2% of our total assets.

Property, plant and equipment amounted to RMB423.4 million and accounted for 57.2% of non-current assets. These consist of building, furniture and fixture used in bars such as tables and chairs and facilities in kitchens, leasehold improvement and motor and vehicle. Our property, plant and equipment decreased from RMB693.3 million as at 31 December 2022 to RMB423.4 million as at 31 December 2023 mainly as a result of: (i) depreciation amounting to RMB89.4 million; (ii) disposals of computer equipment, furniture, fixture, motor and vehicle and leasehold improvement amounting to RMB217.8 million; and (iii) impairment losses on furniture, fixture and leasehold improvement amounting to RMB9.1 million, partially offset by (a) additions to computer equipment, furniture, fixture, motor and vehicle and leasehold improvements amounting to RMB45.6 million; and (b) additions to property, plant and equipment resulting from a business combination amounting to RMB0.9 million.

Intangible assets amounted to RMB58,000 which comprised of office systems and software purchased.

Right-of-use assets amounted to RMB182.8 million and accounted for 24.7% of non-current assets, which represent the long-term leased properties. Our right-of-use assets decreased from RMB457.0 million as at 31 December 2022 to RMB182.8 million as at 31 December 2023 mainly as a result of: (i) depreciation charge amounting to RMB110.2 million; (ii) impairment losses amounting to RMB2.2 million; (iii) exchange difference of RMB0.3 million; and (iv) derecognition of right-of-use assets from termination of leases amounting to RMB203.7 million, partially offset by: (a) additions to right-of-use assets amounting to RMB39.6 million; and (b) additions to the right-of-use assets resulting from a business combination amounting to RMB2.5 million.

Deposits and prepayments amounted to RMB58.0 million and accounted for 7.8% of non-current assets, which comprised primarily of rental and other deposits, prepayment made to a related party and other prepayments.

Deferred tax assets amounted to RMB76.6 million and accounted for 10.3% of non-current assets.

Current Assets

As at 31 December 2023, our current assets amounted to RMB1,424.2 million, representing approximately 65.8% of our total assets.

Our current assets comprised mainly inventories, prepayments, deposits and other receivables, trade receivables, term deposits with original maturity over three (3) months, cash and cash equivalents and restricted cash.

Inventories amounted to RMB20.2 million and accounted for 1.4% of current assets, which comprised of alcoholic drinks, food and consumables used in our bar operations.

Prepayments, deposits and other receivables amounted to RMB77.1 million and accounted for 5.4% of current assets, which comprised rental and other deposits, prepayments, interest receivables, other tax receivable and other prepayments.

Trade receivables amounted to RMB47.9 million and accounted for 3.4% of current assets.

Term deposit with original maturity over three (3) months amounted to RMB651.6 million and accounted for 45.8% of current assets.

Cash and cash equivalents amounted to RMB625.6 million and accounted for 43.9% of current assets. Our cash and bank balances denominated in foreign currency consist of RMB84.4 million denominated in Hong Kong dollars, RMB1.06 billion denominated in U.S. dollars, RMB3.9 million denominated in Singapore dollar and RMB252,000 denominated in Japanese Yen as at 31 December 2023.

Restricted cash amounted to RMB1.7 million and accounted for 0.1% of current assets.

Non-Current Liabilities

As at 31 December 2023, our non-current liabilities amounted to RMB191.2 million, and accounted for 55.7% of total liabilities.

Our non-current liabilities comprised of lease liabilities, other payables and contract liabilities.

Contract liabilities amounted to RMB5.6 million and accounted for 2.9% of non-current liabilities.

Other payables amounted to RMB11.0 million and accounted for 5.8% of non-current liabilities, which comprised of refundable deposits from franchisees.

Lease liabilities amounted to RMB174.6 million and accounted for 91.3% of non-current liabilities.

Current Liabilities

As at 31 December 2023, our current liabilities amounted to RMB152.3 million, and accounted for 44.3% of total liabilities.

Our current liabilities comprised mainly of trade payables, contract liabilities, other payables and accruals, lease liabilities and current income tax liabilities.

Trade payables amounted to RMB30.7 million and accounted for 20.2% of current liabilities. These are mainly related to expenses payable to our suppliers to purchase raw materials, equipment and other supplies that are necessary for our bar operations.

Contract liabilities amounted to RMB3.6 million and accounted for 2.3% of current liabilities.

Other payables and accruals amounted to RMB20.4 million and accounted for 13.4% of current liabilities, which comprised of salary, staff welfare payable and manpower service and others.

Lease liabilities amounted to RMB81.1 million and accounted for 53.2% of current liabilities.

Current income tax liabilities amounted to RMB16.6 million and accounted for 10.9% of current liabilities.

Total Equity

As at 31 December 2023, our total equity amounted to RMB1,821.4 million. This comprises issued capital of RMB1 and reserves of RMB1,821.4 million comprising share premium, surplus reserve, exchange reserve, share-based compensation reserve and accumulated losses.

LIQUIDITY AND CAPITAL RESOURCES

Our operations have been funded mainly through internal and external sources of funds. Internal sources of funds comprise cash generated from operating activities for our business. External sources of funds comprise bank borrowings, issuance of convertible preference shares and issuance of new Shares.

Our Directors are of the reasonable opinion that, after having made due and careful enquiry and after taking into account the potential fines and/or penalties resulting from various non-compliances as disclosed in the section entitled “*Risk Factors*” of this Introductory Document (“**All Potential Fines**”), the prospects as set out in the sections entitled “*Bar Industry and Prospects*” of this Introductory Document, the trend information as set out in the sections entitled “*Management’s Discussion and Analysis of Financial Condition and Results of Operations — Trend Information*” and “*Business — Business Strategies and Future Plans*” of this Introductory Document, the expected cash flows generated from our operations, our lease commitments and our existing cash and cash equivalents, the working capital available to our Group as at the date of this Introductory Document is sufficient to meet our present requirements and for at least 12 months after the Introduction.

We are of the view that the All Potential Fines would not have a material adverse impact on our financials and/or operations due to the following reasons: (a) the quantum of the All Potential Fines amounting to RMB14.01 million is not material to our Group compared to our net cash position of RMB1.28 billion consisting of term deposits of RMB651.6 million and cash and cash equivalents of RMB625.6 million; and (b) our Group had obtained an undertaking from our existing Controlling Shareholders an indemnity for any claims, fines and other liabilities arising from the non-compliance pursuant to the HKSE Listing in relation to the shortfall in social insurance fees and housing provident fund and the non-filing of the Non Registered Leases.

The following table sets out a summary of our Group's cash flow for FY2021, FY2022, and FY2023:

| | Audited | | |
|---|------------------|------------------|------------------|
| | FY2021 | FY2022 | FY2023 |
| | RMB '000 | RMB '000 | RMB '000 |
| Net cash generated from operating activities | 366,586 | 142,886 | 275,018 |
| Net cash used in investing activities | (994,085) | (557,570) | (437,158) |
| Net cash generated from/(used in) financing activities | 2,237,193 | (220,211) | (323,147) |
| Net increase/(decrease) in cash and cash equivalents | 1,609,694 | (634,895) | (485,287) |
| Cash and cash equivalents at beginning of the year | 24,255 | 1,626,731 | 1,096,998 |
| Effects of foreign exchange rate changes, net | (7,218) | 105,162 | 13,901 |
| Cash and cash equivalents at end of the year | 1,626,731 | 1,096,998 | 625,612 |

FY2021

In FY2021, our net cash generated from operating activities of RMB366.6 million resulted from operating cash inflows before working capital changes of RMB493.0 million, adjusted for net adverse change in working capital of RMB62.1 million and income tax payment of approximately RMB64.3 million. The net adverse change in working capital was mainly due to: (i) an increase in inventories of RMB24.6 million; and (ii) an increase in prepayments, deposits and receivables of RMB88.6 million. This was partially offset by cash inflows from: (a) an increase in trade payables of RMB38.7 million; and (b) an increase in other payables and accruals of RMB12.5 million.

Net cash used in investing activities of RMB994.1 million was mainly due to: (i) purchase of plant and equipment of RMB993.5 million; and (ii) net cash of RMB1.1 million paid for a business combination. This was partially offset by interest received of RMB563,000.

Net cash generated from financing activities of RMB2,237.2 million was mainly due to: (i) proceeds from borrowings of RMB237.0 million; (ii) issuance of convertible preference shares of RMB212.3 million; and (iii) issuance of new Shares of RMB2,539.2 million. This was partially offset by cash outflows from: (a) repayments of borrowings of RMB250.0 million; (b) repayment of the amount due to a Director of RMB35.1 million; (c) interest payment of RMB3.5 million; (d) payment of listing expenses of RMB97.1 million; (e) payment of the principal element of lease liabilities of RMB311.3 million; and (f) payment of the interest element of lease liabilities of RMB54.2 million.

FY2022

In FY2022, our net cash generated from operating activities of RMB142.9 million resulted from operating cash inflows before working capital changes of RMB224.1 million, adjusted for net adverse change in working capital of RMB66.7 million and income tax payment of approximately RMB14.5 million. The net adverse change in working capital was mainly due to: (i) an increase in prepayment, deposits and receivables of RMB50.4 million; (ii) a decrease in trade payables of RMB12.4 million; and (iii) a decrease in other payables and accruals of RMB29.5 million. This was partially offset by cash inflows from a decrease in inventories of RMB25.5 million.

Net cash used in investing activities of RMB557.6 million was mainly due to (i) purchase of plant and equipment of RMB371.2 million; and (ii) placement of bank deposits with original maturity over three (3) months of RMB201.6 million; partially offset by: (a) proceeds from disposal of plant and equipment of RMB10.2 million; and (b) interest received of RMB5.0 million.

Net cash used in financing activities of RMB220.2 million was mainly due to: (i) payment of the principal element of lease liabilities of RMB178.2 million; and (ii) payment of interest element of lease liabilities of RMB42.0 million.

FY2023

In FY2023, our net cash generated from operating activities of RMB275.0 million resulted from operating cash inflows before working capital changes of RMB368.4 million, adjusted for net adverse change in working capital of RMB96.1 million and income tax refund of RMB2.7 million. The net adverse change in working capital was mainly due to: (i) an increase in prepayment, deposits and receivables of RMB7.7 million; (ii) an increase in trade receivables of RMB48.0 million; (iii) a decrease in trade payables of RMB32.0 million; and (iv) a decrease in other payables and accruals of RMB33.4 million. This was partially offset by cash inflows from a (a) decrease in inventories of RMB15.7 million; and (b) increase in contract liabilities of RMB9.2 million.

Net cash used in investing activities of RMB437.2 million was mainly due to: (i) purchase of plant and equipment of RMB45.6 million; (ii) net cash paid for business combination of RMB1.5 million; and (iii) placement of bank deposits with original maturity over three (3) months of RMB651.6 million. This was partially offset by (a) interest received of RMB57.3 million; (b) proceeds from disposal of plant and equipment of RMB2.7 million; and (c) withdrawal of bank deposits with original maturity over three (3) months of RMB201.6 million.

Net cash used in financing activities of RMB323.1 million was mainly due to: (i) repurchase of Ordinary Shares of RMB6.6 million; (ii) dividends paid of RMB146.9 million; (iii) payment of the principal element of lease liabilities of RMB140.1 million; (iv) payment of interest element of lease liabilities of RMB27.8 million; and (v) an increase in restricted cash of RMB1.7 million.

CAPITAL EXPENDITURES, COMMITMENTS AND CONTINGENT LIABILITIES

Capital Expenditures and Divestments

Our capital expenditures and divestments during the Period Under Review were as follows:

| (RMB'000) | FY2021 | FY2022 | FY2023 |
|------------------------------------|----------------|----------------|---------------|
| <i>Capital Expenditures</i> | | | |
| Building | — | 211,082 | — |
| Office equipment | — | — | — |
| Computer equipment | 3 | 1,191 | 69 |
| Furniture and fixture | 120,990 | 145,300 | 10,465 |
| Motor and vehicle | — | 6,173 | 3,239 |
| Leasehold improvement | 650,395 | 243,913 | 32,636 |
| Total | 771,388 | 607,659 | 46,409 |

The capital expenditure during the Period Under Review was mainly for opening new bars, acquiring equipment, refurbishing existing bars and purchasing furniture and equipment required for bar operations in the PRC and purchase of a building in the PRC. We have sourced funding for capital expenditures through proceeds from HKSE Listing and internally generated funds.

| (RMB'000) | FY2021 | FY2022 | FY2023 |
|---------------------------|---------------|----------------|----------------|
| <i>Divestments</i> | | | |
| Building | — | — | — |
| Office equipment | — | 6 | — |
| Computer equipment | — | 372 | 82 |
| Furniture and fixture | — | 20,560 | 37,587 |
| Motor and vehicle | — | — | 2,501 |
| Leasehold improvement | — | 131,302 | 177,584 |
| Total | — | 152,240 | 217,754 |

Save as disclosed above, there were no other material capital expenditure and/or divestments made by our Group during the Period Under Review.

Capital Commitments

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

Contingent Liabilities

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

INFLATION

We believe that inflation does not have a material impact on our business, results of operations or financial condition during the Period Under Review. However, if we experience a significantly higher inflation rate than we have experienced in the past, our business, results of operations and financial condition may be materially and adversely affected if we are not able to partially or fully offset such costs increase by increasing the selling prices of our products.

SEASONALITY

Our sales and operations are affected by seasonal factors. During weekends and holidays, our customer traffic is usually higher. During winter and summer vacations, our customer traffic is affected to a certain extent; however, as we expand our presence in the lower-tier cities, the impact is gradually decreasing.

FOREIGN EXCHANGE RISKS MANAGEMENT

The accounting records of our Group are maintained in RMB and our operations are principally in the PRC. We are exposed to foreign exchange risk primarily because the proceeds from the HKSE Listing are denominated in Hong Kong dollars and certain bank deposits are denominated in US dollars. We keep our bank deposits in US Dollars so as to generate returns from the higher interest rates on US dollar-denominated deposits.

During the Period Under Review, our Group had not engaged in any foreign exchange hedging related activity and will continue to closely monitor the fluctuation of exchange rates in other currencies as well and consider hedging such foreign currencies should the need arise.

NEW ACCOUNTING STANDARDS AND CHANGES IN ACCOUNTING POLICIES

Please refer to the section entitled “*Audited Consolidated Financial Statements of Helens International Holdings Company Limited and its Subsidiaries as at and for each of the years ended 31 December 2021, 2022 and 2023*” as set out in Appendix A to this Introductory Document for details of our Group’s accounting policies and changes in our accounting policies for the Period Under Review.

Our Group does not expect to change its accounting policies that will result in material adjustments to the disclosed financials.

TREND INFORMATION

The following discussion about our prospects and trends include forward-looking statements that involve risk and uncertainties. Actual results could differ materially from those that may be projected in these forward-looking statements. See “Notice to Investors — Forward-Looking Statements”.

Upon lifting of the COVID-19 pandemic control measures, there has been a strong recovery in the bar industry, and consequently improvement in our Company's operations. We expect the bar industry to resume its trend of growth, driven by rising disposable income and development of the nighttime economy.

In 2023, our Company formally launched the "HiBeer Partnership" Programme and introduced a new cooperation model and single-bar model. We believe the "HiBeer Partnership" Programme will continue benefitting our Group in our transition to a platform-based company as it allows for complementary advantages with our partners to launch high-quality bars at low investment costs and low operating costs.

Going forward, our Group will continuously expand our bar network and work towards transitioning into a platform-based company while stepping up our presence in broader lower-tier markets. We will continue to monitor our customers' needs in order to improve customers' experience. We plan to increase investment in optimising digital platforms and strengthening brand building to improve operational efficiency and brand awareness. Further efforts will also be made to integrate our supply chain and market resources, and optimise our product portfolios.

Save for the above, our Group does not expect any significant trends, uncertainties, demands, commitments, or events in production, sales and inventory, and in the costs and selling prices of products and services since 31 December 2023 that would cause any material effect on our net sales or revenue, profitability, liquidity or capital resources.

Save as disclosed above and in the sections entitled "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Bar Industry and Prospects", "Business — Competitive Strengths", and "Business — Business Strategies and Future Plans" of this Introductory Document and barring any unforeseen circumstances, we are not aware of any other known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our revenue, profitability, liquidity or capital resources.

BAR INDUSTRY AND PROSPECTS

OVERVIEW OF THE BAR INDUSTRY

Bars are establishments that primarily serve alcoholic drinks, supplemented by snacks. Some bars offer entertainment facilities such as live singing, billiards, and darts. We believe that other nighttime establishments that compete for customers with our bars include night clubs, karaoke bars and other nighttime establishments such as midnight diners. Broadly, bars have lower per capita consumption as compared to other nighttime establishments as they generate their revenue primarily from sales of alcoholic drinks, food and snacks.

Comparison of the nighttime establishments in the PRC

| | Bars | Night Clubs | Karaoke Bars | Other Nighttime Establishments |
|--------------------------|---|---|--|---|
| Definitions | Establishments that primarily serve alcoholic drinks supplemented by snacks | Establishments that operate until late hours with entrance fees, DJs, strong beat music and dance floor | Establishments that offer karaoke entertainment and also serve alcoholic drinks | Other establishments that are opened during nighttime like midnight diner |
| Source of revenue | Sale of alcoholic drinks and snacks | Entrance fees, sales of alcoholic drinks and sometimes with minimum charge | Room rental on an hourly basis, sales of alcoholic drinks and snacks and sometimes with minimum charge | Sales of food, beverages and alcoholic drinks |

Due to the emergence of the COVID-19 pandemic, the bar industry in the PRC contracted in 2020 before rebounding strongly in 2021¹. The total market size of the PRC bar industry in 2023 is estimated at RMB148.8 billion, having grown 6.7% year on year¹.

¹ Information obtained from iiMedia <<https://www.iimedia.cn/c1061/84403.html>> (last accessed on the Latest Practicable Date)

PROSPECTS

Our Company regards the following as the key growth drivers for the PRC's bar industry:

(i) Rising disposable income

Over the years, the PRC has witnessed a rapid increase in consumer spending and per capita disposable income. In 2023, the nationwide per capita disposable income was RMB39,218, a nominal increase of 6.3% over the previous year, and a real increase of 6.1% after deducting price factors². The growing disposable income is expected to be beneficial towards the growth in bar spendings.

(ii) Development of the nighttime economy

The emergence of the nighttime economy has created an opportunity for the bar industry in the PRC. Certain local provincial governments have been directly involved in promoting and encouraging the development of the nighttime economy through various policies. For example, the Hunan Provincial Department of Commerce and the Hunan Department of Culture and Tourism have introduced new measures promoting the development of the nighttime economy such as the introduction of nighttime consumption demonstration areas with activities such as night dining, night shopping, and night tours to promote economic development³.

Together with the strong travel demand following the reopening of domestic travel in the PRC in 2023, the beneficial government policies are expected to further boost the nighttime economy and drive the bar industry.

² Information obtained from Xinhua News
<https://english.www.gov.cn/archive/statistics/202401/17/content_WS65a73d26c6d0868f4e8e32e0.html#:~:text=17%20%2D%2D%20China%27s%20per%20capita,terms%2C%20official%20data%20showed%20Wednesday> (last accessed on the Latest Practicable Date)

³ Information obtained from the Official Website of the People's Government of Hunan Province
<http://www.enghunan.gov.cn/hneng/Government/Bulletin/202210/t20221020_29074614.html> (last accessed on the Latest Practicable Date)

HISTORY AND CORPORATE STRUCTURE

OVERVIEW

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 16 January 2018.

Mr. Xu established the first Helen's bar in the PRC in 2009. At the point of the incorporation of our Company, our founder, Mr. Xu, and his business partners had already established more than 100 Helen's bars in the PRC all of which were initially operated as franchisees. Please see the section entitled "*Management and Corporate Governance — Directors and Executive Officers — Directors*" of this Introductory Document for further details on the background of Mr. Xu.

Meanwhile, based on our deep understanding of industry trends and our overall strategy, we set down our business strategy to develop our business through self-operated bars as well as continue to establish new self-operated bars. Through a series of integration, we gradually converted a number of bars run by franchisees into our self-operated bars, while the rest ceased operation or no longer operate under the brand of "Helen's". In particular, we commenced the operation of our first self-operated bars on 18 May 2018 upon our acquisition of Fuzhou Zhiyingju Catering Management Company Limited (福州支应居餐饮管理有限责任公司).

In 2022, we strategically explored the possibility of shifting to new business cooperation models related to franchising cooperation, which in our opinion would bring more revenue to both our partners and ourselves via joint creation and profit-sharing, and enhance vitality in our bars' operation and improve our ability to fight against risks. Accordingly, we launched the Franchised Cooperation Model, under which we charged franchisees one-off franchise cooperation fees and recurring service management fees. Please see the section entitled "*Business — Our Business Model — Franchising Arrangements*" of this Introductory Document for further details.

In 2023, we expanded our operations beyond the PRC, into Singapore, where we currently operate 3 self-operated bars. We also launched the "HiBeer Partnership" Programme, which is a franchising arrangement that has been developed based on the accumulated experience from the existing Franchised Cooperation Model. Please see the section entitled "*Business — Our Business Model — Franchising Arrangements*" of this Introductory Document for further details.

As at 28 March 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 at 19 March 2024, the number of Helen's bars in first-tier, second-tier, and third and lower-tier cities of the PRC were 39, 187 and 274, respectively, representing 7.8%, 37.2% and 54.5% of the total number of bars as at the corresponding date, respectively; the number of

Helen’s bars outside of the PRC was 3, representing 0.6% of the total number of bars as at the corresponding date. As at 31 December 2021, 2022, 2023 and 19 March 2024, the total number of bars in our bar network (including franchised bars) was 782, 767, 479, and 503 respectively.

KEY MILESTONES

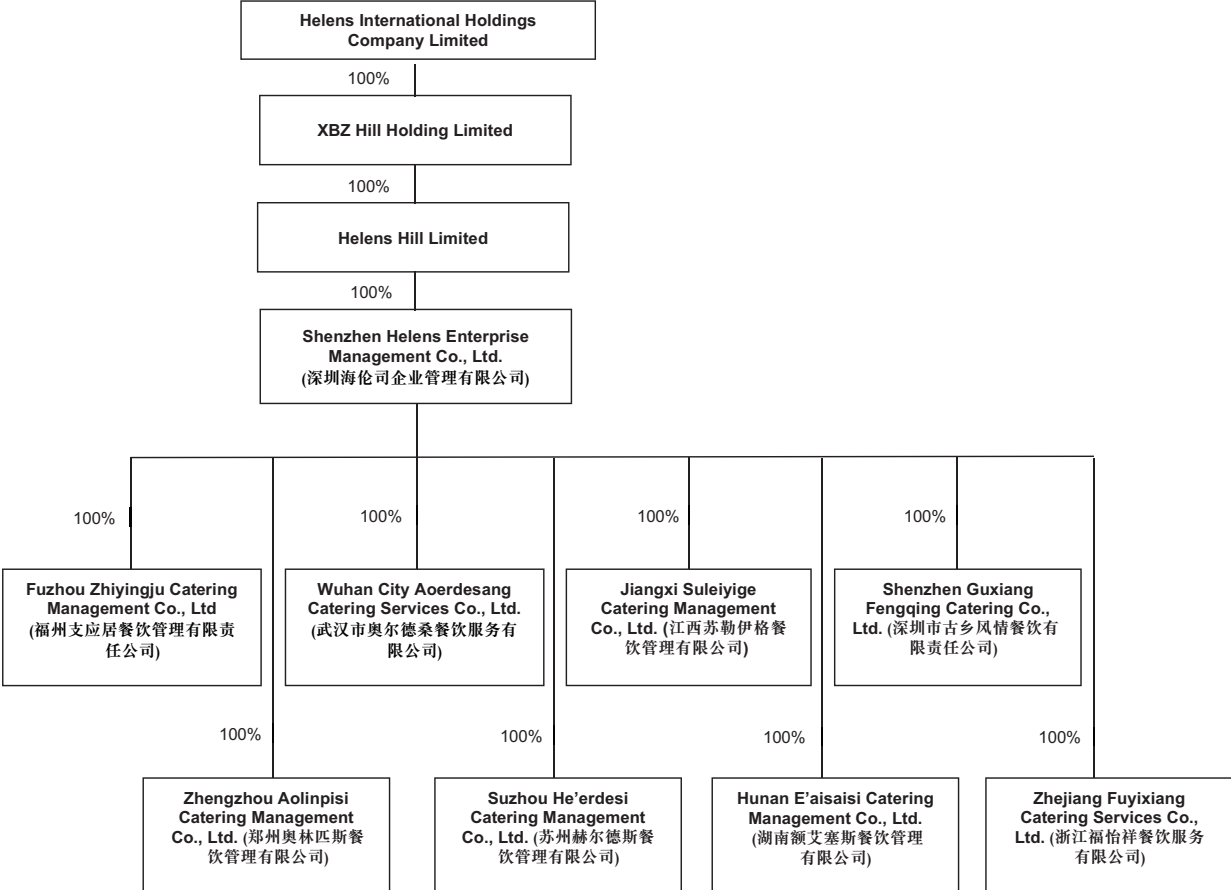
A summary of our Group’s key corporate milestones is set out below.

| Year | Milestone |
|-------------|---|
| 2009 | <ul style="list-style-type: none"> Mr. Xu set up the first bar under the name “Helen’s” in Beijing, PRC. In the same year, another bar under the name of “Helen’s” was set up in Shanghai, PRC. |
| 2014 | <ul style="list-style-type: none"> The total number of bars under the name of “Helen’s” surpassed 20, expanding the network to new cities in the PRC, including Tianjin, Changsha, Nanchang, Hefei, Xiamen, Fuzhou, Zhengzhou, Shenyang and Wuhan. |
| 2015 | <ul style="list-style-type: none"> The total number of bars under the name of “Helen’s” surpassed 30, expanding the network to new cities in the PRC, including Yueyang, Guiyang, Wuxi and Yichang. |
| 2016 | <ul style="list-style-type: none"> The total number of bars under the name of “Helen’s” surpassed 60, expanding the network to new cities in the PRC, including Foshan, Huizhou, Shiyan, Changde, Zhuzhou, Quanzhou and Hangzhou. |
| 2017 | <ul style="list-style-type: none"> The total number of bars under the name of “Helen’s” surpassed 80, expanding the network to new cities in the PRC, including Shenzhen, Nanjing, Chenzhou, Zhangzhou, Hengyang, Putian and Ningbo. |
| 2018 | <ul style="list-style-type: none"> Our Company was incorporated in the Cayman Islands. We launched our Helen’s craft beer. We expanded into Hong Kong and launched one (1) new bar by the year-end. The total number of bars under the name of “Helen’s” was 162 by the year-end. |
| 2019 | <ul style="list-style-type: none"> We launched our Dou-Jiu (“斗酒”) and Helen’s grape-flavoured fruit beer. The total number of bars under the name of “Helen’s” was 252 by the year-end. |
| 2020 | <ul style="list-style-type: none"> We launched our Helen’s white peach flavoured fruit beer, strawberry-flavoured fruit beer and Helen’s milk beer. The total number of bars under the name of “Helen’s” was 351 by the year-end. |

| Year | Milestone |
|-------------|---|
| 2021 | <ul style="list-style-type: none"> • Our Company listed on the Main Board of the HKSE. • The total number of bars under the name of “Helen’s” was 782 by the year-end. |
| 2022 | <ul style="list-style-type: none"> • The total number of bars under the name of “Helen’s” was 767 by the year-end. |
| 2023 | <ul style="list-style-type: none"> • We expanded into Singapore and launched two (2) new self-operated bars in Singapore by the year-end. • We launched the “HiBeer Partnership” Programme and we had opened 132 “HiBeer Partnership” bars by the year-end. |
| 2024 | <ul style="list-style-type: none"> • As at 19 March 2024, the total number of “HiBeer Partnership” bars increased to 183. • As at 25 April 2024, we have opened three (3) self-operated bars in Singapore. |

CORPORATE STRUCTURE

The following diagram illustrates our corporate structure with our Major Subsidiaries as at the date of this Introductory Document:



The following table sets out certain information on our Major Subsidiaries as at the Latest Practicable Date:

| Name | Country/Region of Incorporation/ Constitution and Principal Place of Business | Principal Activities | Proportion of Ownership Interest/Voting Rights held by our Company |
|---|--|-----------------------------|---|
| XBZ Hill Holding Limited | British Virgin Islands | Investment holding | 100% |
| Helens Hill Limited | Hong Kong | Bar operations | 100% |
| Shenzhen Helens Enterprise Management Co., Ltd. (深圳海伦司企业管理有限公司) | PRC | Management services | 100% |
| Wuhan City Aoerdesang Catering Services Co., Ltd. (武汉市奥尔德桑餐饮服务有限公司) | PRC | Bar operations | 100% |
| Fuzhou Zhiyingju Catering Management Co., Ltd. (福州支应居餐饮管理有限责任公司) | PRC | Bar operations | 100% |
| Jiangxi Suleiyige Catering Management Co., Ltd. (江西苏勒伊格餐饮管理有限公司) | PRC | Bar operations | 100% |
| Hunan E'aisaisi Catering Management Co., Ltd. (湖南额艾塞斯餐饮管理有限公司) | PRC | Bar operations | 100% |
| Zhejiang Fuyixiang Catering Services Co., Ltd. (浙江福怡祥餐饮服务有限公司) | PRC | Bar operations | 100% |
| Suzhou He'erdesi Catering Management Co., Ltd. (苏州赫尔德斯餐饮管理有限公司) | PRC | Bar operations | 100% |
| Shenzhen Guxiang Fengqing Catering Co., Ltd. (深圳市古乡风情餐饮有限责任公司) | PRC | Bar operations | 100% |
| Zhengzhou Aolinpisi Catering Management Co., Ltd. (郑州奥林匹斯餐饮管理有限公司) | PRC | Bar operations | 100% |

The list of Major Subsidiaries set out in the table above are entities which are considered material subsidiaries by our Directors, namely the entities which are involved in bar operations, have major assets or are integral to our Group's off-shore shareholding structure, based on the judgment of the Directors.

BUSINESS

OUR COMPANY

We are one (1) of the largest bar chain networks in PRC, operating under the brand “Helen’s” (海伦司). As at 31 December 2021, 2022, 2023 and 19 March 2024, the total number of bars in our bar network (including franchised bars) was 782, 767, 479, and 503 respectively. We believe our bar network allows us to deliver a relaxing social space and a value for money product portfolio to a broad customer base. By offering a value for money product portfolio and a relaxing customer experience, we aim to satisfy the young generation’s demand for affordable alcoholic drinks, quality service and social ambience.

We offer our customers a premium quality and value for money product portfolio, primarily consisting of our own branded products as well as a variety of third-party products. The majority of our bottled beers are under RMB10 per bottle in the PRC, which gives us significant pricing advantages over similar products in the market. In FY2021, FY2022 and FY2023, the revenue generated from our branded alcoholic drinks accounted for 75.4%, 73.4% and 73.5%, respectively, of our total alcoholic drinks revenue. Our Helen’s branded alcoholic drinks mainly include Helen’s draft beer, Helen’s craft beer, Helen’s fruit-flavoured beer and Helen’s milk beer. These products satisfy the young generation’s demand for alcoholic drinks and have attracted massive attention and followers on social media. We also enrich our customers’ choices by providing products of third-party brands that are well known among the youth, including Budweiser, Corona, 1664 and Heineken.

Our bars are also a social space where our young customers can gather and relax with their friends. To this end, the decoration and interior style of our bars feature Southeast Asian, Chinese ethnic, anime games and mysterious castle style. Additionally, we offer a variety of activities to diversify the customer experience, such as themed events during the holidays that are popular among the youth. We also encourage our customers to vote on the music playlist on our WeChat mini-program, and we will play in our bars those music tracks which have garnered the most votes. Utilising our proprietary intelligent music management system, we are able to have accurate and real-time control over the music played in all our bars across the PRC, providing comfortable and enjoyable experience for our customers. Our employees are committed to providing efficient service to our customers, and we also serve free drinks to customers queueing up for tables. Our customers appreciate the variety of activities have made our customers appreciate our sincerity and gratitude and have significantly increased customer loyalty. We believe these efforts may help us improve the customer experience and loyalty to us.

Even though the COVID-19 pandemic in various regions of the PRC had an impact on the operation and profitability of our bars, we adapted to the change of the environment by adopting various operation models, such as the Franchised Cooperation Model in the second half of 2022 and the “HiBeer Partnership” Programme in June 2023. With the rapid and smooth progress of the “HiBeer Partnership” Programme, the number of “HiBeer Partnership” bars in

our bar network increased from 132 as at 31 December 2023 to 188 as at 28 March 2024, and we will consistently accelerate its expansion. We believe that such strategic partnerships will bring profitability and strengthen our financial position in the longer term.

OUR MISSION

Our philosophy is to provide “good music, good service, good environment and good taste” to our customers, treat every customer earnestly, and remain committed to providing our customers with a memorable Helens’ experience. We strive to improve the customer experience through our unique decoration style, a wide range of bar events and cordial and efficient customer service, so as to enable us to achieve a high level of brand loyalty and customer loyalty. We aim to embrace technological developments and deploy advanced technology to gain insights into underlying market trends so as to guide our strategic policy-making.

We have built an extensive bar network across the PRC. As at 19 March 2024, we had a total of 503 bars, of which 500 bars are located in the PRC, covering 31 provincial-level administrative regions and 199 cities, as well as 3 bars outside of the PRC. We have always been committed to reaching a broader market, not only the first- and second-tier cities in the PRC, but also a wide range of third- and lower-tier cities across the PRC, and eventually other regions and countries regionally and globally as well.


OUR KEY PRODUCTS










Our key products are (i) our Helen’s branded products, including Helen’s branded alcoholic drinks and snacks; and (ii) third-party brand alcoholic drinks.

Helen’s Branded Products

Our Helen’s branded products primarily consists of Helen’s beers and spirituous drinks that are offered in both our self-operated bars, our franchised bars and our “HiBeer Partnership” bars. By leveraging on our in-depth understanding of the young generation’s preference and years of experience in the PRC’s bar industry, we continue to deliver products that meet our customers’ expectations. We constantly gather feedback from our customers and employees to help us gain precise insights into market trends. After assessing which products have the potential to gain popularity among customers, we collaborate with our service providers to develop new alcoholic drinks with a variety of tastes and flavours so as to cater to customer demand.

The following table sets out the category, appearance and volume of our major Helen’s branded alcoholic drinks:

| Type of product | Product Sub-category | Volume per bottle | Appearance |
|-----------------|----------------------|-------------------|---|
| Helen’s beers | Helen’s Craft Beer | 275ml |  |

| Type of product | Product Sub-category | Volume per bottle | Appearance |
|------------------|--------------------------|-------------------|---|
| | Helen's Draft Beer | N/A |  |
| Spirituos drinks | Helen's Fruit Beer | 270ml |  |
| | Helen's Milk Beer | 300ml |  |
| | Hi-dou | N/A |  |
| | Whisky Coke | N/A |  |
| | Whisky Coke Bucket | N/A |  |
| | Vodka Red Bull Bucket | N/A |  |
| | Old Popsicle Tower | 3L |  |
| | Passion Fruit Beer Tower | 500ml or 3L |  |

Helen's beers

Our Helen's beers are known for their classic flavours, catering specially to the most basic preference of beer-loving customers. Benefiting from our product development capabilities and understanding of customer preferences, our Helen's beers have the following unique features:

- *Ingredients:* We only use four (4) main ingredients in our Helen's beers, namely yeast, hops, malt and water, and each of these four (4) ingredients are imported from foreign manufacturers.
- *Yeast:* We brew our Helen's beers with different varieties of suitable Ale yeast to enhance the aromas of different types of Helen's beers.
- *Fermentation:* We usually ferment the yeast in our Helen's beers for approximately two (2) months to ensure thorough fermentation.
- *Concentration:* Typically, beers with higher original wort concentration have more nutrients in the yeast and possess a richer aroma and taste. Therefore, we only develop beers with 10% or more original wort concentration.

In FY2021, FY2022 and FY2023, our revenue from Helen's beer amounted to RMB456.8 million, RMB280.8 million and RMB126.0 million, respectively, accounting for 24.9%, 18.0% and 10.4% of total revenue for the corresponding periods, respectively.

Spirituos drinks

Our spirituous drinks are our specialty products, and we are the pioneer in the development of spirituous drinks in the PRC. Based on years of industry experience, we have found that spirituous drinks are more in line with the preferences of young customers, especially beers with low alcohol content and with a variety of diversified flavours. By analysing in-store consumption data, we found that mixed alcoholic drinks sold in our bars are popular with customers, such as our Whisky Coke Bucket and Vodka Red Bull. After a series of product development, we introduced a series of spirituous drinks such as white peach, grape and strawberry-flavoured fruit beers, and gradually built our unique Helen's fruit beer series. In 2023, we intensified our efforts to introduce new products, by launching alcoholic beverages such as Passion Fruit Beer Tower (百香果大扎) and Old Popsicle Tower (老冰棍吨吨桶), both well-received by clients. In FY2021, FY2022 and FY2023, our revenue from spirituous drinks amounted to RMB616.7 million, RMB579.7 million and RMB498.8 million, respectively, accounting for 33.6%, 37.2% and 41.3% of total revenue for the corresponding periods, respectively.

Snacks

We have a wide selection of snacks offered to further meet the diverse demand of our customers, ranging from eight (8) basic snacks offered uniformly across the PRC, such as spicy peanuts, spicy potatoes, cucumber with mustard, fruit salad, and popcorn chicken, to a handful

of local-flavour snacks customised for different regional tastes and preferences, such as the spicy bean curd and sauce-flavoured beans offered in our bars in Sichuan. In FY2021, FY2022 and FY2023, our revenue from the sale of snacks amounted to RMB358.2 million, RMB331.8 million and RMB233.9 million, respectively, accounting for 19.5%, 21.3% and 19.4% of total revenue for the corresponding periods, respectively. In order to offer customers the most welcoming experience, we also encourage our customers to bring their own favourite snacks to enjoy in our bars.

Third-Party Brand Alcoholic Drinks

We offer customers with a variety of alcoholic drinks of well-known brands with high market recognition, including Budweiser, Corona, 1664 and Heineken. By virtue of our strong bargaining power and economics of scale, we effectively control the purchase price of such third-party brand alcoholic drinks, allowing us to offer these alcoholic drinks to customers at a reasonable price.

OUR BUSINESS MODEL

Overview

In 2009, our founder, Mr. Xu, established our first Helen's bar and, in the subsequent years, our founder and his business partners established a number of Helen's bars across the PRC successively. After our Company's incorporation in 2018, the Helen's bars established by Mr. Xu and his business partners initially operated as our franchised bars.

Meanwhile, based on our deep understanding of industry trends and our overall strategy, we set down our business strategy to develop our business through self-operated bars as well as continue to establish new self-operated bars. We started operations of our first self-operated Helen's bars on 18 May 2018. Prior to the HKSE Listing on 10 September 2021, we undertook a series of integration efforts to convert our franchised bars into our self-operated bars to achieve more effective supervision over the products, operation, services, supply chain and personnel training, enabling our services and operational standards to have high uniformity and better business scalability.

Subsequent to the HKSE Listing, in 2022, we adjusted our development strategies to adapt to the complex and changing environment and cope with challenges brought about by the COVID-19 pandemic. We have proactively adjusted, closed and expanded our network of self-operated bars since 2022. We focused on developing the markets that are less affected and which have greater potential, through a Franchised Cooperation Model. Building on our accumulated experience from the existing Franchised Cooperation Model, we launched a new cooperation model known as "HiBeer Partnership" Programme which was formally launched in June 2023. Since the launch of the "HiBeer Partnership" Programme, "HiBeer Partnership" bars have been recognised by partners for various advantages such as low investment costs, low operating costs, high sales per square meter per store as well as good atmosphere and experience.

Please see below for the geographic distribution of our bars (including franchised bars) as at 31 December 2021, 2022, 2023 and 19 March 2024.

| | As at 31 December 2021 | As at 31 December 2022 | As at 31 December 2023 | As at 19 March 2024 |
|-------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|------------------------------------|
| The PRC | | | | |
| Bars in first-tier cities | 82 | 80 | 38 | 39 |
| Bars in second-tier cities | 433 | 372 | 186 | 187 |
| Bars in third and lower-tier cities | 266 | 314 | 252 | 274 |
| Outside of the PRC | 1 | 1 | 3 | 3 |
| Total | 782 | 767 | 479 | 503 |

In-Store Music

As we believe that music plays an important role in contributing to the unique atmosphere at our Helen's bars, we have established a unified music library for our bars, including current popular tracks. We carefully customise playlists for each bar based on various factors, such as the opening hours, duration of peak hours and consumer profiles. We update our music library at the beginning of each week and design thematic music playlists for holiday seasons. Additionally, we are able to have accurate and real-time control over the music played in all our bars across the PRC, providing comfortable and enjoyable experience for our customers.

Through our own music management system, we manage and monitor music content intelligently. For each new track in the music library, we test the BPM of such track through software and add an emotional tag to it before uploading it to our music system. Various tags of the tracks help us select the appropriate tracks to play according to the time and customer traffic.

Specifically, we manage the music played in our bars through the following methods:

- *Monitoring in-store music playback.* The system helps us monitor whether the music playback properly functions. If there is a system error, we will contact the bar in time to facilitate its normal music playback.
- *Monitoring the stereo devices in our bars.* The system monitors the operation and state of charge of the stereo devices in our bars in real-time. If there is a device failure, the system can send an automatic reminder.
- *Monitoring the real-time noise level.* We are facilitating a real-time noise monitoring system in some of our bars, which can transmit the decibel value of our bars in real time. If the decibel value of a bar exceeds the standard decibel value of such daypart, the system would send an automatic alert. The intelligent music management system enables

real-time monitoring of the number of customers and noise decibel level in a bar. Based on this, our music system automatically adjusts the volume of music, so that every customer at the same table can enjoy our carefully selected music while engaging in conversation.

Unique Bar Decor Style

The unique decoration style of our bars is an important aspect that distinguishes our bars from other bars. We use unified interior decors across all of our bars, featuring Southeast Asian, Chinese ethnic, anime games and mysterious castle styles inspired by the personal experiences of our founder, continuously improved upon by taking into account customer feedback. The following photo shows the decoration style of our Helen's bars:



Our Helen's bars are characterised by warm-toned ornaments and lighting as well as meticulously-designed entrances, doorposts and embellishments such as artistic statues. Through this unique style, we create a special and casual social environment for our customers, and deliver Helen's unique brand impression to our customers.

We periodically renovate our bars to maintain our bars in operating condition and ensure optimal customer experience.

Location of Our Bars

We attach great importance to site selection of Helen's bars. The feasibility of our expansion plan is also supported by the availability of suitable areas or locations for new Helen's bars.

Our bars are popular among the PRC's youth and our location strategy is to open bars in areas where young people often gather. Sufficient and stable customer traffic is our most important consideration in the process of selecting the location of our bars. To achieve our goal of creating a social space for youth, we strategically place the majority of our Helen's bars in urban areas where young people like to gather. We also consider the factors relating to our target consumer group. For example, during the location selection process, we examine the number of youths in the target area. As young people are more active on social media, have a strong desire to socialise and generate more customer activity, they provide us with effective word-of-mouth publicity. We believe that the establishment of our brand image and exposure among young generation helps us cultivate a loyal customer base and brings us long-term sustainable competitive advantages.

In the process of selecting potential sites, we consider a number of factors, including the number, location, ranking, and transportation convenience of nearby shopping malls, the number and brand of similar business as well as the floor areas and lease terms of potential sites available for rent in nearby shopping malls. We also evaluate the number of surrounding residential areas, the number of residents and their relevant level of business activities. We grade the target location based on these indicators and determine whether such location is suitable for opening new Helen's bars.

As our bar network grows in density, we place a premium on avoiding cannibalisation between current and new bars, particularly in markets where we have a more established presence. To ensure that competition among our Helen's bars is kept to a minimum, we carefully select locations for each new bar, taking into account the following factors:

- *Customer traffic of comparable bars.* Customer traffic is one (1) of the primary indicators we consider when deciding whether to increase our footprint inside a given commercial district. To avoid potential cannibalisation between new and existing bars, we first determine the capacity of a single bar using the city's customer conversion rate (calculated as single-day customer flow divided by target customer group size), and then compare it to the model of existing sample bars.
- *Selected shopping malls with proven business success.* As many of our Helen's bars are currently located in shopping malls, we place paramount importance on the selection of shopping malls to achieve the desired operational results and prevent cannibalisation. We evaluate a shopping mall's past retail sales to see whether a new Helen's bar may prosper there once opened. By carefully selecting shopping malls with a track record of business success, we believe we can leverage on the thorough market analyses conducted by the relevant real estate developers when selecting a shopping mall's location, enabling us to ensure sufficient customer visits for the profitable growth of a new Helen's bar and to manage the distance between Helen's bars located at different shopping malls.

- *Distance.* We establish physical distances between new and existing bars based on market analysis and a strategic assessment of our primary competitors.

Through our analysis on the markets in which we have established our network, we believe there is still great potential in these markets for us to further expand our network and increase our market share. Meanwhile, we plan to focus on entering into markets where we have yet to establish Helen's network.

Franchising Arrangements

To face the challenges posed by changing market conditions, we have actively explored various franchising arrangements since 2022, in order to leverage the expertise of our franchisees and partners and enhance the flexibility of our bar operations.

In 2022, we launched the Franchised Cooperation Model, under which we supervise and monitor the daily operation of franchised bars in terms of their product pricing, staff training, marketing, procurement as well as interior decoration, while allowing franchisees to have a certain degree of autonomy over their business operations. Franchisees have the autonomy to decide on their marketing and promotional activities, the bundling of products, pricing discounts and new products introduction to adapt to the local market and compete with surrounding bar competitors. However, franchisees have to obtain the approval of our Company before proceeding with the foregoing. Our Company does not perceive any material risk arising from such limited degree of autonomy as the approval of our Company is still required.

In 2023, we officially launched the "HiBeer Partnership" Programme as part of our ongoing strategic adjustments of our franchising arrangements. The "HiBeer Partnership" Programme is a franchising arrangement that has been developed based on the accumulated experience from the existing Franchised Cooperation Model. Presently, all new business partners interested in taking part in our franchising arrangements will be partners under our "HiBeer Partnership" Programme. As at 28 March 2024, there are 188 "HiBeer Partnership" bars.

We believe that having these franchising arrangements which include our Franchised Cooperation Model and our "HiBeer Partnership" Programme will provide us with several advantages as follows:

- *Synergistic relationships.* Such arrangements allow us to create synergistic cooperation relationships with our franchisees and partners, enabling us to mobilise valuable social resources and our partners' external resources and open more high-quality bars. This, in turn, helps us to reduce operational costs, increase profitability, and enhance risk resilience. At the same time, our partners benefit from our well-established brand recognition, standardised management practices, and robust supply chain capabilities, which effectively support their risk management efforts.

- *Facilitating bar expansion plans.* Through collaboration with our franchisees and partners, we can rapidly expand our bar network and strengthen our market position. Notably, the Franchised Cooperation Model enables us to expand into untapped markets, which is crucial for our long-term business development.

We are confident that our franchising arrangements will yield benefits for all parties involved, and we look forward to working closely with our franchisees and partners to achieve mutual success and drive the growth of our business.

The agreements that we typically enter into with our franchisees and partners generally include the following key terms:

- *Operational guidance and supervision.* We are responsible for formulating detailed systems and plans for the operation and management of our franchised and partner bars. In the case where they fail to comply with our supervision and management plans, it will be regarded as a material breach of contract, and we have the right to terminate their agreements. Franchisees and partners must also ensure that the items offered on the menus in their bars are supplied by our Company or the suppliers appointed by our Company.
- *Consistent decoration style.* In order to ensure consistency of the bar decoration style, franchisees and partners need to use the decoration design plan and standards provided by us in the process of decorating their bars. In particular, the foundational and installation works will be carried out by construction contractors approved by our Company, while the interior decoration will be supplied by vendors designated by us. We have the right of inspection during the decoration process of our franchised and partner bars.
- *Bar staff.* Staff of our franchised and partner bars will be recruited by and be under the direct employment of such franchisees or partners, pursuant to the brand management standards and requirements of our Company. Training and management of such staff will be handled by our Company.
- *Trademark licensing.* We grant non-exclusive rights to use our trademarks to our franchisees and partners, who shall not harm our reputation and interest in the process of using our trademarks, and shall not use our trademarks beyond their normal scope of business.
- *Termination of agreement.* The agreements with our franchisees and partners can be terminated by unanimous consent of the relevant contracting parties. In the event of a material breach of agreement by the franchisee or partner, such as the unauthorised use of our trademarks, unauthorised opening of bars, leaking of trade secrets or damage to our Group's reputation, we have the right to unilaterally terminate the agreement.
- *Fee structure.* Please see the section entitled "*Comparison of our Franchised Cooperation Model and our "HiBeer Partnership" Programme*" below for further information on the fee structure for our Franchised Cooperation Model and our "HiBeer Partnership" Programme.

We believe that standardised and unified bar service is a key element for the development of Helen's bars. Therefore, we develop a complete set of internal assessment systems to ensure that customers receive consistent services across all Helen's bars. Our internal management system covers all important aspects of bar operations, including not only the requirements of relevant laws and regulations on food safety, fire protection and finance, but also employee guidelines formulated based on years of our operating experience. For example, in order to help our staff improve the standard of services, we have formulated the Helen's internal service system, which provides complete and detailed guidelines for our staff in response to various possible situations encountered in the daily operations of bars, and ensures that our staff respond to the various needs of customers and that our services are in compliance with laws and regulations and our corporate culture. In addition, we assess and inspect the operation of the bars through site visit and daily supervision. Our Group continuously monitors the franchisees in real-time through operational data and metrics which can be accessed online on a daily basis. We also send personnel to conduct in-person store visits at least once a month, to assess and verify whether franchisees are in compliance with the requirements and proper procedures laid down our Group. Through such measures, our Helen's bars effectively follow our corporate culture, comply with our management system and offer customers high-quality services.

Comparison of our Franchised Cooperation Model and our "HiBeer Partnership" Programme

The main differences between our Franchised Cooperation Model and our "HiBeer Partnership" Programme are as follows:

- *Fee structure.*

For our franchisees under our Franchised Cooperation Model, they are required to pay a one-time franchise cooperation fee and a recurring monthly management service fee which is based on a certain percentage of the sales of the relevant franchised bar. While the one-off franchise cooperation fee is usually waived, it will become payable by the franchisee in the event that such franchisee breaches any term of its franchising agreement, in addition to any other liability it may assume for breach of contract.

For our partners under our "HiBeer Partnership" Programme, they are similarly required to pay a one-time onboarding cooperation fee and a recurring monthly brand management service fee which is fixed. For FY2023, this fixed monthly brand management service fee has been waived as a gesture of appreciation to our partners.

- Operation model. Bars opened under the "HiBeer Partnership" Programme are generally smaller, at around 200 square meters, and require fewer operational staff. Consequently, since the launch of the "HiBeer Partnership" Programme, "HiBeer Partnership" bars have been recognised by partners for various advantages such as low investment costs, low operating costs, high sales per square meter as well as good atmosphere and experience.

MAJOR CUSTOMERS

In relation to our self-operated bars, our main customers are walk-in customers in our bars in the PRC, Hong Kong and Singapore. As these customers are diverse, no single customer contributed more than 5.0% of our Group's revenue for the Period Under Review.

In relation to our franchised bars, our revenue primarily comprises management service fees from franchised bars. No single franchisee contributed more than 5.0% of our Group's revenue for the Period Under Review.

In relation to our "HiBeer Partnership" bars, our revenue primarily comprises (a) one-off onboarding cooperation fee paid by partners; (b) revenue derived from the supply of alcoholic drinks and snacks to such bars; and (c) recurring monthly brand management service fees from such bars. No single "HiBeer Partnership" bar contributed more than 5.0% of our Group's revenue for the Period Under Review.

To the best of our Directors' knowledge and belief, there are no arrangements or understanding with any customers pursuant to which any of our Directors and Executive Officers were appointed.

MAJOR SUPPLIERS

The following table sets out the suppliers which accounted for 5.0% or more of our Group's total purchases during any of the financial years during the Period Under Review:

| Supplier | Products/ services supplied | Percentage of total purchases (%) | | |
|---|-----------------------------------|-----------------------------------|--------|--------|
| | | FY2021 | FY2022 | FY2023 |
| Jiangxi Boruizhi Human Resources Service Co., Ltd. (江西博瑞智人力资源服务有限公司) | Human resources | 12.8 | 6.9 | 10.7 |
| Wuhan Omedi Decoration Engineering Co., Ltd. (武汉欧迈迪装饰装饰工程有限公司) | Interior decoration | 10.9 | 4.7 | — |
| Xuzhou Renchuangcheng Enterprise Management Co., Ltd. (徐州仁创诚企业管理有限公司) | Human resources | 8.4 | — | — |

| Supplier | Products/ services supplied | Percentage of total purchases (%) | | |
|---|-----------------------------------|-----------------------------------|-------------|-------------|
| | | FY2021 | FY2022 | FY2023 |
| Shuhai (Beijing) Food Co., Ltd. Wuhan Branch (蜀海(北京)食品有限公司武汉分公司)/ Shuhai (Hubei) Supply Chain Management Co., Ltd. (蜀海(湖北)供应链管理有限公司) ⁽¹⁾ | Food and snacks | 5.9 | 5.9 | 5.7 |
| Anhui Changyou Heying Empowerment Enterprise Management Co., Ltd. (安徽长佑合赢赋能企业管理有限公司) | Human resources | 5.4 | 16.6 | 12.6 |
| Xiamen Qixin Hesheng Technology Co., Ltd. (厦门启新和胜科技有限公司) | Human resources | — | 7.5 | 8.8 |
| Hubei Huilong Xingya Construction Engineering Co., Ltd. (湖北汇龙星亚建筑工程有限公司) | Construction and renovation | 2.7 | 5.9 | — |
| Total | | 46.1 | 47.5 | 37.8 |

Note:

- (1) Purchases from Shu (Beijing) Food Co., Ltd. Wuhan Branch and Shuhai (Hubei) Supply Chain Management Co., Ltd have been aggregated as they are part of the Shuhai Group.

To the best of their knowledge, our Directors are of the view that our Group's business and profitability are not materially dependent on any of our Group's major suppliers as the products and services required for our business are readily available from alternative suppliers in the market therefore there are no concerns on concentration risks in our Company.

For FY2021, FY2022 and FY2023, the suppliers which accounted for 5.0% or more of our total purchases in any of these financial years collectively accounted for approximately 46.1%, 47.5% and 37.8% of our total purchases, respectively. During the same periods, we settle the payment with our top five (5) suppliers through bank transfers to their designated bank accounts. We typically settle the payment on a monthly basis and are sometimes required to make a prepayment to these suppliers.

To the best of their knowledge, as at the Latest Practicable Date, our Directors are of the view that our business and profitability are not materially dependent on any of the above major suppliers as the products required for our business are readily available from alternative suppliers in the market.

Save as disclosed above, there are no other suppliers who accounted for 5.0% or more of our purchases during the Period Under Review. To the best of their knowledge, our Directors are not aware of any information or arrangements which would lead to a cessation or termination of our current relationship with any of our major suppliers.

As at the Latest Practicable Date, none of our Directors, Executive Officers or Substantial Shareholders or their respective associates has any interest, direct or indirect, in, and/or is involved in the management of, any of our major suppliers.

To the best of our Directors' knowledge and belief, there are no arrangements or understanding with any major suppliers pursuant to which any of our Directors and Executive Officers was appointed.

INVENTORY MANAGEMENT

Our inventories comprise of alcoholic drinks, food and consumables used in our bar operations. Our main purchases for our self-operated bars are third-party brand alcoholic drinks, Helen's branded products, and other consumables necessary for the operation of Helen's bars. Such supplies are usually ordered and delivered based on the anticipated demand at each bar. We do not maintain a significant level of inventory at our self-operated bars due to limited storage space and regular delivery of such supplies.

Our average inventory turnover for the Period Under Review was as follows:

| | FY2021 | FY2022 | FY2023 |
|--|--------|--------|--------|
| Average inventory turnover (days) ⁽¹⁾ | 31.1 | 31.7 | 28.5 |

Note:

(1) The average inventory turnover days is computed based on the formula (average of beginning and ending inventory balance/cost of inventories consumed) x 365 days.

Our inventories decreased from RMB61.5 million as at 31 December 2021, to RMB36.0 million as at 31 December 2022. The decrease in our inventories was mainly driven by a decrease in customer flow due to the frequent standstill of bars under pandemic control in 2022, resulting in a decrease in the amount of inventory sold by bars on a daily basis. Our inventory turnover days increased from 31.1 days in FY2021 to 31.7 days as of in FY2022.

Our inventories decreased from RMB36.0 million as at 31 December 2022, to RMB20.2 million as at 31 December 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 in FY2021 to 28.5 days as of in FY2023, mainly due to our more efficient management of our inventories.

CREDIT MANAGEMENT

Credit Terms from Our Suppliers

Our suppliers generally extend to us credit terms of between 30 and 90 days. The availability of credit and the credit terms extended to us differ from supplier to supplier depending on, among others, the size of our order and the length of our relationship with the particular supplier.

Our average trade and bills payable turnover days for FY2021, FY2022 and FY2023 are set out below:

| | FY2021 | FY2022 | FY2023 |
|---|--------|--------|--------|
| Average trade payables turnover days ⁽¹⁾ | 34.3 | 44.8 | 47.4 |

Note:

- (1) The average trade payables turnover days is computed based on the formula (average of beginning and ending trade payable balance/cost of inventory consumed) x 365 days.

Our average trade and bills payables turnover days increased from 34.3 days in FY2021 to 44.8 days in FY2022 due, mainly to our operational strategy of managing our purchases and making payments more effectively.

The turnover days of our trade payables increased from 44.8 days in FY2022 to 47.4 days in FY2023, resulting from the improved management of our suppliers.

Credit Terms Given to Our Customers

Our self-operated bars directly sell to end customers and primarily utilise online payments. There are no credit terms involved. The sales revenue generated from supplying products to our “HiBeer Partnership” bars are settled in the next month based on the orders placed. 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.

Our average trade receivables turnover days for FY2021, FY2022 and FY2023 are set out below:

| | FY2021 | FY2022 | FY2023 |
|--|--------------------|--------------------|--------|
| Average trade receivables turnover days ⁽²⁾ | n.m ⁽¹⁾ | n.m ⁽¹⁾ | 7.3 |

Note:

- (1) Not meaningful.

- (2) The average trade receivables turnover days is computed based on the formula (average of beginning and ending receivables/revenue) x 365 days.

We do not have any material exposure to doubtful trade receivables for each FY2021 and FY2022. In FY2023, we made an impairment loss allowance of RMB241,000 in relation to doubtful trade receivables.

LICENCES, PERMITS AND APPROVALS

In operating our business, we are required to obtain various licences and permits under applicable laws. See the section entitled “*Regulations*” of this Introductory Document for further details. We do not consider any one (1) of our licences or permits on its own to be material to our business. As at the Latest Practicable Date, there are no material licences and permits required for our business operations which our Group has not obtained.

To the best of our Directors’ knowledge, save for the renewal of the licence of musical works of Shenzhen Helens Enterprise Management Co., Ltd. (深圳海伦司企业管理有限公司) which is ongoing, our Group has obtained all the necessary licences, permits and approvals for our business operations, and our Group is in compliance with all applicable laws and regulations. For further information on the renewal of the licence of musical works, please see the section entitled “*Business — Intellectual Property*” of this Introductory Document for further information.

QUALITY CONTROL AND ASSURANCE

We have implemented quality control and assurance measures to ensure the quality of all food and beverages offered in our bars, and have adopted procedures to ensure that our suppliers comply with the relevant regulatory requirements and our internal guidelines.

We monitor food safety in all aspects of procurement, logistics, warehousing and bar services. Our food safety is managed by our operations department, which reports directly to our Board, and has the right to decide all matters relating to quality control. We also conduct periodic reviews and daily quality control at the operational level. The quality control and food safety are under the direct supervision and management of the responsible person of our operation centre. Specifically, the management and employees participating in the quality control and food safety include (i) the responsible person of our operation centre who is in charge of formulating the internal policies relating to quality control and food safety, employee training and overall supervision; (ii) one (1) area manager who monitors the implementation of internal measures relating to quality control and food safety; and (iii) the bar manager who monitors the in-store quality control and food safety matters.

In respect of various aspects of food safety, we have formulated a comprehensive quality management system to maintain our food safety and quality standards.

- *Procurement.* We have established comprehensive standards for the selection and management of suppliers. To ensure food safety, all of our suppliers must comply with the quality standards for alcoholic drinks, food ingredients and other supplies imposed by the regulatory authorities. Before entering into any cooperation relationship with our suppliers,

we conduct quality reviews of our suppliers' business licences, manufacturing licences and food operation licences and conduct background checks on suppliers through public information searches. We require suppliers to provide products that meet the corresponding national and industry quality standards as well as our own requirements. Pursuant to the various cooperation agreements which we enter into with the respective suppliers, if there are any quality issues with our purchased products, we shall take measures, such as returning the products, claiming compensation for loss or terminating the contract, and requiring the suppliers to bear the costs incurred by the return.

- *Alcoholic drinks.* We have stringent food safety control measures for alcoholic drinks sold in our bars. Before providing alcoholic drinks to our customers, our staff conduct detailed inspections on the shelf life, appearance, and temperature of alcoholic drinks. For the Helen's branded products and third-party alcoholic drinks we provide, we stop selling the products within seven (7) days of the end of the shelf life. For draft beer and other alcoholic drinks that require a high degree of freshness, if the draft beer is left for more than ten minutes after being taken out of the barrel, we will no longer provide it to customers. In the event that the packaging of the alcoholic drink is damaged, rusted, or has collided during transportation, we will exchange it immediately. We maintain sufficient inventory level according to the daily sales of alcoholic drinks in our bars. If the alcoholic drinks have not been sold, we require our staff to store them at room temperature or low temperature according to the storage requirements of alcoholic drinks. For alcoholic drinks that have been opened but not consumed on the same day (such as the alcoholic drinks deposited by customers), we will indicate the date of opening on the label of the packaging of the alcoholic drinks and strictly monitor their validity period. For alcoholic drinks that have exceeded the validity period of storage, we will no longer provide them to customers. We also sterilise the packaging and glasses of alcoholic drinks.
- *Snacks.* We purchase snacks from suppliers and process them in the kitchens of our bars. We have formulated detailed guidelines for the processing and storage methods of each type of snack. We require staff to sterilise utensils before processing snacks and wear operating utensils such as mouth shields and chef hats. We prohibit the sale of leftover fruit salad from the previous day. The kitchen and other related facilities in our bars are designed, constructed, maintained and inspected in accordance with applicable food safety standards, laws and regulations. We require our employees to follow strict hygiene standards. In addition, we require all raw materials and food ingredients used in the processing procedures to comply with applicable laws and regulations related to safety and quality, so as to prevent and rectify any possible quality problems.
- *Warehousing and logistics.* Our third-party warehousing and logistics service providers are responsible for delivering food ingredients and other materials to designated locations including our bars. Thereafter, our employees store the food ingredients at appropriate temperatures and storage conditions according to our standards, and keep a record log thereof. Our employees conduct a careful check on the alcoholic drinks, snacks and other consumables delivered to our bars with respect to their quality, quantity, freshness and shelf life, and we only accept those products that are in appropriate conditions. We store the products, such as alcoholic drinks, soft drinks and snacks in our warehouses in an

organised manner to ensure their quality. For instance, boxes of the alcoholic drinks are separately stored according to their weight, categories and shelf life, and boxes of these drinks are placed from each other from certain distance to avoid the compression of packages and compromising of product quality. In addition to strict adherence to the shelf life and storage methods, we also developed a labelling procedure to ensure the proper warehousing of drinks and foods in our bars. Once the alcoholic drinks, snacks or ingredients are unsealed or unfrozen, our employees place labels on their packaging which states the necessary information to help maintain proper storage, such as the opening date, the expiration date, the required storage temperature and the suggested storage methods.

- *Food processing.* We adopt a complete set of standard operational procedures stipulating operational procedures and quality standards relating to the processing of drinks and food offered in our bars, which range from the preparation of food and drinks to the required steps with respect to the storage and sterilisation of ingredients. Firstly, we require our bar staff who directly process the foods and drinks to strictly comply with the procedures and standards in the internal guidelines. For instance, they need to complete a number of personal hygiene steps before work, such as hand washing and the sterilisation of utensils and kitchen facilities. Our bar manager is in charge of checking the personal health of our employees and will need to report promptly if any health issues are discovered. Pursuant to our internal policies, all such required procedures have to be completed before the opening hour to ensure the proper operation condition of our bars. Secondly, once the customers place their order, our employees will examine the quantity, quality and temperature of the alcoholic drinks. For each kind of alcoholic drinks, we require our employees to serve them within the appropriate time limits to maintain the taste and freshness of such drinks, and, when necessary, we serve alcoholic drinks in sealed containers so that they stay fresh and hygienic during the course of consumption. We also have processing procedures for each kind of snacks we offer, including the processing of ingredients, cooking steps and storage methods. For instance, we require our employees to wear plastic gloves when preparing salads and prohibit the use of ingredients left overnight.
- *Sterilisation.* Our internal guidelines provide detailed sterilisation procedures to be conducted in our bars on daily, weekly, semi-monthly, monthly, quarterly and semi-annually basis, each kind of which is focused on specific aspects of our facility hygiene. We sterilise the items most frequently used in our bars on a daily basis, such as the kitchen appliances, kitchenware, floor or restroom facilities, and we set down different standard procedures for the sterilisation of each of these items. For instance, to achieve thorough cleaning, our employees use flashlights to inspect hidden corners in our bars that are generally out of sight. Each of our bars is equipped with the same set of cleaning tools, such as disinfectant, kitchen degreasing agent and disinfection spray, which allows us to apply our standardised hygiene protocols across all of our bars.

We have engaged third-party food safety technical service providers with industry-renowned reputation. We purchase professional cleaning equipment and supplies necessary for bar disinfection and hygiene from these technical service providers. These technical service

providers also offer us food safety supervision and testing, bar cleaning, evaluation, bar review and staff trainings services. If any issues are identified in food safety testing, our technical service providers will issue a review report and provide rectification suggestions to us.

We have fulfilled the inspection obligations and established an inspection system of food and drinks safety in accordance with the applicable laws and regulations. With regard to the food and drink purchased by our Group from third parties, our Group has verified the production qualifications of these suppliers, such as the food operation licences and the food production licences, and the product quality inspection certificates. As for the food heated or cut by the employees in our bars, we require the employees to operate in accordance with our standardised procedures, which are formulated according to the applicable laws and regulations.

During the Period Under Review and up to the Latest Practicable Date, we did not receive any third-party complaint regarding food and drink safety which makes us subject to formal notice, investigation or penalty by any competent government authorities.

During the Period Under Review and up to the Latest Practicable Date, we are not subject to any material proceedings by any government authorities on the sanitary conditions of our bars or products, and we have not encountered any material product safety incidents.

RESEARCH AND DEVELOPMENT

Our Research and Development Efforts

Development of Helen's branded alcoholic drinks

We collaborate with our service providers to develop new alcoholic drinks with a variety of tastes and flavours so as to cater to customer demand. We decide the formulation, flavour and packaging design of the new products, while our service providers undertake the product manufacture in accordance with the following salient terms:

- *Product manufacturing.* We provide the production specifications in the agreements, such as the recipes, ingredients, flavours, quality standards and packaging. The service providers shall manufacture the products strictly in accordance with our instructions.
- *Payment.* We shall make payment to the service providers for manufacturing the products upon the completion of production and after we inspect the quality of the products. We shall make a prepayment to the service providers based on a pre-agreed percentage of the total fees.
- *Quality control.* The service providers shall produce the products according to our requirements and the applicable laws and regulations. The service providers shall be liable for any failure to meet the foregoing specifications and standards.

- *Product delivery.* Upon the completion of the manufacture and inspection of products, we shall arrange the products to be delivered to us and shall bear the logistics expenses.

Our spirituous drinks, such as white peach, grape and strawberry-flavoured fruit beers, have also been developed after a long process of product development. In 2023, we introduced several new products that were well-received by consumers, such as the Passion Fruit Beer Tower and the Old Popsicle Tower. The Old Popsicle Tower, in particular, underwent numerous flavour adjustments, on-site research and development, and multiple test pilots, all driven by feedback from our end-market consumers. Our aim was to create a better experience for consumers.

Digital technology

Our Company has fully embraced the trend of using digital technology as a key driver for achieving high-quality development. We are committed to promoting the deep integration of data technology and operational management, concurrently advancing the comprehensive and systematic automation and intelligent enhancement of our system. To ensure the consistent and efficient functioning of our digital management systems, we have independently developed the Enterprise Resource Planning (“ERP”) system and an ordering mini program on WeChat.

The ERP system enables the digital and visual management of various business processes, including the management of goods, stores, personnel, inventory logistics and workflows. This application facilitates a series of process management tasks, including cashier card coupon redemption, store ordering, management analysis reports, and store visits, effectively improving store management efficiency.

The WeChat ordering mini program provides consumers with a convenient interactive platform for code-scanning ordering, order management, brand marketing management, membership management as well as social empowerment, while reducing the operating costs of our Company.

The smooth operation of all our self-developed systems helps ensure the seamless and improved business development for our Company.

Intelligent music management

The intelligent music management system is one (1) of the key applications in our bar operations. The system helps us manage the music playing in all bars across the PRC in a unified manner. The system generates unique playlists designed by our disc jockeys, and sends music playlists to the streaming system of each bar according to pre-set conditions, such as style and type of bar. The disc jockey controls the music and the volume in real time and instantly adjusts the tracks played in each bar. Moreover, the music volume in our bars can be automatically adjusted according to the current number of customers.

EMPLOYEES

Most of our employees are located in the PRC. As at 31 December 2021, 2022 and 2023, we had a total of 1,374, 1,637 and 675 full-time employees, respectively. In addition to our own full-time employees, we have engaged outsourced staff from human resource outsourcing service providers since 2020. Under these arrangements, the individuals providing services to our Group do not have any employment relationship with our Group, but instead are directly employed by the relevant service providers.

We do not employ a significant number of temporary employees and do not consider outsourced staff as temporary employees.

The following table sets out a breakdown of the number of our employees by activity as at 31 December 2021, 2022 and 2023:

| Activity | As at 31 December 2021 | As at 31 December 2022 | As at 31 December 2023 |
|---------------------------|------------------------------|------------------------------|------------------------------|
| Operation | 1,115 | 1,476 | 575 |
| Bar expansion | 95 | 26 | 8 |
| Technology and marketing | 78 | 58 | 39 |
| Administration and others | 86 | 77 | 53 |
| Total | 1,374 | 1,637 | 675 |

The following table sets out a breakdown of the number of our employees by geographical location as at 31 December 2021, 2022 and 2023:

| Geographic Location | As at 31 December 2021 | As at 31 December 2022 | As at 31 December 2023 |
|-------------------------|------------------------------|------------------------------|------------------------------|
| PRC | 1374 | 1635 | 668 |
| Singapore | — | — | 5 |
| Hong Kong | — | 2 | 1 |
| Other countries/regions | — | — | 1 |
| Total | 1,374 | 1,637 | 675 |

The fluctuations in the number of our employees are due to the changes in the number of bars and hence the number of employees required. The increase in the total number of employees in FY2021 to FY2022 is due to the increase in staffing needs of our self-operated Helen's bars. The decrease in the total number of employees in FY2022 to FY2023 is due to the decrease in the number of self-operated bars. We believe that engaging outsourced staff to supplement our employees has allowed us to increase our operation efficiency and is in line with the industry practice in the PRC.

None of our employees are unionised. During the Period Under Review, there has not been any incident of work stoppages or labour disputes that affected our operations. Accordingly, we consider our relationship with our employees to be good.

PROPERTIES

As at the Latest Practicable Date, our Group owns a land use right with a term ending on 25 August 2055, with respect to a parcel of land, of approximately 42,576.51 square meters on which 161 properties for office use purposes are situated at Building B2, Phase I, Business Project (Changjiang Digital Culture Centre), No.792 Gaoxin Avenue, Donghu New Technology Development Zone, Wuhan, Hubei Province, the PRC. As at the Latest Practicable Date, our Directors are of the view that the aforementioned land use right is not material to our business.

We currently lease all of the properties that we use to operate our bar business. As at the Latest Practicable Date, our Due Diligence Major Subsidiaries in the PRC lease 160 properties, of which 158 properties are used for our bar operations and two (2) properties are used as office space. These leased properties generally have terms between five (5) years to eight (8) years. With regards to the Defective Leased Offices, the two (2) properties used as office space have a combined gross floor area of 102 sq.m. and are not material to our Group's operations. In respect of these lessors, our Group has been proactively requesting for such ownership certificates to be provided.

Notwithstanding this, as at the Latest Practicable Date, we do not consider any of the leased premises of our Helen's bars or offices on its own to be material to our business as our Directors are of the view that no single one (1) of our leases comprise material tangible fixed assets of our Group and therefore any unilateral termination by any one (1) lessor is unlikely to have a material and adverse impact on our Group's business or operations as we believe that we will be able to secure leases for alternative premises in such event.

In respect of our existing lease agreements, we believe there will be no significant difficulty in renewing those that are about to expire on similar terms, on the grounds that in general, we have the contractual and/or legal priority right of renewal with respect to all of our existing lease agreements.

As at the Latest Practicable Date, save as disclosed in the section entitled "*Risk Factors — Risks relating to our Business and Industry — Risks relating to our Operations — Our rights to use some of our leased properties may be queried by property owners or other third parties, and we may be subject to fines as a result of unfiled leases which may adversely affect our businesses, performance, prospects, financial condition and results of operations*", our Directors are not aware of any existing breach of any of the terms and conditions of, or any obligations under our lease agreements that would result in the termination by the lessors.

INTELLECTUAL PROPERTY

Registered Trademarks

As at the Latest Practicable Date, our Group has registered more than 250 trademarks, of which the following have been considered material to our Group's operations:

| No. | Applicant | Mark | Registration No. | Country of Registration | Class(es) ⁽¹⁾ | Expiry Date | Status |
|-----|--|---|------------------|-------------------------|--|------------------|------------|
| 1. | Shenzhen Helens Brand Management Co., Ltd. (深圳市海伦司品牌管理有限公司) |  | 31011259 | PRC | 32 | 27 February 2029 | Registered |
| 2. | Shenzhen Helens Brand Management Co., Ltd. (深圳市海伦司品牌管理有限公司) |  | 28733018 | PRC | 43 | 6 December 2028 | Registered |
| 3. | Shenzhen Helens Brand Management Co., Ltd. (深圳市海伦司品牌管理有限公司) |  | 37244925 | PRC | 16, 18, 20, 21, 24, 25, 28, 29, 30, 35 | 6 February 2030 | Registered |
| 4. | Shenzhen Helens Brand Management Co., Ltd. (深圳市海伦司品牌管理有限公司) |  | 46512597 | PRC | 6, 28 | 6 March 2031 | Registered |
| 5. | Shenzhen Helens Brand Management Co., Ltd. (深圳市海伦司品牌管理有限公司) |  | 46512186 | PRC | 25, 32, 33 | 13 March 2031 | Registered |

Note:

(1) "Class" refers to the specification of services under the International Classification of Goods and Services by the World Intellectual Property Organisation.

Domain Names

As at the Latest Practicable Date, our Group has registered the following domain names which are in use by our Group:

| No. | Domain Name | Company to which it is registered | Country of Registration | Expiry Date |
|-----|----------------|---|-------------------------|------------------|
| 1. | helens.com.cn | Shenzhen Helens Brand Management Co., Ltd. (深圳市海伦司品牌管理有限公司) | PRC | 29 May 2029 |
| 2. | helensbar.com | Shenzhen Helens Brand Management Co., Ltd. (深圳市海伦司品牌管理有限公司) | PRC | 19 May 2028 |
| 3. | helens-bar.com | Shenzhen Helens Brand Management Co., Ltd. (深圳市海伦司品牌管理有限公司) | PRC | 19 May 2028 |
| 4. | helens.pub | Shenzhen Helens Brand Management Co., Ltd. (深圳市海伦司品牌管理有限公司) | PRC | 27 June 2027 |
| 6. | helensbar.cn | Shenzhen Helens Enterprise Management Co., Ltd. (深圳海伦司企业管理有限公司) | PRC | 19 February 2025 |

Registered Patents

As at the Latest Practicable Date, the following tables set out information on the patents registered under the name of our Group which are material to our business or profitability.

| No. | Applicant | Patent | Registration No. | Country of Registration | Class(es) | Expiry Date ⁽¹⁾ |
|-----|---|--|------------------|-------------------------|------------------|----------------------------|
| 1. | Shenzhen Helens Enterprise Management Co., Ltd. (深圳海伦司企业管理有限公司) | 一种扎啤自动倒酒机及其扎啤杯酒位控制方法 (An automatic draft beer pouring machine and its draft beer cup wine level control method) | ZL201710245713.8 | PRC | Invention patent | 13 April 2037 |
| 2. | Shenzhen Helens Enterprise Management Co., Ltd. (深圳海伦司企业管理有限公司) | 一种自动保护型电炸炉 (An automatic protection electric fryer) | ZL202022874163.6 | PRC | Utility model | 3 December 2030 |

Note:

- (1) Patent expiration date is estimated based on current filing status, without taking into account any possible patent term adjustments or extensions and assuming payment of all appropriate maintenance, renewal, annuity and other government fees.

Registered Copyright

As at the Latest Practicable Date, the following tables set out information on the computer software copyrights registered under the name of our Group which are material to our business or profitability.

| No. | Applicant | Name of Copyright | Registration No. | Country of Registration | Date of First Publication |
|-----|---|--|------------------|-------------------------|---------------------------|
| 1. | Shenzhen Helens Enterprise Management Co., Ltd. (深圳海伦司企业管理有限公司) | 一种音乐播放管理系统V1.1 (A kind of music playback management control system V1.1) | 2021SR0024993 | PRC | 31 October 2020 |

| | | | | | |
|----|---|--|---------------|-----|-------------------|
| 2. | Shenzhen Helens Enterprise Management Co., Ltd. (深圳海伦司企业管理有限公司) | 全自动扎啤机自动控制软件V1.0 (Automatic draft beer machine automatic control software V1.0) | 2021SR0024046 | PRC | 1 May 2020 |
| 3. | Shenzhen Helens Enterprise Management Co., Ltd. (深圳海伦司企业管理有限公司) | 海带碰社交平台 (Kelp touch social platform) | 2022SR0297643 | PRC | 23 September 2021 |

As at the Latest Practicable Date, the following tables set out information on the copyrights registered under the name of our Group which are material to our business or profitability.

| No. | Applicant | Name of Copyright | Registration No. | Version | Country of Registration | Date of First Publication |
|-----|---|--|----------------------|---------|-------------------------|---------------------------|
| 1. | Shenzhen Helens Enterprise Management Co., Ltd. (深圳海伦司企业管理有限公司) | HELENS店面模板造型 (HELENS bars' template design) | 国作登字-2020-F-01011120 | F | PRC | 16 March 2019 |
| 2. | Shenzhen Helens Enterprise Management Co., Ltd. (深圳海伦司企业管理有限公司) | HELENS店面屏封造型 (HELENS bars' partition screen design) | 国作登字-2020-F-01011124 | F | PRC | 16 March 2019 |
| 3. | Shenzhen Helens Enterprise Management Co., Ltd. (深圳海伦司企业管理有限公司) | HELENS店面玄关入口造型 (HELENS bars' entrance design) | 国作登字-2020-F-01011123 | F | PRC | 16 March 2019 |
| 4. | Shenzhen Helens Enterprise Management Co., Ltd. (深圳海伦司企业管理有限公司) | HELENS店面佛像造型 (HELENS bars' Buddha statue design) | 国作登字-2020-F-01011121 | F | PRC | 16 March 2019 |
| 5. | Shenzhen Helens Enterprise Management Co., Ltd. (深圳海伦司企业管理有限公司) | HELENS店面蓝底雕花造型 (HELENS bars' flower engraving design with blue background) | 国作登字-2020-F01011122 | F | PRC | 16 March 2019 |
| 6. | Shenzhen Helens Enterprise Management Co., Ltd. (深圳海伦司企业管理有限公司) | HELENS店面金孔雀造型 (HELENS bars' golden peacock design) | 国作登字-2020-F-01011117 | F | PRC | 16 March 2019 |
| 7. | Shenzhen Helens Enterprise Management Co., Ltd. (深圳海伦司企业管理有限公司) | HELENS店面木格造型 (HELENS bars' wooden lattice design) | 国作登字-2020-F-01011119 | F | PRC | 16 March 2019 |
| 8. | Shenzhen Helens Enterprise Management Co., Ltd. (深圳海伦司企业管理有限公司) | HELENS店面三拱门造型 (HELENS bars' three (3) arches design) | 国作登字-2020-F-01011118 | F | PRC | 16 March 2019 |
| 9. | Shenzhen Helens Brand Management Co., Ltd. (深圳市海伦司品牌管理有限公司) | 搞怪派对 (Funky party) | 国作登字-2022-F-10219556 | F | PRC | Unpublished |

| No. | Applicant | Name of Copyright | Registration No. | Version | Country of Registration | Date of First Publication |
|-----|--|--|----------------------|---------|-------------------------|---------------------------|
| 10. | Shenzhen Helens Brand Management Co., Ltd. (深圳市海伦司品牌管理有限公司) | 惊吓派对 (Scare party) | 国作登字-2022-F-10219557 | F | PRC | Unpublished |
| 11. | Shenzhen Helens Brand Management Co., Ltd. (深圳市海伦司品牌管理有限公司) | 嗨斗派对 (Hippie party) | 国作登字-2022-F-10219558 | F | PRC | Unpublished |
| 12. | Shenzhen Helens Brand Management Co., Ltd. (深圳市海伦司品牌管理有限公司) | 吨吨派对 (Ton-ton party) | 国作登字-2022-F-10219559 | F | PRC | Unpublished |
| 13. | Shenzhen Helens Brand Management Co., Ltd. (深圳市海伦司品牌管理有限公司) | 扑克派对 (Poker party) | 国作登字-2022-F-10219554 | F | PRC | Unpublished |
| 14. | Shenzhen Helens Brand Management Co., Ltd. (深圳市海伦司品牌管理有限公司) | 女神派对 (Goddess party) | 国作登字-2022-F-10219560 | F | PRC | Unpublished |
| 15. | Shenzhen Helens Brand Management Co., Ltd. (深圳市海伦司品牌管理有限公司) | 睡衣派对 (Pajama party) | 国作登字-2022-F-10219555 | F | PRC | Unpublished |
| 16. | Shenzhen Helens Brand Management Co., Ltd. (深圳市海伦司品牌管理有限公司) | 圣特洛亚风格穹柱造型 (St. tropez style dome pillar design) | 国作登字-2022-F-10218108 | F | PRC | Unpublished |
| 17. | Shenzhen Helens Brand Management Co., Ltd. (深圳市海伦司品牌管理有限公司) | 托斯卡纳风格大门造型 (Tuscan style gate design) | 国作登字-2022-F-10218100 | F | PRC | Unpublished |
| 18. | Shenzhen Helens Brand Management Co., Ltd. (深圳市海伦司品牌管理有限公司) | 奥特托特风格立柱造型 (Orthodox style column design) | 国作登字-2022-F-10218105 | F | PRC | Unpublished |

| No. | Applicant | Name of Copyright | Registration No. | Version | Country of Registration | Date of First Publication |
|-----|--|--|----------------------|---------|-------------------------|---------------------------|
| 19. | Shenzhen Helens Brand Management Co., Ltd. (深圳市海伦司品牌管理有限公司) | 3D雕塑拱门柱廊造型 (3D sculpture arch colonnade design) | 国作登字-2022-F-10218098 | F | PRC | Unpublished |
| 20. | Shenzhen Helens Brand Management Co., Ltd. (深圳市海伦司品牌管理有限公司) | 特卢里铁艺隔断造型 (Truly iron partition design) | 国作登字-2022-F-10218099 | F | PRC | Unpublished |
| 21. | Shenzhen Helens Brand Management Co., Ltd. (深圳市海伦司品牌管理有限公司) | 卡斯泰拉风格拱窗造型 (Castella style arched window design) | 国作登字-2022-F-10218101 | F | PRC | Unpublished |
| 22. | Shenzhen Helens Brand Management Co., Ltd. (深圳市海伦司品牌管理有限公司) | 威尼斯泰风格庭柱造型 (Venetian style column design) | 国作登字-2022-F-10218104 | F | PRC | Unpublished |
| 23. | Shenzhen Helens Brand Management Co., Ltd. (深圳市海伦司品牌管理有限公司) | 普蒂尼风格壁炉造型 (Puttini style fireplace design) | 国作登字-2022-F-10218113 | F | PRC | Unpublished |
| 24. | Shenzhen Helens Brand Management Co., Ltd. (深圳市海伦司品牌管理有限公司) | 卢塔兰托风格壁画造型 (Lutaranto style mural design) | 国作登字-2022-F-10218097 | F | PRC | Unpublished |
| 25. | Shenzhen Helens Brand Management Co., Ltd. (深圳市海伦司品牌管理有限公司) | 波尼古拉风格圣坛造型 (Ponticola style altar design) | 国作登字-2022-F-10218111 | F | PRC | Unpublished |
| 26. | Shenzhen Helens Brand Management Co., Ltd. (深圳市海伦司品牌管理有限公司) | 班塔外佛像玄关造型 (Banta style entryway design) | 国作登字-2022-F-10218106 | F | PRC | Unpublished |
| 27. | Shenzhen Helens Brand Management Co., Ltd. (深圳市海伦司品牌管理有限公司) | 多门德卡风格神殿造型 (Domenica style shrine design) | 国作登字-2022-F-10218102 | F | PRC | Unpublished |

| No. | Applicant | Name of Copyright | Registration No. | Version | Country of Registration | Date of First Publication |
|-----|--|--|----------------------|---------|-------------------------|---------------------------|
| 28. | Shenzhen Helens Brand Management Co., Ltd. (深圳市海伦司品牌管理有限公司) | 庞克风格招牌造型 (Punk style signboard design) | 国作登字-2022-F-10218110 | F | PRC | Unpublished |
| 29. | Shenzhen Helens Brand Management Co., Ltd. (深圳市海伦司品牌管理有限公司) | 特拉米蒂风格雕塑立柱造型 (Trameti style sculpture column design) | 国作登字-2022-F-10218112 | F | PRC | Unpublished |
| 30. | Shenzhen Helens Brand Management Co., Ltd. (深圳市海伦司品牌管理有限公司) | 海伦司越大排档招牌 (Helens yue food stall signboard) | 国作登字-2022-F-10186693 | F | PRC | Unpublished |
| 31. | Shenzhen Helens Brand Management Co., Ltd. (深圳市海伦司品牌管理有限公司) | 海伦司•越 (Helens yue) | 国作登字-2022-F-10138327 | F | PRC | Unpublished |
| 32. | Shenzhen Helens Brand Management Co., Ltd. (深圳市海伦司品牌管理有限公司) | Helens女神IP (Helens goddess IP) | 国作登字-2021-F-00199233 | F | PRC | 2 June 2021 |
| 33. | Shenzhen Helens Brand Management Co., Ltd. (深圳市海伦司品牌管理有限公司) | HELENS品牌logo (HELENS brand logo) | 国作登字-2021-F-00140321 | F | PRC | 29 December 2019 |
| 34. | Shenzhen Helens Brand Management Co., Ltd. (深圳市海伦司品牌管理有限公司) | 海伦司墙绘 (HELENS wall painting) | 国作登字-2024-F-00043509 | F | PRC | 1 May 2023 |
| 35. | Shenzhen Helens Brand Management Co., Ltd. (深圳市海伦司品牌管理有限公司) | 海伦司墙绘 (HELENS wall painting) | 国作登字-2024-F-00043508 | F | PRC | 1 May 2023 |

On 20 April 2018, Mr. Xu executed an authorisation letter, pursuant to which he irrevocably and unconditionally authorised Shenzhen Helens Enterprise Management Co., Ltd. (深圳海伦司企业管理有限公司), its associate companies and its subsidiaries and branches to use ten (10) copyrights within the PRC at nil consideration for the validity period of the relevant copyrights.

| No. | Applicant | Name of Copyright | Registration No. | Version | Country of Registration | Date of First Publication |
|-----|--------------|--|----------------------|---------|-------------------------|---------------------------|
| 1. | Xu Bingzhong | HELENS店面糖果造型图(HELENS bars' candy design image) | 粤作登字-2018-J-00000269 | J | PRC | 16 January 2007 |
| 2. | Xu Bingzhong | HELENS店面雕花造型图(HELENS bars' flower engravement design image) | 粤作登字-2018-J-00000268 | J | PRC | 3 February 2007 |
| 3. | Xu Bingzhong | HELENS店面木车轮雕花造型图 (HELENS bars' wooden wheel engravement design image) | 粤作登字-2018-J-00000270 | J | PRC | 31 March 2007 |
| 4. | Xu Bingzhong | HELENS店面手绘墙造型图(HELENS bars' hand-painted wall design image) | 粤作登字-2018-J-00000273 | J | PRC | 1 April 2007 |
| 5. | Xu Bingzhong | HELENS店面鹅卵石造型图(HELENS bars' cobblestone design image) | 粤作登字-2018-J-00000272 | J | PRC | 19 May 2007 |
| 6. | Xu Bingzhong | HELENS店面大罐磨槽造型图(HELENS bars' large pot mill design image) | 粤作登字-2018-J-00000271 | J | PRC | 1 June 2007 |
| 7. | Xu Bingzhong | HELENS店面泰国鸟墙造型图(HELENS bars' Thai bird wall design image) | 粤作登字-2018-J-00000274 | J | PRC | 7 July 2007 |
| 8. | Xu Bingzhong | HELENS店面缅泰雕花书柜造型图 (HELENS bars' Burmese and Thai bookshelf engravement design image) | 粤作登字-2018-J-00000287 | J | PRC | 23 July 2007 |
| 9. | Xu Bingzhong | HELENS店面门头图(HELENS bars' storefront) | 粤作登字-2018-J-00000267 | J | PRC | 5 December 2006 |
| 10. | Xu Bingzhong | Helens品牌logo (Helens brand logo) | 国作登字-2014-F-00126103 | F | PRC | 15 November 2017 |

Note:

- (1) According to the Copyright Law of the PRC, copyright includes the following personal rights and property rights: (a) the right of publication; (b) the right of attribution; (c) the right of alteration; (d) the right of integrity; (e) the right of reproduction; (f) the right of distribution; (g) the right of rental; (h) the right of exhibition; (i) the right of performance; (j) the right of screening; (k) the right of broadcasting; (l) the right of information network dissemination; (m) the right of cinematography; (n) the right of adaptation; (o) the right of translation; (p) the right of compilation; and (q) other rights that should be enjoyed by the copyright owner.

The protection period for the right of attribution, the right of alteration, and the right of integrity of the author is unlimited.

For works created by natural persons, the protection period for the right of publication and the rights specified in items (e) to (q) above is the lifetime of the author plus fifty years after their decease, ending on December 31 of the fiftieth year after the author's death.

For works created by legal persons or unincorporated organisations, and works created in the course of employment whose copyrights (except for right of attribution) is enjoyed by the legal person or unincorporated organisations, the protection period for the right of publication is fifty years, ending on 31st December of the fiftieth year after the completion of the work; the protection period for the rights specified in items (e) to (q) above is fifty years, ending on 31st December of the fiftieth year after the first publication of the work. However, if the work is not published within fifty years after its completion, it will no longer be protected.

Licence of Musical Works

The China Music Copyright Association has licensed all bars under Shenzhen Helens Enterprise and its subsidiaries to perform, sing and play the designated musical or works, for the period from 1 June 2021 to 31 December 2023, under a licence agreement signed by Shenzhen Helens Enterprise with the China Music Copyright Association and under the recording product usage fee collection agreement signed by Shenzhen Helens Enterprise with China Audio-Video Copyright Association. This includes 657 self-operated or franchised bars as at 26 May 2023, which is the date that the licence agreement was signed. Shenzhen Helens Enterprise has renewed the authorisation for the use of music works (including authorisation for new store openings) with the China Music Copyright Association for the period from 1 January 2024 to 31 December 2024 and is still in communication with the China Audio-Video Copyright Association regarding the renewal for the same period. As advised by our PRC Legal Adviser, once the renewal of such authorisation is complete, the renewed licence will commence from 1 January 2024. As at the Latest Practicable Date, our Group has not received any notice of breach from the China Audio-Video Copyright Association. As far as our Group is aware, there are no foreseeable substantive obstacles in renewing the authorisation for the use of the music works, and licence will normally be granted as long as payment is made. Taking into account the foregoing, as non-renewal of authorisation is unlikely, there is very low likelihood of material adverse implication(s) on our Group's operations.

Save as disclosed above, our Group does not own or use any trademarks, patents, internet domains or other intellectual property (including copyrights) which are material to our business or profitability.

INSURANCE

We maintain insurance coverage in respect of, among others, the following key risks: damage to property (our offices, bars, machinery, equipment and inventory), employer's liability and public liability.

Our Directors believe we have sufficient insurance coverage in accordance with industry standards and business practices. We will continue to regularly review and adjust our insurance coverage based on our needs and industry practice.

CORPORATE SOCIAL RESPONSIBILITY AND ENVIRONMENT

We are committed to making a positive impact on the local community in the countries which we operate in. Over the years, our Group has fulfilled our social responsibility with practical actions and actively responded to the demands of the public, with a commitment to creating a harmonious and warm community atmosphere for and providing strong support and assistance to the public. We will continue to leverage on our strengths and specialties to promote public welfare and encourage our employees and drive consumers to participate in charity activities to build a harmonious and friendly society.

Environment Sustainability and Resource Utilisation

We are committed to environmental protection and consciously take a forward-looking perspective to actively manage and reduce the negative environmental impact caused by our business activities. We strive towards energy conservation and emission reduction, sustainable packaging, and effective management of waste, noise, water resources, and exhaust gases.

For example, we actively and continually explore various ways to provide packaging that is safe for consumers while reducing the consumption of natural resources commonly associated with disposable packaging. We purchase degradable and sustainable materials for packaging production, and reduce the use of plastics in our packaging. We also mandate water saving policies to reduce water wastage.

Protecting Public Health

In April 2022, we launched a public welfare campaign for releasing emotions and curing anxiety. We released a home-made public service healing video called "The Sea of Life" (人生海海) and launched an online document called "Emotional Shelter" (情绪收容所) for customers to leave messages and express their feelings. By the end of the campaign, the "Emotional Shelter" online document has been viewed for approximately 100,000 times, with over 3,000 edited entries.

In May 2022, we launched a public welfare activity to give away masks for preventing and controlling the COVID-19 pandemic by joining hands with various platforms and channels to call on the public to pay attention to their health. Medical masks were given away for free to more than 80,000 customers in all our bars, including 100,000 smiling masks that we customised.

Protecting Biodiversity

On International Cat Day in August 2023, we launched customised cat kennels and joined forces with YOOIU (有鱼) to set up a cat shelter, encouraging all cat lovers to adopt instead of purchase, and give homeless stray cats a warm haven. A total of 10,000 cat nests, 10,000 cat food, 10,000 vaccine books were sent out.

MATERIAL LITIGATION

None of the members in our Group are a party to any litigation or arbitration proceedings, including those which are pending or known to be contemplated, which may have, or which have had in the 12 months immediately preceding the date of this Introductory Document, a material effect on the financial position or profitability of our Group.

ORDER BOOKS

Due to the nature of our business operations, we do not have an order book.

COMPETITION

We operate in a highly competitive and fragmented industry. We face competition from various types of bars and other nighttime establishments such as night clubs, karaoke bars and other nighttime establishments. We believe we are able to compete against other bars as our bottled beers are competitively priced, our bars have unique decoration style and our employees provide cordial and efficient service which creates a more comfortable environment for customers.

Please see the section entitled “*Risk Factors — Risks relating to our business and industry — Our success depends on the ability to remain competitive in the industry*” of this Introductory Document for further details on the competitive risks we face in our business.

COMPETITIVE STRENGTHS

We believe that our Group benefits from a number of competitive strengths underpinned by our track record and the experience of our management team.

- **Premium quality and value for money product portfolio**

Our premium-quality product portfolio consists of various affordable products. The prices of the majority of our bottled beer in PRC are under RMB10 per bottle, which gives us significant pricing advantages over similar products in the market. For example, in the PRC, the price of our 275ml Helen’s craft beer is only RMB8.2 per bottle, and the price of 275ml Budweiser beer offered at our bars is RMB9.99 per bottle. Our economics of scales and product matrix enable us to offer value for money products portfolio. Our branded

products eliminate unnecessary intermediary parties, helping us achieve a competitive pricing, as well as enhances our profitability. Our long-term strategy is to offer affordable products to our customers.

For Helen's branded products, we track the trends of the young customers' demands and identify changes in demands, which drives the launch of our branded alcoholic drinks. In 2023, we introduced several new products that were well-received by consumers, such as the Passion Fruit Beer Tower and the Old Popsicle Tower. The Old Popsicle Tower, in particular, underwent numerous flavour adjustments, on-site research and development, and multiple pilot tests driven by feedback from our end-market consumers. We also cooperate with well-known third-party suppliers to provide customers with selected snacks. We believe that a high-quality and diversified product portfolio will increase customer stickiness and develop a more comprehensive brand image.

- **Highly standardised business model**

Optimised product portfolio. We provide unified and signature product portfolio to customers in our bars across the PRC, thereby simplifying our procurement and logistics procedures while improving the inventory turnover. We monitor the key sales status of our bars across the PRC, such as the sales volume and the mix of sales amount and analyse the changes in the consumption trends of our customers, allowing us to introduce new products that meets customer preference in a timely manner.

Integrated bar operation. We have a professional team in our corporate headquarters to manage bar location selection, employee training, logistics and procurement and in-store music. For instance, based on our modularised and standardised bar operations, we have successfully increased the efficiency of bar decoration that typically involves complicated processes. We open new bars around the existing ones when certain predetermined thresholds relating to such existing bars have been met, such as the repurchase ratio of the existing bar's customers and its queue status.

Efficient bar management. We adopt a standardised day-to-day bar management system. We partner with professional third-party logistics service providers to achieve effective bar logistics distribution. The alcoholic drinks we procure are all finished products and we carry out a standardised and strict quality and safety control for these products. We purchase snacks that are customised and easy for processing. Moreover, we have formulated a highly standardised and streamlined operating procedure for our kitchens. Our efficient supply chain can effectively enhance the operation efficiency of our bars. Our ERP system enables the digital and visual management of various business processes, including the management of goods, stores, personnel, inventory logistics and workflows.

Systematised training for store managers. We train store managers through an integrated training, mentorship and rotation system, thereby forming a sustainable talent training system.

- **Unique style of consumer experience**

Unique decoration style. We pay great attention to decor design and ambience in our bars. We create unique styles in bar decoration, and continuously optimise and upgrade bar decoration. We use wooden tables and chairs and warm-toned decoration materials, and select exotic art sculptures and flower engravements as decorations, which are rich in colour touch, and give customers a visible and tactile experience, thus creating a more comfortable environment for customers.

Comprehensive bar events. We offer a variety of activities to build diversifying interaction with customers. In addition, we also serve free drinks to customers queueing up for tables and hold themed events during the holidays that are popular among the youth. These comprehensive activities have made young customers feel our heartfelt sincerity and gratitude, thereby greatly enhancing the loyalty of our customers.

Cordial and efficient service. Our employees provide efficient services to customers with a sunny, positive and modest image. We generally hire younger employees in our bars as we believe that young employees bring more effective interaction and establish connection with young customers. We advocate a modest and efficient service based on the principle of minimal disturbance in order to ensure that customers experience a comfortable and natural social ambience.

- **Excellent operational efficiency powered by digitalisation and technological innovation**

Digital technology. Our self-developed ERP system facilitates a series of process management tasks, including cashier card coupon redemption, store ordering, management analysis reports, and store visits, effectively improving store management efficiency. Our WeChat ordering mini program provides consumers with a convenient interactive platform for code-scanning ordering, order management, brand marketing management, membership management as well as social empowerment, while reducing the operating costs of our Company.

Centralised music management system. We have built an integrated and visualised intelligent music management system to achieve accurate and real-time control over the background music of all our bars across the PRC. We have developed an integrated music library to be used for all of our bars. Our music management system automatically tests the track BPM and assign appropriate mood tag to each sound track, allowing our bars to choose and play the music that is most suitable for the in-store ambience according to the specific business hour, peak hours, customer group and whether it is a holiday. This brings our customers the atmosphere and sentiment that is perfectly matched with their moods. We also automatically adjust the volume and rhythm of the in-store music according to the customer traffic, thus helping our customer become immersed into a relaxing and joyful ambience and enjoy an excellent leisure time.

- **Enterprising and people-oriented management team**

We are led by an experienced, professional and enterprising management team. Mr. Xu, our founder and chairman, has more than 20 years of experience in the bar industry. He has deep insights into the development of bar industry in the PRC and has focused on the innovation of business models of bar industry for a substantial amount of time and his strategic guidance is significant and meaningful to our success.

Our management team includes veteran industry experts who have worked in the catering industry for many years, technical experts who have worked in large internet companies, and employees who have been working with us for an extended period of time.

Our employees are our first-line teams and also our most important assets. We consistently adhere to treating our employees with sincerity, and are committed to building an equal, free, open and embracing corporate culture. We try our best to take care of and support the development of each employee while letting them work in a joyful atmosphere. We believe that our dedicated and happy staff team will contribute significantly to our long-term development in the future.

BUSINESS STRATEGIES AND FUTURE PLANS

Business Strategies

Our business strategies are as follows:

(a) Continue to expand our bar network

We will continue to cooperate with partners under “HiBeer Partnership” Programme and expand our bar network proactively, in order to consolidate our position and satisfy the growing customer needs. We not only intend to open more bars in our existing markets, but also would like to expand our bar network to new untapped markets. We plan to develop the lower-tier markets and continue to place more bars in the PRC’s third and lower-tier cities. Meanwhile, our value for money and high-quality product portfolio and our relaxing social space are even more competitive in these markets. We will fully seize the broad market prospects in these regions and continue to meet the increasing demand in the lower-tier markets.

(b) Strengthening brand image and consumer awareness

We plan to further enhance the awareness of our Helen’s brand. We will continue to steadily promote our bar expansion plan in the regions where there are high concentrations of young customers, and at the same time, open more bars in certain regions in response to the expectations and feedback of loyal customers in order to continue to increase the awareness among target customer groups and customer loyalty. We will also continue to adhere to serving our customers sincerely, establish effective communications with customers in daily operations, and convey our gratitude and

feedback to our customers. We believe that sincerity in service can inspire customers to recognise the values of Helen's brand, thereby effectively enhancing customers' spontaneous promotion of our brand. This is also our constant brand belief from day one.

As an important part of the brand image, we will continue to optimise and iterate our branded product portfolio. We plan to continue to research and develop products through big data analysis and interactions with customers so as to enrich our branded product portfolio. Our new product development plans include developing alcoholic drinks based on consumer preferences and values, having diverse flavours and a low alcohol content, and providing seasonal snacks with local flavours to be served with the alcoholic drinks. In order to preserve and enhance the image of our branded product portfolio, we will continue to refine and optimise product formulations, processing, and packaging based on consumer experience and preferences. We believe that a high-quality and continuously enriched branded product portfolio can enhance the brand awareness, increase customer loyalty, and maintain our sustained profitability under a value for money business strategy. At the same time, our branded product portfolio also helps to disseminate our brand culture and values, thereby making our brand image more stylish and well-rounded.

Future Plans

We intend to continue to expand our bar network and further strengthen the management of our supply chain by deploying more warehousing centres to better support the supply of materials for our new bars across the PRC. We will also further expand the pool of our bar management talent and continue to optimise our talent training system in order to support the rapid expansion of our bar network.

We plan to continue to optimise the digital technology we use, enhance our data management capabilities, ensure information security, and adopt agile software development methods. We will further drive the integration of data technology and operational management to enable our business departments to engage in more refined operational management. We aim to achieve system optimisation through (i) upgrading our business and financial integration systems to eliminate data redundancy and mitigate the risk of errors; (ii) strengthen and upgrade our supply chain system to ensure accurate data flow, streamlined processes, and timely execution across all links of the supply system chain; and (iii) upgrade our business management system with comprehensive lifecycle management practices for all our franchised bars to enhance efficiency.

We plan to continue to invest in our talent pool and optimise our human resource management system. A united, mutually trusted, and enterprising talent team is an important cornerstone for our business to achieve sustainable growth. We will attract and retain more employees who agree with our corporate culture as well as recruiting talents with expertise and experience in the fields of supply chain management, brand communication, and technology research and development. We will further optimise our human resource management system to provide more competitive reward and benefit packages for our employees, set up fair and effective incentive mechanisms, and room for self-growth and promotion of our employees.

We will also further broaden our marketing channels and increase our outreach to target customers. We plan to utilise the influence of emerging social media and private domain traffic to develop digitalised marketing, accurately capture target customers based on their locations, hobbies and ages, and to implement targeted advertising on the favourite social platforms of the youth. We plan to continue to enrich the events held at our bars and to organise various promotional campaigns surrounding the places where young people gather in order to increase our brand exposure and heighten interactions with young customers.

REGULATIONS

The following is a summary of the material laws and regulations applicable to our Group as at the Latest Practicable Date.

This section sets forth a summary of certain laws and regulations which are relevant to our Group's business in the PRC. Information contained in this section should not be construed as a comprehensive summary of the laws and regulations applicable to our Group.

Regulations relating to food safety and licensing requirements for food operations

Food Safety Law and Implementation Rules

In accordance with the Food Safety Law of the PRC (《中华人民共和国食品安全法》), as effective on 1 June 2009 and most recently amended on 29 April 2021, the PRC State Council implemented a licensing system for food production and trading activities. A person or entity who engages in food production, food selling or catering services shall obtain the licence in accordance with the Food Safety Law of the PRC. According to the Food Safety Law of the PRC, the PRC State Council shall establish a food safety committee whose duties shall be defined by the PRC State Council. The food safety supervision and administration department under the PRC State Council shall exercise supervision and administration over food production and trading activities according to the duties defined by the Food Safety Law of the PRC and the PRC State Council. The health administrative department under the PRC State Council shall organise the implementation of risk monitoring and risk assessment of food safety according to the duties defined by the Food Safety Law of the PRC, and shall formulate and issue national food safety standards together with the food safety supervision and administration department under the PRC State Council. Other relevant departments under the PRC State Council shall carry out relevant food safety work according to the duties defined by the Food Safety Law of the PRC. The Food Safety Law of the PRC sets out, as penalties for violation, various legal liabilities in the form of warnings, orders to rectify, confiscations of illegal gains, confiscations of tools, equipment, raw materials and other articles used for illegal production and operation, fines, recalls and destructions of food made in violation of laws and regulations, orders to suspend production and/or operation, revocations of production and/or operation licences, and criminal punishment. The Implementation Rules of the Food Safety Law (《中华人民共和国食品安全法实施条例》), as effective on 20 July 2009 and last amended on 11 October 2019, further specifies the detailed measures to be taken for food producers and business operators and the penalties that shall be imposed should these required measures not be implemented.

Food Operation Licensing

On 31 August 2015, the PRC Food and Drug Administration promulgated the Administrative Measures for Food Operation Licensing (《食品经营许可证管理办法》), which was amended on 17 November 2017. According to the Administrative Measures for Food Operation Licensing, a person or entity that engages in food selling and catering services within the PRC (the “**food operators**”) shall obtain a food operation licence in accordance with the law. Food operators

engaging at different location or venues must obtain separate food operation licences for each venue under the principle of one (1) licence for each site. Food and drug administrative authorities shall implement classified licensing for food operation according to food operators' types of operation and the degree of risk of their operation projects. On 30 September 2015, the PRC Food and Drug Administration promulgated the Announcement on Using the Food Operation Licences. Pursuant to the Announcement on Using the Food Operation Licences, the catering service licence was replaced by the food operation licence. The food operation licence is valid for five (5) years upon its issuance. Food operators shall display their original food operation licences prominently at their sites of operation. If the licensing items which are indicated on a food operation licence change, the food operator shall, within ten (10) business days after the changes take place, apply with the food and drug administrative authority which originally issued the licence for alteration of the operation licence. Those who engage in food operation activities but failed to obtain a required food operation licence shall be punished by the local food and drug administrative authorities at or above the county level according to Article 122 of the Food Safety Law of the PRC, which provides that the authorities shall confiscate their illegal income, the food or food additives illegally produced or dealt in, and the tools, equipment, raw materials, and other items used for illegal production or operation, and impose a fine of not less than RMB50,000 but not more than RMB100,000 on them if the goods value of the food or food additives illegally produced or dealt in is less than RMB10,000 or a fine of not less than ten (10) times but not more than 20 times the goods value if the goods value is RMB10,000 or more. The Administrative Measures for Food Operation Licensing was replaced by the Measures for the Administration of Food Operation Licensing and Recordation, which was issued by the PRC SAMR on 15 June 2023 and came into effect on 1 December 2023. According to the Administration of Food Operation Licensing and Recordation, if a food operator that has obtained a food operation licence increases the sale of prepackaged food, it is not required to undergo recordation separately.

Food Recall System

On 11 March 2015, the PRC Food and Drug Administration has promulgated the Administrative Measures for Food Recall (《食品召回管理办法》, which was effective on 1 September 2015 and amended on 23 October 2020). According to the Administrative Measures for Food Recall, food producers and operators shall be the primary persons legally liable for food safety by establishing sound and relevant management system, collecting, analysing food safety information and being legally liable to the obligations of ceasing to produce, operate, recall and dispose of unsafe foods. Where food business operators find that the food that they are selling is unsafe, they must immediately suspend the operations, inform related food producers and operators to stop producing and operating, urging the customers to stop consumption by way of notices or announcements and take necessary measures to prevent food safety risks. Food producers who have found out that any food produced or traded is unsafe must proactively recall such food. After being notified by food producers of the recalling of unsafe food, food operators should immediately adopt the measures such as ceasing to purchase, sell, sealing up unsafe food, posting the recall announcement issued by the producers in prominent position of operation premises, and cooperating with food producers to recall the unsafe food. Where food business operators violate the Food Safety Law and the Administrative Measures for Food Recall and do not immediately suspend operation or proactively recall unsafe food, the market

supervisory and administrative authorities shall issue warnings to them and impose fines between RMB10,000 and RMB30,000. The market supervisory and administrative authorities will issue warnings to food operators who violate the Administrative Measures for Food Recall, or who fail to cooperate with food producers to recall unsafe food, and impose fines between RMB5,000 and RMB30,000.

Regulations relating to liquor circulation

The Guidance of PRC Ministry of Commerce on Promoting Healthy Development of Liquor Circulation for the “13th Five-Year” Period (《商务部关于“十三五”时期促进酒类流通健康发展的指导意见》), which was promulgated on 13 February 2017, stipulates to eliminate the regional alcohol ban, to clean up and abolish the relevant regulations and practices that hinder the free circulation of alcohol, and to promote the market formation and circulation of alcohol. However, liquor operators may be required by local governments to obtain local licences for the distribution of alcoholic products.

Regulations relating to the sanitation of public assembly venues

The Regulation for the Administration of Sanitation of the Public Assembly Venue (《公共场所卫生管理条例》) effective on 1 April 1987 and as amended on 6 February 2016 and 23 April 2019, and the Implementation Rules for the Regulation for the Administration of Sanitation of the Public Assembly Venue (《公共场所卫生管理条例实施细则》) effective on 1 May 2011, and as amended on 19 January 2016 and 26 December 2017, were promulgated by the PRC State Council and the PRC Ministry of Health respectively. The regulations were adopted to create favorable and sanitary conditions for the public assembly venues, prevent disease transmission and safeguard people’s health. Depending on the requirements of the local health and family planning administrations, a restaurant is required to obtain a public assembly venue hygiene licence from the local health authority after it applies for a business licence to operate its business. The Decision of the PRC State Council on the Integration of Health permits and Food Operation Licences in Public Places for Restaurant Services (《国务院关于整合调整餐饮服务场所的公共场所卫生许可证和食品经营许可证的决定》), which was promulgated by the PRC State Council on 3 February 2016, cancels the hygiene permits issued by the local health authorities for four (4) kinds of public places, including restaurants, cafes, bars and teahouses, and integrates the contents of the food safety into the food operation licence issued by the food and drug regulatory authorities.

Regulations relating to smoking control

Pursuant to Implementation Rules for the Regulation for the Administration of Sanitation of the Public Assembly Venue, smoking in indoors public areas is prohibited, the operators of public places shall set up prominent warnings and labels for prohibiting smoking, the promotions of smoking harms health shall be commenced, and allocate full or part time staff to discourage the smokers. Currently, various cities (such as Shenzhen and Wuhan) have set up specialised regulations relating to smoking control. For instance, the Ordinance of the Shenzhen Special Economic Zone on Smoking Control was implemented on 1 November 1998 and amended on 29 October 2013, 27 December 2018 and 28 June 2019 by the Standing Committee of

Shenzhen Municipal People's Congress. Such ordinance has set out details of duties for the operators and managers of the non-smoking venues to comply with. For operators and managers who fail to perform such duties, the competent health departments and relevant departments may warn and issue a correction order in accordance with its scope of duties, and fine such operators and managers not less than RMB5,000 but not more than RMB30,000 if they fail to perform their duties again within the following 24 months.

Regulations relating to fire prevention

Fire Protection As-built Acceptance Check and Filing

According to the Fire Prevention Law of the PRC (《中华人民共和国消防法》) promulgated by the PRC SCNPC on 29 April 1998 and last amended on 29 April 2021, the relevant housing and urban-rural development authority replaced fire prevention and rescue departments to monitor and administer the fire protection as-built acceptance check and filing. With respect to the construction projects that are required by the competent department of housing and urban-rural development under the PRC State Council to apply for acceptance checks for fire protection, project owners shall apply to the competent department of housing and urban-rural development under the PRC State Council for acceptance checks for fire protection, and with respect to other construction projects apart from those mentioned above, project owners shall, after an acceptance check, report its results to the competent department of housing and urban-rural development for the record, and such department shall conduct a random inspection thereof. According to the Interim Provisions on the Administration of Fire Protection Design Review and Acceptance of Construction Projects (《建设工程消防设计审查验收工作细则》), effective on 1 June 2020, for the bars with more than 500 square meters, restaurants, teahouses or coffee houses with entertainment functions, the construction entity shall apply for acceptance checks for fire protection. For restaurants and bars with a total GFA of more than 500 square meters, as special construction projects, they shall apply for the fire protection as-built acceptance check with the fire service department, and for other construction projects with a total GFA of below 500 square meters, they shall apply for the fire protection as-built filing. In addition, according to the regulations of the PRC Ministry of Public Security, for a construction project of which the investment is less than RMB300,000 or the construction area is less than 300 square meters, the fire protection as-built acceptance check or filing is not required. Pursuant to the Fire Prevention Law of the PRC, the construction project that fails to complete as-built acceptance check on fire prevention shall be ordered by the relevant government authorities to close down and shall be fined not less than RMB30,000 but not more than RMB300,000 by the department of housing and urban-rural development or the fire rescue agencies according to their respective powers. A construction project that fails to complete fire safety filing shall be ordered to rectify and be subject to a fine of up to RMB5,000. Even if the construction project has completed the fire safety filing, it may be randomly inspected by the relevant government authorities and if it fails to pass random inspections by the relevant government authorities after the fire safety filing, the construction entity shall close down the construction project, and where rectification is not made, it shall be ordered by the relevant government authorities to close down or cease the business operations and be fined not less than RMB30,000 but not more than RMB300,000.

Fire Safety Inspection

According to the Opinion on the Deepening the Reform of Fire Control Law Enforcement promulgated jointly by the General Office of the Communist Party of China Central Committee and the General Office of the PRC State Council on 30 May 2019, public gathering places are permitted to commence the business operation after obtaining business licence or satisfying the conditions for use, and making their commitment on satisfying the conditions of fire safety standards to the fire-fighting department by submitting the application through governmental service online platform or in person. On 29 April 2021, the Standing Committee of the National People's Congress ("**PRC SCNPC**") issued and implemented the Decision on Revising Eight Laws Including the Law of the People's Republic of China on Road Traffic Safety amended the Fire Prevention Law of the PRC. Pursuant to the Fire Prevention Law of the PRC amended on 29 April 2021, before the use or commencement of the business operations of public gathering places, their construction entities or the entities using such places shall file an application for fire safety inspection with the fire rescue agencies of the local people's governments of such places at or above the county level, and make a commitment that the place meets the fire control technical standards and management regulations, and submit the requisite materials and be responsible for the authenticity of their commitments and the submitted materials. Any constructions illegally put into use, or public gathering place operated without passing the fire safety inspection or without satisfying the fire safety requirements, shall be ordered to discontinue the construction, use, production or operation and be fined not less than RMB30,000 but not more than RMB300,000. According to the Provisions for Fire Protection Supervision and Examination (《消防监督检查规定》), the fire control agency of the relevant public security authority shall conduct fire safety inspections before putting public gathering places into use and allowing business operations to commence, and shall inspect the following contents: (i) whether the building has passed the Fire Protection As-built Acceptance Check and Filing and whether the building meets the fire protection technical standards; (ii) whether the fire safety system, firefighting and emergency evacuation plans are formulated; (iii) whether the operators of the automatic fire fighting system are certified to work, and whether the employees have received pre-job fire safety training; (iv) whether the fire-fighting facilities and equipment meet the fire-fighting technical standards and are in good condition and effective; (v) whether the evacuation passages, safety exits and fire engine passages are unblocked; (vi) whether the interior decoration materials meet the fire technical standards; and (vii) whether there are obstacles that affect escape, firefighting and rescue that are set on the doors and windows of the external walls.

Regulations relating to environmental protection

Environmental Protection Law

The Environmental Protection Law of the PRC (《中华人民共和国环境保护法》) was promulgated and effective on 26 December 1989, and most recently amended on 24 April 2014. The Environmental Protection Law of the PRC has been formulated for the purpose of protecting and improving both the living and the ecological environment, preventing and controlling pollution and other public hazards and safeguarding people's health. According to the provisions of the Environmental Protection Law of the PRC, in addition to other relevant laws

and regulations of the PRC, the PRC Ministry of Environmental Protection and its local counterparts are responsible for administering and supervising environmental protection matters. Pursuant to the Environmental Protection Law of the PRC, construction projects that have environmental impact shall be subject to environmental impact assessment. Installations for the prevention and control of pollution in construction projects must be designed, built and commissioned together with the principal construction plan of the project. Such installations shall not be dismantled or left idle without authorisation from the relevant government agencies. Consequences of violations of the Environmental Protection Law of the PRC include warnings, fines, rectification within a time limit, forced cessation of operation, forced reinstatement of dismantled installations for the prevention and control of pollution or forced use of those installations left idle, forced shutdown, or criminal punishment.

Laws on Environment Impact Assessment

Pursuant to the Law of the People's Republic of China on Environment Impact Assessment (《中华人民共和国环境影响评价法》) issued on 28 October 2002 and most recently amended on 29 December 2018, the PRC State Council implemented an environmental impact assessment (“EIA”), to classify construction projects according to the impact of the construction projects on the environment. Constructing entities shall prepare an environmental impact report (“EIR”), or an environmental impact statement (“EIS”), or fill out the EIR Form according to the following rules: (i) for projects with potentially serious environmental impacts, an EIR shall be prepared to provide a comprehensive assessment of their environmental impacts; (ii) for projects with potentially mild environmental impacts, an EIS shall be prepared to provide an analysis or specialised assessment of the environmental impacts; (iii) for projects with very small environmental impacts, an EIA is not required but an EIR Form shall be completed. On 30 November 2020, the PRC Ministry of Ecology and Environment promulgated Classified Administration Catalogue of Environmental Impact Assessments for Construction Projects (2021 version) (《建设项目环境影响评价分类管理目录(2021年版)》) (“**Classified Administration Catalogue (2021 version)**”), which became effective on 1 January 2021, and pursuant to which environmental impact assessments do not have to be undertaken for food and beverage services.

Regulations relating to customer rights protection

Customer Rights and Interests Protection Law

The PRC Customer Rights and Interests Protection Law (“**PRC Customer Protection Law**”) (《中华人民共和国消费者权益保护法》), as amended on 25 October 2013 and effective on 15 March 2014, sets out the obligations of business operators and the rights and interests of the customers. Pursuant to PRC Customer Protection Law, business operators must guarantee that the commodities they sell satisfy the requirements for personal or property safety, provide customers with authentic information about the commodities, and guarantee the quality, function, usage and term of validity of the commodities. Failure to comply with the PRC Customer Protection Law may subject business operators to civil liabilities such as refunding purchase prices, replacing or repairing the commodities, mitigating the damages,

compensation, and restoring the reputation, and subject the business operators or the responsible individuals to criminal penalties if business operators commit crimes by infringing the legitimate rights and interests of customers.

Civil Code of the PRC

According to the Civil Code of the PRC (《中华人民共和国民法典》), which was issued on 28 May 2020 and effective on 1 January 2021, operators and managers of business and public places such as hotels, shopping markets, banks, bus stations, airports, stadiums, entertainment premises and the organisers of mass activities shall assume tort liability if they fail to fulfil the duty of maintaining safety and thus cause damage to another person. Where the damage is caused by a third party, the third party shall assume tort liability; where the operator, manager or organiser fails to fulfil the duty of maintaining safety, it shall assume supplementary liability. After assuming supplementary liability, the operator, manager or organiser may claim compensation from the third party.

Regulations relating to the protection of minors

The PRC Minors Protection Law (《中华人民共和国未成年人保护法》), as last amended on 17 October 2020, was enacted for the purposes of protecting the physical and mental health of minors and safeguarding their legitimate rights and interests. Pursuant to the PRC Minors Protection Law, the “minors” shall be the citizens under the age of 18. The PRC Minors Protection Law prohibits the sale of alcoholic commodities to minors in business activities. Sites which are unsuitable for minors, such as commercial singing and dancing recreation site, bars, or internet access service business site, are not permitted to allow minors to enter. The business operator is required to set up in a prominent place a sign prohibiting the entry of minors; or shall, if it is hard to determine whether the customer is an adult, require him/her to show his/her identity certificate. Where a place unsuitable for minors to participate in the activities, such as a commercial singing and dancing recreation site, bars, or internet access service business site, permits minors to enter, or does not set up a sign in a prominent place prohibiting the entry of minors, it shall be ordered by the competent department to make a correction, and shall be given administrative penalties according to relevant laws.

Regulations relating to cyber security and data protection

The PRC government has enacted laws and regulations with respect to internet information security and protection of personal information from any abuse or unauthorised disclosure. Internet information in the PRC is regulated and restricted from a national security standpoint. The PRC SCNPC enacted the Decision on the Maintenance of Cybersecurity (《关于维护互联网安全的决定》) on 28 December 2000, as amended on 27 August 2009, stipulates, among others, that the following activities conducted via internet are subject to criminal penalty if they constitute crimes under PRC law: (i) hacking into a computer or system in the field of national affairs, national defence construction or cutting-edge science and technology; (ii) intentionally inventing and spreading destructive programs such as computer viruses to attack computer systems and communications networks, thus damaging computer systems and the communications networks; (iii) disconnecting computer networks or communications services

without authorisation in violation of laws and regulations; (iv) divulging state secrets; (v) spreading false commercial information; or (vi) infringing intellectual property rights via internet. In addition, on 16 December 1997, the PRC Ministry of Public Security (“**PRC MPS**”) issued the Administration Measures on the Security Protection of Computer Information Network with International Connections (《计算机信息网络国际联网安全保护管理办法》), which took effect on 30 December 1997 and were amended by the PRC State Council on 8 January 2011, which prohibits using the internet in ways which, among others, result in a leakage of state secrets or a spread of socially destabilising content. The PRC MPS has supervision and inspection powers in this regard, and relevant local security bureaus may also have jurisdiction. If an internet information service provider violates any of these measures, competent authorities may revoke its operating licence and shut down its websites.

The Provisions on Technological Measures for Cybersecurity Protection (《互联网安全保护技术措施规定》) promulgated on 13 December 2005 by the PRC MPS and became effective on 1 March 2006, requires internet service providers and organisations that use interconnection services to implement technical measures for cybersecurity protection from any threat to network security, such as computer viruses, cyberspace invasion, attacks or destruction. All internet access service providers are required to take measures to keep a record of and preserve user registration information. In addition, the Decision on Strengthening Network Information Protection (《关于加强网络信息保护的決定》), promulgated by the PRC SCNPC and took effect on 28 December 2012, emphasises the need to protect electronic information that contains individual identification information and other private data. This decision requires internet information services providers and other enterprises, public institutions to publish policies regarding the collection and use of personal electronic information and to take necessary measures to ensure information security and to prevent any information leak, damage or loss.

The Administrative Measures for the Graded Protection of Information Security (《信息安全等级保护管理办法》) that was issued and took effect on 22 June 2007 requires the entities that operate and use information systems to fulfil the obligations of protecting their information systems, which are determined based on the grade of their information systems. Entities operating their information systems at Grade II or above shall, within 30 days from the date of determination of its security protection grade, handle the record-filing procedures at the local public security authority.

The PRC Cyber Security Law (《中华人民共和国网络安全法》), which was promulgated on 7 November 2016 and took into effect on 1 June 2017, requires network operators, including internet information services providers among others, to adopt technical measures and other necessary measures in accordance with applicable laws and regulations as well as compulsory national and industrial standards to safeguard the safety and stability of network operations, effectively respond to network security incidents, prevent illegal and criminal activities, and maintain the integrity, confidentiality and availability of network data. The PRC Cyber Security Law reaffirms the basic principles and requirements specified in other existing laws and regulations relating to personal data protection, such as the requirements on the collection, use, processing, storage, and disclosure of personal data, and internet information services providers being required to take technical and other necessary measures to ensure the security

of the personal information they have collected and prevent the personal information from being divulged, damaged, or lost. Any violation of the PRC Cyber Security Law may subject an internet information services provider to warnings, fines, confiscation of illegal gains, revocation of licences, cancellation of filings, shutdown of websites, or criminal liabilities. On 14 September 2022, the Cyberspace Administration of China (the “**PRC CAC**”) released the Notice on Seeking Public Comments on the Decision on Amending the PRC Cyber Security Law of the PRC (Draft for Comments) (《关于修改〈中华人民共和国网络安全法〉的决定(征求意见稿)》), which imposes more stringent legal liabilities and raises the upper limit of monetary fines for serious violation of the security protection obligations of network operation, network information, critical information infrastructure and personal information under the PRC Cyber Security Law to RMB50 million or five per cent. (5%) of the company’s total sales from the previous year. The PRC Data Security Law (《中华人民共和国数据安全法》) was promulgated on 10 June 2021 and became effective on 1 September 2021. It establishes a data protection system based on the category and security level of the data in terms of its importance for economic and social development and the potential harm caused by illegal use of such data to national security, public interest or rights and interests of individuals and organisations. Competent governmental authorities shall be responsible to formulate lists for “key data”. Higher level of protection shall apply to “national core data” which refers to data that are vital to national security, economy, people’s livelihood and major public interests. According to the PRC Data Security Law, data activities affecting or likely to affect national security will be subject to national security review under the data security review system. The data relating to safeguarding national security and interests and performance of international obligations shall be subject to export control of the PRC. In addition, the PRC Data Security Law provides that key data processors shall appoint a data security officer and establish a management department to take charge of data security, and such processors shall evaluate the risk of their data activities periodically and file assessment reports with the relevant regulatory authorities. Furthermore, data transaction intermediary service providers shall check the sources of the data, the identities of parties involved in the data transactions and keep records accordingly. Violation of the PRC Data Security Law may subject the relevant entities or individuals to warning, fines, suspension of business for rectification, revocation of permits or business licences, and/or even criminal liabilities. According to the PRC Data Security Law, the maximum monetary fine imposed on the breaching party is RMB10 million.

Pursuant to the Measures for Cybersecurity Review (2020 Version) (《网络安全审查办法(2020)》) promulgated by the PRC CAC and certain other PRC regulatory authorities in April 2020, which took effect in June 2020, the purchase of network products and services by critical information infrastructure operator, which affect or may affect national security, shall be subject to cybersecurity review. On 28 December 2021, the PRC CAC published the Cybersecurity Review Measures (2021 Version) (《网络安全审查办法(2021)》) (the “**PRC Cybersecurity Review Measures**”), which became effective on 15 February 2022 and replaced the Measures for Cybersecurity Review (2020 Version). Pursuant to the enacted PRC Cybersecurity Review Measures, the purchase of network products and services by critical information infrastructure operators and the data processing activities carried out by online platform operators, which affect or may affect national security, shall be subject to cybersecurity review. According to the PRC Cybersecurity Review Measures, before purchasing any network products or services, a critical information infrastructure operator should assess potential national security risks that

may arise from the launch or use of such products or services, and apply for a cybersecurity review with the cybersecurity review office of PRC CAC if national security will or may be affected. In addition, network platform operators who possess personal information of more than one (1) million users and intend to be listed at a foreign stock exchange shall declare to the cybersecurity review office of PRC CAC for cybersecurity review. The PRC Cybersecurity Review Measures also provides that the governmental authorities have the discretion to initiate a cybersecurity review on any data processing activity if they deem that such activity affects or may affect national security. During the Period Under Review and as of the Latest Practicable Date, we had not been involved in any investigations on cybersecurity review by the PRC CAC. The PRC Cybersecurity Review Measures further elaborate the factors to be considered when assessing the national security risks of the relevant activities, including, among others: (i) the risk of any critical information infrastructure being illegally controlled, interfered, or sabotaged; (ii) the harm to the business continuity of any critical information infrastructure caused by the disruption of supply of these products and services; (iii) the security, openness, transparency, and variety of sources of these products or services, the reliability of supply channels, and risks of supply interruptions due to factors such as politics, diplomacy, trade or other factors; (iv) the level of compliance with PRC laws and regulations of the product and service providers; (v) the risk of theft, disclosure, damage, illegal use or cross-border transfer of core data, important data or large amounts of personal information; (vi) the risk of influence, control or malicious use of critical information infrastructure, core data, important data or large amounts of personal information by foreign governments after overseas listing; and (vii) other factors that may adversely affect the security of critical information infrastructures, cybersecurity, or data security.

If the cybersecurity review office of PRC CAC deems it necessary to conduct a cybersecurity review, it should complete a preliminary review (including reaching a suggestion for the review conclusion and sending the suggestion to the implementing body for the cybersecurity review mechanism and the relevant authorities for their comments) within 30 business days from the issuance of a written notice to the operator, or 45 business days for complicated cases. Upon the receipt of a review conclusion suggestion, the implementing body for the cybersecurity review mechanism and the relevant authorities for their comments should issue a written reply within 15 business days. If the cybersecurity review office of PRC CAC and these authorities reach a consensus, the cybersecurity review office of PRC CAC should inform the operator in writing; otherwise, the case will go through a special review procedure. The special review procedure should be completed within 90 business days, or longer for complicated cases.

As a network platform operator who possesses personal information of more than one (1) million users for purposes of the Cybersecurity Review Measures, we have applied for and completed a cybersecurity review with respect to our proposed overseas listing pursuant to the Cybersecurity Review Measures.

On 30 July 2021, the PRC State Council promulgated the Regulations on Protection of Critical Information Infrastructure (《关键信息基础设施安全保护条例》), which took effect on 1 September 2021, pursuant to which, critical information infrastructure refer to critical network facilities and information systems involved in important industries and sectors, such as public communication, information services, energy, transportation, water conservancy, finance, public

services, governmental digital services, science and technology related to national defence industry, as well as other important network facilities and information systems which, in case of destruction, loss of function or leak of data, may result in serious damage to national security, the national economy and the people's livelihood and public interests. Pursuant to the Regulations on Protection of Critical Information Infrastructure, the relevant governmental authorities are responsible for stipulating rules for the identification of critical information infrastructure with reference to several factors set forth in the regulations, and further identify the critical information infrastructure operators in the related industries in accordance with such rules. The relevant authorities should also notify operators identified as the critical information infrastructure operators. In addition, the Regulations on Protection of Critical Information Infrastructure provide specific requirements for the responsibilities and obligations of the operator: (i) the operator shall establish and improve the cyber security protection system and responsibility system, and ensure the input of manpower, financial and material resources; (ii) the operator shall set up a special security management department, and review the security background of the person in charge of the special security management department and the personnel in key positions; (iii) the operator shall guarantee the operation funds of the special security management department, allocate corresponding personnel, and have the personnel of the special security management department participate in the decision-making relating to cyber security and informatisation; (iv) the operators shall give priority to the purchase of safe and reliable network products and services; network products and services procured that may affect the national security shall be subject to the security review in accordance with the national provisions on network security. The Regulations on Protection of Critical Information Infrastructure clarify the measures for dealing with the failure of key information infrastructure operators to perform their responsibilities for security protection, such as imposing fines. However, as of the Latest Practicable Date, the exact scope of "critical information infrastructure operators" under the current regulatory regime remains unclear and the identification of critical information infrastructure operators is subject to specific identification rules stipulated by relevant industry regulators and the notice from the relevant regulators pursuant to the Regulations on Protection of Critical Information Infrastructure.

In addition, on 14 November 2021, the Administration Regulations on Cyber Data Security (Draft for Comments) (《网络安全安全管理条例(征求意见稿)》) (the "**PRC Draft Data Security Regulations**") was proposed by the PRC CAC for public comments until 13 December 2021. The PRC Draft Data Security Regulations reiterate that data processors which process the personal information of at least one (1) million users must apply for a cybersecurity review if they plan listing of companies in foreign countries, and further require the data processors that carry out the following activities to apply for cybersecurity review in accordance with the relevant laws and regulations: (i) the merger, reorganisation or division of internet platform operators that have gathered a large number of data resources related to national security, economic development and public interests affects or may affect national security; (ii) the listing of the data processor in Hong Kong affects or may affect the national security; and (iii) other data processing activities that affect or may affect national security. In addition, the PRC Draft Data Security Regulations also regulate other specific requirements in respect of the data processing activities conducted by data processors in the view of personal data protection, important data safety, data cross-broader safety management and obligations of internet platform operators. For example, in one (1) of the following situations, data processors shall

delete or anonymise personal information within 15 business days: (i) the purpose of processing personal information has been achieved or the purpose of processing is no longer needed; (ii) the storage term agreed with the users or specified in the personal information processing rules has expired; (iii) the service has been terminated or the account has been cancelled by the individual; and (iv) unnecessary personal information or personal information without the consent of the individual, which was collected inevitably due to the use of automatic data collection technology. For the processing of important data, specific requirements shall be complied with, for example, processors of important data shall specify the responsible person of data safety, establish a data safety management department and file to the cyberspace administration at the districted city level within 15 business days after the identification of their important data. The processors of important data or data processors who are listed overseas shall carry out data security assessments by themselves or by entrusting data security service agencies every year, and submit the previous year's data security assessment report to the cyberspace administration at the districted city level before 31 January of each year. When providing overseas data collected and generated within the PRC, if such data includes important data, or if the data processor is a critical information infrastructure operator or processes personal information of more than one (1) million people, the data processors shall go through the security assessment of data cross-border transfer organised by the national cyberspace administration. Any failure to comply with such requirements may subject us to, among others, suspension of services, fines, revoking relevant business permits or business licences and penalties. There is no timetable as to when the PRC Draft Data Security Regulations will be enacted. As such, it remains unclear whether the final version adopted in the future will have any further material changes, and it is uncertain how the draft regulations will be enacted, interpreted, or implemented and how they will affect us.

On 7 July 2022, the PRC CAC issued the Measures for the Security Assessment of Cross-border Transfer of Data (《数据出境安全评估办法》), which became effective on 1 September 2022. These measures require the data processor providing data overseas to apply for the security assessment of cross-border transfer of data with the local provincial-level counterparts of the national cybersecurity authority under any of the following circumstances: (i) where the data processor intends to provide important data overseas; (ii) where a critical information infrastructure operator and a data processor who has processed personal information of more than one (1) million individuals intends to provide personal information overseas; (iii) where a data processor who has provided personal information of 100,000 individuals or sensitive personal information of 10,000 individuals to overseas recipients, in each case as calculated cumulatively, since January 1 of the last year, intends to provide personal information overseas; or (iv) other circumstances where the security assessment of data cross-border transfer is required as prescribed by the PRC CAC. Furthermore, the data processor shall conduct a self-assessment on the risk of data cross-border transfer prior to applying for the foregoing security assessment, under which the data processor shall consider certain factors including, among other things, (i) the purpose, scope and manner of the cross-border data transfer and the overseas data recipient processing data and the legality, legitimacy and necessity thereof, (ii) the scale, scope, type and sensitivity of the transferred data, the risks to national security, public interests and the legitimate rights and interests of individuals or organisations arising from the cross-border data transfer, (iii) the overseas data recipient's commitment to assume responsibility and obligations, the management and technical

measures to fulfill the responsibilities and obligations, and the ability to ensure the security of the transferred data, (iv) the risk of data being tampered with, destroyed, leaked, lost, transferred, or illegally obtained or illegally used during and after the cross-border transfer, and the existence of channels for safeguarding the rights and interests of personal information; and (v) adequate compliance of data transfer-related contracts or other legally binding documents between the data processor and the overseas recipient with the data security protection responsibilities and obligations. The data processors that are in violation of such measures are required to rectify such non-compliance within six (6) months of the effectiveness date thereof.

On 8 December 2022, the PRC Ministry of Industry and Information Technology (the “**PRC MIIT**”) issued the Measures for the Administration of Data Security in the Field of Industry and Information Technology (for Trial Implementation) (《工业和信息化领域数据安全管理办法(试行)》), which became effective on 1 January 2023. The measures are aimed to regulate the processing activities of data in the field of industry and information technology field conducted by relevant data processors in the PRC. The measures apply to industrial enterprises, software and information technology service companies, and companies holding licences for operation of telecommunication services that independently determine the purposes and methods of data processing in the course of data processing activities. Data processing activities include, among others, the collection, storage, use, processing, transmission, provision, and disclosure of data. Pursuant to the measures, data in the field of industry and information technology include industrial data, telecommunication data, and radio data generated and collected during the operation of relevant services. The measures provide for the classification of data in the field of industry and information technology as general, important, or core data, and provide specific requirements for the management of data classifications and data protection measures, including, among other things, data collection, storage, processing, transmission, disclosure, and destruction for data processors in the field of industry and information technology. In particular, data processors processing important data and core data are required to complete filing with relevant authorities for the catalog of important data and core data. The filing information includes basic information on the data, such as category, classification, quantity, processing purposes and methods of data processing, scope of use, liable entities, data sharing, cross-border transfer of data, and data security protection measures. If over 30% of the quantity (i.e. number of data items or amount of data stored) of important and core data changes or there is any material change to other filing information, data processors must update the filing information with the relevant authorities within three (3) months after such change. Furthermore, the measures provide data security requirements for cross-border and data transfers for data processors. If a data processor needs to transfer data in cases of merger, restructuring, or bankruptcy, it shall make data transfer plans and notify users affected. In addition, the measures indicate that the legal representative or principal of the data processor should be the primary person held accountable for data security and the person in charge of data security should take direct responsibility for the security of data processing activities.

The Administrative Provisions on Security Vulnerability of Network Products (《网络产品安全漏洞管理规定》) was jointly promulgated by the PRC MIIT, the PRC CAC and the PRC MPS on 12 July 2021 and became effective on 1 September 2021. Network product providers, network operators as well as organisations or individuals engaging in the discovery, collection, release

and other activities of network product security vulnerability are subject to these provisions and shall establish channels to receive information of security vulnerability of their respective network products and shall examine and fix such security vulnerability in a timely manner. In response to the PRC Cyber Security Law, network product providers are required to report relevant information of security vulnerability of network products with the PRC MIIT within two (2) days and to provide technical support for network product users. Network operators shall take measures to examine and fix security vulnerability after discovering or acknowledging that their networks, information systems or equipment have security loopholes. According to the provisions, the breaching parties may be subject to monetary fine as regulated in accordance with the PRC Cyber Security Law.

Pursuant to the Eleventh Amendment to the Criminal Law (《中华人民共和国刑法修正案(十一)》) issued by the PRC SCNPC on 26 December 2020 and became effective on 1 March 2021, any internet service provider that fails to fulfil the obligations related to the internet information security administration as required by the applicable laws and refuses to rectify upon orders, shall be subject to criminal penalty. Pursuant to the Notice of the Supreme People's Court, the Supreme People's Procuratorate and the Ministry of Public Security on Legally Punishing Criminal Activities Infringing upon the Personal Information of Citizens (《最高人民法院、最高人民检察院、公安部关于依法惩处侵害公民个人信息犯罪活动的通知》), issued on 23 April 2013, Article 253 of the Criminal Law of the PRC (《中华人民共和国刑法》), and the Interpretation of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues regarding Legal Application in Criminal Cases Infringing upon the Personal Information of Citizens (《最高人民法院、最高人民检察院关于办理侵犯公民个人信息刑事案件适用法律若干问题的解释》), which was issued on 8 May 2017 and took effect on 1 June 2017, the following activities may constitute the crime of infringing upon a citizen's personal information: (i) providing a citizen's personal information to specified persons or releasing a citizen's personal information online or through other methods in violation of relevant national provisions; (ii) providing legitimately collected information relating to a citizen to others without such citizen's consent (unless the information is processed, not traceable to a specific person and not recoverable); (iii) collecting a citizen's personal information in violation of applicable rules and regulations when performing a duty or providing services; or (iv) collecting a citizen's personal information by purchasing, accepting or exchanging such information in violation of applicable rules and regulations.

The Civil Code of the PRC that was issued by the PRC NPC on 8 May 2020 and took effect on 1 January 2021 provides that natural persons' personal information shall be protected by law and any organisations and individuals shall legally collect personal information and ensure the security of personal information collected. It is not allowed to illegally collect, use, process or transfer the personal information, or illegally buy or sell, provide or make public the personal information of others. Personal information of natural persons refers to all kinds of information recorded by electronic or otherwise that can be used to independently identify or be combined with other information to identify the natural persons' names, dates of birth, ID numbers, biometric information, addresses, telephone numbers, e-mail addresses, health information, whereabouts, etc. The processing of personal information shall be subject to the principle of legitimacy, rightfulness and necessity, with no excessive processing, and shall meet the following conditions: (i) with the consent of the natural person or the guardian thereof, unless

otherwise provided by laws or administrative regulations; (ii) expressly stating the purpose, method and scope of information to be processed; and (iii) not violating the provision of the laws and administrative regulations and the agreement of both parties. The Civil Code of the PRC has revised the Internet tort liability and further elaborated on “safe harbor” rule with respect to an internet service provider from both the aspects of notice and counter notice, including (i) upon receiving notice from the right holder, promptly adopting necessary protective measures such as deletion, screening or disconnection of hyperlinks and reefing right holder’s notice to disputed internet user; and (ii) upon receiving counternotice from the disputed internet user, referring such counter-notice to the claiming right holder and informing him/her to take other corresponding measures such as filing complaint with competent authorities or suit with courts. The Civil Code of the PRC has also provided that where the internet service provider knew or should have known the infringing acts of the internet user, it shall be severally liable with such internet user.

On 20 August 2021, the PRC SCNPC issued the PRC Personal Information Protection Law (《中华人民共和国个人信息保护法》), which took effect from 1 November 2021. The PRC Personal Information Protection Law aims at protecting the personal information rights and interests, regulating the processing of personal information, ensuring the orderly and free flow of personal information in accordance with the law, and promoting the reasonable use of personal information. The PRC Personal Information Protection Law reiterates the circumstances under which a personal information processor could process personal information and the requirements for such circumstances, such as when (i) the individual’s consent has been obtained; (ii) the processing is necessary for the conclusion or performance of a contract to which the individual is a party; (iii) the processing is necessary to fulfill statutory duties and statutory obligations; (iv) the processing is necessary to respond to public health emergencies or protect natural persons’ life, health and property safety under emergency circumstances; (v) the personal information that has legally been made public by the relevant individual or otherwise is processed within a reasonable scope; (vi) personal information is processed within a reasonable scope to conduct news reporting, public opinion-based supervision, and other activities in the public interest; or (vii) under any other circumstance as provided by any law or regulation. It also stipulates the obligations of a personal information processor. Furthermore, personal information processor shall, on the basis of the purposes of processing the personal information, processing methods, categories of personal information, the impacts on individuals, and potential security risks, among others, take necessary measures to ensure that personal information processing activities comply with the provisions of laws and administrative regulations, and prevent unauthorised access to as well as the leakage, tampering or loss of personal information. The PRC Personal Information Protection Law provides that a personal information processor could process publicly disclosed information within the reasonable scope in accordance therewith on the basis of the seven (7) circumstances already specified thereunder. No organisation or individual may illegally collect, use, process or transmit personal information, illegally buy or sell, provide or make personal information public, or engage in the processing of personal information that endangers the national security or public interests. The PRC Personal Information Protection Law clarifies the definition of “Sensitive Personal Information”, which means personal information that, once leaked or illegally used, may give rise to discrimination against individuals or seriously endanger personal or property security, including information on biometrics, religious beliefs, specific identifications, medical health,

financial accounts, and personal whereabouts, among others. To process sensitive personal information based on an individual's consent, a personal information processor shall obtain the separate consent from the individual. Where any law or administrative regulation provides that written consent shall be obtained for processing sensitive personal information, such provision shall prevail. In terms of cross-border transmission of personal information, pursuant to the PRC Personal Information Protection Law, a personal information processor, providing personal information to any party outside the territory of the PRC, shall notify individuals of the overseas recipient's identity, contact information, processing purposes, processing methods, categories of personal information, the methods in which individuals exercise the rights over the overseas recipient, and other matters, and obtain individuals' separate consent. Furthermore, critical information infrastructure operators and the personal information processors that process the personal information reaching or exceeding the threshold specified by the national cyberspace administration in terms of quantity shall store domestically the personal information collected and generated within the territory of the PRC. Where it is truly necessary to provide the information abroad, the security assessment organized by the national cyberspace administration shall be passed, unless otherwise regulated by laws, administrative regulations, or provisions issued by the national cyberspace administrative authorities.

Regulations relating to intellectual property rights

Patents

According to the Patent Law of the PRC (Revised in 2020) (《中华人民共和国专利法(2020修订)》) promulgated by the PRC SCNPC on 17 October 2020 and came into effect on 1 June 2021, and its Implementation Rules (Revised in 2023) (《中华人民共和国专利法实施细则(2023修订)》) promulgated by the PRC State Council on 11 December 2023 and took effect on 20 January 2024, the State Intellectual Property Office of the PRC is responsible for administering patents in the PRC. The patent administration departments of provincial or autonomous regions or municipal governments are responsible for administering patents within their respective jurisdictions. The PRC patent system adopts a first-to-file principle, which means that when more than one (1) person files different patent applications for the same invention, only the person who files the application first is entitled to obtain a patent of the invention. To be patentable, an invention or a utility model must meet three (3) criteria: novelty, inventiveness, and practicability. A patent is valid for twenty years in the case of an invention, ten (10) years in the case of utility models, and fifteen years in the case of designs.

Copyright and Software Products

On 7 September 1990, the PRC SCNPC promulgated Copyright Law of the PRC (《中华人民共和国著作权法》), which took into effect on 1 June 1991, and the Copyright Law of the PRC was then amended on 27 October 2001, 26 February 2010 and 11 November 2020 respectively, and the latest amendment came into effect on 1 June 2021. The Copyright Law of the PRC provides that Chinese citizens, legal persons, or other organisations own copyrights in their copyrightable works, whether published or not, which include, among others, works of literature, art, natural science, social science, engineering technology, and computer software. Copyright owners enjoy certain legal rights, including but not limited to personal rights and property rights

such as right of publication, right of authorship, and right of reproduction. The Copyright Law of the PRC as revised in 2010 extends copyright protection to Internet activities, products disseminated over the Internet, and software products. In addition, the Copyright Law of the PRC provides for a voluntary registration system administered by the China Copyright Protection Center. Pursuant to the Copyright Law of the PRC, an infringer of copyrights is subject to various civil liabilities, which include ceasing infringement activities, apologizing to the copyright owners, and compensating the loss of the copyright owners. Infringers of copyright may also be subject to fines and/or administrative or criminal liabilities in severe situations. Pursuant to the Computer Software Copyright Protection Regulations (《计算机软件保护条例》) promulgated by the PRC State Council on 20 December 2001 and most recently amended on 30 January 2013, the software copyright owner may go through the registration formalities with a software registration authority recognized by the PRC State Council's copyright administrative department. A software copyright owner may authorise others to exercise that copyright and is entitled to receive remuneration.

Trademarks

Trademarks are protected by the PRC Trademark Law (《中华人民共和国商标法》) promulgated by the PRC SCNPC on 23 August 1982 and subsequently amended on 22 February 1993, 27 October 2001, 30 August 2013 and 23 April 2019 as well as the Implementation Regulation of the PRC Trademark Law (《中华人民共和国商标法实施条例》) promulgated by the PRC State Council on 3 August 2002 and amended on 29 April 2014. The Trademark Office handles trademark registrations and grants a term of ten (10) years to registered trademarks and another ten (10) years if requested upon expiry of the first or any renewed ten (10)-year term. A trademark registrant may licence its registered trademark to another party by entering into a trademark licence agreement, which must be filed with the Trademark Office for the record. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities. As with patents, the PRC Trademark Law has adopted a "first-to-file" principle with respect to trademark registration. Where a trademark for which a registration has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a "sufficient degree of reputation" through such party's use.

Domain Names

The PRC MIIT promulgated the Measures on Administration of Internet Domain Names (《互联网域名管理办法》) on 24 August 2017, which became effective on 1 November 2017. Pursuant to these measures, the PRC MIIT is in charge of the administration of PRC internet domain names. The domain name registration follows a first-to-file principle. Applicants for registration of domain names shall provide the true, accurate, and complete information of their identities to domain name registration service institutions. The applicants will become the holder of such domain names upon the completion of the registration procedure.

Regulations relating to foreign investment in the PRC

The establishment, operation and management of corporate entities in the PRC is governed by the PRC Company Law (《中华人民共和国公司法》), which was latest amended in 2023. The latest amendment will be effective from 1 July 2024. The PRC Company Law generally governs two (2) types of companies — limited liability companies and joint stock limited companies. The PRC Company Law shall also apply to foreign-invested companies. Where laws on foreign investment have other stipulations, such stipulations shall prevail. The establishment procedures, approval or record-filing procedures, registered capital requirements, foreign exchange matters, accounting practices, taxation and labour matters of a wholly foreign-owned enterprise are regulated by the Foreign Investment Law of the PRC (《中华人民共和国外商投资法》), which was promulgated by the PRC NPC on 15 March 2019 and came into effect on 1 January 2020 and replaced three (3) laws on foreign investments in the PRC, namely, the Sino-foreign Equity Joint Ventures Laws of the PRC (《中华人民共和国中外合资经营企业法》), the Wholly Foreign-owned Enterprises Law of the PRC (《中华人民共和国外资企业法》) and the Sino-foreign Cooperative Joint Ventures Laws of the PRC (《中华人民共和国中外合作经营企业法》), together with their implementation rules and ancillary regulations, all three (3) of which were repealed simultaneously.

Since the aforementioned repeals, the Foreign Investment Law of the PRC has become the fundamental law regulating wholly or partially foreign-invested enterprises invested by foreign investors. The provisions of laws, such as the PRC Company Law shall apply to the organisation form, organisation structure and standards of activities of foreign-invested enterprises. The PRC implements the management system of pre-establishment national treatment and negative list for foreign investment, and has cancelled the original approval and filing management system for the establishment and change of foreign-invested enterprises. Pre-establishment national treatment refers to the treatment given to foreign investors and their investments at their pre-admission shall be no less favourable than that given to Chinese investors and their investments; while the negative list refers to the special administrative measures for foreign investment access implemented according to the requirements of the state with respect of foreign investment in specific industries, and the national treatment will be given to foreign investments outside the negative list.

The Foreign Investment Law of the PRC further regulates the administration of foreign investment and proposes to establish a foreign investment information reporting system to replace the approval and filing system for foreign investment enterprises. The Foreign Investment Information Report is governed by the Measures for the Reporting of Foreign Investment Information (《外商投资信息报告办法》), which was jointly formulated by the Ministry of Commerce and the PRC SAMR and came into effect on 1 January 2020. According to the Measures for the Reporting of Foreign Investment Information, foreign investors conducting investment activities directly or indirectly in the PRC shall submit investment information to the competent commerce authorities through the enterprise registration system and the national enterprise credit information publicity system, which shall include initial report, change report, cancellation report, annual report, etc.

On 26 October 2022, the PRC National Development and Reform Commission and the PRC Ministry of Commerce published the Encouraged Industry Catalog for Foreign Investment (2022 version) (《鼓励外商投资产业目录(2022年版)》), which became effective on 1 January 2023, further expanding the scope for foreign investment. On 27 December 2021, the PRC National Development and Reform Commission and the PRC Ministry of Commerce issued the Special Administrative Measures for Access of Foreign Investment (Negative List) (2021 Edition) (《外商投资准入特别管理措施(负面清单)(2021年版)》), which became effective on 1 January 2022. Industries not listed in the aforementioned publications for foreign investment are generally open for foreign investments unless specifically restricted by other PRC laws.

Regulations relating to foreign exchange

General Principles of Foreign Exchange

Under the Regulations on the Foreign Exchange System of the PRC (《中华人民共和国外汇管理条例》) promulgated on 29 January 1996 and most recently amended on 5 August 2008 and various regulations issued by the PRC SAFE, and other relevant PRC government authorities, Renminbi is convertible into other currencies for current account items, such as trade-related receipts and payments and payment of interest and dividends. The conversion of Renminbi into other currencies and remittance of the converted foreign currency outside the PRC of capital account items, such as direct equity investments, loans and repatriation of investment, requires the prior approval from the PRC SAFE or its local office.

Payments for transactions that take place within the PRC must be made in Renminbi. Unless otherwise approved, PRC companies may not repatriate foreign currency payments received from abroad or retain the same abroad. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks under the current account items subject to a cap set by the PRC SAFE or its local branch. Foreign exchange proceeds under the current accounts may be either retained or sold to a financial institution engaged in settlement and sale of foreign exchange pursuant to relevant PRC SAFE rules and regulations. For foreign exchange proceeds under the capital accounts, approval from the PRC SAFE is generally required for the retention or sale of such proceeds to a financial institution engaged in settlement and sale of foreign exchange.

Pursuant to the Circular of the SAFE on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment (《关于进一步改进和调整直接投资外汇管理政策的通知》) (the “**PRC SAFE Circular 59**”), promulgated by the PRC SAFE on 19 November 2012, which became effective on 17 December 2012 and was further amended on 4 May 2015, approval of the PRC SAFE is not required for opening a foreign exchange account and depositing foreign exchange into the accounts relating to the direct investments. The PRC SAFE Circular 59 also simplified foreign exchange-related registration required for the foreign investors to acquire the equity interests of Chinese companies and further improve the administration on foreign exchange settlement for foreign-invested enterprises.

The Circular on Further Simplifying and Improving the Foreign Currency Management Policy on Direct Investment (《关于进一步简化和改进直接投资外汇管理政策的通知》) (the “**PRC SAFE Circular 13**”), effective from 1 June 2015, cancels the administrative approvals of foreign exchange registration of direct domestic investment and direct overseas investment and simplifies the procedure of foreign exchange-related registration. Pursuant to the PRC SAFE Circular 13, the investors shall register with banks for direct domestic investment and direct overseas investment.

The Circular on Reforming the Management Approach regarding the Settlement of Foreign Capital of Foreign-invested Enterprise (《关于改革外商投资企业外汇资本金结汇管理方式的通知》) (the “**PRC SAFE Circular 19**”), which was promulgated by the PRC SAFE on 30 March 2015 and amended on 30 December 2019, provides that a foreign-invested enterprise may, according to its actual business needs, settle with a bank the portion of the foreign exchange capital in its capital account for which the relevant foreign exchange administration has confirmed monetary capital contribution rights and interests (or for which the bank has registered the injection of the monetary capital contribution into the account). Pursuant to the PRC SAFE Circular 19, for the time being, foreign-invested enterprises are allowed to settle 100% of their foreign exchange capital on a discretionary basis; a foreign-invested enterprise shall truthfully use its capital for its own operational purposes within the scope of business; where an ordinary foreign-invested enterprise makes domestic equity investment with the amount of foreign exchanges settled, the foreign-invested enterprise must first go through domestic re-investment registration and open a corresponding account for foreign exchange settlement pending payment with the foreign exchange administration or the bank at the place where it is registered.

The PRC SAFE Circular 16, which was promulgated by the PRC SAFE and became effective on 9 June 2016, provides that enterprises registered in the PRC may also convert their foreign debts from foreign currency into Renminbi on a self-discretionary basis. The PRC SAFE Circular 16 also provides an integrated standard for conversion of foreign exchange under capital account items (including, but not limited to, foreign currency capital and foreign debts) on a self-discretionary basis, which applies to all enterprises registered in the PRC.

According to the Administrative Rules on the Registration of Market Entities of PRC (《中华人民共和国市场主体登记管理条例》), which were promulgated by the PRC State Council on 27 July 2021 and became effective on 1 March 2022, and other laws and regulations governing the foreign-invested enterprises and company registrations, the establishment of a foreign-invested enterprise and any capital increase and other major changes in a foreign-invested enterprise shall be registered with the PRC SAMR or its local counterparts, and shall be filed via the foreign investment comprehensive administrative system (the “**PRC FICMIS**”), if such foreign-invested enterprise does not involve special access administrative measures prescribed by the PRC government.

On 23 October 2019, the PRC SAFE issued the Circular on Further Promoting Cross-border Trade and Investment Facilitation (《关于进一步促进跨境贸易投资便利化的通知》). This circular allows the foreign-invested enterprises without equity investment as in their approved business scope to use their capital obtained from foreign exchange settlement to make domestic equity investment as long as the investments are real and in compliance with the foreign

investment-related laws and regulations. In addition, this circular stipulates that qualified enterprises in certain pilot areas may use their capital income from registered capital, foreign debt and overseas listing, for the purpose of domestic payments without providing authenticity certifications to the relevant banks in advance for those domestic payments. Payments for transactions that take place within the PRC must be made in RMB. Foreign currency revenues received by PRC companies may be repatriated into the PRC or retained outside of the PRC in accordance with requirements and terms specified by the PRC SAFE. Pursuant to the PRC SAFE Circular 13 and other laws and regulations relating to foreign exchange, when setting up a new foreign-invested enterprise, the foreign-invested enterprise shall register with the bank located at its registered place after obtaining the business licence, and if there is any change in capital or other changes relating to the basic information of the foreign-invested enterprise, including, without limitation, any increase in its registered capital or total investment, the foreign-invested enterprise must register such changes with the bank located at its registered place after obtaining approval from or completing the filing with competent authorities. Pursuant to the relevant foreign exchange laws and regulations, the above-mentioned foreign exchange registration with the banks will typically take less than four (4) weeks upon the acceptance of the registration application.

Based on the foregoing, if we intend to provide funding to our wholly foreign-owned subsidiaries through capital injection at or after their establishment, we must register the establishment of and any follow-on capital increase in our wholly foreign-owned subsidiaries with the PRC SAMR or its local counterparts, file such via the PRC FICMIS and register such with the local banks for the foreign exchange related matters.

Dividend Distribution

Wholly foreign-owned enterprises and Sino-foreign equity joint ventures in the PRC may pay dividends only out of their accumulated profits, if any, as determined in accordance with PRC accounting standards and regulations. Additionally, these foreign-invested enterprises may not pay dividends unless they set aside at least ten per cent. (10%) of their respective accumulated profits after tax each year, if any, to fund certain reserve funds, until such time as the accumulative amount of such fund reaches 50% of the enterprise's registered capital. In addition, these companies also may allocate a portion of their after-tax profits based on PRC accounting standards to employee welfare and bonus funds at their discretion. These reserves are not distributable as cash dividends. Regulations governing above-mentioned dividend distribution arrangements have been replaced by the Foreign Investment Law of the PRC and its implementation rules, which do not provide specific dividend distribution rules for foreign invested enterprises. The Foreign Investment Law of the PRC and its implementation rules also provide that after the conversion from a wholly foreign-owned enterprise or Sino-foreign equity joint venture to a foreign invested enterprise under the Foreign Investment Law of the PRC, distribution method of gains agreed in the joint venture agreements may continue to apply.

Regulations related to property leasing

Pursuant to Administrative Measures on the Lease of Commodity Housing (《商品房租赁管理办法》) issued by Ministry of Housing and Urban-Rural Development on 1 December 2010, parties to a lease agreement shall complete the lease registration and filing process with the competent construction (real estate) departments of the municipalities directly under the PRC governments of cities and counties where the housing is located within 30 days after the lease agreement is signed. For those who fail to comply with the above regulations, such competent departments may impose a fine ranging from RMB1,000 and RMB10,000 per lease. In addition, the lessor shall not rent out buildings that are illegal constructions or that change the nature of the use of the house in violation of relevant regulations.

Regulations relating to taxation

Enterprise Income Tax

On 16 March 2007, the PRC SCNPC promulgated the PRC Enterprise Income Tax Law (《中华人民共和国企业所得税法》) which was amended on 24 February 2017 and 29 December 2018. On 6 December 2007, the PRC State Council enacted the Regulations for the Implementation of the Enterprise Income Tax Law (《中华人民共和国企业所得税法实施条例》) (collectively, the “**PRC EIT Law**”). The PRC EIT Law came into effect on 1 January 2008 and amended on 23 April 2019. Under the PRC EIT Law, both resident enterprises and non-resident enterprises are subject to tax in the PRC. Resident enterprises are defined as enterprises that are established in the PRC in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but are actually or in effect controlled from within the PRC. Non-resident enterprises are defined as enterprises that are organised under the laws of foreign countries and whose actual management is conducted outside the PRC, but have established institutions or premises in the PRC, or have no such established institutions or premises but have income generated from inside the PRC. Under the PRC EIT Law, a uniform corporate income tax rate of 25% is applied. However, if non-resident enterprises have not formed permanent establishments or premises in the PRC, or if they have formed permanent establishment or premises in the PRC but there is no actual relationship between the relevant income derived in the PRC and the established institutions or premises set up by them, enterprise income tax is set at the rate of ten per cent. (10%) with respect to their income sourced from inside the PRC.

Value-added Tax

The Provisional Regulations of the PRC on Value-added Tax (《中华人民共和国增值税暂行条例》) were promulgated by the PRC State Council on 13 December 1993, came into effect on 1 January 1994 and were subsequently amended from time to time; the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (Revised in 2011) (《中华人民共和国增值税暂行条例实施细则(2011修订)》) was promulgated by the PRC Ministry of Finance on 25 December 1993 and subsequently amended on 15 December 2008 and 28 October 2011 (collectively, the “**PRC VAT Law**”). On 19 November 2017, the PRC State Council promulgated the Decisions on Abolishing the Provisional Regulations of the PRC on Business Tax and Amending the Provisional Regulations of the PRC on Value-added Tax

(《关于废止〈中华人民共和国营业税暂行条例〉和修改〈中华人民共和国增值税暂行条例〉的决定》) (the “**PRC Order 691**”). On 20 March 2019, the PRC Ministry of Finance, the PRC SAT and the PRC General Administration of Customs jointly issued the Announcement on Relevant Policies on Deepening of the Reform of Value-added Tax (《关于深化增值税改革有关政策的公告》) (the “**PRC Announcement 39**”). According to the PRC VAT Law and the PRC Order 691, all enterprises and individuals engaged in the sale of goods, the provision of processing, repair and replacement services, sales of services, intangible assets, real property and the importation of goods within the territory of the PRC are the taxpayers of VAT. According to the PRC Announcement 39, the VAT tax rates generally applicable are simplified as 13%, 9%, 6% and 0%, which will become effective on 1 April 2019, and the VAT tax rate applicable to the small-scale taxpayers is three per cent. (3%).

Dividend Withholding Tax

The PRC EIT Law provides that since 1 January 2008, an income tax rate of ten per cent. (10%) will normally be applicable to dividends declared to non-PRC resident investors that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC.

Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital (《内地和香港特别行政区关于对所得税避免双重征税和防止偷漏税的安排》) (the “**PRC-HK Double Taxation Avoidance Arrangement**”), and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such PRC-HK Double Taxation Avoidance Arrangement and other applicable laws, the ten per cent. (10%) withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to five per cent. (5%). However, based on the Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《关于执行税收协定股息条款有关问题的通知》), issued on 20 February 2009 by the PRC SAT, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. According to the Circular on Several Questions regarding the “Beneficial Owner” in Tax Treaties (《关于税收协定中收益所有人有关问题的公告》), which was issued on 3 February 2018 by the PRC SAT and took effect on 1 April 2018, when determining the applicant’s status as the “beneficial owner” regarding tax treatments in connection with dividends, interests or royalties in the tax treaties, several factors, including, without limitation, whether the applicant is obligated to pay more than 50% of his or her income in twelve months to residents in third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counterparty country or region to the tax treaties does not levy any tax or grant any tax exemption on relevant incomes or levy tax at an extremely low rate, will be taken into account, and such factors will be analysed according to the actual circumstances of the specific cases.

This circular further provides that an applicant who intends to prove his or her status as the “beneficial owner” shall submit the relevant documents to the relevant tax bureau according to the Announcement on Issuing the Measures for the Administration of Non-Resident Taxpayers’ Enjoyment of the Treatment under Agreements (《关于发布〈非居民纳税人享受协定待遇管理办法〉的公告》).

Tax on Indirect Transfer

On 3 February 2015, the PRC SAT issued the Announcement of SAT on Several Issues Concerning Enterprise Income Tax on Income from the Indirect Transfer of Assets by Non-resident Enterprises (《国家税务总局关于非居民企业间接转让财产企业所得税若干问题的公告》) (the “**PRC Circular 7**”). Pursuant to the PRC Circular 7, an “indirect transfer” of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises, may be recharacterised and treated as a direct transfer of PRC taxable assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax. When determining whether there is a “reasonable commercial purpose” of the transaction arrangement, features to be taken into consideration include, inter alia, whether the main value of the equity interest of the relevant offshore enterprise derives directly or indirectly from PRC taxable assets; whether the assets of the relevant offshore enterprise mainly consists of direct or indirect investment in the PRC or if its income is mainly derived from the PRC; and whether the offshore enterprise and its subsidiaries directly or indirectly holding PRC taxable assets have a real commercial nature which is evidenced by their actual function and risk exposure. According to the PRC Circular 7, where the payer fails to withhold any or sufficient tax, the transferor shall declare and pay such tax to the tax authority by itself within the statutory time limit. The PRC Circular 7 does not apply to transactions of sale of shares by investors through a public stock exchange where such shares were acquired on a public stock exchange. On 17 October 2017, the SAT issued the Announcement of SAT on Issues Concerning Withholding at Source of Income Tax of Non-resident Enterprises (《国家税务总局关于非居民所得税源泉扣缴有关问题的公告》) (the “**PRC Circular 37**”), which was amended by the Announcement of the State Taxation Administration on Revising Certain Taxation Normative Documents (《国家税务总局关于修改部分税收规范性文件的公告》) issued on 15 June 2018 by the PRC SAT. The PRC Circular 37 further elaborates the relevant implemental rules regarding the calculation, reporting and payment obligations of the withholding tax by the non-resident enterprises. Nonetheless, there remain uncertainties as to the interpretation and application of the PRC Circular 7. The PRC Circular 7 may be determined by the tax authorities to be applicable to our offshore transactions or sale of our Shares or those of our offshore subsidiaries where non-resident enterprises, being the transferors, were involved.

Regulations relating to employment and social welfare

Labour Contract Law

The Labour Contract Law of the PRC (《中华人民共和国劳动合同法》), which was promulgated on 29 June 2007 and amended on 28 December 2012, is primarily aimed at regulating rights and obligations of employer and employee relationships, including the establishment, performance and termination of labour contracts. Pursuant to the Labour Contract Law of the PRC, labour contracts shall be concluded in writing if labour relationships are to be or have been established between employers and employees. Employers are prohibited from forcing employees to work above certain time limits and employers shall pay employees for overtime work in accordance with national regulations. In addition, employee wages shall be no lower than local standards on minimum wages and must be paid to employees in a timely manner.

Interim Provisions on Labour Dispatch

Pursuant to the Interim Provisions on Labour Dispatch (《劳务派遣暂行规定》) promulgated by the PRC Ministry of Human Resources and Social Security on 24 January 2014, which became effective on 1 March 2014, dispatched workers are entitled to equal pay with full-time employees for equal work. Employers are allowed to use dispatched workers for temporary, auxiliary or substitutive positions, and the number of dispatched workers may not exceed ten per cent. (10%) of the total number of employees. Pursuant to the Labour Contract Law of the PRC, if the employer violates the relevant labour dispatch regulations, the labour administrative department shall order it to make corrections within a prescribed time limit; if it fails to make corrections within the time limit, penalty will be imposed on the basis of more than RMB5,000 and less than RMB10,000 per person.

Social Insurance and Housing Fund

As required under the Regulation of Insurance for Labour Injury (《工伤保险条例》) implemented on 1 January 2004 and amended in 2010, the Provisional Measures for Maternity Insurance of Employees of Corporations (《企业职工生育保险试行办法》) implemented on 1 January 1995, the Decisions on the Establishment of a Unified Program for Old-Aged Pension Insurance of the State Council (《国务院关于建立统一的企业职工基本养老保险制度的决定》) issued on 16 July 1997, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council (《国务院关于建立城镇职工基本医疗保险制度的决定》) promulgated on 14 December 1998, the Unemployment Insurance Measures (《失业保险条例》) promulgated on 22 January 1999 and the Social Insurance Law of the PRC (《中华人民共和国社会保险法》) implemented on 1 July 2011 and amended on 29 December 2018, employers are required to provide their employees in the PRC with welfare benefits covering pension insurance, unemployment insurance, maternity insurance, work-related injury insurance and medical insurance. These payments are made to local administrative authorities. Any employer that fails to make social insurance contributions may be ordered to rectify the non-compliance and pay the required contributions within a prescribed time limit and be subject to a late fee. If the employer still fails to rectify the failure to make the relevant contributions within the prescribed time, it may be subject to a fine ranging from one (1) to three (3) times the amount overdue. In

accordance with the Regulations on the Administration of Housing Funds (《住房公积金管理条例》) which was promulgated by the PRC State Council in 1999 and latest amended in March 2019, employers must register at the designated administrative centres and open bank accounts for depositing employees' housing funds. Employer and employee are also required to pay and deposit housing funds, with an amount no less than five per cent. (5%) of the monthly average salary of the employee in the preceding year in full and on time.

Employee Stock Incentive Plan

Pursuant to the Notice of Issues Related to the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Listed Company (《国家外汇管理局关于境内个人参与境外上市公司股权激励计划外汇管理有关问题的通知》), which was issued by the PRC SAFE on 15 February 2012, employees, directors, supervisors, and other senior management who participate in any stock incentive plan of a publicly-listed overseas company and who are PRC Citizens or non-PRC Citizens residing in the PRC for a continuous period of no less than one (1) year, subject to a few exceptions, are required to register with the PRC SAFE through a qualified domestic agent, which may be a PRC subsidiary of such overseas listed company, and complete certain other procedures.

In addition, the PRC SAT has issued certain circulars concerning employee stock options and restricted shares. Under these circulars, employees working in the PRC who exercise stock options or are granted restricted shares will be subject to PRC individual income tax. The PRC subsidiaries of an overseas listed company are required to file documents related to employee stock options and restricted shares with relevant tax authorities and to withhold individual income taxes of employees who exercise their stock options or purchase restricted shares. If the employees fail to pay or the PRC subsidiaries fail to withhold income tax in accordance with relevant laws and regulations, the PRC subsidiaries may face sanctions imposed by the tax authorities or other PRC governmental authorities.

Regulations relating to overseas listing

On 6 July 2021, the General Office of the State Council and General Office of the Central Committee of the Communist Party of China issued Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law (《关于依法严厉打击证券违法活动的意见》). The opinions emphasised the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by PRC-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by PRC-based overseas-listed companies. On 17 February 2023, the CSRC issued the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境内企业境外发行证券和上市管理试行办法》) (the “**PRC Overseas Listing Regulations**”), and five (5) supporting guidelines, which became effective on 31 March 2023. Pursuant to the PRC Overseas Listing Regulations, companies in the PRC that directly or indirectly offer or list their securities in an overseas market, including a company in the PRC limited by shares and an offshore company whose main business operations are in the PRC and intends to offer shares or be listed in an overseas market based on its equities, assets or similar interests in the PRC are required to file with the PRC CSRC within three (3)

business days after submitting their listing application documents to the regulator in the place of intended listing. Failure to complete the filing under the PRC Overseas Listing Regulations or conceals any material fact or falsifies any major content in its filing documents may subject the company to administrative penalties, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, direct officers-in-charge and other direct personnel-in-charge may also be subject to administrative penalties, such as warnings and fines. The PRC Overseas Listing Regulations also provide that a company in the PRC must file with the PRC CSRC within three (3) business days for its follow on offering of securities after it is listed in an overseas market.

In addition, pursuant to the PRC Overseas Listing Regulations, enterprises in the PRC are prohibited from overseas offering and listing under any of the following circumstances, if (i) the overseas offering and listing is explicitly prohibited by PRC laws; (ii) the overseas offering and listing may constitute a threat to or endanger national security as determined by relevant PRC authorities; (iii) the domestic enterprises and their controlling shareholders and actual controllers have committed certain criminal offenses (such as corruption, bribery, embezzlement, misappropriation of property or other criminal offenses undermining the order of the socialist market economy) in the past three (3) years; (iv) the domestic enterprises are currently under investigations in connection with suspicion of having committed criminal offenses or material violations of applicable laws and regulations and there is still no explicit conclusion; or (v) there are material ownership disputes over the shareholdings held by the controlling shareholder or the shareholder under the control of the controlling shareholder or the actual controllers.

On 24 February 2023, the PRC CSRC, jointly with other relevant governmental authorities, issued the Provisions on Strengthening the Confidentiality and Archive Management Work Relating to the Overseas Securities Offering and Listing by Domestic Companies (《关于加强境内企业境外发行证券和上市相关保密和档案管理工作的规定》), which took effect on 31 March 2023, and pursuant to which companies based in the PRC that offer and list securities in overseas markets shall establish confidentiality and archives system. The phrase “companies based in the PRC” refers to companies in the PRC limited by shares which are directly listed in the overseas capital market and the domestic operation entities of an offshore company being indirectly listed in a foreign stock exchange. The companies based in the PRC shall obtain approval from the relevant authorities and file with the confidential administration department at the same level when providing or publicly disclosing documents and materials related to state secrets or secrets of the government authorities to the relevant securities companies, securities service agencies or the offshore regulatory authorities, or providing or publicly disclosing such documents and materials through its offshore listing entity. In addition, the companies based in the PRC should complete corresponding procedures when (i) providing or publicly disclosing documents and materials which may adversely affect national security and public interest to the relevant securities companies, securities service agencies or the offshore regulatory authorities, (ii) providing or publicly disclosing such documents and materials through its offshore listing entity; or (iii) providing accounting files or copies to relevant security companies, security service institutions, overseas regulators and individuals. The companies based in the PRC are also required to provide written statements on the implementation of the aforementioned rules to the relevant securities companies and securities service agencies. If a company based in the

PRC finds that the documents and materials related to state secrets or secrets of the government authorities or other materials which may adversely affect national security and public interest have been leaked or are going to be leaked, it should take remedial measures immediately and report to the relevant authorities.

HONG KONG

This section sets forth a summary of certain laws and regulations which are relevant to our Group's business in Hong Kong. Information contained in this section should not be construed as a comprehensive summary of the laws and regulations applicable to our Group.

Import and Export (Registration) Regulations (Cap. 60E of the Laws of Hong Kong) (the "HK Import and Export (Registration) Regulations")

The HK Import and Export (Registration) Regulations provide that every person who imports or exports any article other than an exempted article shall lodge an accurate and complete import or export declaration relating to such article with the Hong Kong Commissioner of Customs and Excise within 14 days after the importation or exportation of the article.

Any person who fails or neglects to declare within 14 days after importation or exportation without reasonable excuse is liable to a fine of HK\$2,000 upon summary conviction and commencing on the day following the date of conviction, a fine of HK\$100 in respect of every day during which his failure or neglect to lodge such declaration continues. Furthermore, any person who knowingly or recklessly lodges any declaration with the Hong Kong Commissioner of Customs and Excise that is inaccurate in any material particular shall be guilty of an offence and liable to a fine of HK\$10,000 on summary conviction.

Further, a penalty is payable for any person who does not lodge the declaration within 14 days after the importation or exportation. If the total value of articles specified in a declaration does not exceed HK\$20,000, the penalty payable will be: (i) HK\$20 for lodgement of declaration after 14 days but within one (1) month and 14 days after the importation or exportation; (ii) HK\$40 for lodgement of declaration after one (1) month and 14 days but within two (2) months and 14 days after importation or exportation; and (iii) HK\$100 for lodgement of declaration after two (2) months and 14 days after the importation or exportation. If the total value of articles specified in a declaration exceeds HK\$20,000, the aforesaid penalty charges will be doubled to HK\$40, HK\$80 and HK\$200 respectively.

Sale of Goods Ordinance (Cap. 26 of the Laws of Hong Kong) (the "HK SOGO")

The HK SOGO codifies the law relating to the sale of goods in Hong Kong. In general, where the seller sells goods in the course of a business, there is an implied condition that the goods supplied under the contract are of merchantable quality. Where the seller sells goods in the course of a business and the buyer, expressly or by implication, makes known to the seller any particular purpose for which the goods are being bought, there is an implied condition that the goods supplied under the contract are reasonably fit for that purpose, whether or not that is a

purpose for which such goods are commonly supplied, except where the circumstances show that the buyer does not rely, or that it is unreasonable for him to rely, on the seller's skill or judgment.

Where a contract for the sale of goods is by description, there is an implied condition that the goods shall correspond with the description. In the case of a contract for sale by sample, there is an implied condition that: (a) the bulk shall correspond with the sample in quality; (b) the buyer shall have a reasonable opportunity of comparing the bulk with the sample; and (c) the goods shall be free from any defect, rendering them unmerchantable, which would not be apparent on reasonable examination of the sample. If the sale is by sample, as well as by description, it is not sufficient that the bulk of the goods corresponds with the sample if the goods do not also correspond with the description.

Dutiable Commodities Ordinance (Cap. 109 of the Laws of Hong Kong) (the "HK DCO") and the Dutiable Commodities (Liquor) Regulations (Cap. 109B of the Laws of Hong Kong) (the "HK DCR")

In Hong Kong, a person must obtain a liquor licence from the Liquor Licensing Board under HK DCR. It is provided under section 17(3B) of the HK DCO that where regulations prohibit the sale or supply of any liquor except with a liquor licence, no person shall sell, or advertise or expose for sale, or supply, or possess for sale or supply, such liquor except with a liquor licence.

Any person who intends to operate a business which involves the sale of liquor for consumption at any premises must obtain a liquor licence from the Hong Kong Liquor Licensing Board under the HK DCR before commencement of such business. Regulation 25A of the HK DCR prohibits the sale of liquor at any premises for consumption on those premises or at a place of public entertainment or a public occasion for consumption at the place or occasion except with a liquor licence. A liquor licence will only be issued when the relevant premises have also been issued with a full or provisional restaurant licence. A liquor licence will only be valid if the relevant premises remain licensed as a restaurant. All applications for liquor licences are referred to the Hong Kong Commissioner of Police and the relevant District Officer in Hong Kong for comments.

Under Regulation 15 of the HK DCR, any transfer of a liquor licence must be made in the form as determined by the Hong Kong Liquor Licensing Board. For a transfer application, consent of the holder of a liquor licence is required. Under Regulation 24 of the HK DCR, in case of illness or temporary absence of the holder of a liquor licence, the secretary to the Hong Kong Liquor Licensing Board may in his discretion authorise any person to manage the licensed premises. The application under such Regulation is required to be made by the holder of liquor licence. For any application for cancellation of the liquor licence made by the holder of a liquor licence, an application for the new issue of a liquor licence will be required to be made to the Hong Kong Liquor Licensing Board.

Under section 54 of the HK DCO, in case of the death or insolvency of the holder of a liquor licence, his executor or administrator or trustee may carry on the business in the licensed premises until the expiration of the licence. Under Regulation 20 of HK DCR, a liquor licence is valid for a period of two (2) years or a lesser period, subject to the continuous compliance with the requirements under the relevant legislations and regulations.

It is provided under section 17(3B) of the HK DCO that where regulations prohibit the sale or supply of any liquor except with a liquor licence, no person shall sell, or advertise or expose for sale, or supply, or possess for sale or supply, liquor except with a liquor licence. It is an offence under Section 17(3B) of the HK DCO to sell liquor without a licence. Under section 46 and Schedule 2 of the HK DCO, a person convicted of the offence under section 17 is liable to a maximum penalty of a fine of \$1,000,000 and two (2)-year imprisonment.

Public Health and Municipal Services Ordinance (Cap. 132 of the Laws of Hong Kong) (the “HK PHMSO”) and the Food Business Regulation (Cap. 132X of the Laws of Hong Kong) (the “HK FBR”)

There are two (2) types of restaurant licences, the general restaurant licence and the light refreshment restaurant licence. The light refreshment restaurant licence, which restricts the licensee to prepare and sell for consumption on the premises certain kinds of the food items, has to be obtained from the Hong Kong Food and Environmental Hygiene Department (the “**HK FEHD**”) under the HK PHMSO and the HK FBR before commencing the restaurant business. It is provided under Regulation 31(1) of the HK FBR that no person shall carry on or cause, permit or suffer to be carried on any restaurant business except with a restaurant licence. The HK FEHD will consider whether certain requirements in respect of health, hygiene, ventilation, gas safety, building structure and means of escape are met before issuing a restaurant licence.

The HK FEHD will also consult the Hong Kong Buildings Department (the “**HK BD**”), the Hong Kong Fire Services Department (the “**HK FSD**”) and the Hong Kong Planning Department (the “**HK PD**”) in accessing the suitability of premises for use as a restaurant, for the purpose of which the fulfilment of the HK BD’s structural standard and the HK FSD’s fire safety requirement are considered. The HK FEHD may grant provisional restaurant licences to new applicants who have fulfilled the basic requirements in accordance with the HK FBR pending fulfilment of all outstanding requirements for the issue of a full restaurant licence. The HK FEHD will normally continue to process an application only when the premises are deemed to be safe and suitable for restaurant use by the HK FEHD, HK BD, HK FSD, HK PD and other departments concerned (for instance, the Hong Kong Lands Department). A provisional restaurant licence is valid for a period of six (6) months or a lesser period and a full restaurant licence is generally valid for a period of one (1) year, both subject to payment of the prescribed licence fees and continuous compliance with the requirements under the relevant legislation and regulations. A provisional restaurant licence is renewable on one (1) occasion and a full restaurant licence is renewable annually.

Under section 35 of the HK FBR, any person who is guilty of an offence for carrying on a food factory business without a valid licence shall be liable on summary conviction to a maximum fine of HK\$50,000 and imprisonment for six (6) months and, where the offence is a continuing offence, to an additional fine of HK\$900 for each day during which it is proved to the satisfaction of the court that the offence has continued.

The demerit points system is a penalty system operated by the HK FEHD to sanction food businesses for repeated violations of relevant hygiene and food safety legislation. Under the system:

- (a) if, within a period of 12 months, a total of 15 demerit points or more have been registered against a licensee in respect of any licensed premises, the licence in respect of such licenced premises will be subject to suspension for seven (7) days ("**First Suspension**");
- (b) if, within a period of 12 months from the date of the last offence leading to the First Suspension, a total of 15 demerit points or more have been registered against the licensee in respect of the same licensed premises, the licence will be subject to suspension for 14 days ("**Second Suspension**");
- (c) thereafter, if, within a period of 12 months from the date of the last offence leading to the Second Suspension, a total of 15 demerit points or more have been registered against the licensee in respect of the same licensed premises, the licence will be subject to cancellation;
- (d) for multiple offences found during any single inspection, the total number of demerit points registered against the licensee will be the sum of the demerit points for each of the offences;
- (e) the prescribed demerit points for a particular offence will be doubled and trebled if the same offence is committed for the second and the third time within a period of 12 months; and
- (f) any alleged offence pending, that is the subject of a hearing and not yet taken into account when a licence is suspended, will be carried over for consideration of a subsequent suspension if the licensee is subsequently found to have violated the relevant hygiene and food safety legislation upon the conclusion of the hearing at a later date.

Water Pollution Control Ordinance (Cap. 358 of the Laws of Hong Kong) (the "HK WPCO")

In Hong Kong, discharges of trade effluents into specific water control zones are subject to control and the discharger is required to obtain a water pollution control licence granted by the Hong Kong Environmental Protection Department (the "**HK EPD**") under the HK WPCO before commencing the discharge, in our case, before the operation of our restaurants.

Under section 8(1) of the HK WPCO, a person who discharges (i) any waste or polluting matter into the waters of Hong Kong in a water control zone; or (ii) any matter into any inland waters in a water control zone which tends (either directly or in combination with other matter which has entered those waters) to impede the proper flow of the water in a manner leading or likely to lead to substantial aggravation of pollution commits an offence. Where any such matter is discharged from any premises, pursuant to section 8(2) of the HK WPCO, the occupier of the premises also commits an offence. Under section 9(1) of the HK WPCO, a person who discharges any matter into a communal sewer or communal drain in a water control zone commits an offence. Where any such matter is discharged into a communal sewer or communal drain in a water control zone from any premises, under section 9(2) of the HK WPCO, the occupier of the premises also commits an offence.

Under section 11(1) of the HK WPCO, a person who commits an offence under section 8(1), 8(2), 9(1) or 9(2) is liable to imprisonment for six (6) months and (a) for a first offence, a fine of HK\$200,000; and (b) for a second or subsequent offence, a fine of HK\$400,000, and in addition, if the offence is a continuing offence, to a fine of HK\$10,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

Under section 12(1)(b) of the HK WPCO, a person does not commit an offence under section 8(1), 8(2), 9(1) or 9(2) of the HK WPCO if the discharge or deposit in question is made under, and in accordance with, a water pollution control licence granted by the HK EPD.

Under section 20 of the HK WPCO, the HK EPD may grant a water pollution control licence on terms and conditions as he thinks fit including matters relating to the discharge location, provision of wastewater treatment facilities, maximum allowable quantity, effluent standards, self-monitoring requirements and keeping records. The water pollution control licence may be granted for a period of not less than two (2) years and is generally valid for five (5) years. The grant and renewal of a water pollution control licence are subject to payment of the prescribed licence fee and continuous compliance with the requirements under the relevant laws and regulations.

Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong) (the “HK OSHO”)

The HK OSHO provides for the safety and health protection to employees in workplaces, both industrial and non-industrial.

Employers must as far as reasonably practicable ensure the safety and health at work of all the employers’ employees by, without limitation:

- providing and maintaining plant and systems of work that are safe and without risks to health;
- making arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage and/or transport of plant and/or substances;

- providing all necessary information, instruction, training and supervision for ensuring safety and health at work;
- as regards any workplaces under the employers' control, maintaining the workplaces in a condition that is safe and without risks to health, or providing and maintaining safe access to and egress from the workplaces; and
- providing and maintaining a working environment that is safe and without risks to health for the employees.

Failure to comply with any of the above requirements constitutes an offence and the employer is liable on conviction to a maximum fine of HK\$200,000. An employer who fails to do so intentionally, knowingly or recklessly commits an offence and is liable on conviction to a maximum fine of HK\$200,000 and to a maximum imprisonment for six (6) months.

Further, the Hong Kong Commissioner for Labour may, at its discretion, serve an improvement notice against non-compliance of the HK OSHO and/or a suspension notice against activity undertaken on the premises where a workplace is located which may create imminent risk of death or serious bodily injury. Failure to comply with an improvement notice or contravention of a suspension notice without reasonable excuse constitutes an offence punishable by a maximum fine of HK\$200,000 and HK\$500,000 respectively and imprisonment of up to 12 months (and in the case of a suspension notice, knowing and intentional continuation of such contravention will attract a further fine of HK\$50,000 for each day or part of a day during the contravention).

Occupiers Liability Ordinance (Cap. 314 of the Laws of Hong Kong) (the “HK OLO”)

The HK OLO regulates the obligations of a person occupying or having control of premises on injury resulting to persons or damage caused to goods or other property lawfully on the land.

The HK OLO imposes a common duty of care on an occupier of premises to take such care as in all the circumstances of the case is reasonable to see that the visitor will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

Business Registration Ordinance (Cap. 310 of the Laws of Hong Kong) (the “HK BRO”)

The HK BRO requires every entity that carries on a business in Hong Kong to apply for business registration with the Business Registration Office of the Hong Kong Inland Revenue Department within one (1) month from the date of commencement of the business, and to display a valid business registration certificate at the place of business.

Trade Marks Ordinance (Cap. 559 of the Laws of Hong Kong) (the “HK TMO”)

The HK TMO provides for the registration of trademarks, the use of registered trademarks and connected matters. Hong Kong provides territorial protection for trademarks. Therefore, trademarks registered in other countries or regions are not automatically entitled to protection in Hong Kong. In order to enjoy protection by the laws of Hong Kong, trademarks must be registered with the Trade Marks Registry of the Hong Kong Intellectual Property Department under the HK TMO and the Trade Marks Rules (Cap. 559A of the Laws of Hong Kong) (the “**HK Trade Marks Rules**”).

According to section 10 of the HK TMO, a registered trademark is a property right acquired through due registration under such ordinance. The owner of a registered trademark has the rights and is entitled to the remedies provided by the HK TMO.

Our Group is the registered owner and proprietor of the trademarks as set out in the section entitled “*Business — Intellectual Property*” of this Introductory Document. Pursuant to section 14 of the HK TMO, the owner of a registered trademark is conferred exclusive rights in the trademark. The rights of the owner in respect of the registered trademark have effect from the date of the registration of the trademark which is the filing date of the application for registration, according to section 48 of the HK TMO.

Subject to the exceptions in section 19 to section 21 of the HK TMO, any use of trademark by third parties without the consent of the registered owner is an infringement of the trademark. Conduct which amount to infringement of the registered trademark are further specified in section 18 of the HK TMO. Under section 23 and section 25 of the HK TMO, an infringement proceeding will be conducted if an infringement of trademark takes place and the registered owner is entitled to remedies under the HK TMO.

Trademarks which are not registered under the HK TMO and the HK Trade Marks Rules may still be protected by the common law action of passing off, which requires proof of the owner’s reputation in the unregistered trademark and that use of the trademark by third parties will cause damage to the owner.

Copyright Ordinance (Cap. 528 of the Laws of Hong Kong) (the “HK Copyright Ordinance”)

Civil liability

Under the HK Copyright Ordinance, a person would incur civil liability under section 27 by infringing the exclusive right of the owner of a musical work when playing the work in public without the licence of the copyright owner. It is a “secondary infringement” under section 31 of the HK Copyright Ordinance if that person exhibits in public, without the licence of the copyright owner, a copy of a work, which he knows or has reason to believe to be, an infringing copy of the work for the purposes of or in the course of any trade or business. However, the person will only be liable if he, at the time of committing the act, knew or had reason to believe that he was dealing with infringing copies.

It is also a “secondary infringement” which incurs civil liability under section 33 of the HK Copyright Ordinance where the copyright in a work is infringed by a performance at a place of public entertainment, any person who gave permission for that place to be used for the performance is also liable for the infringement unless when he gave permission he believed on reasonable grounds that the performance would not infringe copyright. Places of public entertainment include premises which are occupied mainly for other purposes but are from time to time made available for hire for the purposes of public entertainment.

Section 34 of the HK Copyright Ordinance provides that where copyright in a work is infringed by a public performance of the work, or by the playing or showing of the work in public, by means of apparatus for playing sound recordings, the occupier of premises who gave permission for the apparatus to be brought onto the premises is liable for the infringement if when he gave permission he knew or had reason to believe that the apparatus was likely to be used for copyright infringement.

Under section 168 of the HK Copyright Ordinance, where the licensing scheme does not specify the works to which it applies with such particularity as to enable licensee to determine whether a work falls within the scheme by inspection of the licence and the work, there is implied in every scheme to which this section applies (i.e. the scheme operated by the three (3) licensing bodies) an undertaking by the licensing body to indemnify the licensee, against any liability incurred by our Group by reason of its having infringed copyright by making or authorising an act restricted by the copyright in a work in circumstances within the apparent scope of his licence. The circumstances of a case are within the apparent scope of a licence if it is not apparent from inspection of the licence and the work that it does not fall within the description of works to which the licence applies; and the licence does not expressly provide that it does not extend to copyright to the description infringed.

Criminal liability

The HK Copyright Ordinance also imposes criminal liability under section 118 which provides that a person commits an offence if he, without the consent of the copyright owner of a copyright work, exhibits in public an infringing copy of the work for the purpose of or in the course of any trade or business which consists of dealing in infringing copies of copyright works.

The HK Copyright Ordinance provides, among other defences, that it is a defence for the person charged to prove that he did not know and had no reason to believe that the copy of a copyright work in question was an infringing copy of the copyright work. The HK Copyright Ordinance provides that any person who contravenes section 118 of the HK Copyright Ordinance shall be guilty of an offence and shall be liable to a fine of HK\$50,000 and to imprisonment for four (4) years.

Employment Ordinance (Cap. 57 of the Laws of Hong Kong) (the “HK EO”)

The HK EO provides various employment-related benefits and entitlements to employees. All employees covered by the HK EO, irrespective of their hours of work, are entitled to basic protection under the HK EO including, among others, payment of wages (which is defined under the HK EO to include, among others, remuneration and overtime pay), restrictions on wages deductions and granting of statutory holidays. Employees who are employed under a continuous contract may be further entitled to such benefits as rest days, paid annual leave, sickness allowance, severance payment and long service payment.

Under section 25 of the HK EO, where a contract of employment is terminated, any sum due to the employee (other than severance payment, if any) shall be paid to him as soon as it is practicable and, in any case, not later than seven (7) days after the day of termination. Any employer who wilfully and without reasonable excuse contravenes section 25 of the HK EO commits an offence and is liable to a maximum fine of HK\$350,000 and to imprisonment for a maximum of three (3) years. Further, under section 25A of the HK EO, if any wages or any sum referred to in section 25(2)(a) of the HK EO are not paid within seven (7) days from the day on which they become due, the employer shall pay interest at a specified rate on the outstanding amount of wages or sum from the date on which such wages or sum become due up to the date of actual payment. Any employer who wilfully and without reasonable excuse contravenes section 25A of the HK EO commits an offence and is liable on conviction to a maximum fine of HK\$10,000.

Employees’ Compensation Ordinance (Cap. 282 of the Laws of Hong Kong) (the “HK ECO”)

The HK ECO establishes a no-fault and non-contributory employee compensation system for work injuries, and lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

Under the HK ECO, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is, in general, liable to pay compensation, even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, under the HK ECO, an employee who suffers incapacity or dies arising from an occupational disease and is due to the nature of any employment in which the employee was employed at any time within the prescribed period immediately preceding such incapacity or death, is (subject to modifications under the HK ECO) entitled to receive the same compensation as that payable to employees injured in occupational accidents.

Under section 40 of the HK ECO, all employers are required to take out insurance policies to cover their liabilities under the laws (including the common law) for injuries at work in respect of all their employees (including full-time and part-time employees). An employer who fails to comply with the HK ECO to secure an insurance cover commits an offence and is liable on

conviction upon indictment to a maximum fine of HK\$100,000 and to imprisonment for up to two (2) years and on a summary conviction to a maximum fine of HK\$100,000 and to imprisonment for up to one (1) year.

According to section 15(1) of the HK ECO, an employer shall report any accident which results in the death of the employee within three (3) days after the accident to the Hong Kong Commissioner of Labour not later than seven (7) days after the accident, irrespective of whether the accident gives rise to any liability to pay compensation. According to section 15(1A) of the HK ECO, an employer shall report any accident which results in the total or partial incapacity of the employee to the Hong Kong Commissioner of Labour not later than 14 days after the accident, irrespective of whether the accident gives rise to any liability to pay compensation.

According to section 48 of the HK ECO, an employer shall not, without the consent of the Hong Kong Commissioner for Labour, terminate, or give notice to terminate, the contract of service of an employee (who has suffered incapacity in circumstances which entitle him to compensation under the HK ECO) before occurrence of certain prescribed events. Any person who commits a breach of this provision is liable on conviction to a maximum fine of HK\$100,000.

Minimum Wage Ordinance (Cap. 608 of the Laws of Hong Kong) (the “HK MWO”)

The HK MWO provides for a statutory minimum wage level for every employee employed under the EO, save and except for those specified under sections 7(2), (3), (4) and (5) of the HK MWO. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the HK MWO is void. The Hong Kong Minimum Wage Commission is established under section 11 of the HK MWO and its main function is, when required by the Chief Executive of the Hong Kong Special Administrative Region, to report to the Hong Kong Chief Executive in Council its recommendations on the amount of the prescribed minimum hourly wage rate.

Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong) (the “HK MPFSO”)

The HK MPFSO provides that an employer shall enrol their regular employees (except for certain exempt persons) aged at least 18 but under 65 years of age and employed for 60 days or more in a Mandatory Provident Fund (“HK MPF”) scheme within the first 60 days of employment.

For both employees and employers, it is mandatory to make regular contributions to a HK MPF scheme. For an employee, subject to the maximum and minimum levels of income (HK\$30,000 and HK\$7,100 per month, respectively on or after 1 June 2014), an employer will deduct five per cent. (5%) of the relevant income on behalf of an employee as mandatory contributions to a registered HK MPF scheme with a ceiling of HK\$1,500 on or after 1 June 2014. An employer will also be required to contribute an amount equivalent to five per cent. (5%) of an employee’s relevant income to the HK MPF scheme, subject only to the maximum level of income

(HK\$30,000 on or after 1 June 2014). The Mandatory Provident Fund Schemes Authority established under the HK MPFSO regulates the operations of HK MPF schemes in accordance with the provisions under the HK MPFSO.

Inland Revenue Ordinance (Cap. 112 of the Laws of Hong Kong) (the “HK IRO”)

The HK IRO is an ordinance for the purposes of imposing taxes on property, earnings and profits in Hong Kong. The HK IRO provides, among other things, that persons, which include corporations, partnerships, trustees and bodies of persons, carrying on any trade, profession or business in Hong Kong are chargeable to tax on all profits (excluding profits from the sale of capital assets) arising in or derived from Hong Kong from such trade, profession or business. The HK IRO also contains provisions relating to, among other things, permissible deductions for outgoings and expenses, set-offs for losses and allowances for depreciation.

Under section 52(2) of the HK IRO, every person who is an employer shall, when required to do so by notice in writing given by an assessor appointed under the HK IRO, furnish a return of all persons employed by him in receipt of remuneration in excess of a minimum figure to be fixed by the assessor or any other person employed by him named by the assessor.

In addition, under section 52(4) of the HK IRO, where any person who is an employer commences to employ in Hong Kong an individual who is or is likely to be chargeable to tax under Part 3 of the HK IRO, or any married person, he shall give notice thereof in writing to the Hong Kong Commissioner of Inland Revenue not later than three (3) months after the date of commencement of such employment. Under section 52(5) of the HK IRO, where any person who is an employer ceases or is about to cease to employ in Hong Kong an individual who is or is likely to be chargeable to tax under Part 3 of the HK IRO, or any married person, he shall give notice thereof in writing to the Hong Kong Commissioner of Inland Revenue not later than one (1) month before such individual ceases to be employed in Hong Kong.

Section 20A of the HK IRO gives the Hong Kong Inland Revenue Department wide powers to collect tax due from non-residents. The Hong Kong Inland Revenue Department may also make transfer pricing adjustments by disallowing expenses incurred by the Hong Kong resident under sections 16(1), 17(1)(b) and 17(1)(c) of the HK IRO, making additional assessments under section 60 of the HK IRO and challenging the entire arrangement under general anti-avoidance provisions such as sections 61 and 61A of the HK IRO.

SINGAPORE

This section sets forth a summary of certain laws and regulations which are relevant to our Group’s business in Singapore. Information contained in this section should not be construed as a comprehensive summary of the laws and regulations applicable to our Group.

Regulations relating to operating of food establishments

Environmental Public Health Act 1987 of Singapore (the “EHPA”)

The EHPA requires any person who operates or uses a food establishment to obtain a licence from the Singapore Food Agency (the “**Food Shop Licence**”). Under the EHPA, “food establishment” includes an eating establishment such as a restaurant and an entertainment outlet serving food such as a pub or bar.

The Food Shop Licence is usually granted for a period of one (1) year and is renewable at the discretion of the Singapore Food Agency and subject to such restrictions and conditions as the Singapore Food Agency may think fit.

The Singapore Food Agency administers a points demerit system (“**PDS**”) for food retail businesses, including eating establishments and entertainment outlets, which is used to manage the suspension and cancellation of licences for food safety infringements. Under the PDS, demerit points are given for each food safety offence according to its impact on food safety. Offences which carry higher risk of food contamination and have larger impact on food safety are accorded more demerit points. The offences are categorised as follows:

- Minor offences — zero (0) demerit points
- Major offences — four (4) demerit points
- Serious offences — six (6) demerit points

If a licensee accumulates 12 demerit points or more within 12 months, his licence will either be suspended for two (2) weeks or four (4) weeks, or revoked, depending on past suspension records. A composition fine ranging from S\$200 to S\$400 will also be imposed on each food safety offence. With effect from 1 April 2020, higher penalties will be imposed on lapses detected in the toilet, with the composition fines up to S\$500.

Environmental Public Health (Food Hygiene) Regulations of Singapore (“EHPR”)

The EHPR require a licensee holding a Food Shop Licence to exhibit such licence in a conspicuous and accessible position within the licensed premises at all times. The EHPR also provides that a licensee holding a Food Shop Licence must adhere to certain requirements in relation to, among others:

- registration of any assistants or employees who are engaged in the sale or preparation for sale of food with the Singapore Food Agency;
- appointment of food hygiene officer in licensed premises;
- storage and refrigeration, packaging, transportation, sale and preparation of food;

- cleanliness of equipment used in the licensed premises;
- upkeep of the licensed premises;
- proper maintenance and cleaning of toilet facilities at licensed premises; and
- personal cleanliness of and successful completion of food hygiene course by any persons who are engaged in the sale or preparation for sale of food.

Registration of Food Handlers

The EPHR requires every licensee holding a Food Shop Licence to register his assistant or employee who is engaged in the sale or preparation for sale of any food (“**food handler**”) with the Singapore Food Agency.

A food handler who wishes to register with the Singapore Food Agency is required to undergo and complete the training and assessment of the Food Safety Course Level 1 conducted by training providers approved by SkillsFuture Singapore (“**SSG**”). The Food Safety Course Level 1 is aligned to the Food & Beverage Workforce Skills Qualification (“**WSQ**”) system launched by the SSG (formerly known as the Workforce Development Agency) as the national qualifications system for the food and beverage industry. Under the Food Safety Course Level 1, participants will learn, and be assessed on their ability to apply, the knowledge and skills in the following Food & Beverage Safety and Hygiene Policies and Procedures which include practising good personal hygiene, using safe ingredients, handling food safely, storing food safely and maintaining cleanliness of utensils, equipment and service/storage areas. Upon successful completion of the course and assessment, participants will be awarded a Statement of Attainment (“**SOA**”) from the SSG.

In addition, food handlers who have already passed the Food Safety Course Level 1 are required to attend a refresher training session by (a) the fifth year of their SOA date; and (b) every tenth year from the date of passing the last refresher training session.

Grading of Food Establishment

Based on the current framework for grading of licensed food establishments, such food establishments are given a grade by the Singapore Food Agency based on the overall hygiene, cleanliness and housekeeping standards of the premises. The Singapore Food Agency conducts annual on-site audit assessments on licensed food establishments to determine their grading status. There are four (4) grades that can be given: A (a score of 85.0% or higher), B (a score of 70.0% to 84.0%), C (a score of 50.0% to 69.0%) and D (a score of 40.0% to 49.0%), based on their food hygiene and food safety standards. The areas of audit assessment of food establishments include personal hygiene of the food handlers, cleanliness of the food receiving area and food storage area, preparation and handling of raw and cooked foods and good condition of the toilets.

In the “FAQs on SAFE framework (updated on 4 Sep 2023)” issued by the Singapore Food Agency, it is stated that there will be a new licensing framework, namely, the Safety Assurance for Food Establishments (“**SAFE**”) framework, to provide better food safety assurance to consumers. The SAFE framework will be implemented in 2025 in view of feedback received from the industry and to allow more time for the industry to prepare for the transition. To support and complement the SAFE framework ahead of its implementation, the Singapore Food Agency has implemented a training framework for food handlers and supervisory personnel.

The first two (2) levels of the Food Safety Courses (“**FSC**”) cover basic food safety principles for food handlers and how to conduct food safety checks for their specific work areas. Level 3 of the FSC equips Food Hygiene Officers (“**FHO**”) with the knowledge to implement food safety pre-requisite programmes and basic principles of Hazard Analysis Critical Control Point and Food Safety Management System (“**FSMS**”), while Level 4 of the FSC covers the implementation of FSMS and how to conduct broader food safety checks and internal audits. All food handlers will be required to attend and pass the WSQ FSC Level 1 while WSQ FSC Level 2 is intended for upskilling of food handlers. A FHO is a supervisory personnel who will assist the licensee to put in place, monitor and maintain a proper food safety system. FHOs will conduct regular checks and educate and remind food handlers to adhere to good food safety practices and personal hygiene during food preparation. Supervisory personnel who have passed the former WSQ Apply Food Safety Management Systems for Food Service Establishment Course or WSQ FSC Level 4 can be appointed as an Advanced FHO. An Advanced FHO establishes and oversees food safety standards of their food establishment by developing, implementing and managing a FSMS.

Under the new SAFE framework, the grading system will be replaced with ‘Bronze’, ‘Silver’ or ‘Gold’ awards given to the food establishments. Food establishments that have a good track record (no major food safety lapses over a period of time) as well as are able to fulfil the FHO, Advanced FHO and FSMS requirements will qualify for either the ‘Gold’, ‘Silver’ or ‘Bronze’ awards, which correspond to a ten (10), five (5), or three (3)-year licence duration. Major food safety lapses include causing a foodborne outbreak, being convicted in court for offences against the Singapore Food Agency’s regulations, or a suspension of the licence. Food establishments are grouped into three (3) categories, namely category A, category B and category C (category C establishments are not given Gold, Silver or Bronze awards). The framework is summarised in a table form below:

| Category of food establishments | 1-year licence | 3-year licence | 5-year licence | 10-year licence |
|---|---|--|---|--|
| <p>Category A — food establishments involved in significant food handling practices with higher food safety risks (e.g. preparation, processing and storage of food under temperature-controlled conditions) <i>e.g. caterers, restaurants, food manufacturers</i></p> | <p>No award:</p> <p>New licensees or <2 years without major lapse</p> <p>FHO appointed</p> | <p>Bronze:</p> <p>2 years without major lapse</p> <p>FHO appointed</p> | <p>Silver:</p> <p>5 years without major lapse</p> <p>FHO appointed</p> <p>FSMS requirements met</p> | <p>Gold:</p> <p>10 years without major lapse</p> <p>Advanced FHO appointed</p> <p>FSMS certified by an accredited certification body</p> |
| <p>Category B — food establishments involved in moderate food handling and storage practices with lower food safety risks <i>e.g. bakeries, food shops, cold stores</i></p> | <p>No award:</p> <p>New licensees or <2 years without major lapse</p> | <p>Bronze:</p> <p>2 years without major lapse</p> | <p>Silver:</p> <p>5 years without major lapse</p> | <p>Gold:</p> <p>10 years without major lapse</p> |
| <p>Category C — food establishments involved in minimal food handling and storage practices with negligible food safety risks <i>e.g. main operators of food courts, canteens, supermarkets</i></p> | <p>—</p> | <p><3 years without major lapse</p> | <p>3 years without major lapse</p> | <p>5 years without major lapse</p> |

Regulations relating to the operation of bars

Liquor Control (Supply and Consumption) Act 2015 of Singapore (the “LCA”)

The LCA requires any person who supplies any liquor to obtain a liquor licence (“**Liquor Licence**”), and where licensed premises are specified in the liquor licence of a licensee, the licensee must not supply any liquor except at those licensed premises. Liquor Licences are issued by the Liquors Licensing Board of the Police Licensing & Regulatory Department and are valid for a period of one (1) year.

The LCA also requires any licensee holding a Liquor Licence to adhere to further requirements, such as not supplying any liquor or allowing any liquor to be consumed within the licensed premises outside of the trading hours specified in the Liquor Licence. Any contravention of such requirement is an offence and shall be liable on conviction to a fine not exceeding S\$10,000.

Under Regulation 7A of the Liquor Control (Supply and Consumption) (Liquor Licensing) (Amendment) Regulations 2022 of Singapore, all Class 1A, Class 1B, Class 2A and Class 2B liquor licensees must display, legibly one (1) or more notices within their licensed premises, containing the following information: (a) the liquor trading hours applicable to the licensee; (b) that any supply or consumption of liquor within the licensed premises is not allowed outside of the liquor trading hours applicable to the licensee; and (c) that any consumption of liquor within the licensed premises outside of the liquor trading hours applicable to the licensee may be an offence under Section 12(1) of the Liquor Control (Supply and Consumption) Act 2015 of Singapore. A breach of Regulation 7A of the Liquor Control (Supply and Consumption) (Liquor Licensing) (Amendment) Regulations 2022 of Singapore carries a fine of up to \$10,000.

Public Entertainment Licence

A public entertainment licence is required under the Public Entertainments Act 1958 of Singapore (“**PEA**”) for entertainment that is provided in any place to which the public or any class of public has access, including any performance of music, singing or dancing.

Under the Public Entertainments Rules of Singapore, where an application for a licence is made by a company or firm, the application shall be made jointly with the person to whom the company or firm desires the licence to be issued. Under the application guidelines of the Police Licensing & Regulatory Department, the applicant for the licence for a company must be a director, managing director or chief executive officer of the company and must be a fit and proper person to hold a public entertainment licence.

One (1) of the conditions of the licence requires the licensee to inform the licensing officer appointed under the PEA of any change in the composition of directors within seven (7) days of such change. In the event that a licensee ceases to be a director of the company, our Group will apply for the transfer of the licence to a director. The transfer of a licence is subject to the approval of the Licensing Officer.

Under the Public Entertainments (Demerit Points) Rules 2017 of Singapore, demerit points may be awarded to a licensee for the breach of a condition of a licence. Depending on the particular condition that has been breached, the demerit points awarded will range from three (3) to 12 demerit points. The Licensing Officer may in his discretion suspend or cancel a licence for the breach of a condition if the number of demerit points accumulated by the licensee exceeds the thresholds as set out in the Public Entertainments (Demerit Points) Rules 2017 of Singapore.

Music Copyright

Under the Copyright Act 2021 of Singapore (“**Copyright Act**”), copyright in relation to a musical work includes the exclusive right to perform the work in public. In Singapore, the Composers and Authors Society of Singapore (“**COMPASS**”) administers the public performance rights in music on behalf of its members (including composers, authors and publishers of musical works) and it deals specifically with music copyright and the usage of musical works. Proprietors of a business that provides music to the public, such as discotheques, nightclubs, pubs and restaurants, will require a public performance of musical and lyrical works licence from COMPASS. The licence is issued and renewable on a yearly basis for an annual fee and allows the licensee to use musical works under the COMPASS repertoire pursuant to the terms of the licence.

Proprietors of businesses which provide music to the public without the requisite licence from COMPASS will have infringed the copyright in the music. Under the Copyright Act, if a person infringes the copyright wilfully and the extent of the infringement is significant and/or the person does the act to obtain a commercial advantage, such person shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$20,000 or to imprisonment for a term not exceeding two (2) years or to both. Under the Copyright Act, the owner of the copyright may also bring a civil action for the infringement.

In addition, an establishment which plays music of the recording companies represented by Music Rights (Singapore) Public Limited (“**MRSS**”) in its business premises and public area will require a public performance of sound recording licence from the MRSS. Any establishment which is responsible for unauthorised public performance of sound recording to the record companies that MRSS represents will be violating and infringing copyrights. Apart from civil liability, the infringer may also be prosecuted for statutory offences under the Copyright Act.

Regulations relating to employment

Employment Act 1968 of Singapore (“Employment Act”)

The Employment Act is administered by the Ministry of Manpower (“**MOM**”) and sets out the basic terms and conditions of employment and the rights and responsibilities of employers as well as employees who are covered under the Employment Act (“**relevant employees**”).

In particular, Part IV of the Employment Act sets out requirements for rest days, hours of work and other conditions of service for workmen who receive salaries not exceeding S\$4,500 a month and employees (other than workmen or persons employed in managerial or executive positions) who receive salaries not exceeding S\$2,600 a month. Section 38(8) in Part IV of the Employment Act provides that a relevant employee is not allowed to work for more than 12 hours in any one (1) day except in specified circumstances, such as where the work is essential to the life of the community, defence or security. In addition, Section 38(5) in Part IV of the Employment Act limits the extent of overtime work that a relevant employee can perform to 72 hours a month. Employers must seek the prior approval of the Singapore Commissioner for Labour for exemption if they require a relevant employee or class of relevant employees to work for more than 12 hours a day or work overtime for more than 72 hours a month.

An employer who breaches the above provisions shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$5,000, and for a second or subsequent offence to a fine not exceeding S\$10,000 and/or to imprisonment for a term not exceeding 12 months.

Employment of Foreign Manpower Act 1990 of Singapore (“EFMA”), Employment of Foreign Manpower (Work Passes) Regulations 2012 of Singapore (“EFMA(R)”) and Immigration Act 1959 of Singapore (“Immigration Act”)

The employment of foreign workers in Singapore is governed by the EFMA and regulated by the MOM. Under Section 5(1) of the EFMA, no person shall employ a foreign employee unless the foreign employee has obtained a valid work pass. Any person who contravenes Section 5(1) of the EFMA shall be guilty of an offence and shall (a) be liable on conviction to a fine at least S\$5,000 and not more than S\$30,000 or to imprisonment for a term not exceeding 12 months or to both; and (b) on a second or subsequent conviction: (i) in the case of an individual, be punished with a fine of at least S\$10,000 and not more than S\$30,000 and with imprisonment for a term of not less than one (1) month and not more than 12 months; or (ii) in any other case, be punished with a fine of at least S\$20,000 and not more than S\$60,000.

A work pass includes, amongst others: (a) employment pass, for foreign professionals, managers and executives (excluding those in financial services) earning at least S\$5,000 per month and who have acceptable qualifications; (b) S Pass, for skilled staff (excluding those in financial services) who earn at least S\$3,150 per month if they are new applicants; and (c) work permit for skilled or semi-skilled migrant workers in the construction, manufacturing, marine shipyard, process or services sectors.

The EFMA(R) requires employers of work permit holders, among others, to:

- bear the costs of medical treatment (unless in excess of the minimum mandatory coverage);
- provide acceptable accommodation;
- provide safe working conditions and take such measures as are necessary to ensure the safety and health of the foreign employee; and
- purchase and maintain medical insurance for inpatient care and day surgery with coverage of at least S\$15,000 per every 12-month period of the foreign employee's employment (or for such shorter period where the foreign employee's period of employment is less than 12 months).

The EFMA(R) also requires employers of S Pass holders, among others, to:

- bear the costs of medical treatment (unless in excess of the minimum mandatory coverage); and
- purchase and maintain medical insurance for inpatient care and day surgery with coverage of at least S\$15,000 per every 12-month period of the foreign employee's employment (or for such shorter period where the foreign employee's period of employment is less than 12 months).

Further, the Immigration Act provides that no person, other than a citizen of Singapore, shall enter or attempt to enter Singapore unless, amongst others, he is in possession of a valid pass lawfully issued to him to enter Singapore.

Accordingly, an employer of foreign workers is also subject to the Employment Act and the Immigration Act, and the regulations issued pursuant thereto.

Workplace Safety and Health Act 2006 ("WSHA")

Under the WSHA administered by the MOM, every employer has the duty to take, so far as reasonably practicable, measures necessary to ensure the safety and health of his employees at work. These measures include providing and maintaining a safe working environment for the employees, without risk to health, and adequate facilities and arrangements for their welfare at work, ensuring that adequate safety measures are taken in respect of any machinery, equipment, plant, article or process used by the employees, developing and implementing procedures for dealing with emergencies that may arise while the employees are at work and ensuring that the employee at work has adequate instruction, information, training and supervision as is necessary for that employee to perform his work. More specific duties imposed on employers are laid out in the Workplace Safety and Health (General Provisions)

Regulations of Singapore (“**WSHR**”), which include taking all reasonably practicable measures to prevent the workplace from being overcrowded and ensuring adequate ventilation of the workplace.

Work Injury Compensation Act 2019 (“WICA”)

The WICA regulated by the MOM applies to employees in respect of injuries suffered by them arising out of and in the course of their employment and sets out, amongst others, the amount of compensation they are entitled to and the methods of calculating such compensation.

The WICA provides that the employer shall be liable to pay compensation under the WICA if personal injury is caused to an employee by accident arising out of and in the course of the employee’s employment with the employer. The amount of compensation shall be computed in accordance with the First Schedule of the WICA, subject to a maximum and minimum limit, taking into account factors such as the severity and permanence of the personal injury suffered.

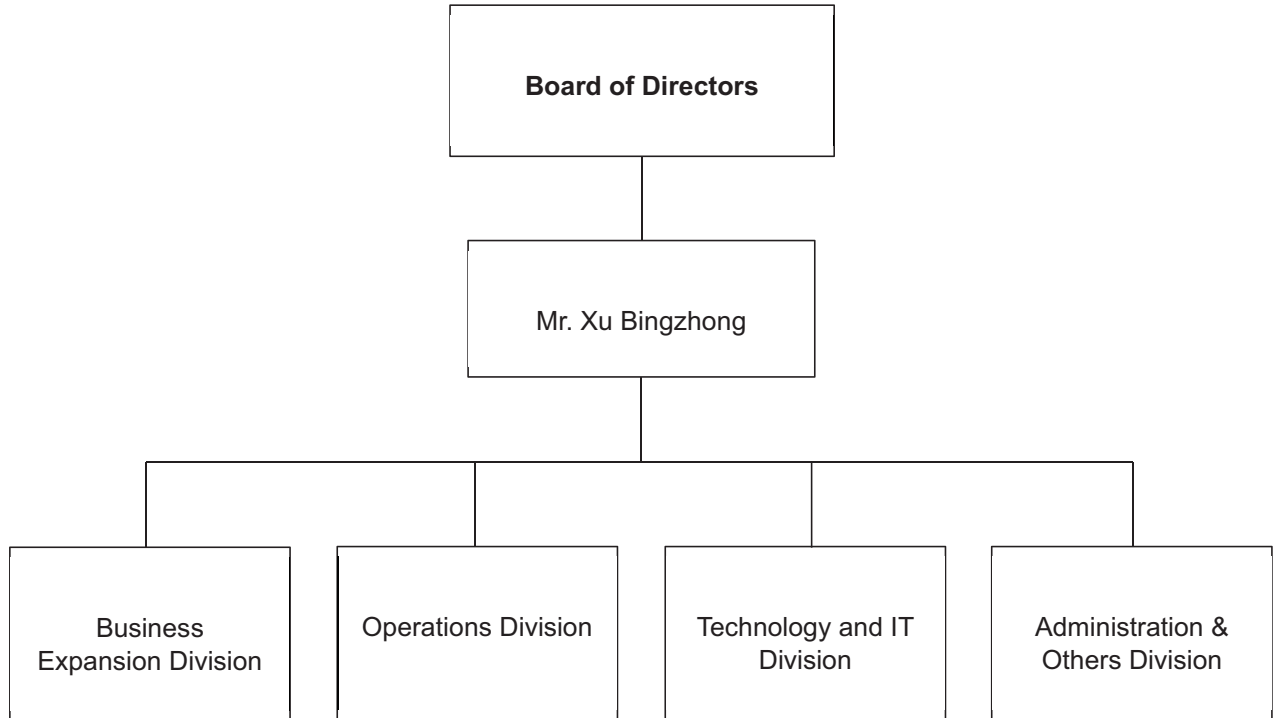
Further, the WICA provides that where any person (referred to as the principal) in the course of or for the purpose of his trade or business contracts with any other person (referred to as the contractor) for the execution by the contractor of the whole or any part of any work, or for the supply of labour to carry out any work, undertaken by the principal, the Singapore Commissioner for Labour may direct the principal to fulfil the obligations of the employer under the WICA in relation to any employee of the contractor employed in the execution of the work. Where such a direction has been made, the principal shall be liable to pay to any employee of the contractor employed in the execution of the work any compensation which he would have been liable to pay under the WICA if that employee had been immediately employed by the principal, except that the amount of compensation is to be calculated with reference to the earnings of the employee under the contractor.

Every employer is required to maintain work injury compensation insurance for all employees doing manual work, regardless of salary level and all employees earning S\$2,600 or less per month, excluding any overtime payment, bonus payment, annual wage supplement, productivity incentive payment and any allowance. Failure to do so is an offence carrying a fine of up to S\$10,000 and/or imprisonment of up to 12 months. Under the WICA, every employer is required to insure and maintain insurance under approved policies with an insurer against all liabilities which he may incur under the provisions of the WICA in respect of all employees employed him, unless specifically exempted. The compensation limits for death and permanent incapacity are S\$225,000 and S\$289,000, respectively. The compensation limit for medical treatment is the cost of medical treatment received by the employee within a period of one (1) year after the date of the accident causing the injury, or S\$45,000, whichever is the lower.

MANAGEMENT AND CORPORATE GOVERNANCE

MANAGEMENT REPORTING STRUCTURE

The following diagram illustrates the management reporting structure of our Company:



DIRECTORS AND EXECUTIVE OFFICERS

Directors

The following table sets out information regarding our Directors as at the date of this Introductory Document.

| Name | Age | Position | Address |
|------------------------|-----|--|---|
| Mr. Xu Bingzhong (徐炳忠) | 50 | Chairman of our Board, Executive Director and Chief Executive Officer | 3-212 Governors Square 23 Lime Tree Bay Avenue P.O. Box 30746, Seven Mile Beach Grand Cayman KY1-1203 Cayman Islands |
| Ms. Cai Wenjun (蔡文君) | 35 | Executive Director and Human Resources Director | 3-212 Governors Square 23 Lime Tree Bay Avenue P.O. Box 30746, Seven Mile Beach Grand Cayman KY1-1203 Cayman Islands |
| Ms. Yu Zhen (余臻) | 31 | Executive Director and Chief Financial Officer | 3-212 Governors Square 23 Lime Tree Bay Avenue P.O. Box 30746, Seven Mile Beach Grand Cayman KY1-1203 Cayman Islands |
| Mr. He Daqing (贺大庆) | 40 | Executive Director and Director of Legal Inspection and Audit Department | 3-212 Governors Square 23 Lime Tree Bay Avenue P.O. Box 30746, Seven Mile Beach Grand Cayman KY1-1203 Cayman Islands |
| Mr. Li Dong (李东) | 48 | Independent Non-Executive Director | 3-212 Governors Square 23 Lime Tree Bay Avenue P.O. Box 30746, Seven Mile Beach Grand Cayman KY1-1203 Cayman Islands |

| Name | Age | Position | Address |
|--|-----|---------------------------------------|---|
| Mr. Wang Renrong (王仁荣) | 57 | Independent Non-Executive Director | 3-212 Governors Square 23 Lime Tree Bay Avenue P.O. Box 30746, Seven Mile Beach Grand Cayman KY1-1203 Cayman Islands |
| Mr. Wong Heung Ming, Henry (黄向明) | 55 | Independent Non-Executive Director | 3-212 Governors Square 23 Lime Tree Bay Avenue P.O. Box 30746, Seven Mile Beach Grand Cayman KY1-1203 Cayman Islands |

Information regarding the areas of responsibility and working experience of our Directors is set out below.

Mr. Xu Bingzhong (徐炳忠) (“**Mr. Xu**”), aged 50, is the founder of our Group, Chairman, Executive Director, Chief Executive Officer and one (1) of the Controlling Shareholders.

Mr. Xu was first appointed as a Director on 16 January 2018 and was redesignated as the Chairman of our 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 the Human Resources Director of our 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 our 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 standardised and supervisory system of Helen’s brand bars. From April 2018 to August 2023, Ms. Cai served as deputy director for operations of our Company, responsible for supervising the standardisation 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 the Chief Financial Officer of our Company. Ms. Yu joined our Group in October 2021 and is responsible for the capital operation and financial management of our 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, responsible for execution of projects related to initial public offerings. 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 Institute of Certified Public Accountant (CPA) exam in December 2019.

Mr. He Daqing (贺大庆) (“**Mr. He**”), aged 40, is an Executive Director and Director of Legal Inspection and Audit Department of our Company. Mr. He is currently a director of legal inspection and audit department at Shenzhen Helens Enterprise Management Co., Ltd. (深圳海伦司企业管理有限公司), a wholly-owned subsidiary of our Company, as well as a supervisor at Maidilong Technology (Hubei) Co., Ltd. (迈迪隆科技(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 (黄石市委宣传部) 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 (新华社湖北分社) from February 2012 to October 2015. Mr. He also worked at the Xinhua News Agency, Yunnan Branch (新华社云南分社), 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 (四川大学) in July 2006 and July 2009, respectively.

Mr. Li Dong (李东) (“**Mr. Li**”), aged 48, is an Independent Non-Executive Director of our Company. He was first appointed as an Independent Non-Executive Director on 24 March 2021 with effect on 31 August 2021. Mr. Li is responsible for supervising and providing independent advice to our 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 the PRC listed on Nasdaq since September 2022. Prior to joining TH International Limited in September 2021, Mr. Li served as the chief financial officer for several companies, including Ximalaya, Inc, a non-music audio platform in the PRC, from September 2019 to September 2021; OneSmart International Education Group Limited, a leading premium K-12 education company in the PRC listed on the New York Stock Exchange (“**NYSE**”) (NYSE: ONE (1)) from July 2017 to June 2019; Pegasus Media Group Limited, a company focusing on movie and TV show production, investment, licensing marketing and derivatives, from April 2016 to April 2017; and Ecovacs Robotics Co., Ltd., a leading consumer robotics company in the PRC listed on the Shanghai Stock Exchange (“**SSE**”) (SSE: 603486) from March 2015 to February 2016. From September 2008 to February 2015, Mr. Li worked as an associate and later vice president in the investment banking department at Bank of America Merrill Lynch and the vice president in the investment

banking department of ICBC International Securities Limited in Hong Kong. Prior to that, Mr. Li worked as a manager in KPMG's audit group from August 1999 to April 2006 in its Beijing and U.S. Silicon Valley offices, respectively.

Mr. Li served as an independent director of GreenTree Hospitality Group Ltd., a leading hospitality management group in the PRC listed on the NYSE (NYSE: GHG) since March 2018; an independent director of Boqii Holding Limited, a PRC largest pet-focused platform listed on the NYSE (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 the School of Economics and Management, Tsinghua University in July 1999, as well as a Master's Degree in Business Administration in Finance from the 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 (王仁荣) ("**Mr. Wang**"), aged 57, was first appointed as an Independent Non-Executive Director of our Company on 24 March 2021 with effect on 31 August 2021. Mr. Wang is responsible for supervising and providing independent advice to our Board.

Mr. Wang has solid experience in strategic investment, merger and acquisitions, business development, legal affairs, compliance, communications and external affairs. Mr. Wang has approximately 19 years of experience serving in the beer industry since November 2003. Prior to his resignations in June 2021, Mr. Wang was the chairman of Budweiser Investment (China) Co., Ltd. (百威投资(中国)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 HKSE (HKSE: 1876)). Mr. Wang then served as its general counsel and one (1) 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. (上海复旦复华科技股份有限公司) a company listed on the SSE (SSE: 600624) between October 2014 and November 2020 and a director of Guangzhou Zhujiang Brewery Co., Ltd. (广州珠江啤酒股份有限公司), a company listed on the Shenzhen Stock Exchange ("**SZSE**") (SZSE: 002461) from September 2005 to June 2020. Between 2001 and 2003, Mr. Wang worked in Colgate Palmolive (China) Co., Ltd (高露洁棕榄(中国)有限公司). From 2000 to 2001, he worked in Guangdong Swire Coca-Cola Co., Ltd. (广东太古可口可乐有限公司). From 1997 to 2000, he worked in Avon Products (China) Co., Ltd. (雅芳(中国)有限公司).

Mr. Wang obtained a Bachelor's Degree in Philosophy from Nanjing University (南京大学) 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 Doctor of Philosophy in Law from Fudan University (复旦大学) in the PRC in June 2012.

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

As at the Latest Practicable Date, Mr. Wong is the chief financial officer of Aimei Investment Ltd (stock ticker: AFJK). Mr. Wong has also been serving as an independent non-executive director of other five (5) other 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 known 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 HKSE, 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 HKSE from August 2022 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 was the independent non-executive director of REDEX Pte. Ltd. Mr. Wong has over 29 years of experience in finance, accounting, internal controls, and corporate governance in Singapore, China and Hong Kong. In the PRC 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 chief financial officer of Meten Holding Group Ltd. (stock ticker: METX, listed on Nasdaq) from May 2020 to March 2021. He has also served as chief financial officer and senior finance executive of various companies, including Frontier Services Group Limited, a company listed on the Main Board of the HKSE (stock code: 0500) from April 2017 to September 2018, and Beijing Oriental Yuhong Waterproof Technology Co., Ltd., a leading waterproof materials manufacturer in the PRC and a company listed on the SZSE (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 a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Experience of Our Directors

As our Company is listed on the HKSE, all our Directors have experience as a director of at least one (1) public listed company in Hong Kong. Our Directors have also been briefed on the roles and responsibilities of a director of a public listed company in Singapore prior to our Introduction.

Executive Officers

The following table sets out information regarding our Executive Officers as at the date of this Introductory Document.

| Name | Age | Position | Address |
|------------------------|-----|---|---|
| Mr. Xu Bingzhong (徐炳忠) | 50 | Chief Executive Officer | 3-212 Governors Square 23 Lime Tree Bay Avenue P.O. Box 30746, Seven Mile Beach Grand Cayman KY1-1203 Cayman Islands |
| Ms. Cai Wenjun (蔡文君) | 35 | Human Resources Director | 3-212 Governors Square 23 Lime Tree Bay Avenue P.O. Box 30746, Seven Mile Beach Grand Cayman KY1-1203 Cayman Islands |
| Ms. Yu Zhen (余臻) | 31 | Chief Financial Officer | 3-212 Governors Square 23 Lime Tree Bay Avenue P.O. Box 30746, Seven Mile Beach Grand Cayman KY1-1203 Cayman Islands |
| Mr. He Daqing (贺大庆) | 40 | Director of Legal Inspection and Audit Department | 3-212 Governors Square 23 Lime Tree Bay Avenue P.O. Box 30746, Seven Mile Beach Grand Cayman KY1-1203 Cayman Islands |

Information regarding the areas of responsibility and working experience of our Executive Officers is set out below.

Mr. Xu Bingzhong (徐炳忠), aged 50, is the founder of our Group, Chairman of our Board, Executive Director, Chief Executive Officer and one (1) of the Controlling Shareholders. For biographical details of Mr. Xu, please refer to the preceding section entitled “Directors”.

Ms. Cai Wenjun (蔡文君), aged 35, is an Executive Director and the Human Resources Director of our Group. For biographical details of Ms. Cai, please refer to the preceding section entitled “Directors”.

Ms. Yu Zhen (余臻), aged 31, is an Executive Director and the Chief Financial Officer of our Group. For biographical details of Ms. Yu, please refer to the preceding section entitled “Directors”.

Mr. He Daqing (贺大庆), aged 40, is an Executive Director and the Director of Legal Inspection and Audit Department of our Group. For biographical details of Mr. He, please refer to the preceding section entitled “Directors”.

Past and Present Principal Directorships

The past and present principal directorships held by our Directors in publicly listed companies in the last five (5) years preceding the Latest Practicable Date (excluding those held in our Company), and in any member of our Group in the last three (3) years preceding the Latest Practicable Date are set out in the section entitled “Appendix D — List of Past and Present Directorships” of this Introductory Document. Save as disclosed therein, none of our Directors has any major appointments which are at the directorship or senior management level in private companies, in the last three (3) years preceding the Latest Practicable Date. Further, none of our Directors has any interest in companies which are in, or are likely to be in, competition with our Group, in the last three (3) years preceding the Latest Practicable Date.

None of the Independent Directors of our Company sits on the board of any member of our Group.

Service Agreements with Directors

Mr. Xu has entered into a service agreement with our Company for a term of three (3) years commencing from 10 September 2021, which will continue thereafter until terminated by not less than one (1) month’s notice in writing served by either party on the other. He is entitled to receive emoluments including salary, discretionary bonus, allowances and benefits in kind and employer’s contribution to pension scheme as determined by our Board with reference to the experience, responsibility, workload, time devoted, contribution to our Group, emoluments paid by comparable companies and performance of our Group.

Ms. Cai has entered into a service agreement with our Company for a term of three (3) years commencing from 17 June 2022, which will continue thereafter until terminated by not less than one (1) month’s notice in writing served by either party on the other. She is entitled to receive emoluments including salary, discretionary bonus, allowances and benefits in kind and employer’s contribution to pension scheme as determined by our Board with reference to the experience, responsibility, workload, time devoted, contribution to our Group, emoluments paid by comparable companies and performance of our Group.

Ms. Yu has entered into a service agreement with our Company for a term of three (3) years commencing from 17 June 2022, which will continue thereafter until terminated by not less than one (1) month’s notice in writing served by either party on the other. She is entitled to receive emoluments including salary, discretionary bonus, allowances and benefits in kind and

employer's contribution to pension scheme as determined by our Board with reference to the experience, responsibility, workload, time devoted, contribution to our Group, emoluments paid by comparable companies and performance of our Group.

Mr. He has entered into a service agreement with our Company for a term of three (3) years commencing from 15 September 2023, which will continue thereafter until terminated by not less than one (1) month's notice in writing served by either party on the other. He is entitled to receive emoluments including salary, discretionary bonus, allowances and benefits in kind and employer's contribution to pension scheme as determined by our Board with reference to the experience, responsibility, workload, time devoted, contribution to our Group, emoluments paid by comparable companies and performance of our Group.

Mr. Li has entered into a letter of appointment with our Company for a term of three (3) years commencing from 10 September 2023, which will continue thereafter until terminated by not less than one (1) month's notice in writing served by either party on the other. He is entitled to receive emoluments including salary, discretionary bonus, allowances and benefits in kind and employer's contribution to pension scheme as determined by our Board with reference to the experience, responsibility, workload, time devoted, contribution to our Group, emoluments paid by comparable companies and performance of our Group.

Mr. Wang has entered into a letter of appointment with our Company for a term of three (3) years commencing from 10 September 2023, which will continue thereafter until terminated by not less than one (1) month's notice in writing served by either party on the other. He is entitled to receive emoluments including salary, discretionary bonus, allowances and benefits in kind and employer's contribution to pension scheme as determined by our Board with reference to the experience, responsibility, workload, time devoted, contribution to our Group, emoluments paid by comparable companies and performance of our Group.

Mr. Wong has entered into a letter of appointment with our Company for a term of three (3) years commencing from 10 September 2023, which will continue thereafter until terminated by not less than one (1) month's notice in writing served by either party on the other. He is entitled to receive emoluments including salary, discretionary bonus, allowances and benefits in kind and employer's contribution to pension scheme as determined by our Board with reference to the experience, responsibility, workload, time devoted, contribution to our Group, emoluments paid by comparable companies and performance of our Group.

There are no existing or proposed service agreements entered into or to be entered into by any of our Directors with our Company or any of our subsidiaries which provide for benefits upon termination of employment.

Arrangement or Understanding

There is no arrangement or understanding with any Substantial Shareholder, customer or supplier of our Company or other person, pursuant to which any of our Directors or Executive Officers was selected as a Director or Executive Officer of our Company.

Family Relationship

There is no family relationship among any of our Directors and Executive Officers and any Substantial Shareholder of our Company.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Directors' Remuneration

The following table sets out the total amount of remuneration paid to each Director for each of FY2021, FY2022 and FY2023:

| Director | Fees (RMB'000) | Salaries (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) |
|-------------------------------|-------------------|-----------------------|-------------------------------------|--|---|--|--------------------|
| FY2023 | | | | | | | |
| Mr. Xu Bingzhong | — | 62 | — | — | 13 | — | 75 |
| Ms. Cai Wenjun | — | 62 | — | — | 18 | — | 80 |
| Ms. Yu Zhen | — | 570 | — | 26 | 42 | — | 638 |
| Mr. He Daqing ⁽¹⁾ | — | 79 | — | 42 | 9 | — | 130 |
| Mr. Li Dong | 350 | — | — | — | — | — | 350 |
| Mr. Wang Renrong | 350 | — | — | — | — | — | 350 |
| Mr. Wong Heung Ming, Henry | 350 | — | — | — | — | — | 350 |
| FY2022 | | | | | | | |
| Mr. Xu Bingzhong | — | 62 | — | — | 21 | — | 83 |
| Ms. Cai Wenjun ⁽²⁾ | — | 62 | — | — | 27 | — | 89 |
| Ms. Yu Zhen ⁽²⁾ | — | 397 | — | 144 | 136 | 17,840 | 18,517 |
| Mr. Li Dong | 400 | — | — | — | — | — | 400 |
| Mr. Wang Renrong | 400 | — | — | — | — | — | 400 |
| Mr. Wong Heung Ming, Henry | 400 | — | — | — | — | — | 400 |
| FY2021 | | | | | | | |
| Mr. Xu Bingzhong | — | 374 | 60 | 96 | 78 | — | 608 |
| Mr. Li Dong | 133 | — | — | — | — | — | 133 |
| Mr. Wang Renrong | 133 | — | — | — | — | — | 133 |
| Mr. Wong Heung Ming, Henry | 133 | — | — | — | — | — | 133 |

Notes:

- (1) Mr. He Daqing has been appointed as Executive Director of our Company with effect from 15 September 2023 and accordingly, the remuneration paid to him was pro-rated.

- (2) Ms. Yu Zhen and Ms. Cai Wenjun have been appointed as Executive Directors of our Company with effect from 17 June 2022 and accordingly, the remuneration paid to each of them was pro-rated.

No compensation was paid or is to be paid in the form of stock options to our Directors. The Post-IPO RSUs granted by our Company are share awards and not stock options.

The five (5) highest paid employees include three (3), one (1) and two (2) Directors for FY2021, FY2022 and FY2023, respectively. The remuneration payable to the remaining two (2), four (4) and three (3) individuals for FY2021, FY2022 and FY2023, respectively, are set out below, together with the remuneration bands.

| (RMB'000) | FY2021 | FY2022 | FY2023 |
|--|--------|---------|--------|
| Wages, salaries and other benefits | 901 | 568 | 1,572 |
| Pension costs — defined contribution plans | 121 | 63 | 58 |
| Share-based payment expenses | — | 365,478 | — |
| | 1,022 | 366,109 | 1,630 |

Note:

- (1) The share-based payments expenses were incurred due to the grant of RSUs under the Post-IPO RSU Scheme.

| Remuneration bands (HK\$) | Number of person(s) | | |
|----------------------------|---------------------|--------|--------|
| | FY2021 | FY2022 | FY2023 |
| Below 1,000,000 | 2 | — | 3 |
| 21,000,001 to 21,500,000 | — | 1 | — |
| 21,500,001 to 22,000,000 | — | 1 | — |
| 38,000,001 to 38,500,000 | — | 1 | — |
| 344,500,001 to 345,000,000 | — | 1 | — |

Remuneration of Executive Officers

The remuneration, including equity-settled share option expense and awarded share expense, of the Executive Officers of our Group by band for each of FY2021, FY2022 and FY2023 is set out as follows:

| Remuneration bands (RMB) | Number of person(s) | | |
|--------------------------|---------------------|--------|--------|
| | FY2021 | FY2022 | FY2023 |
| Nil to 500,000 | 7 | 3 | 3 |
| 500,000 to 1,000,000 | 1 | — | 1 |
| 2,500,001 to 3,000,000 | — | 1 | — |
| 4,000,001 to 4,500,001 | — | 1 | — |
| 7,500,001 to 8,000,000 | — | 1 | — |
| 18,500,001 to 19,000,000 | — | 2 | — |

Other than amounts set aside or accrued for compliance with relevant laws and regulations, no amounts have been set aside or accrued by our Company or subsidiaries to provide for pension, retirement or similar benefits for our employees.

The remuneration for our Executive Directors comprises basic salary, pensions, allowances and benefits in kind, equity incentives and discretionary bonus. Our Company does not have any bonus or profit-sharing plan or profit-linked agreement or arrangement with/for any of our Directors, Executive Officers or employees. As such, no portion of the compensation was paid or is to be paid pursuant to any bonus or profit-sharing plan or any other profit-linked agreement or arrangement. None of our employees are immediate family members of our Directors.

Summary of the Share Incentive Scheme

Pre-IPO RSU Schemes

Our Company granted RSUs to certain individuals in our Group in 2018. Subsequently pursuant to our board resolution dated 31 March 2021, to extend such share incentives granted in 2018, our Company adopted new RSU schemes, namely the Senior Management RSU Scheme, the Director RSU Scheme and the Employee RSU Scheme, and re-granted new RSUs to the aforesaid grantees.

The Senior Management RSU Scheme is for one (1) grantee who is our senior management member, namely Mr. Wang Zhenpeng. The Director RSU Scheme is for 12 grantees who are directors of our subsidiaries. The Employee RSU Scheme is for 28 grantees who are the employees of our Group (not being directors or senior management members in our Group).

The following is a summary of the principal terms of the aforementioned three (3) Pre-IPO RSU Schemes, approved and adopted by our Company on 31 March 2021 (the “**Adoption Date**”):

- (i) *Purpose*: The purpose of the Pre-IPO RSU Schemes is to incentivise 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.
- (ii) *Maximum number of Shares*: On 7 June 2021, (i) 3,100,389 Shares had been issued to TLQ Holding Limited, which was 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 was wholly-owned by the Infiniti Trust, for the purpose of the Senior Management RSU Scheme (such Shares held by SHXM Holding Limited are now for the purpose of the Post-IPO RSU Scheme and SHXM Holding Limited is now wholly-owned by Futu Trust); and (iii) 13,700,000 Shares had been issued to NLNQ Holding Limited, which was 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 10 September 2021, on which dealings in the Shares first commenced on the Main Board of the HKSE, all of the Shares underlying RSUs under the Pre-IPO RSU Schemes had already been granted and vested.

- (iii) *Selected persons:* Our Board may select any of the following persons to be granted RSUs under the Pre-IPO RSU Schemes before the HKSE Listing: (i) any director (including executive director, non-executive director and independent non-executive director) of any member of our Group from time to time (with respect to the Director RSU Scheme); (ii) any senior management personnel of any member of our Group from time to time (with respect to the Senior Management RSU Scheme); and (iii) any employee or officer of any member of our Group who is not a core connected person of our Company (“**Employees**”) (with respect to the Employee RSU Scheme).
- (iv) *Duration:* The Pre-IPO RSU Schemes shall be each valid and effective for a term of ten (10) years commencing from the Adoption Date (the “**Pre-IPO RSU Scheme Period**”), after which period no further Pre-IPO RSUs shall be granted or accepted, but the provisions of the Pre-IPO RSU Schemes shall remain in full force and effect in order to give effect to the vesting of Pre-IPO RSUs granted and accepted prior to the expiration of the Pre-IPO RSU Scheme Period.
- (v) *Administration:* The Pre-IPO RSU Schemes shall be subject to the administration of our Board or an advisory committee appointed by our Board in accordance with the rules of such scheme. Our Board has the power to construe and interpret the rules of the Pre-IPO RSU Schemes and the terms of the awards granted thereunder. Any decision of our Board made in accordance with the rules of the Pre-IPO RSU Schemes shall be final and binding, provided in each case that such decision is made in accordance with our Articles of Association and any applicable laws.
- (vi) *Grant of RSUs:* After our Board has selected the grantees, it will inform the RSU Trustees of the name(s) of the person(s) selected, the number of Shares underlying the Pre-IPO RSUs to be granted to each of them, the vesting schedule and other terms and conditions (if any) that the Pre-IPO RSUs are subject to as determined by our Board. Subject to limitations and conditions of the Pre-IPO RSU Schemes, the RSU Trustees shall, upon receipt of the notification from our Board, grant to each of the selected persons an offer of grant of award(s) by way of a letter, which shall attach an acceptance notice, subject to the conditions that our Board thinks fit at its discretion.
- (vii) *Acceptance of awards:* If the selected person intends to accept the offer of grant of Pre-IPO RSUs as specified in the grant letter, he or she is required to sign the acceptance notice and return it to our Company within the time period and in a manner prescribed in the grant letter. Upon the receipt from the selected person of a duly executed acceptance notice, the Pre-IPO RSUs are granted to such person, who becomes a grantee pursuant to the relevant Pre-IPO RSU Scheme. To the extent that the offer of grant of Pre-IPO RSUs is not accepted by any selected person within the time period or in a manner prescribed in the grant letter, it shall be deemed that such offer has been irrevocably declined and thus the Pre-IPO RSUs has immediately lapsed. The Grantees shall not be required to bear or pay any price or fee for the grant of awards.

Post-IPO RSU Schemes

The following is a summary of the principal terms of the Post-IPO RSU Scheme approved and adopted by our Company on the Adoption Date, and restated and amended by our Company on 16 January 2022:

- (i) *Purpose:* The purpose of the Post-IPO RSU Scheme is to incentivise 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.
- (ii) *Maximum number of Shares:* On 7 June 2021, 47,652,017 Shares had been issued by our Company to TSLZ Holding Limited, which was wholly-owned by the Infiniti Trust (now wholly-owned by Futu Trust), for the purpose of the Post-IPO RSU Scheme. As amended by our Company on 16 January 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 our 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 nil. The number of shares that may be issued in respect of the awards granted under the Post-IPO RSU Scheme during the Period Under Review divided by the weighted average number of Shares in issue for the Period Under Review is not applicable. The numbers of awards available for grant at the beginning and the end of the Period Under Review are 47,652,017 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.
- (iii) *Selected persons:* Our Board may select any employee or officer of any member of our Group to be granted RSUs under the Post-IPO RSU Scheme after the HKSE Listing. Following our Company's amendments to the Post-IPO RSU Scheme on 16 January 2022, the scope of the term "Employee" includes any employee, director or officer of any member of our Group and the term "Eligible Person(s)" includes not only Employees but also any advisor or consultant of any member of our Group at any time during the duration of the Post-IPO RSU Scheme.
- (iv) *Duration:* The Post-IPO RSU Scheme shall be each valid and effective for a term of ten (10) 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.

- (v) *Administration:* The Post-IPO RSU Scheme shall be subject to the administration of our Board or an advisory committee appointed by our Board in accordance with the rules of such scheme. Our 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 our 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 our Articles of Association and any applicable laws.
- (vi) *Grant of RSUs:* After our 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 our Board. Subject to limitations and conditions of the Post-IPO RSU Scheme, the RSU Trustees shall, upon receipt of the notification from our Board, grant to each of the selected persons an offer of the grant of award(s) by way of a letter, which shall attach an acceptance notice, subject to the conditions that our Board thinks fit at its discretion.
- (vii) *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 our 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.

The following table shows the details of Post-IPO RSUs that our Company has granted under the Post-IPO RSU Schemes as at 31 December 2023:

| Number of shares underlying awards | | | | | | | | |
|---|-----------------|--|---|-------------------------------------|------------------------------------|------------------------------------|---------------------------------------|----------------|
| Name of Participant or Category of Participant | Date of grant | Number of Post-IPO RSUs granted and vested in 2022 | 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 | 16 January 2022 | 1,166,667 | — | — | — | — | — | 0 |
| Five (5) highest paid individuals of the year 2022 | 16 January 2022 | 1,843,249 | — | — | — | — | — | 0 |
| | 6 July 2022 | 11,859,891 | — | — | — | — | — | 0 |
| | 31 October 2022 | 25,938,030 | — | — | — | — | — | 0 |
| Other grantees | 16 January 2022 | 3,709,606 | — | — | — | — | — | 0 |
| | 6 July 2022 | 609,124 | — | — | — | — | — | 0 |
| | 31 October 2022 | 7,863,804 | — | — | — | — | — | 0 |

Notes:

- (i) On 16 January 2022, 6 July 2022, and 31 October 2022, 6,725,619, 12,469,015, and 33,801,834 Post-IPO RSUs were granted respectively to our Group's director and employees (the "Grantees"). 6,097 Post-IPO RSUs granted to other grantees on 16 January 2022 subsequently lapsed and the remaining 52,990,371 Post-IPO RSUs were vested during the year ended 31 December 2022. All of the grants made during the year ended 31 December 2022 were made without any performance conditions.
- (ii) No Post-IPO RSUs were granted by our Company during the year ended 31 December 2023.

As confirmed by the legal adviser to our Company as to Hong Kong law, the Post-IPO RSUs granted by our Company under the Post-IPO RSU Scheme are in compliance with all applicable HKSE Listing Rules.

Save as described above, our Company does not have any arrangement involving the issue or grant of options or our Shares. Our Company has not granted any options on our Shares to our Directors or Chief Executive Officer and the Post-IPO RSU Scheme is a share award plan.

CORPORATE GOVERNANCE

Our Board is responsible for, *inter alia*, formulating corporate strategies, approving overall business plans and overseeing our Group's financial performance, management and organisation on behalf of our Shareholders. Our Board is also responsible for performing the corporate governance duties as set out in the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the HKSE Listing Rules.

Board Committees

We have three (3) board committees: the Audit Committee, the Nomination Committee and the Remuneration Committee.

- ***Audit Committee***

Our Audit Committee comprises three (3) Independent Non-Executive Directors, being Mr. Li Dong, Mr. Wang Renrong and Mr. Wong Heung Ming Henry. The chairman of the Audit Committee is Mr. Li Dong.

We have determined that Mr. Li Dong and Mr. Wong Heung Ming Henry qualify as "independent non-executive directors" with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the HKSE Listing Rules. At least one (1) member of our Audit Committee is required to be sufficiently knowledgeable and experienced to reliably review our financial statements.

The duties and responsibilities of our Audit Committee include the following:

- (a) making recommendations to our Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and to consider any questions of resignation or dismissal of that external auditor;

- (b) reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- (c) developing and implementing policy on the engagement of an external auditor to supply non-audit services and report to our Board, identifying and making recommendations on any matters in respect of which it considers that action or improvement is needed;
- (d) discussing with the external auditor before the audit commences, the nature and scope of the audit and reporting obligations, and ensure co-ordination where more than one (1) audit firm is involved;
- (e) discussing problems and reservations arising from the interim and final audits, and any matters the external auditor may wish to discuss;
- (f) monitoring integrity of financial statements, annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them;
- (g) reviewing our Company's financial controls and risk management and internal control systems;
- (h) discussing the risk management and internal control system with the senior management and to ensure that the senior management has performed its duties in establishing and maintaining effective systems, including adequacy of resources, staff qualifications and experience, training programmes and budget of our Company's accounting and financial reporting function;
- (i) reviewing the external auditor's management letter and any material queries raised by the auditor;
- (j) where an internal audit function exists, ensuring co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within our Company, and to review and monitor its effectiveness;
- (k) reviewing our Group's financial and accounting policies and practices; and
- (l) establishing a whistle-blowing policy and system for employees of our Company and those who deal with our Company (e.g. customers and suppliers) to raise concerns, in confidence, with our Audit Committee about possible improprieties in any matter related to our Company.

- ***Nomination Committee***

Our Nomination Committee comprises one (1) Executive Director, being Mr., Xu Bingzhong, and two (2) Independent Non-Executive Directors, being Mr. Li Dong and Mr. Wang Renrong. The chairman of the Nomination Committee is Mr. Xu Bingzhong.

The duties and responsibilities of our Nomination Committee include the following:

- (a) reviewing the structure, size and composition (including the skills, knowledge and experience) of our Board at least annually and making recommendations on any proposed changes to our Board to complement our Company's corporate strategy;
- (b) making recommendations to our Board on the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman and the Chief Executive Officer;
- (c) identifying individuals suitably qualified to become Directors and selecting or making recommendations to our Board on the selection of individuals nominated for directorships;
- (d) assessing the independence of our independent non-executive Directors;
- (e) before appointments are made by our Board, evaluating the balance of skills, knowledge and experience on our Board;
- (f) keeping under review our leadership needs, both executive and non-executive, with a view to ensuring our continued ability to compete effectively in the marketplace;
- (g) keeping up to date and fully informed about strategic issues and commercial changes affecting our Company and the market in which it operates;
- (h) ensuring that on appointment to our Board, non-executive Directors (if any) receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside board meetings; and
- (i) make recommendations to our Board concerning: (i) formulating plans for succession for both executive and non-executive Directors; (ii) suitable candidates for the role of independent non-executive Directors; (iii) the re-appointment of any Director at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to our Board in the light of the knowledge, skills and experience required; (iv) the continuation (or not) in service of any Director who has reached the age of 70; (v) the re-election by Shareholders of any Director under the "retirement by rotation" provisions in our Company's Articles of Association having due regard to their performance and ability to continue to contribute to our Board in the light of the knowledge, skills and experience required; and (vi) any matters relating to the continuation in office of any Director at any time

including the suspension or termination of service of an executive director as an employee of our Company subject to the provisions of the law and their service contract.

- **Remuneration Committee**

Our Remuneration Committee comprises one (1) Executive Director, being Mr., Xu Bingzhong, and two (2) Independent Non-Executive Directors, being Mr. Li Dong and Mr. Wang Renrong. The chairman of the Remuneration Committee is Mr. Wang Renrong.

The duties and responsibilities of our Remuneration Committee include the following:

- (a) making recommendations to our Board on our Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (b) reviewing and approve management's remuneration proposals;
- (c) being responsible for either: (i) determining with delegated responsibility, the remuneration packages of individual executive Directors and senior management; or (ii) making recommendations to our Board on the remuneration packages of individual executive Directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- (d) making recommendations to our Board on the remuneration of non-executive Directors;
- (e) reviewing and approving the compensation payable to executive Directors and senior management for any loss or termination of office or appointment;
- (f) reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct;
- (g) reviewing our Group's policy on expense reimbursements for our Directors and senior management; and
- (h) reviewing and/or approving matters relating to share schemes under Chapter 17 of the HKSE Listing Rules.

Statement on Adequacy of Internal Controls

Our Board has noted that no material weaknesses in the design or operation of the internal control relevant to the preparation of financial statements during the years ended 31 December 2021, 2022 and 2023.

Based on the foregoing and the internal controls and risk management systems established and maintained by our Group and reviews performed by management, our Board, with the concurrence of our Audit Committee, is of the opinion that the internal controls (including financial, operational, compliance and information technology controls) and risk management systems of our Group are adequate and effective to address the financial, operational, compliance and information technology risks of our Group.

Opinion of our Audit Committee in relation to our CFO

In considering the suitability of Ms. Yu Zhen for her role as our CFO, our Audit Committee has considered several factors, including the following: (a) her educational and professional qualifications and working experience; (b) her abilities, familiarity and diligence in relation to the financial matters of our Group; (c) the absence of negative feedback from our Independent Auditor; and (d) the interactions of our Audit Committee with Ms. Yu Zhen in her capacity as CFO.

After making all reasonable enquiries, and to the best of their knowledge and belief, nothing has come to the attention of our Audit Committee to cause them to believe that Ms. Yu Zhen does not have the competence, character and integrity expected of a Chief Financial Officer of a listed issuer.

Terms of Office

Save as disclosed in the section entitled “*Management and Corporate Governance — Directors and Executive Officers — Service Agreements with Directors*” of this Introductory Document, our Directors do not currently have a fixed term of office.

Our Directors shall hold office until such time as they are removed from office by ordinary resolution of our Shareholders pursuant to our Memorandum and Articles of Association. The office of a Director shall be vacated if, among other things, the Director (i) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors; (ii) resigns his office by notice in writing to our Company or tendered at a meeting of our Board; (iii) dies or is found to be or becomes of unsound mind; or (iv) without special leave of absence from our Board, is absent from meetings of our Board for six (6) consecutive months, and his alternate director, if any, shall not during such period have attended in his stead and our Board resolves that his office be vacated; (v) is prohibited by law from being a Director; or (vi) ceases to be a Director by virtue of any provision of the law of the Cayman Islands and our Memorandum and Articles of Association or is removed from office pursuant to our Articles of Association.

At each annual general meeting, one-third of the Directors then in office (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director shall be subject to retirement at least once every three (3) years. A retiring Director shall be eligible for re-election. The Directors to retire in every year shall be those, subject to retirement by rotation, who have been longest in office since their last re-election or appointment.

We have also entered into a letter of appointment with each of the independent non-executive Directors. Pursuant to such letters of appointment, each such Director is appointed for a term of three (3) years and is subject to retirement by rotation and re-election at the annual general meetings of our Company in accordance with our Articles of Association.

LEGAL REPRESENTATIVES

Identity of Legal Representatives of our Major Subsidiaries in the PRC

The legal representative of each of our Major Subsidiaries in the PRC are as follows:

| Major Subsidiary | Name of the Legal Representative | Positions Held |
|---|----------------------------------|---------------------------------------|
| Fuzhou Zhiyingju Catering Management Co., Ltd. (福州支应居餐饮管理有限责任公司) | Yang Kai (杨凯) | Executive Director and Senior Manager |
| Wuhan City Aoerdesang Catering Services Co., Ltd. (武汉市奥尔德桑餐饮服务有限公司) | Lu Wei (卢伟) | Executive Director and Senior Manager |
| Jiangxi Suleiyige Catering Management Co., Ltd. (江西苏勒伊格餐饮管理有限公司) | Wang Tao (王涛) | Executive Director and Senior Manager |
| Shenzhen Helens Enterprise Management Co., Ltd. (深圳海伦司企业管理有限公司) | Cai Wenjun (蔡文君) | Senior Manager |
| Shenzhen Guxiang Fengqing Catering Co., Ltd. (深圳市古乡风情餐饮有限责任公司) | Xu Bingsheng (徐炳生) | Executive Director and Senior Manager |
| Hunan E'aisaisi Catering Management Co., Ltd. (湖南额艾塞斯餐饮管理有限公司) | Zhao Peng (赵鹏) | Executive Director and Senior Manager |
| Zhejiang Fuyixiang Catering Services Co., Ltd. (浙江福怡祥餐饮服务有限公司) | Zeng Shuaibiao (曾帅彪) | Executive Director and Senior Manager |
| Zhengzhou Aolinpisi Catering Management Co., Ltd. (郑州奥林匹斯餐饮管理有限公司) | Chen Hao (陈浩) | Executive Director and Senior Manager |
| Suzhou He'erdesi Catering Management Co., Ltd. (苏州赫尔德斯餐饮管理有限公司) | Hu Wenchao (胡文超) | Executive Director and Senior Manager |

Powers and Responsibilities of Legal Representatives

Each of the above legal representatives has the power to act as representative of that Major Subsidiary in the PRC and to execute contracts on behalf of that Major Subsidiary in the PRC, with or without the company seal, in accordance with PRC laws. The Major Subsidiaries in the PRC have appointed legal representatives as required by the PRC laws, who are given the powers to represent, exercise rights and enter into binding obligations on behalf of the Major Subsidiaries in the PRC under the PRC laws.

Appointment and Removal of Legal Representatives

The legal representative shall be appointed and removed in accordance with PRC laws and the articles of association of the company. Where the executive body of a legal person is the board of directors or the executive director, the legal representative shall be the chairman of the board of directors, the executive director, or the manager as is stipulated in the articles of association of the company. Further, the chairman of the board or the executive director shall be appointed by the shareholders and the general manager shall be appointed by the board or the executive director. Therefore, the legal representative can be appointed and removed by the shareholders or through the appointed board or executive director, with or without the legal representative's consent.

Based on the above and the articles of association of each of our Major Subsidiaries in the PRC, each of their respective shareholder(s) shall be able to, either directly or indirectly, control the appointment and dismissal of the respective legal representatives of our Major Subsidiaries in the PRC.

Measures Implemented by our Group

Considering the impact in the event that a legal representative represents any of our Major Subsidiaries in the PRC without having obtained prior authorisation, our Group has implemented the following measures:

- (a) the implementation of internal control systems to ensure proper authorisation as to the delegation of authority and to ensure that payments require proper approvals;
- (b) the implementation of measures to safeguard the corporate seal, finance seal, legal seal and cheque books in each of our Major Subsidiaries in the PRC such as the safekeeping of such documents and items by a dedicated personnel at our Group's headquarters in charge of safekeeping the seals in accordance with our seal management system; and
- (c) safekeeping of the originals of the business licences of each of our Major Subsidiaries in the PRC by a dedicated personnel at our Group's headquarters in charge of safekeeping the licences in accordance with our licences management system.

Based on the above, our Directors are of the view, on the basis of our PRC Legal Adviser's advice, that the procedures in place to appoint and remove the legal representatives of our Major Subsidiaries in the PRC are adequate to mitigate the risks in relation to the appointment and removal of legal representatives and safeguard the interests of our Group.

SHARE OWNERSHIP

DIRECTORS, CHIEF EXECUTIVE OFFICER AND SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN OUR SHARES AND UNDERLYING SHARES OF OUR COMPANY

As at 31 December 2021

Interests of Directors and Chief Executive Officer of our Company

As at 31 December 2021, the interests and short positions of our Directors and Chief Executive Officer of our Company in our Shares, underlying Shares and debentures of our Company or any associated corporations (within the meaning of Part XV of the HK SFO), which (a) were required to be notified to our Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the HK SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the HK SFO); (b) were required pursuant to Section 352 of the HK SFO to be recorded in the register to be kept by our Company; or (c) were required to be notified to our Company and the HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Hong Kong Listing Rules (the “**HKSE Model Code**”), were as follows:

Long positions in Ordinary Shares of our Company

| Number of Ordinary Shares held, capacity and nature of interest | | | | | | |
|---|-------|-----------------------------|----------------|--------------------------------------|-------------|---|
| Name of Director | Notes | Directly beneficially owned | Through spouse | Through controlled corporation/trust | Total | Approximate percentage of our Company's issued share capital (%) ^(a) |
| Mr. Xu Bingzhong | (b) | — | — | 861,000,000 | 861,000,000 | 67.96 |

Notes:

- (a) The calculation is based on the total number of 1,266,901,524 Shares issued as at 31 December 2021.
- (b) The 861,000,000 Shares are beneficially owned by HHL International, which 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's Trust. Under the HK SFO, Cantrust and HLSH Holding are deemed to be interested in all our Shares registered under the name of HHL International. Accordingly, Mr. Xu Bingzhong is deemed or taken to be interested in the 861,000,000 Shares owned by HHL International under the HK SFO.

Long positions in the Ordinary Shares of associated corporations

| Number of Ordinary Shares held, capacity and nature of interest | | | | |
|--|---------------------------------------|--------------------------------------|--|---|
| Name of Director | Name of associated corporation | Capacity/Nature of interest | Long position in the 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 for the above and to the knowledge of our Company, as at 31 December 2021, none of our Directors or Chief Executive Officer of our Company had or was deemed to have any interest or short position in our Shares, underlying Shares or debentures of our Company or any associated corporations (within the meaning of Part XV of the HK SFO) (a) which were required to be notified to our Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the HK SFO (including interests or short positions which our Directors and Chief Executive Officer of our Company are taken or deemed to have under the provisions of the HK SFO); (b) which were required, pursuant to Section 352 of the HK SFO, to be entered in the register required to be kept by our Company; or (c) which were required to be notified to our Company and the HKSE pursuant to the HKSE Model Code.

Interests of Substantial Shareholders of our Company and other persons who are required to disclose their interests under the HK SFO

As at 31 December 2021, the following Substantial Shareholders (other than a Director or the Chief Executive Officer of our Company) had interests or short positions in our Shares or underlying Shares of our Company or any associated corporations (within the meaning of Part XV of the HK SFO) which were required to be notified to our Company and the HKSE pursuant to Divisions 2 and 3 of Part XV of the HK SFO (including interests or short positions which any such persons other than our Directors and Chief Executive Officer of our Company are taken or deemed to have under such provisions of the HK SFO), or which were required to be entered in the register required to be kept by our Company pursuant to Section 336 of the HK SFO were as follows:

Long Positions

| Name | Notes | Capacity and nature of interest | Number of Ordinary Shares held | Approximate percentage of our Company's issued share capital (%)^(a) |
|-------------------|--------------|--|---------------------------------------|---|
| Cantrust | (b) | Trustee | 861,000,000 (Long position) | 67.96 |
| HLSH Holding | (b) | Interest in a controlled corporation | 861,000,000 (Long position) | 67.96 |
| HHL International | (b) | Beneficial owner | 861,000,000 (Long position) | 67.96 |

Notes:

- (a) The calculation is based on the total number of 1,266,901,524 Shares issued as at 31 December 2021.
- (b) The 861,000,000 Shares are beneficially owned by HHL International, which 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's Trust. Under the HK SFO, Cantrust and HLSH Holding are deemed to be interested in all our Shares registered under the name of HHL International. Accordingly, Mr. Xu Bingzhong is deemed or taken to be interested in the 861,000,000 Shares owned by HHL International under the HK SFO.

Save as disclosed above, as at 31 December 2021, no person (other than our Directors or Chief Executive Officer of our Company, whose interests are set out in the above) had or was deemed to have any interests or short position in our Shares or underlying Shares of our Company or any of our associated corporations (within the meaning of Part XV of the HK SFO) which were required to be notified to our Company and the HKSE pursuant to Divisions 2 and 3 of Part XV of the HK SFO or which were required to be recorded in the register maintained pursuant to Section 336 of the HK SFO or otherwise notified to our Company and the HKSE.

As at 31 December 2022

Interests of Directors and Chief Executive Officer of our Company

As at 31 December 2022, the interests and short positions of our Directors and Chief Executive Officer of our Company in our Shares, underlying Shares and debentures of our Company or any associated corporations (within the meaning of Part XV of the HK SFO), which (a) were required to be notified to our Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the HK SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the HK SFO); (b) were required pursuant to Section 352 of the HK SFO to be recorded in the register to be kept by our Company; or (c) were required to be notified to our Company and the HKSE pursuant to the HKSE Model Code, were as follows:

Long positions in Ordinary Shares of our Company

| Number of Ordinary Shares held, capacity and nature of interest | | | | | | |
|---|-------|-----------------------------|----------------|--------------------------------------|-------------|---|
| Name of Director | Notes | Directly beneficially owned | Through spouse | Through controlled corporation/trust | Total | Approximate percentage of our Company's issued share capital (%) ^(a) |
| Mr. Xu Bingzhong | (b) | — | — | 861,000,000 | 861,000,000 | 67.96 |
| Ms. Cai Wenjun | | 1,253,476 | — | 16,054,976 | 17,308,452 | 1.37 |
| Ms. Yu Zhen | | — | — | 1,166,667 | 1,166,667 | 0.09 |

Notes:

- (a) The calculation is based on the total number of 1,266,901,524 Shares issued as at 31 December 2022.
- (b) The 861,000,000 Shares are beneficially owned by HHL International, which 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's Trust. Under the HK SFO, Cantrust and HLSH Holding are deemed to be interested in all our Shares registered under the name of HHL International. Accordingly, Mr. Xu Bingzhong is deemed or taken to be interested in the 861,000,000 Shares owned by HHL International under the HK SFO.

Long positions in the Ordinary Shares of associated corporations

| Number of Ordinary Shares held, capacity and nature of interest | | | | |
|--|---------------------------------------|--------------------------------------|--|---|
| Name of Director | Name of associated corporation | Capacity/Nature of interest | Long position in the 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 for the above and to the knowledge of our Company, as at 31 December 2022, none of our Directors or Chief Executive Officer of our Company had or was deemed to have any interest or short position in our Shares, underlying Shares or debentures of our Company or any associated corporations (within the meaning of Part XV of the HK SFO) (a) which were required to be notified to our Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the HK SFO (including interests or short positions which our Directors and Chief Executive Officer of our Company are taken or deemed to have under the provisions of the HK SFO); (b) which were required, pursuant to Section 352 of the HK SFO, to be entered in the register required to be kept by our Company; or (c) which were required to be notified to our Company and the HKSE pursuant to the HKSE Model Code.

Interests of Substantial Shareholders of our Company and other persons who are required to disclose their interests under the HK SFO

As at 31 December 2022, the following Substantial Shareholders (other than a Director or the Chief Executive Officer of our Company) had interests or short positions in our Shares or underlying Shares of our Company or any associated corporations (within the meaning of Part XV of the HK SFO) which were required to be notified to our Company and the HKSE pursuant to Divisions 2 and 3 of Part XV of the HK SFO (including interests or short positions which any such persons other than our Directors and Chief Executive Officer of our Company are taken or deemed to have under such provisions of the HK SFO), or which were required to be entered in the register required to be kept by our Company pursuant to Section 336 of the HK SFO were as follows:

Long Positions

| Name | Notes | Capacity and nature of interest | Number of Ordinary Shares held | Approximate percentage of our Company's issued share capital (%)^(a) |
|-------------------|--------------|--|---------------------------------------|---|
| Cantrust | (b) | Trustee | 861,000,000 (Long position) | 67.96 |
| HLSH Holding | (b) | Interest in a controlled corporation | 861,000,000 (Long position) | 67.96 |
| HHL International | (b) | Beneficial owner | 861,000,000 (Long position) | 67.96 |

Notes:

- (a) The calculation is based on the total number of 1,266,901,524 Shares issued as at 31 December 2022.
- (b) The 861,000,000 Shares are beneficially owned by HHL International, which 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's Trust. Under the HK SFO, Cantrust and HLSH Holding are deemed to be interested in all our Shares registered under the name of HHL International. Accordingly, Mr. Xu Bingzhong is deemed or taken to be interested in the 861,000,000 Shares owned by HHL International under the HK SFO.

Save as disclosed above, as at 31 December 2022, no person (other than our Directors or Chief Executive Officer of our Company, whose interests are set out in the above) had or was deemed to have any interest or short position in our Shares or underlying Shares of our Company or any of our associated corporations (within the meaning of Part XV of the HK SFO) which were required to be notified to our Company and the HKSE pursuant to Divisions 2 and 3 of Part XV of the HK SFO or which were required to be recorded in the register maintained pursuant to Section 336 of the HK SFO or otherwise notified to our Company and the HKSE.

As at 31 December 2023

Interests of Directors and Chief Executive Officer of our Company

As at 31 December 2023, the interests and short positions of our Directors and Chief Executive Officer of our Company in our Shares, underlying Shares and debentures of our Company or any associated corporations (within the meaning of Part XV of the HK SFO), which (a) were required to be notified to our Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the HK SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the HK SFO); (b) were required pursuant to Section 352 of the HK SFO to be recorded in the register to be kept by our Company; or (c) were required to be notified to our Company and the HKSE pursuant to the HKSE Model Code, were as follows:

Long positions in Ordinary Shares of our Company

| Number of Ordinary Shares held, capacity and nature of interest | | | | | | |
|---|-------|-----------------------------|----------------|--------------------------------------|-------------|---|
| Name of Director | Notes | Directly beneficially owned | Through spouse | Through controlled corporation/trust | Total | Approximate percentage of our Company's issued share capital (%) ^(a) |
| Mr. Xu Bingzhong | (b) | — | — | 861,000,000 | 861,000,000 | 67.96 |
| Ms. Cai Wenjun | | 1,253,476 | — | 7,400,000 | 8,653,476 | 0.68 |
| Ms. Yu Zhen | | — | — | 1,166,667 | 1,166,667 | 0.09 |
| Mr. He Daqing | | — | — | 71,508 | 71,508 | 0.01 |

Notes:

- (a) The calculation is based on the total number of 1,266,901,524 Shares issued as at 31 December 2023.
- (b) The 861,000,000 Shares are beneficially owned by HHL International, which 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's Trust. Under the HK SFO, Cantrust and HLSH Holding are deemed to be interested in all our Shares registered under the name of HHL International. Accordingly, Mr. Xu Bingzhong is deemed or taken to be interested in the 861,000,000 Shares owned by HHL International under the HK SFO.

Long positions in the Ordinary Shares of associated corporations

| Number of Ordinary Shares held, capacity and nature of interest | | | | |
|--|---------------------------------------|--------------------------------------|--|---|
| Name of Director | Name of associated corporation | Capacity/Nature of interest | Long position in the 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 for the above and to the knowledge of our Company, as at 31 December 2023, none of our Directors or Chief Executive Officer of our Company had or was deemed to have any interest or short position in our Shares, underlying Shares or debentures of our Company or any associated corporations (within the meaning of Part XV of the HK SFO) (a) which were required to be notified to our Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the HK SFO (including interests or short positions which our Directors and Chief Executive Officer of our Company are taken or deemed to have under the provisions of the HK SFO); (b) which were required, pursuant to Section 352 of the HK SFO, to be entered in the register required to be kept by our Company; or (c) which were required to be notified to our Company and the HKSE pursuant to the HKSE Model Code.

Interests of Substantial Shareholders of our Company and other persons who are required to disclose their interests under the HK SFO

As at 31 December 2023, the following Substantial Shareholders (other than a Director or the Chief Executive Officer of our Company) had interests or short positions in our Shares or underlying Shares of our Company or any associated corporations (within the meaning of Part XV of the HK SFO) which were required to be notified to our Company and the HKSE pursuant to Divisions 2 and 3 of Part XV of the HK SFO (including interests or short positions which any such persons other than our Directors and Chief Executive Officer of our Company are taken or deemed to have under such provisions of the HK SFO), or which were required to be entered in the register required to be kept by our Company pursuant to Section 336 of the HK SFO were as follows:

Long Positions

| Name | Notes | Capacity and nature of interest | Number of Ordinary Shares held | Approximate percentage of our Company's issued share capital (%)^(a) |
|-------------------|--------------|--|---------------------------------------|---|
| Cantrust | (b) | Trustee | 861,000,000 (Long position) | 67.96 |
| HLSH Holding | (b) | Interest in a controlled corporation | 861,000,000 (Long position) | 67.96 |
| HHL International | (b) | Beneficial owner | 861,000,000 (Long position) | 67.96 |

Notes:

- (a) The calculation is based on the total number of 1,266,901,524 Shares issued as at 31 December 2023.
- (b) The 861,000,000 Shares are beneficially owned by HHL International, which 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's Trust. Under the HK SFO, Cantrust and HLSH Holding are deemed to be interested in all our Shares registered under the name of HHL International. Accordingly, Mr. Xu Bingzhong is deemed or taken to be interested in the 861,000,000 Shares owned by HHL International under the HK SFO.

Save as disclosed above, as at 31 December 2023, no person (other than our Directors or Chief Executive Officer of our Company, whose interests are set out in the above) had or was deemed to have any interest or short position in our Shares or underlying Shares of our Company or any of our associated corporations (within the meaning of Part XV of the HK SFO) which were required to be notified to our Company and the HKSE pursuant to Divisions 2 and 3 of Part XV of the HK SFO or which were required to be recorded in the register maintained pursuant to Section 336 of the HK SFO or otherwise notified to our Company and the HKSE.

As at the Latest Practicable Date

Interests of Directors and Chief Executive Officer of our Company

As at the Latest Practicable Date, the interests and short positions of our Directors and Chief Executive Officer of our Company in our Shares, underlying Shares and debentures of our Company or any associated corporations (within the meaning of Part XV of the HK SFO), which (a) were required to be notified to our Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the HK SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the HK SFO); (b) were required pursuant to Section 352 of the HK SFO to be recorded in the register to be kept by our Company; or (c) were required to be notified to our Company and the HKSE pursuant to the HKSE Model Code, were as follows:

Long positions in Ordinary Shares of our Company

| Number of Ordinary Shares held, capacity and nature of interest | | | | | | |
|---|-------|-----------------------------|--------------------------|--------------------------------------|-------------|---|
| Name of Director | Notes | Directly beneficially owned | Jointly held with spouse | Through controlled corporation/trust | Total | Approximate percentage of our Company's issued share capital (%) ^(a) |
| Mr. Xu Bingzhong | (b) | — | — | 861,000,000 | 861,000,000 | 68.04 |
| Ms. Cai Wenjun | | 1,253,476 | — | 7,400,000 | 8,653,476 | 0.68 |
| Ms. Yu Zhen | | — | — | 1,166,667 | 1,166,667 | 0.09 |
| Mr. He Daqing | | — | — | 71,508 | 71,508 | 0.01 |

Notes:

- (a) The calculation is based on the total number of 1,265,477,524 Shares issued as at the Latest Practicable Date.
- (b) The 861,000,000 Shares are beneficially owned by HHL International, which 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's Trust. Under the HK SFO, Cantrust and HLSH Holding are deemed to be interested in all our Shares registered under the name of HHL International. Accordingly, Mr. Xu Bingzhong is deemed or taken to be interested in the 861,000,000 Shares owned by HHL International under the HK SFO.

Long positions in the Ordinary Shares of associated corporations

| Number of Ordinary Shares held, capacity and nature of interest | | | | |
|--|---------------------------------------|--------------------------------------|--|---|
| Name of Director | Name of associated corporation | Capacity/Nature of interest | Long position in the 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 for the above and to the knowledge of our Company, as at the Latest Practicable Date, none of our Directors or chief executive of our Company had or was deemed to have any interest or short position in our Shares, underlying Shares or debentures of our Company any associated corporations (within the meaning of Part XV of the HK SFO) (a) which were required to be notified to our Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the HK SFO (including interests or short positions which our Directors and Chief Executive Officer of our Company are taken or deemed to have under the provisions of the HK SFO); (b) which were required, pursuant to Section 352 of the HK SFO, to be entered in the register required to be kept by our Company; or (c) which were required to be notified to our Company and the HKSE pursuant to the HKSE Model Code.

Interests of Substantial Shareholders of our Company and other persons who are required to disclose their interests under the HK SFO

As at the Latest Practicable Date, the following Substantial Shareholders (other than a Director or the Chief Executive Officer of our Company) had interests or short positions in our Shares or underlying Shares of our Company or any associated corporations (within the meaning of Part XV of the HK SFO) which were required to be notified to our Company and the HKSE pursuant to Divisions 2 and 3 of Part XV of the HK SFO (including interests or short positions which any such persons other than our Directors and Chief Executive Officer of our Company are taken or deemed to have under such provisions of the HK SFO), or which were required to be entered in the register required to be kept by our Company pursuant to Section 336 of the HK SFO were as follows:

Long Positions

| Name | Notes | Capacity and nature of interest | Number of Ordinary Shares held | Approximate percentage of our Company's issued share capital (%)^(a) |
|-------------------|--------------|--|---------------------------------------|---|
| Cantrust | (b) | Trustee | 861,000,000 (Long position) | 68.04 |
| HLSH Holding | (b) | Interest in a controlled corporation | 861,000,000 (Long position) | 68.04 |
| HHL International | (b) | Beneficial owner | 861,000,000 (Long position) | 68.04 |

Notes:

- (a) The calculation is based on the total number of 1,265,477,524 Shares issued as at the Latest Practicable Date.
- (b) The 861,000,000 Shares are beneficially owned by HHL International, which 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's Trust. Under the HK SFO, Cantrust and HLSH Holding are deemed to be interested in all our Shares registered under the name of HHL International. Accordingly, Mr. Xu Bingzhong is deemed or taken to be interested in the 861,000,000 Shares owned by HHL International under the HK SFO.

Save as disclosed above, as at the Latest Practicable Date, no person (other than our Directors or Chief Executive Officer of our Company, whose interests are set out in the above) had or was deemed to have any interest or short position in our Shares or underlying Shares of our Company or any of our associated corporations (within the meaning of Part XV of the HK SFO) which were required to be notified to our Company and the HKSE pursuant to Divisions 2 and 3 of Part XV of the HK SFO or which were required to be recorded in the register maintained pursuant to Section 336 of the HK SFO or otherwise notified to our Company and the HKSE.

SIGNIFICANT CHANGES IN PERCENTAGE OF OWNERSHIP

The following table sets out the significant changes in the shareholding of our Directors and Substantial Shareholders in our Company in FY2021, FY2022, FY2023 and the period from 1 January 2024 up to the Latest Practicable Date based on public disclosures on the HKSE website available as at the Latest Practicable Date. Save as disclosed below, based on public disclosures on the HKSE website available as at the Latest Practicable Date, there were no significant changes in the percentage of ownership of our Company in FY2021, FY2022, FY2023 and the period from 1 January 2024 to the Latest Practicable Date.

| Name of Directors and Shareholders | Percentage of Shareholding in our Company (%) ⁽¹⁾ | | | |
|------------------------------------|--|------------------------|------------------------|-----------------------------------|
| | As at 31 December 2021 | As at 31 December 2022 | As at 31 December 2023 | As at the Latest Practicable Date |
| Mr. Xu Bingzhong | 67.96 | 67.96 | 67.96 | 68.04 |
| Ms. Cai Wenjun | — ⁽²⁾ | 1.37 | 0.68 | 0.68 |
| Ms. Yu Zhen | — ⁽²⁾ | 0.09 | 0.09 | 0.09 |
| Mr. He Daqing | — ⁽²⁾ | — ⁽²⁾ | 0.01 | 0.01 |
| Cantrust ⁽³⁾ | 67.96 | 67.96 | 67.96 | 68.04 |
| HLSH Holding ⁽³⁾ | 67.96 | 67.96 | 67.96 | 68.04 |
| HHL International ⁽³⁾ | 67.96 | 67.96 | 67.96 | 68.04 |

Notes:

- (1) Rounded to two (2) decimal places.
- (2) Not appointed as a Director during the relevant period.
- (3) The Shares are beneficially owned by Mr. Xu Bingzhong.

As at the Latest Practicable Date, the percentage of shareholding in our Company held by other Shareholders (save for the Directors and the Substantial Shareholders) is approximately 31.18%.

Our Shares held by our Directors and Substantial Shareholders do not carry different voting rights from any other Shares of our Company.

To our knowledge, save as disclosed in this Introductory Document, our Company is not directly or indirectly owned or controlled, whether severally or jointly, by any person or government.

We are not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of our Company, or any contractual undertakings for any of our Shareholders to observe a moratorium on the transfer or disposal of his or her interest in our Shares.

Save as disclosed above and in the section entitled “*Management and Corporate Governance — Compensation of Directors and Executive Officers*” of this Introductory Document, none of our Directors or Executive Officers have, or have the right to be given, an option to subscribe for or purchase any securities or securities-based derivatives contracts of our Company as at the Latest Practicable Date.

Save as disclosed above and in the section entitled “*Management and Corporate Governance — Compensation of Directors and Executive Officers*” of this Introductory Document, no securities or securities-based derivatives contracts were issued or agreed to be issued by our Company for cash or for a consideration other than cash during the last three (3) years preceding the Latest Practicable Date.

There are no Shares in our Company that are held by or on behalf of our Company or by the subsidiaries of our Company.

DESCRIPTION OF SHARE CAPITAL

OVERVIEW

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 16 January 2018 under the Cayman Islands Companies Act. As at 1 January 2023 and 31 December 2023, there were 1,266,901,524 issued Shares.

As at the Latest Practicable Date, our registered and authorised share capital is US\$50,000 divided into 500 trillion Shares with a par value of US\$0.0000000001 each and our authorised capital is US\$50,000 comprising 1,265,477,524 Shares. All of our 1,265,477,524 issued Shares are in registered form and fully paid up. There is only one (1) class of shares in the capital of our Company, being our Shares.

SUMMARY OF SELECTED PROVISIONS OF OUR ARTICLES OF ASSOCIATION

The following is a summary of material provisions of our Articles of Association in relation to our share capital. The Cayman Islands Companies Act differs from laws applicable to Singapore companies and their shareholders. A comparison of certain aspects of the Cayman Islands Companies Act applicable to us and the Singapore Companies Act applicable to Singapore companies is set forth in the section entitled “*Appendix B — Comparison of Selected Cayman Islands Corporate Law Provisions and Singapore Corporate Law Provisions*” to this Introductory Document.

The summary below does not purport to be complete and is qualified in its entirety by reference to our Articles of Association and the applicable provisions of the Cayman Islands Companies Act.

Objects of Our Company

The objects of our Company are unrestricted and we have the full power and authority to carry out any object not prohibited by the law of the Cayman Islands.

Voting Rights

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting:

- (i) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one (1) vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of our Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and

- (ii) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one (1) vote. Where more than one (1) proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one (1) vote on a show of hands.

On a poll, a member entitled to more than one (1) vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Hong Kong Listing Rules, in the case of a Physical Meeting (as defined in the Articles), allow a resolution to be voted on by a show of hands in accordance with the relevant article(s). In the case of a Physical Meeting where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (i) at least two (2) members;
- (ii) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iii) a member or members holding shares in our Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of our Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company (including but not limited to any general meeting or creditors meeting) provided that, if more than one (1) person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to speak and to vote, and where a show of hands is allowed, the right to vote individually on a show of hands.

All members shall have the right to: (a) speak at general meetings of our Company; and (b) vote at a general meeting except where a member is required, by the Hong Kong Listing Rules, to abstain from voting to approve the matter under consideration.

Where our Company has knowledge that any member is, under the Hong Kong Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

Dividends

Our Company may, in a general meeting, declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by our Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) our Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to our Company on account of calls, instalments or otherwise.

Where our Board or our Company has, in a general meeting has resolved that a dividend should be paid or declared, our Board may resolve:

- (i) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (ii) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as our Board may think fit.

Upon the recommendation of our Board, our Company may by ordinary resolution in respect of any one (1) particular dividend of our Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one (1) of two (2) or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever our Board or our Company has, in general meeting, resolved that a dividend be paid or declared, our Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

Our Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as our Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one (1) year after having been declared may be invested or otherwise used by our Board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six (6) years after having been declared may be forfeited by our Board and, upon such forfeiture, shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

Our Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two (2) consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

Election, Removal and Remuneration of Directors

At any time or from time to time, our Board shall have the power to appoint any person as a Director either to fill a casual vacancy on our Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first annual general meeting of our Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of our Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by our Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of our Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three (3), then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by our Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of our Company. The period for lodgement of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven (7) days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven (7) days.

A Director is not required to hold any shares in our Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from our Board.

A Director may be removed by an ordinary resolution of our Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and our Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two (2).

The office of a Director shall be vacated if he:

- (i) resigns;
- (ii) dies;
- (iii) is declared to be of unsound mind and our Board resolves that his office be vacated;
- (iv) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) is prohibited from being or ceases to be a director by operation of law;
- (vi) without special leave, is absent from meetings of our Board for six (6) consecutive months, and our Board resolves that his office is vacated;
- (vii) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (viii) is removed from office by the requisite majority of our Directors or otherwise pursuant to the Articles.

From time to time our Board may appoint one (1) or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as our Board may determine, and our Board may revoke or terminate any of such appointments. Our Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s)

as our Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by our Board.

General Meetings of shareholders

Our Company must hold an annual general meeting each financial year. Such meeting must be held within six (6) months after the end of our Company's financial year.

Transfer of Shares

Subject to the Cayman Islands Companies Act and the requirements of the HKSE, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as our Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as our Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that our Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of our Company in respect of that share.

Our Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless our Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

Our Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which our Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four (4) joint holders.

Our Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the HKSE may determine to be payable, is paid to our Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one (1) class of share and is lodged at the relevant registration office or the place at which the principal register

is located accompanied by the relevant share certificate(s) and such other evidence as our Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Hong Kong Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as our Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the HKSE) and shall also be free from all liens.

Liquidation

A resolution that our Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if our Company is wound up and the assets available for distribution among the members of our Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if our Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If our Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Islands Companies Act, divide among the members in specie or kind the whole or any part of the assets of our Company, whether the assets consist of property of one (1) kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one (1) or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

Calls on Shares and Forfeiture of Shares

Our Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one (1) sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as our Board shall fix from the day appointed for payment to the time of actual payment, but our Board may waive payment of such interest wholly or in part. Our Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced our Company may pay interest at such rate (if any) not exceeding 20% per annum as our Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, our Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of our Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares together with (if our Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as our Board may prescribe.

Repurchase, Redemption and Surrender of Shares

Our Company may purchase its own shares subject to certain restrictions and our Board may only exercise this power on behalf of our Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the HKSE and/or the Securities and Futures Commission of Hong Kong.

Where our Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

Variation of Rights of Shares

Subject to the Cayman Islands Companies Act, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two (2) persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one (1) vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

Alteration of Capital

Our Company may, by an ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares of such amount as it thinks expedient;
- (ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares;
- (iii) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions;
- (iv) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum;
- (v) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled;
- (vi) make provision for the allotment and issue of shares which do not carry any voting rights;

(vii) change the currency of denomination of its share capital; and

(viii) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

HISTORY OF SHARE CAPITAL

Except as disclosed below, there were no changes in the issued share capital of our Company and each of our Major Subsidiaries for the period of three (3) years before the Latest Practicable Date.

Our Company

| Date/Period of Issue/Change | No. of Shares Issued/Increase in Share Capital | Par value per Share (in US\$)/Issue Price per Share (in HK\$) | Resultant Issued Share Capital | | Reason for Issue/Change |
|-----------------------------|--|---|--------------------------------|----------|---|
| | | | No. of Shares | Approx. | |
| 7 June 2021 | 74,452,017 | US\$0.0000000001 | 1,086,462,992 | US\$0.11 | On 7 June 2021, (i) 3,100,389 Shares had been issued to TLTQ Holding Limited for the purpose of the Director RSU Scheme; (ii) 9,999,611 Shares had been issued to SHXM Holding Limited for the purpose of the Senior Management RSU Scheme; (iii) 13,700,000 Shares had been issued to NLNQ Holding Limited for the purpose of the Employee RSU Scheme; and (iv) 47,652,017 Shares had been issued by our Company to TSLZ Holding Limited for the purpose of the Post-IPO RSU Scheme. |
| 10 September 2021 | 134,650,000 | HK\$19.77 | 1,221,112,992 | RMB1 | On 10 September 2021, upon the listing on the Main Board of the HKSE, our Company issued 134,650,000 new Ordinary Shares for HK\$19.77 each. |
| 10 September 2021 | 25,591,032 | — | 1,246,704,024 | RMB1 | On 10 September 2021, upon the listing on the Main Board of the HKSE, all of our 25,591,032 convertible and redeemable preferred shares were converted into the same number of Ordinary Shares. |
| 6 October 2021 | 20,197,500 | HK\$19.77 | 1,266,901,524 | RMB1 | Issue and allotment of Shares on 6 October 2021 pursuant to the full exercise of the over-allotment option described in the prospectus of our primary listing. |

| Date/Period of Issue/Change | No. of Shares Issued/Increase in Share Capital | Par value per Share (in US\$)/Issue Price per Share (in HK\$) | Resultant Issued Share Capital | | Reason for Issue/Change |
|-----------------------------|--|---|--------------------------------|---------|---|
| | | | No. of Shares | Approx. | |
| 25 March 2024 | (1,424,000) | — | 1,265,477,524 | RMB1 | <p>Our Company repurchased 1,424,000 Shares on the HKSE in October, November and December 2023 at a consideration (before expenses) of HK\$7,271,450, which have been cancelled on 25 March 2024.</p> <p>Our Company believes that the prevailing trading price of the Shares does not fully reflect the intrinsic value of our Company, and that the share buy-back reflects our Company's long term confidence in its operational growth outlook and financial position, will increase the net asset value and earnings per Share and is in the best interests of our Company and our Shareholders.</p> |

Our Major Subsidiaries

| Date/Period of Issue/Change | Increase in Registered Capital (in RMB) | Price per Registered Capital | Resultant Registered Capital (in RMB) | Reason for Issue/Change |
|--|---|------------------------------|---------------------------------------|---|
| Shenzhen Helens Enterprise Management Co., Ltd. (深圳海伦司企业管理有限公司) | | | | |
| 6 May 2021 | 40 million | RMB1 | 110 million | Raise operating capital to expand business operations |
| 1 September 2021 | 390 million | RMB1 | 500 million | Raise operating capital to expand business operations |
| 11 October 2021 | 200 million | RMB1 | 700 million | Raise operating capital to expand business operations |
| 10 November 2021 | 250 million | RMB1 | 950 million | Raise operating capital to expand business operations |
| 16 December 2021 | 100 million | RMB1 | 1.05 billion | Raise operating capital to expand business operations |

| Date/Period of Issue/Change | Increase in Registered Capital (in RMB) | Price per Registered Capital | Resultant Registered Capital (in RMB) | Reason for Issue/Change |
|--|---|------------------------------|---------------------------------------|---|
| 12 April 2022 | 210 million | RMB1 | 1.26 billion | Raise operating capital to expand business operations |
| Wuhan City Aoerdesang Catering Services Co., Ltd. (武汉市奥尔德桑餐饮服务服务有限公司) | | | | |
| 29 September 2021 | 200 million | RMB1 | 201 million | Raise operating capital to expand business operations |
| 8 December 2021 | 200 million | RMB1 | 401 million | Raise operating capital to expand business operations |
| 23 December 2021 | 40 million | RMB1 | 441 million | Raise operating capital to expand business operations |
| Hunan E'aisaisi Catering Management Co., Ltd. (湖南额艾塞斯餐饮管理有限公司) | | | | |
| 29 November 2021 | 50 million | RMB1 | 52 million | Raise operating capital to expand business operations |
| Zhejiang Fuyixiang Catering Services Co., Ltd. (浙江福怡祥餐饮服务服务有限公司) | | | | |
| 26 November 2021 | 50 million | RMB1 | 60 million | Raise operating capital to expand business operations |
| 25 August 2022 | 10 million | RMB1 | 70 million | Raise operating capital to expand business operations |
| Suzhou He'erdesi Catering Management Co., Ltd. (苏州赫尔德斯餐饮管理有限公司) | | | | |
| 6 December 2021 | 50 million | RMB1 | 52 million | Raise operating capital to expand business operations |
| Shenzhen Guxiang Fengqing Catering Co., Ltd. (深圳市古乡风情餐饮有限责任公司) | | | | |
| 14 December 2021 | 50 million | RMB1 | 51 million | Raise operating capital to expand business operations |

As at the Latest Practicable Date, there have been no changes to the voting rights of the issued share capital of our Company and registered capital of our Major Subsidiaries and in respect of the issuances of shares of our Company and Major Subsidiaries set out above, no consideration other than cash has been received and no discounts, special terms or instalment payment terms have been offered.

CONNECTED TRANSACTIONS AND POTENTIAL CONFLICTS OF INTERESTS

The following definitions apply in this section unless the context otherwise requires:

- connected person*** : has the meaning ascribed to it under the Hong Kong Listing Rules, i.e.:–
- (a) a director, chief executive or substantial shareholder of the listed issuer or any of its subsidiaries;
 - (b) a person who was a director of the listed issuer or any of its subsidiaries in the last 12 months;
 - (c) a supervisor of a PRC issuer or any of its subsidiaries;
 - (d) an associate (as defined under the Hong Kong Listing Rules) of any of the above persons;
 - (e) a connected subsidiary (as defined under the Hong Kong Listing Rules); or
 - (f) a person deemed to be connected by the HKSE.
- connected transactions*** : connected transactions are transactions with connected persons, and specified categories of transactions with third parties that may confer benefits on connected persons through their interests in the entities involved in the transactions. They may be one-off connected transactions or continuing connected transactions.

COMPLIANCE WITH CONNECTED TRANSACTION REQUIREMENTS UNDER THE HONG KONG LISTING RULES

As a company listed on the HKSE, we are required to comply with (among other things) the requirements in respect of connected transactions under Chapter 14A of the Hong Kong Listing Rules. Pursuant to the Hong Kong Listing Rules, we may, depending on the type and size of the connected transaction, be required to seek approval from our Shareholders in the event that we propose to enter into a connected transaction with a connected person.

DETAILS OF PREVIOUS CONNECTED TRANSACTIONS

Details of the connected transactions between our Group and connected persons of our Group for the Period Under Review to the Latest Practicable Date (based on the relevant announcements and circulars published by our Company for the relevant period) are as follows:

Our Group had not entered into any connected transaction in FY2021, FY2022, FY2023 and the period from 1 January 2024 to the Latest Practicable Date.

Save as disclosed above, our Group does not have any transactions which fall under the definition of “connected transactions” or “continuing connected transactions” which are required to be disclosed under Chapter 14A of the Hong Kong Listing Rules, in FY2021, FY2022, FY2023 and the period from 1 January 2024 to the Latest Practicable Date.

RELATED PARTY TRANSACTIONS

Details of the transactions with related parties for FY2021, FY2022 and FY2023 (as disclosed in our Company’s annual reports) and for the period from 1 January 2024 to the Latest Practicable Date (based on the relevant announcements and circulars published by our Company for the relevant period) are set out below.

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.

Personal guarantees provided by the related parties

During the year ended 31 December 2020, our Group’s bank borrowings and banking facilities was secured by personal guarantee from Mr. Xu Bingzhong. In FY2021, the aforementioned bank borrowings were repaid and the personal guarantee from Mr. Xu Bingzhong was released.

In addition, an amount of RMB35,136,000 due to Mr. Xu Bingzhong from our Group was repaid.

Discontinued transactions with franchisees operated by related party as sole proprietor

The transactions below are with the following related party: Mr Xia Linfan, who was a director of a subsidiary of our Group during the year ended 31 December 2021.

| RMB'000s | As at 31 December 2021 | As at 31 December 2022 | As at 31 December 2023 |
|--------------------------------------|------------------------------|------------------------------|------------------------------|
| Provision of services to franchisees | 117 | — | — |
| Purchase of plant and equipment | 294 | — | — |

Transactions with other related parties

The transactions below are with the following related parties: ZCYK (HK) Limited, Shenzhen Jiangzhu Technology Co., Ltd. and Shenzhen Zhuchao Jiujiu Technology Co., Ltd., which are companies owned as to 25% by Mr. Xu Bingzhong as at the relevant dates set out below.

| RMB'000s | As at 31 December 2021 | As at 31 December 2022 | As at 31 December 2023 |
|---------------------------------|------------------------------|------------------------------|------------------------------|
| Decoration and design fee | — | — | 1,000 |
| Purchase of plant and equipment | — | — | 11,893 |

Balances with related parties

| RMB'000s | As at 31 December 2021 | As at 31 December 2022 | As at 31 December 2023 |
|---|------------------------------|------------------------------|------------------------------|
| Non-trade amount due to Shenzhen Jiangzhu Technology Co., Ltd ⁽¹⁾ | — | 530 | — |
| Trade amount due from to Shenzhen Jiangzhu Technology Co., Ltd ⁽¹⁾ | — | — | 2,202 |

Note:

- (1) As at each of the relevant dates set out above, Mr. Xu Bingzhong holds an indirect 25% shareholding interest in Shenzhen Jiangzhu Technology Co., Ltd., as Mr. Xu Bingzhong holds 100% shareholding interest in Phoenixus Limited which in turn holds 25% shareholding interest in ZCYK (HK) Limited, and ZCYK (HK) Limited holds 100% shareholding interest in Shenzhen Jiangzhu Technology Co., Ltd.

For FY2021, FY2022, FY2023 and the period from 1 January 2024 to the Latest Practicable Date, none of the above disclosed related party transactions constitute as non-exempt connected transactions or continuing connected transactions which should be disclosed pursuant to Chapter 14A of the Hong Kong Listing Rules.

For FY2021, FY2022, FY2023 and the period from 1 January 2024 to the Latest Practicable Date, we did not enter into any non-exempt connected transactions or continuing connected transaction which should be disclosed pursuant to Rules 14A.49 and 14A.71 of the Hong Kong Listing Rules.

MEASURES AND PROCEDURES FOR APPROVING CONNECTED TRANSACTIONS

Our Company will continue to comply with the requirements under the Hong Kong Listing Rules with respect to connected transactions including the applicable disclosure, shareholders' approval and annual reporting requirements in our Company's annual reports. These include the making of announcements and circulars containing the requisite details under Chapter 14A of the Hong Kong Listing Rules, as well as disclosing in each annual report of our Company a summary of the following details in respect of all non-exempted connected transactions conducted in the relevant financial year (including continuing connected transactions under agreements signed in previous years):–

- (1) the transaction date;
- (2) the parties to the transaction and a description of their connected relationship;
- (3) a brief description of the transaction and its purpose;
- (4) the total consideration and terms;
- (5) the nature of the connected person's interest in the transaction; and
- (6) for continuing connected transactions (i.e. connected transactions involving the provision of goods or services or financial assistance which are carried out on a continuing or recurring basis and are expected to extend over a period of time):–
 - (A) a confirmation from our Company's independent non-executive Directors that they have reviewed those continuing connected transactions and a separate confirmation whether the transactions have been entered into:–
 - (i) in the ordinary and usual course of business of our Group;
 - (ii) on normal commercial terms or better (i.e. being terms which a party could obtain if the transaction were on an arm's length basis or terms no less favourable to our Group than terms available to or from Independent Third Parties); and
 - (iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of our Company's Shareholders as a whole.
 - (B) a statement by our Board whether the auditors of our Company have, in turn, confirmed whether anything has come to their attention that causes them to believe that the continuing connected transactions:–
 - (i) have not been approved by our Board;

- (ii) were not, in all material respects, in accordance with the pricing policies of our Group if the transactions involve the provision of goods or services by our Group;
- (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and
- (iv) have exceeded the cap (which is a monetary cap required under the Hong Kong Listing Rules to be set with respect to continuing connected transactions).

FUTURE CONNECTED TRANSACTIONS

We will continue to comply with the relevant requirements under the Hong Kong Listing Rules with respect to connected transactions as summarised above when members of our Group enter into connected transactions in the future.

DIRECTORS' INTERESTS IN COMPETING BUSINESS AND POTENTIAL CONFLICTS OF INTERESTS

During each of FY2021, FY2022, FY2023 and the period from 1 January 2024 to the Latest Practicable Date, none of our Directors has any interest in business which competes or may compete, directly or indirectly, with the business of our Group, or have or may have any other conflicts of interest with our Group.

Mr. Li Dong, who is the Independent Non-Executive Director of our Group, currently serves as the chief financial officer of TH International Limited (NASDAQ: THCH), a premium coffee chain network in the PRC listed on Nasdaq since September 2022. Our Directors are of the view that any perceived or potential conflicts of interest between our Group and TH International Limited and its subsidiaries ("**THIL Group**") do not arise as the business of our Group in the bar industry is separate and distinct from the business of THIL Group which is in the coffee, donut and tea restaurant industry.

TAXATION

The following discussion is limited to a general description of certain tax consequences in the jurisdictions described below with respect to ownership of our Shares, based on laws, regulations, guidelines, rulings and decisions in effect as at the Latest Practicable Date. Such laws, regulations, guidelines, rulings and decisions are subject to change, and any change could be retrospective. Such laws, regulations, guidelines, rulings and decisions are also subject to interpretation and the relevant tax authorities or courts could later disagree with the explanations or conclusions set out herein. The discussion below does not purport to be comprehensive or exhaustive, and does not constitute legal or tax advice.

Prospective investors should consult their own professional advisers regarding the tax consequences of purchasing, owning and disposing of our Shares. Neither our Company, our Directors nor any other person involved in the Introduction accepts responsibility for any tax effects or liabilities resulting from the purchase, ownership or disposition of our Shares.

CAYMAN ISLANDS TAXATION

We are incorporated in the Cayman Islands. Pursuant to section 6 of the Tax Concessions Act (As Revised) of the Cayman Islands, our Company has obtained an undertaking from the Governor-in-Cabinet that:

- (a) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to our Company or its operations; and
- (b) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by our Company:
 - (i) on or in respect of the shares, debentures or other obligations of our Company; or
 - (ii) by way of the withholding in whole or in part of any relevant payment as defined in the Tax Concessions Act (As Revised) of the Cayman Islands.

The undertaking for our Company is for a period of 30 years from 24 March 2021.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

SINGAPORE TAXATION

Corporate Income Tax

Corporate taxpayers are subject to Singapore income tax on income accruing in or derived from Singapore and foreign-source income received or deemed to be received in Singapore from outside Singapore, unless specifically exempted from tax.

The prevailing corporate income tax rate in Singapore is 17.0%.

With effect from Year of Assessment (“YA”) 2020, the first S\$200,000 of a company’s normal chargeable income is exempt from tax as follows:

- (a) 75.0% of up to the first S\$10,000 of chargeable income; and
- (b) 50.0% of up to the next S\$190,000 of chargeable income.

Notwithstanding the above, for qualifying private companies, subject to meeting the relevant conditions, the following can be exempted from tax:

- (a) 75.0% of the first S\$100,000 of normal chargeable income; and
- (b) 50.0% of the next S\$100,000 of normal chargeable income.

The remaining chargeable income (after deducting the applicable tax exemption on the first S\$200,000 of chargeable income) will be taxed at the prevailing corporate tax rate, currently at 17.0%.

A company is regarded as tax resident in Singapore if the control and management of the company’s business is exercised in Singapore. “Control and management” refers to the making of decisions on strategic matters, such as those on company policy and strategy. Typically, the location of the company’s board of directors’ meetings, during which strategic decisions are made, is a key factor in determining where the control and management is exercised. However, under certain scenarios, holding board meetings in Singapore may not be sufficient and other factors will be considered to determine if the control and management of the business is indeed exercised in Singapore.

Presently, tax exemption will be granted to a Singapore tax resident corporate taxpayer on its foreign-sourced dividends, foreign branch profits and foreign-sourced service income (“**specified foreign income**”) received or deemed to be received in Singapore, subject to meeting the following qualifying conditions:

- (a) the specified foreign income has been subject to income tax in the foreign jurisdiction from which the income is received;

- (b) at the time the specified foreign income is received in Singapore, the headline tax rate (i.e. highest corporate income tax rate) of the foreign jurisdiction from which the income is received is at least 15.0%; and
- (c) the Comptroller of Income Tax (the “**Comptroller**”) is satisfied that the tax exemption would be beneficial to the Singapore tax resident corporate taxpayer.

Pursuant to a tax concession granted with effect from 30 July 2004, the above foreign-source income exemption has been extended to include specified foreign income which is exempted from income tax in the foreign jurisdiction as a result of a tax incentive granted by that foreign jurisdiction for carrying out substantive business activities in that foreign jurisdiction.

If foreign-sourced income is subject to tax in Singapore and does not qualify for tax exemption, a Singapore tax resident corporate taxpayer is entitled to claim foreign tax credit (“**FTC**”) for the foreign tax paid on such foreign income, subject to meeting the relevant conditions. The amount of foreign tax credit available to a Singapore tax resident corporate taxpayer is based on the lower of:

- (a) the Singapore tax payable on the particular source of income which qualifies for foreign tax credit; or
- (b) the actual foreign tax suffered on the same income.

Under the FTC pooling system, Singapore tax resident companies may elect to claim FTC on a pooled basis on any items of its foreign-sourced income, rather than the usual source-by-source and country-by-country basis, subject to meeting the relevant conditions as follows:

- (a) income tax must have been paid on the income in the foreign jurisdiction from which the income is derived;
- (b) at the time the foreign-sourced income is received in Singapore, the headline tax rate of that foreign jurisdiction from which the income is received is at least 15.0%;
- (c) there must be Singapore income tax payable on the foreign-sourced income; and
- (d) the taxpayer is entitled to claim foreign tax credits under sections 50, 50A or 50B of the Income Tax Act 1947 of Singapore (the “**ITA**”) on its foreign-sourced income.

It has been proposed in the Singapore Budget 2024 that for the YA 2024:

- (a) a corporate income tax (“**CIT**”) rebate of 50% of the corporate tax payable will be granted to all tax paying companies, regardless of whether tax resident of Singapore or not;
- (b) companies that have employed at least one (1) local employee in 2023 will receive a minimum benefit of S\$2,000 in the form of a cash payout (“**CIT rebate cash grant**”); and

- (c) maximum total of CIT rebate and CIT rebate cash grant that a company may receive is S\$40,000.

Individual Income Tax

An individual taxpayer (both tax resident and non-tax resident of Singapore) is subject to Singapore income tax on income accruing in or derived from Singapore, subject to certain exceptions. Foreign-sourced income received or deemed received in Singapore by an individual taxpayer is generally exempt from income tax in Singapore, except for such income received through a partnership in Singapore by Singapore tax resident individuals.

An individual is regarded as a tax resident in Singapore in a YA if, in the preceding calendar year, he was physically present in Singapore or exercised an employment in Singapore (other than as a director of a company) for 183 days or more, or if he ordinarily resides in Singapore.

A Singapore tax resident individual is subject to tax at the progressive rates, ranging from 0% to 24.0%, after deductions of qualifying personal reliefs where applicable, with effect from YA2024.

A non-Singapore tax resident individual is generally taxed at the rate of 24.0% with effect from YA2024 except for Singapore-sourced employment income which is taxed at either a flat rate of 15.0% (without deductions for personal relief), or at the progressive rates as a tax resident (with deductions for personal relief), whichever yields a higher tax.

Dividend Distributions

Singapore does not impose withholding tax on dividend payment.

As our Company is incorporated in the Cayman Islands and should not be a tax resident in Singapore, dividends paid by our Company would be considered as foreign-sourced income.

Dividends paid by our Company will be exempt from Singapore income tax when received by an individual investor regardless of whether the individual investor is resident or non-resident of Singapore, except for such income received through a partnership in Singapore by Singapore tax resident individual investors.

Dividends paid by our Company and received in Singapore by a Singapore corporate investor will be subject to Singapore income tax unless an exemption applies to the foreign-sourced dividend income received in Singapore.

Shareholders or investors are advised to consult their own tax advisers in respect of the tax laws of their respective countries of residence which are applicable on such dividends received by them and the applicability of any double taxation agreement.

Bonus shares

Under current Singapore income tax law and practice, a capitalisation of profits followed by the issue of new shares, credited as fully paid, *pro rata* to shareholders (“**bonus issue**”) does not represent a distribution of dividends by a company to its shareholders. Therefore, a Singapore resident shareholder receiving shares by way of a bonus issue should not have a liability to Singapore income tax.

When a dividend is to be satisfied wholly or in part in the form of an allotment of Ordinary Shares credited as fully paid, the dividend declared will be treated as income to its shareholders. Similarly, when shareholders are given the right to elect to receive an allotment of Ordinary Shares credited as fully paid in lieu of cash, the allotment of Ordinary Shares will be treated as dividend income to its shareholders.

Capital Gains Tax

Singapore currently does not impose tax on capital gains. Any gains from the disposal of our Shares, if regarded as capital gains, are not taxable in Singapore.

There are no laws or regulations which deal with the characterisation of whether a gain is income or capital in nature. Gains from the disposal of our Shares are taxable in Singapore if the seller is regarded as having derived gains of an income nature in Singapore. Gains arising from the disposal of our Shares which are derived from any trade, business, vocation or profession carried on by that person, if accruing in or derived from Singapore, are taxable as such gains are considered revenue in nature. Gains derived from the disposal of our Shares may also be taxable if they constitute any gains or profits of an income nature under section 10(1)(g) of the ITA.

Section 13W of the ITA provides a safe harbour in the form of an exemption of gains or profits arising from the disposal of Ordinary Shares for disposals made up to 31 December 2027. To qualify for the tax exemption, the divesting company must have legally and beneficially held at least 20.0% of the Ordinary Shares of the company whose shares are being disposed (“**investee company**”) for a continuous period of at least 24 months immediately prior to the date of disposal of such shares.

The above-mentioned “safe harbour rule” is not applicable under the following scenarios:

- The disposal of shares during the period from 1 June 2012 to 31 May 2022 of an unlisted investee company which is in the business of trading or holding Singapore immovable properties (other than the business of property development).
- The disposal of shares from 1 June 2022 of an unlisted investee company which is in the business of trading, holding or developing immovable properties in Singapore or abroad, subject to certain exceptions.

- The disposal of shares by a divesting company in the insurance business industry (as referred to under section 26 of the ITA).
- The disposal of shares by a partnership, limited partnership or limited liability partnership where one (1) or more of the partners is a company or are companies.

Shareholders who have adopted or are required to adopt Financial Reporting Standard 109 *Financial Instruments* or Singapore Financial Reporting Standard (International) 9 *Financial Instruments* (as the case may be) for financial reporting purposes may for Singapore income tax purposes, be required to recognise gains or losses (not being gains or losses that are capital in nature) on our Shares, irrespective of whether there is actual disposal. If so, the gains or losses so recognised may be taxed or allowed as a deduction even though they are unrealised.

Shareholders should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their ownership and disposal of our Shares.

Stamp Duty

There is no stamp duty payable on the subscription for, allotment or holding of our Shares.

Under Singapore law, stamp duty is generally payable on the instrument of transfer of our Shares at the rate of 0.2%, computed on the consideration paid for or market value of the Ordinary Shares, whichever is higher.

The purchaser is liable for stamp duty, unless there is an agreement to the contrary.

No stamp duty is payable if no dutiable document (whether physical or electronic, such as in the case of scripless shares, the transfer of which do not require instruments of transfer to be executed) is executed or the instrument of transfer is executed outside Singapore. However, stamp duty may be payable if the dutiable document which is executed outside Singapore is subsequently received in Singapore. Electronic instruments that are executed outside Singapore are treated as received in Singapore in any of the following scenarios: (a) it is retrieved or accessed by a person in Singapore; (b) an electronic copy of it is stored on a device (including a computer) and brought into Singapore; or (c) an electronic copy of it is stored on a computer in Singapore.

Stamp duty is not applicable to electronic transfers of our Shares through the scripless trading system operated by CDP.

Estate Duty

Singapore estate duty had been abolished with effect from 15 February 2008.

GST

The sale of our Shares by a GST-registered investor belonging in Singapore through an SGX-ST member to another person belonging in Singapore is an exempt supply, which is not subject to GST. Any input GST incurred by the GST-registered investor in connection with the making of such an exempt supply is generally not recoverable from the Comptroller of GST and will become an additional cost to the investor unless the investor satisfies certain conditions prescribed under the GST legislation or by the Comptroller of GST.

Where our Shares are sold by a GST-registered investor to a person who belongs outside Singapore, and for the direct benefit of either a person belonging outside Singapore (and that person is outside Singapore at the time of supply) or a GST-registered person who belongs in Singapore, the sale is a taxable supply subject to GST at zero-rate (i.e. GST at zero per cent. (0%)). Any input GST incurred by the GST-registered investor in the making of such a zero-rated supply, subject to the provisions of the GST legislation, may be recovered from the Comptroller of GST.

Services consisting of arranging, broking, underwriting or advising on the issue, allotment or transfer of ownership of our Shares rendered by a GST-registered person to an investor belonging in Singapore for GST purposes in connection with the investor's purchase, sale or holding of our Shares will be subject to GST at the prevailing standard rate of nine per cent. (9%). Similar services contractually rendered by a GST-registered person to an investor belonging outside Singapore, and for the direct benefit of either a person belonging outside Singapore (and that person is outside Singapore at the time of supply) or a GST-registered person who belongs in Singapore should generally be subject to GST at zero-rate.

Investors should seek their own tax advice on the recoverability of GST incurred on expenses in connection with the purchase and sale of our Shares.

PRC TAXATION

Generally, our PRC subsidiaries are subject to enterprise income tax on their taxable income in the PRC at a statutory rate of 25%, except for Shenzhen Helens Brand Management Co., Ltd., which is eligible for a preferential enterprise income tax rate of 15%, according to "Notice of the State Taxation Administration on the Preferential Tax Policies and Catalog of Preferential Items for Enterprise Income Tax in the Shenzhen Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone". The enterprise income tax is calculated based on the entity's global income as determined under PRC tax laws and accounting standards. Our products and services are primarily subject to value-added tax at a rate of six per cent. (6%), less any deductible value-added tax we have already paid or borne. We are also subject to surcharges on value-added tax payments in accordance with the PRC law.

Dividends paid by our PRC subsidiaries in the PRC to our Hong Kong subsidiary will be subject to a withholding tax rate of ten per cent. (10%), unless the relevant Hong Kong entity satisfies all the requirements under the Double Taxation Avoidance Arrangement and receives approval from the relevant tax authority. If our Hong Kong subsidiary satisfies all the requirements under

the tax arrangement and receive approval from the relevant tax authority, then the dividends paid to the Hong Kong subsidiary would be subject to withholding tax at the standard rate of five per cent. (5%). Effective from 1 November 2015, the above-mentioned approval requirement has been abolished, but a Hong Kong entity is still required to file application package with the relevant tax authority, and settle the overdue taxes if the preferential five per cent. (5%) tax rate is denied based on the subsequent review of the application package by the relevant tax authority.

If our Company or any of our subsidiaries outside of the PRC is deemed to be a “resident enterprise” under the PRC EIT Law (as defined above), it would be subject to enterprise income tax on its worldwide income at a rate of 25%.

HONG KONG TAXATION

Dealings in the Shares registered on our Hong Kong branch register will be subject to Hong Kong stamp duty. The current rate of stamp duty in Hong Kong for transfer of Hong Kong stock is 0.1% on the higher of the consideration for and the market value of the Shares, and it is charged on the purchaser on every purchase and on the seller on every sale of the Shares. In other words, a total stamp duty of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares. In addition, a fixed duty of HK\$5.00 is charged on each instrument of transfer (if required).

There is no withholding tax in Hong Kong on dividend distributions by our Company to our Shareholders.

CLEARANCE AND SETTLEMENT

A letter of eligibility has been obtained from the SGX-ST for the listing and quotation of our Shares. For the purpose of trading on the SGX-ST, a board lot of our Shares will comprise 100 Shares.

Upon listing and quotation on the SGX-ST, our Shares will be traded on the HKSE and the SGX-ST. The principal register of members will be maintained in the Cayman Islands (the “**Principal Share Register**”). Our Company has established the Hong Kong Share Register (“**Hong Kong Share Register**”), being a branch register of members in Hong Kong which is maintained by Link Market Services (Hong Kong) Pty Limited whose address is Suite 1601, 16/F, Central Tower, 28 Queen’s Road Central, Hong Kong. Further, our Company has established a branch register of members in Singapore (the “**Singapore Branch Share Register**”) which is maintained by the Singapore Share Transfer Agent, In.Corp Corporate Services Pte. Ltd., whose address is 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712. The Principal Share Registrar will keep in the Cayman Islands duplicates of the Hong Kong Share Register and the Singapore Branch Share Register, which will be updated from time to time.

CLEARANCE, TRADING AND SETTLEMENT OF SHARES ON THE SGX-ST

Upon listing and quotation of our Shares on the SGX-ST, Shares that are traded on the SGX-ST will be cleared and settled under the book-entry settlement system of CDP, and all dealings in and transactions of our Shares through the SGX-ST will be effected in accordance with the terms and conditions for the operation of Securities Accounts with CDP, and the terms and conditions for CDP to act as depository for foreign securities as amended from time to time.

CDP, a wholly-owned subsidiary of Singapore Exchange Limited, is incorporated under the laws of Singapore and acts as a depository and clearing organisation. CDP holds securities for its accountholders and facilitates the clearance and settlement of securities transactions between accountholders through electronic book-entry changes in the Securities Accounts maintained by such accountholders with CDP. An investor may open a direct account with CDP or a sub-account with any CDP Depository Agent. A CDP Depository Agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

Our Shares that are traded on the SGX-ST will be scripless shares registered on the Singapore Branch Share Register in the name of CDP or its nominee and held by CDP for and on behalf of persons who maintain, either directly or through Depository Agents, Securities Accounts with CDP. The law of domicile of our Company, namely, the Cayman Islands, only recognises the registered holders of our Shares as its members. Accordingly, depositors and Depository Agents will not be treated under the Articles of Association and the Cayman Islands Companies Act as members of our Company in respect of the number of Shares credited to their respective Securities Accounts and may not be accorded the full rights of membership, such as voting rights, the right to appoint proxies, or the right to receive shareholders’ circulars, proxy forms,

annual reports and prospectuses. In such an event, depositors and Depository Agents will be accorded only such rights as CDP may make available to them pursuant to CDP's terms and conditions to act as depository for foreign securities.

Dealings in our Shares will be carried out on the SGX-ST in Singapore dollars and will be effected for settlement in CDP on a scripless basis. Settlement of trades executed on the SGX-ST will take place on the second Market Day after the trade date. When a seller does not have sufficient Shares in the account for settlement by the start of the final settlement run at 1:30 pm on the second Market Day after the trade day, CDP will conduct a buy-in on that afternoon (unless the intended settlement date of the trades executed on the SGX securities market falls on a day with half day trading, buying-in will be conducted only for a day on the next business day). Securities bought in successfully will be used to fulfil the seller's delivery obligation on the next business day.

Shareholders are responsible for ensuring our Shares are credited into their Securities Accounts maintained with CDP or securities sub-account with a Depository Agent, as the case may be, in time for the settlement of trades on the SGX-ST, as buying-in may be instituted against the relevant clearing member of the CDP if our Shares are not available in the balance of the Securities Accounts or securities sub-accounts of Shareholders for settlement pursuant to their trades.

CLEARING FEES IN RESPECT OF TRADING ON THE SGX-ST

A clearing fee for the trading of our Shares on the SGX-ST is payable at the rate of 0.0325% of the transaction value. The clearing fees, instruments of transfer deposit fees and share withdrawal fees may be subject to GST at the prevailing rate of nine per cent. (9%) (or such other rate prevailing from time to time).

VOTING INSTRUCTIONS

Investors who trade Shares listed on the SGX-ST would hold their Shares through the CDP system. Investors holding Shares through the CDP system may only exercise the voting rights for the deposited Shares through the CDP system and in accordance with the terms and conditions for the operation of Securities Accounts with CDP, and the terms and conditions for CDP to act as depository for foreign securities as amended from time to time.

Under the Cayman Islands law, every other person who has agreed to become a member of a Cayman Islands company and whose name is entered on the register of members of such company is considered a member. Under the Cayman Islands law, the register of members is *prima facie* evidence of any matters by the Cayman Islands Companies Act directed or authorised to be inserted therein. Accordingly, a CDP Depositor holding Shares through CDP would not be recognised as our Shareholder under the laws of the Cayman Islands and does not have the right to attend and vote at the general meetings of our Company.

Our Company, through our Singapore Share Transfer Agent, will send notices of Shareholders' meetings to CDP Depositors by post. In the event that CDP Depositors wish to attend and vote at general meetings of our Company, CDP will have to appoint them as proxies, pursuant to our Articles of Association and the Cayman Islands Companies Act.

Our Company, through our Singapore Share Transfer Agent, will make arrangements with CDP to appoint the relevant CDP Depositors as proxies, in accordance with Article 92(b) of our Articles of Association, so that the appointed CDP Depositors can attend and vote at the general meetings of our Company. At any general meeting, CDP, as a clearing house, may appoint more than one (1) proxy in accordance with Article 92(b) of our Articles of Association. Pursuant to Article 92(b) of our Articles of Association, provided that CDP is a member of our Company, it may authorise such persons as it thinks fit to act as its representatives at any meeting of our Company provided that, if more than one (1) person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under our Articles of Association shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the CDP.

TRADING AND SETTLEMENT OF SHARES ON THE HKSE

Settlement of transactions between CCASS Participants is required to take place in CCASS on the second Hong Kong business day after the relevant trading day. All activities under CCASS are subject to the CCASS Rules in effect from time to time. Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

Investors in Hong Kong must settle their trades executed on the HKSE through their brokers directly or through custodians. For an investor in Hong Kong who has deposited his Shares in his designated CCASS Participant's stock account maintained with CCASS, settlement will be effected by CCASS in accordance with the CCASS Rules.

TRANSACTION COSTS OF DEALING IN SHARES LISTED ON THE HKSE

The transaction costs of dealings in our Shares on the HKSE include:

- HKSE trading fee of 0.00565% of the consideration of the transaction, charged to each of the buyer and seller and rounded to the nearest cent;
- Securities and Futures Commission of Hong Kong ("**SFC**") transaction levy of 0.0027% of the consideration of the transaction, charged to each of the buyer and seller;
- Accounting and Financial Reporting Council ("**AFRC**") transaction levy of 0.00015% of the consideration of the transaction, charged to each of the buyer and seller;
- Transfer deed stamp duty of HK\$5.00 per transfer deed (if applicable), payable by the seller;

- Stamp duty at a total rate of 0.2% of the value of the transaction, with 0.1% payable by each of the buyer and the seller;
- Brokerage commission, which is freely negotiable with the broker (other than brokerage commissions for initial public offering transactions, which are currently set at one per cent. (1%) of the subscription or purchase price and will be payable by the person subscribing for or purchasing the securities) and the applicable stock settlement fee; and
- Transfer fee, in which the Hong Kong Branch Share Registrar and Transfer Office will charge (at the rate of HK\$2.50 per certificate issued or cancelled) the higher of (i) the number of certificates to be issued; or (ii) the number of certificates to be cancelled, for each transfer of Ordinary Shares from one (1) registered owner to another, each share certificate cancelled or issued by it and any applicable fee as stated in the share transfer forms used in Hong Kong.

MOVEMENT OF SHARES BETWEEN HONG KONG AND SINGAPORE

Through the movement mechanisms discussed below, it is possible for investors to purchase Shares on the SGX-ST and sell them on the HKSE and *vice versa*. All of the linked movements between CDP and CCASS are effected only on a free-of-payment basis (that is, there is no related cash movement parallel to the securities movement, and any related cash transfers may only be effected outside CDP and CCASS directly between the buyer and seller through their own arrangements).

Investors should be aware that while there is no time difference between the Singapore and Hong Kong markets, the HKSE has shorter trading hours than the SGX-ST. The trading hours on the SGX-ST are from 9.00 a.m. to 12.00 p.m. and 1.00 p.m. to 5.00 p.m. on a Market Day, and the trading hours on the HKSE are from 9.30 a.m. to 12.00 p.m. and 1.00 p.m. to 4.00 p.m. on a trading day in Hong Kong.

Transfer of Shares from Hong Kong to Singapore

Shareholders should note that only Shares which are registered on the Singapore Branch Share Register and deposited with CDP are valid for settlement of trades done on the SGX-ST. Therefore, Shareholders who currently hold their Shares on the Hong Kong Share Register and wish to trade on the SGX-ST must effect a removal of our Shares from the Hong Kong Share Register to the Singapore Branch Share Register and must procure the deposit of our Shares with CDP. In this regard, the investor should ensure that (i) he has a Securities Account in his own name with CDP or a securities sub-account with a Depository Agent; and (ii) our Shares are credited to his Securities Account or securities sub-account before dealing in our Shares.

Under normal circumstances, the removal and deposit of our Shares generally require 15 business days to complete (excluding posting time, and the time taken to withdraw Shares deposited with CCASS in Step 2 below), and would involve the following procedures:

1. If the investor's Shares are registered in the investor's own name, the investor shall complete a combined removal and transfer form available from the Hong Kong Branch Share Registrar and submit the same together with the same share certificate(s) in his name to the Hong Kong Branch Share Registrar.
2. If the investor's Shares have been deposited with CCASS, the investor must first withdraw the said Shares from his investor participant stock account with CCASS or from the stock account of a CCASS Participant and submit the relevant share transfer form(s) executed by HKSCC Nominees Limited (for re-registration in his own name), the relevant share certificate(s) and a duly completed combined removal and transfer form to the Hong Kong Branch Share Registrar. The investor must also arrange for stamp duty clearance with the Hong Kong Stamp Office.
3. Upon receipt of the combined removal and transfer form, the relevant share certificate(s) and where appropriate, the completed share transfer form(s) executed by HKSCC Nominees Limited, the Hong Kong Branch Share Registrar shall take all actions necessary to effect the removal and the transfer of our Shares from the Hong Kong Share Register to the Singapore Branch Share Register.
4. The Hong Kong Branch Share Registrar shall then notify the Singapore Share Transfer Agent of the removal whereupon the Singapore Share Transfer Agent will update the Singapore Branch Share Register, and will issue share certificate(s) in the name of the investor or CDP, as the case may be, and deliver the share certificate(s) to the investor or CDP. Upon receipt of the relevant documents and prescribed payment from the Singapore Share Transfer Agent, CDP shall credit the specified number of Shares into the investor's Securities Account or sub-account with a CDP Depository Agent. The investor should ensure that our Shares are credited to his Securities Account or sub-account with a CDP Depository Agent before dealing in our Shares.

Shareholders requesting removals of Shares from the Hong Kong Share Register to the Singapore Branch Share Register are required to pay the fees and charges set out below and the following must accompany the removal forms:

- (a) a cheque or bank draft in Hong Kong dollars made payable to **LINK MARKET SERVICES (HONG KONG) PTY LIMITED** for: (i) the total sum of the removal fees (HK\$350) for our Shares to be removed from the Hong Kong Share Register (the "**Removed Shares**") and HK\$2.50 for each share certificate rendered for cancellation on the Hong Kong Share Register (under Standard Service); or (ii) the total sum of the higher of 0.05% of market value (based on the closing price of our Company's Shares in Hong Kong on the preceding day when Hong Kong Branch Share Registrar receives instructions from the Shareholder) with a minimum charge of HK\$1,000 and HK\$20.00 for each share certificate rendered for cancellation on the Hong Kong Share Register (under Express Service). The availability of the Express Service is subject to the discretion of the Hong Kong Branch Share Registrar. Please refer to the latest combined removal and transfer form or contact the Hong Kong Branch Share Registrar for the latest fees and charges; and

- (b) bank drafts in Singapore Dollars (inclusive of Singapore prevailing nine per cent. (9%) GST (or such other rate prevailing from time to time)) made payable to:
- (i) **IN.CORP CORPORATE SERVICES PTE. LTD.** for the sum of S\$10.00 (S\$10.90 inclusive of Singapore prevailing nine per cent. (9%) GST) as payment for CDP deposit fee or such other amount required by CDP; and
 - (ii) **IN.CORP CORPORATE SERVICES PTE. LTD.** for the sum of S\$32.00 (S\$34.88 inclusive of Singapore prevailing nine per cent. (9%) GST) comprising S\$2.00 (S\$2.18 inclusive of Singapore prevailing nine per cent. (9%) GST) for each share certificate to be issued on the Singapore Branch Share Register and S\$30.00 (S\$32.70 inclusive of Singapore prevailing nine per cent. (9%) GST) for each removal to be effected.

Transfer of Shares from Singapore to Hong Kong

Shareholders should note that for the purposes of trading on the HKSE, our Shares must be registered on the Hong Kong Share Register and deposited into CCASS for credit to the Shareholder's investor participant stock account or his designated CCASS Participant's stock account. A Shareholder who holds his Shares through CDP and wishes to move his Shares from CDP to CCASS must effect a removal of our Shares from the Singapore Branch Share Register to the Hong Kong Share Register, and can do so in the following manner:

1. If the investor's Shares have been deposited with CDP, the investor must first request or instruct his Depository Agent to request on his behalf withdrawal of his Shares from CDP by completing and signing a Request for Withdrawal of Securities Form ("**Withdrawal Form**") available from CDP and submitting the same together with the duly completed transfer form pre-signed by the investor(s) as transferee(s) to CDP.
2. The investor shall complete a share removal form for the removal of Shares from the Singapore Branch Share Register to the Hong Kong Share Register obtained from the Singapore Share Transfer Agent and submit the share removal form to the Singapore Share Transfer Agent.
3. CDP will sign as transferor and send the duly completed transfer form together with share certificate(s) registered under the name of CDP to the Singapore Share Transfer Agent directly.
4. Upon receipt of the duly completed transfer form and share certificate(s) from CDP and the share removal form from the investor, the Singapore Share Transfer Agent shall take all actions necessary to effect the transfer and removal of Shares from the Singapore Branch Share Register.
5. The Singapore Share Transfer Agent shall then notify the Hong Kong Branch Share Registrar of the removal whereupon the Hong Kong Branch Share Registrar shall update the Hong Kong Share Register and issue share certificate(s) in the name of the investor

and made such share certificate(s) available for collection by the investor(s) at the Hong Kong Branch Share Registrar's office unless other delivery method is requested upon submission of the share removal form and relevant fees will be separately agreed. Despatch of share certificate(s) will be made at the risk and expense of the investor as specified in the share removal form.

6. If the investor's Shares, upon being registered in the Hong Kong Share Register, are to be deposited with CCASS, the investor must deposit our Shares into CCASS for credit to his investor participant stock account or his designated CCASS Participant's stock account. For deposit of Shares into CCASS or to effect a sale of Shares in Hong Kong, the investor should execute a transfer form which is in use in Hong Kong and which can be obtained from the offices of the Hong Kong Branch Share Registrar and deliver it together with his share certificate(s) issued by the Hong Kong Branch Share Registrar to HKSCC Nominees Limited directly if he intends to deposit our Shares into CCASS for credit to his investor participant stock account or via a CCASS Participant if he wants our Shares to be credited to his designated CCASS Participant's stock account.

Under normal circumstances, steps 2 to 5 generally require 15 business days (excluding posting time) to complete. The time taken to deposit Shares into CCASS in Step 6 above may vary, depending on whether the investor arranges for the deposit of his Shares into CCASS directly, or via a CCASS Participant, and may take at least one (1) Hong Kong business day or more.

Shareholders requesting removals of Shares from the Singapore Branch Share Register to the Hong Kong Share Register are required to pay the fees and charges set out below and item (a) must accompany the relevant form:

- (a) Bank draft in Singapore Dollars (inclusive of Singapore prevailing nine per cent. (9%) GST (or such other rate prevailing from time to time)) made payable to
- (b) **IN.CORP CORPORATE SERVICES PTE. LTD.** for the sum of S\$32.70 as payment for transfer request fee; and
- (c) **(this fee is payable upon collection of the share certificate(s) in respect of the Removed Shares in Hong Kong)** a cheque or bank draft in Hong Kong dollars made payable to **LINK MARKET SERVICES (HONG KONG) PTY LIMITED** for: (i) the total sum of the removal fees (HK\$350) for the Removed Shares and HK\$2.50 for each share certificate issued on the Hong Kong Share Register (under Standard Service); or (ii) the total sum of the higher of 0.05% of market value (based on the closing price of our Company's Shares in Hong Kong on the preceding day when the Hong Kong Share Registrar receives instructions from the Singapore Share Transfer Agent) with a minimum charge of HK\$1,000 and HK\$20.00 for each share certificate issued on the Hong Kong Share Register (under Express Service). The exact fee to be paid under Express Service will be calculated and advised by the Hong Kong Branch Share Registrar. The availability

of the Express Service is subject to the discretion of the Hong Kong Branch Share Registrar. Please refer to the latest share removal form or contact the Hong Kong Branch Share Registrar for the latest fees and charges.

WITHDRAWAL OR DEPOSIT OF SHARES FROM OR INTO CDP

Persons holding Shares in a Securities Account with CDP or securities sub-account with a Depository Agent may withdraw any number of Shares they own and obtain physical share certificates by executing a Withdrawal Form and submitting the same, together with the Transfer Form ("**Transfer Form**") pre-signed by the investor(s) as transferee(s) and the withdrawal fee, to CDP. CDP will then sign as transferor and send the duly completed and signed Transfer Form together with share certificate(s) registered under the name of CDP to the Singapore Share Transfer Agent as agent of the Singapore Branch Share Register. Upon receipt of the above documents, the Singapore Share Transfer Agent will effect the transfer of Shares from CDP to the investor(s) and issue physical Singapore share certificates in the name of the investor. Such share certificates will not, however, be valid for delivery pursuant to trades transacted on the SGX-ST, although they will be *prima facie* evidence of title and may be transferred in accordance with our Articles of Association.

Persons holding physical share certificates in their own names and who wish to trade on the SGX-ST must submit to CDP their physical share certificates together with the Request for Deposit of Securities Form for the Deposition of Shares into CDP along with the duly executed Transfer Form in favour of CDP as transferee, to have their respective Securities Accounts or securities sub-accounts credited with the number of Shares before they can effect any trades.

In the absence of unforeseen circumstances, (i) in the case of a deposit of securities into CDP, CDP will credit the securities 12 Market Days or later after the date of lodgement of share certificate(s) with CDP and upon receipt of confirmation from the Singapore Share Transfer Agent that the securities have been registered in the name of CDP or its nominee (as the case may be); and (ii) in the case of a withdrawal of securities into CDP, CDP will debit the securities and lodge with the Singapore Share Transfer Agent the certificates from the securities withdrawn within six (6) Market Days from the date of receipt of the Withdrawal Form to affect the registration of the securities to the transferee.

GENERAL AND STATUTORY INFORMATION

RESPONSIBILITY STATEMENT

1. Our Directors collectively and individually accept full responsibility for the accuracy of the information given in this Introductory Document and confirm after making all reasonable enquiries that to the best of their knowledge and belief, this Introductory Document constitutes full and true disclosure of all material facts about the Introduction, our Company and its subsidiaries, and our Directors are not aware of any facts the omission of which would make any statement in this Introductory Document misleading. Where information in this Introductory Document has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of our Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Introductory Document in its proper form and context.
2. The Issue Manager, CGS International Securities Singapore Pte. Ltd., confirms that to the best of its knowledge and belief, this Introductory Document constitutes full and true disclosure of all material facts about the Introduction, our Company and its subsidiaries, and the Issue Manager is not aware of any facts the omission of which would make any statement in this Introductory Document misleading.

MATERIAL BACKGROUND INFORMATION

3. As at the date of this Introductory Document, none of our Directors, Executive Officers and Controlling Shareholders has:
 - (a) at any time during the last ten (10) years, had an application or a petition under any bankruptcy laws of any jurisdiction filed against him or her or against a partnership of which he or she was a partner at the time when he or she was a partner or at any time within two (2) years after the date he or she ceased to be a partner;
 - (b) at any time during the last ten (10) years, had an application or a petition under any law of any jurisdiction filed against an entity (not being a partnership) of which he or she was a director or an equivalent person or a key executive, at the time when he or she was a director or an equivalent person or a key executive of that entity or at any time within two (2) years after the date he or she ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency;
 - (c) any unsatisfied judgement against him or her;

- (d) ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he or she is aware) for such purpose;
- (e) ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he or she is aware) for such breach;
- (f) at any time during the last ten (10) years, had judgement entered against him or her in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his or her part, nor has he or she been the subject of any civil proceedings (including any pending civil proceedings of which he or she is aware) involving an allegation of fraud, misrepresentation or dishonesty on his or her part;
- (g) ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust;
- (h) ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust;
- (i) ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body permanently or temporarily enjoining him or her from engaging in any type of business practice or activity;
- (j) ever, to his or her knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of affairs of:
 - (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere;
 - (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere;
 - (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or
 - (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,

in connection with any matter occurring or arising during the period when he or she was so concerned with the entity or business trust; or

- (k) been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the MAS or any other regulatory authority, exchange, professional body or governmental agency, whether in Singapore or elsewhere.

CHANGES IN THE SHARE CAPITAL OF OUR COMPANY AND MAJOR SUBSIDIARIES

- 4. Except as disclosed in the section entitled “*Description of Share Capital — History of Share Capital*” of this Introductory Document, there were no changes in the share capital of our Company within the three (3) years immediately preceding the Latest Practicable Date.
- 5. Except as disclosed in the section entitled “*Description of Share Capital — History of Share Capital*” of this Introductory Document, there were no changes in the share capital of our Major Subsidiaries within the three (3) years immediately preceding the Latest Practicable Date.

RELATIONSHIP WITH THE ISSUE MANAGER

- 6. In the reasonable opinion of our Directors, the Issue Manager does not have a material relationship with our Company save as disclosed below:
 - (a) The Issue Manager and its affiliates are a full-service financial institution engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities.
 - (b) The Issue Manager and its affiliates may have, from time to time, performed and may in the future perform various financial advisory and investment banking services for our Company and our affiliates for which they received or will receive customary fees and expenses.
 - (c) The Issue Manager may, from time to time, be appointed as placement agent and/or underwriter in connection with subsequent equity fundraising exercises that may be conducted by our Group. Such roles, if any, will not be contingent and inter-conditional on CGS International Securities Singapore Pte. Ltd.’s appointment as Issue Manager. Details of any such equity fundraising will be included in a separate offering document to be issued in connection with such equity fundraising exercise if and when it is undertaken.
 - (d) In addition, in the ordinary course of their various business activities, the Issue Manager and its affiliates (or any of them) may make, issue or hold a broad array of investments and enter into secondary market transactions or actively trade debt and

equity securities (including but not limited to equity derivatives, warrants and other structured instruments) and financial instruments (including bank loans) for their own account and for the account of their customers, and such investment and securities activities may involve securities and/or instruments of our Company, or our affiliates.

- (e) The Issue Manager and its affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

MATERIAL CONTRACTS

- 7. There are no contracts (not being contracts entered into in the ordinary course of business) which were entered into by our Company or our subsidiaries within the two (2) years preceding the date of this Introductory Document and are or may be material.

MISCELLANEOUS

- 8. There has not been any public take-over offer by a third party in respect of our Shares, or by our Company in respect of the shares of another corporation or the units of a business trust, which has occurred between 1 January 2023 and the Latest Practicable Date.
- 9. No expert is employed on a contingent basis by our Company or any of our subsidiaries, or has a material interest, whether direct or indirect, in the shares of our Company or our subsidiaries, or has a material economic interest, whether direct or indirect, in our Company, including an interest in the success of the Introduction.
- 10. Except as disclosed in the sections entitled "*Summary — Future Plans*" and "*Business — Business Strategies and Future Plans — Future Plans*" of this Introductory Document, we are not aware of any event that has occurred since 1 January 2023 and up to the Latest Practicable Date, that may have a material effect on the financial position and results of our Group.
- 11. Except as disclosed in the sections entitled "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Business — Competitive Strengths*", and "*Business — Business Strategies and Future Plans*" of this Introductory Document and barring any unforeseen circumstances, we are not aware of any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material adverse effect on our net sales or revenues, profitability, liquidity or capital resources since 31 December 2023 (being the date to which our latest audited consolidated financial statements were prepared) and up to the Latest Practicable Date, or that would cause our financial information disclosed in this Introductory Document to be not necessarily indicative of our future operating results or financial condition.
- 12. Our Group is not subject to audit, inspection or review by regulatory authorities, therefore, there are no such material adverse findings by such regulatory authorities.

13. The details, including the name, address and professional qualifications including membership in a professional body of the auditors of our Company for the Period Under Review are set out in the section entitled “*Corporate Information*” of this Introductory Document.
14. We were not engaged in any legal or arbitration proceedings, including those which are pending or known to be contemplated, which may have, or which have had in the 12 months immediately preceding the date of lodgement of this Introductory Document, a material effect on the financial position or profitability of our Company or our subsidiaries.
15. We currently have no intention of changing our auditors after the Introduction.

CONSENTS

16. CGS International Securities Singapore Pte. Ltd., as the Issue Manager, has given and has not withdrawn its written consent to the issue of this Introductory Document with the inclusion herein of its name and all references thereto in the form and context in which they are included in this Introductory Document, and to act in such capacity in relation to this Introductory Document.
17. PwC, as the Independent Auditor, has given and has not withdrawn its written consent to the issue of this Introductory Document with the inclusion herein of its name and all references thereto, the statements attributed to them in the section entitled “Notice to Investors — Presentation of Financial and Statistical Information” of this Introductory Document, and the audit reports on the audited consolidated financial statements of our Group for the years ended 31 December 2021, 2022 and 2023 set out in Appendix A of this Introductory Document, in the form and context in which they are included in this Introductory Document. The audit reports on the audited consolidated financial statements of our Group as at and for each of the years ended 31 December 2021, 2022 and 2023 set out in Appendix A to this Introductory Document were not prepared for the purpose of incorporation in this Introductory Document.
18. Jingtian & Gongcheng, the legal adviser to our Company as to PRC law has given and has not withdrawn its written consent to the issue of this Introductory Document with the inclusion herein of its name and all references thereto and the statements attributed to them in the sections entitled “Risk Factors”, “Business — Intellectual Property” and “Management and Corporate Governance — Legal Representatives” of this Introductory Document, which were prepared as at the date of this Introductory Document for the purpose of incorporation in this Introductory Document in the form and context in which they are included in this Introductory Document.
19. Jingtian & Gongcheng LLP, the legal adviser to our Company as to Hong Kong law has given and has not withdrawn its written consent to the issue of this Introductory Document with the inclusion herein of its name and all references thereto and the statement attributed to them in the section entitled “*Management and Corporate Governance — Compensation of Directors and Executive Officers — Summary of the Share Incentive*”

Scheme — Post-IPO RSU Schemes” of this Introductory Document, which were prepared as at the date of this Introductory Document for the purpose of incorporation in this Introductory Document in the form and context in which they are included in this Introductory Document.

LEGAL MATTERS

20. Certain legal matters in connection with this Introduction will be passed upon for our Company by Drew & Napier LLC with respect to matters of Singapore law, by Jingtian & Gongcheng with respect to matters of PRC law, by Jingtian & Gongcheng LLP with respect to matters of Hong Kong Law and by Harney Westwood & Riegels with respect to matters of the Cayman Islands law and BVI law.
21. Each of Drew & Napier LLC, Dentons Rodyk & Davidson LLP and Harney Westwood & Riegels does not make or purport to make any statement in this Introductory Document, is not aware of any statement in this Introductory Document which purports to be based on a statement made by it, and makes no representation, express or implied, regarding, and to the extent permitted by law takes no responsibility for, any statement in or omission from this Introductory Document. Save for the statements attributed to Jingtian & Gongcheng as set out in the above paragraph 18, Jingtian & Gongcheng does not make or purport to make any statement in this Introductory Document, is not aware of any statement in this Introductory Document which purports to be based on a statement made by it, and makes no representation, express or implied, regarding, and to the extent permitted by law takes no responsibility for, any statement in or omission from this Introductory Document.

DOCUMENTS AVAILABLE FOR INSPECTION

22. Copies of the following documents may be inspected at 17 Upper Circular Road, #02-00 Juta Building, Singapore 058415, during normal business hours for a period of six (6) months from the date of this Introductory Document:
 - (a) our Memorandum of Association and Articles of Association;
 - (b) the service agreements entered into with our Directors referred to in the section entitled “*Management and Corporate Governance — Directors and Executive Officers — Service Agreements with Directors*” of this Introductory Document;
 - (c) the Independent Auditor’s Reports on the Audited Consolidated Financial Statements of our Group as at and for the years ended 31 December 2021, 2022 and 2023 as set out in Appendix A to this Introductory Document;
 - (d) the Audited Consolidated Financial Statements of our Group as at and for each of the years ended 31 December 2021, 2022 and 2023 as set out in Appendix A to this Introductory Document; and

- (e) the letters of consent referred to in the section entitled “*General and Statutory Information — Consents*” of this Introductory Document.

**APPENDIX A — AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED AND ITS
SUBSIDIARIES AS AT AND FOR EACH OF THE YEARS ENDED
31 DECEMBER 2021, 2022 AND 2023**

[Please see separate attachment]

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2021

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 8 to 68, comprise:

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

Our opinion

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

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

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

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|--|--|
| <p>Impairment assessment of right-of-use assets and plant and equipment in bars</p> <p>Refer to Notes 2.7, 4.5, 13 and 21 to the consolidated financial statements.</p> <p>As at 31 December 2021, the right-of-use assets and plant and equipment of the Group amounted to approximately RMB1,346,293,000 and RMB 866,211,000, respectively, majority of which are in relation to the Group’s bars.</p> <p>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</p> | <p>Our procedures in relation to impairment assessment of right-of-use assets and plant and equipment in bars included:</p> <ul style="list-style-type: none"> • We obtained an understanding of the management’s internal control and assessment process of the impairment and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • We evaluated and tested, on a sample basis, management’s key controls in respect of the impairment assessment, including the determination of CGU, the identification of impairment indicators, the preparation of cash flow forecast, and assumptions used in the calculation of VIU; |

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|--|
| <p>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.</p> <p>Based on the results of the impairment assessment conducted, impairment provision of approximately RMB4,634,000 and RMB6,351,000 was recognised for right-of-use assets and plant and equipment, respectively, in the Group’s consolidated statement of comprehensive income for the year ended 31 December 2021.</p> <p>We focused on this area due to significant management’s judgements involved in the determination of VIU of the related CGU, including the significant assumptions used in the compilation of the underlying cash flow forecast. The significant assumptions adopted by management are subjective, including revenue growth rates, raw material costs-to-revenue ratio, employee benefit and manpower service expenses-to-revenue ratio, and discount rates.</p> | <ul style="list-style-type: none"> • We evaluated the historical accuracy of management’s cash flow forecasts by comparing the forecasts used in the prior year to the actual performance of the respective bars in current year; • We evaluated the reasonableness of the significant assumptions applied in the cash flow forecasts, such as revenue growth rates, raw material costs-to-revenue ratio, and employee benefit and manpower service expenses-to-revenue ratio, by considering market data, the Group’s management plans and the bars’ historical performances, and benchmarked with industry; • 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 evaluated management’s sensitivity analysis performed on the forecast revenue, forecast raw material costs, forecast employee benefit and manpower service expenses, and discount rates adopted in the impairment assessment so as to assess the potential implications on the results of the impairment assessment for changes in significant assumptions within a reasonable range. |

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|------------------|--|
| | 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 HKSA's 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 HKSA's, 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.

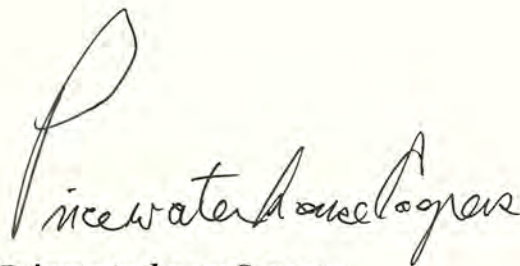
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether 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.

A large, stylized handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers'.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2022

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

| | Note | Year ended 31 December | |
|---|-------|------------------------|-----------------|
| | | 2021 RMB'000 | 2020 RMB'000 |
| Revenue | 5 | 1,835,616 | 817,945 |
| Government grants and concessions | 7 | 14,024 | 36,422 |
| Raw materials and consumables used | 17 | (576,787) | (271,385) |
| Employee benefit and manpower service expenses | 8 | (581,628) | (178,930) |
| Depreciation of right-of-use assets | 21 | (220,246) | (105,276) |
| Depreciation of plant and equipment | 13 | (82,600) | (32,017) |
| Amortisation of intangible assets | 14 | (17) | (17) |
| Short-term rental and other related expenses | | (46,865) | (31,762) |
| Utilities expenses | | (57,710) | (23,893) |
| Travelling and related expenses | | (12,601) | (6,244) |
| Listing expenses | | (30,893) | (5,680) |
| Advertising and promotion expenses | | (42,500) | (15,398) |
| Other expenses | 6 | (98,862) | (58,173) |
| Impairment losses of plant and equipment and right-of-use assets | 13&21 | (10,985) | - |
| Fair value changes of convertible preferred shares | 26 | (207,669) | - |
| Finance income | 9 | 563 | 34 |
| Finance costs | 9 | (57,690) | (28,659) |
| (Loss)/profit before income tax | | (176,850) | 96,967 |
| Income tax expense | 10 | (53,150) | (26,895) |
| (Loss)/profit for the year attributable to owners of the Company | | (230,000) | 70,072 |
| Other comprehensive (loss)/income: | | | |
| <i>Item that may be subsequently reclassified to profit or loss</i> | | | |
| Currency translation differences | | (5,415) | 951 |
| Total comprehensive (loss)/income for the year attributable to owners of the Company | | (235,415) | 71,023 |
| (Loss)/earnings per share for (loss)/profit attributable to owners of the Company (expressed in RMB per share) | | | |
| Basic | 11 | (0.213) | 0.070 |
| Diluted | 11 | (0.213) | 0.068 |

The notes on pages 13 to 68 are integral parts of these consolidated financial statements.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

The notes on pages 13 to 68 are integral parts of these consolidated financial statements.

The consolidated financial statements on pages 8 to 68 were approved for issue by the Board of Directors on 28 March 2022 and were signed on its behalf.

Mr. Xu Bingzhong
Executive Director and Chief Executive Officer

Ms. Yu Zhen
Executive Director and Chief Financial Officer

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

| | Attributable to owners of the Company | | | | | | Total equity RMB'000 |
|--------------------------------------|---------------------------------------|--------------------------|---|------------------------------|-----------------------------|---|-------------------------|
| | Share capital RMB'000 | Share premium RMB'000 | Share-based compensation reserve RMB'000 | Statutory reserve RMB'000 | Exchange reserve RMB'000 | Retained earnings / (accumulated loss) RMB'000 | |
| Balance at 1 January 2020 | 1 | - | 1,100 | 7,007 | (756) | 81,863 | 89,215 |
| Comprehensive income | | | | | | | |
| Profit for the year | - | - | - | - | - | 70,072 | 70,072 |
| Other comprehensive income | | | | | | | |
| Currency translation differences | - | - | - | - | 951 | - | 951 |
| Total comprehensive income | - | - | - | - | 951 | 70,072 | 71,023 |
| Transaction with owners | | | | | | | |
| Appropriation to statutory reserve | - | - | - | 3,978 | - | (3,978) | - |
| Total transaction with owners | - | - | - | 3,978 | - | (3,978) | - |
| Balance at 31 December 2020 | 1 | - | 1,100 | 10,985 | 195 | 147,957 | 160,238 |

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

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

*The balances were rounded to the nearest thousand.

The notes on pages 13 to 68 are integral parts of these consolidated financial statements.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

The notes on pages 13 to 68 are integral parts of these consolidated financial statements.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

The Company was incorporated in the Cayman Islands on 16 January 2018 as an exempted company with limited liability under the Companies Act (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of its registered office is 3-212 Governors Square, 23 Lime Tree Bay Avenue, P.O. Box 30746, Seven Mile Beach, Grand Cayman KY1-1203, Cayman Islands. The Company's shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Listing") on 10 September 2021 (the "Listing Date").

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

The financial statements are presented in Renminbi ("RMB"), unless otherwise stated, and have been approved for issue by the Company's board of directors (the "Board") on 28 March 2022.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

The consolidated financial statements have been prepared under the historical cost convention except for financial liabilities at fair value through profit or loss ("FVPL"), measured at fair value.

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

(a) New amendments early adopted by the Group

The Group has early adopted the Amendments to HKFRS 16 - COVID-19 Related Rent Concession from 1 January 2020.

The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (b) any reduction in lease payments affects only payments due on or before 30 June 2021; and (c) there is no substantive change to other terms and conditions of the lease.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. As a result, rent concessions totalling approximately RMB484,000 (Notes 7 and 21) have been recognised under “government grants and concessions” in the consolidated statement of comprehensive income during the year ended 31 December 2021 with a corresponding adjustment to the lease liabilities. (2020: RMB10,597,000).

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

Standards, amendments and interpretations that have been issued but not yet effective and not been early adopted by the Group during the years ended 31 December 2021 are as follows:

| | | Effective for annual periods beginning on or after |
|--|---|---|
| HK Interpretation 5 (2020) | Presentation of financial statements - classification by the borrower of a term loan that contains a repayment on demand clause | 1 January 2023 |
| HKFRS 17 Insurance Contracts | Insurance contracts | 1 January 2023 |
| Amendments to HKAS 1 | Classification of liabilities as current or non-current | 1 January 2023 |
| Amendments to HKAS 8 | Definition of accounting estimates | 1 January 2023 |
| Accounting Guideline 5 (Revised) | Merger accounting for common control combinations | 1 January 2022 |
| Amendments to HKFRS 3 | Reference to the conceptual framework | 1 January 2022 |
| Amendments to HKFRS 10 and HKAS 28 | Sale or contribution of assets between an investor and its associate or joint venture | To be determined |
| Annual Improvements to HKFRS Standards | Annual improvements 2018-2020 cycle | 1 January 2022 |
| Amendment to HKAS 12 | Deferred tax related to assets and liabilities arising from a single transaction | 1 January 2023 |
| Amendments to HKAS 16 | Proceeds before intended use | 1 January 2022 |
| Amendments to HKAS 37 | Onerous contracts - cost of fulfilling a contract | 1 January 2022 |

The Group will adopt the above new or revised standards, amendments and interpretations to existing standards as and when they become effective. Management has performed a preliminary assessment and does not anticipate any significant impact on the Group’s financial position and results of operations upon adopting these standards, amendments and interpretations to the existing HKFRSs.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.2 Subsidiaries

2.2.1 Consolidation

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

(a) Business combination

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

(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.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(c) Disposal of subsidiaries

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

2.2.2 Separate financial statements

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

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

2.3 Segment reporting

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

2.4 Foreign currency translation

2.4.1 Functional and presentation currency

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

2.4.2 Transactions and balances

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

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.4 Foreign currency translation (Continued)

2.4.2 Transactions and balances (Continued)

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

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

2.4.3 Group companies

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

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

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

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

2.5 Plant and equipment

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

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

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.5 Plant and equipment (Continued)

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

- Office equipment 5 years
- Computer equipment 3 to 5 years
- Furniture and fixture 5 years
- Leasehold improvement Over the shorter of lease term and useful life

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

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

Gain or loss on disposal of plant and equipment are determined by comparing proceeds with carrying amounts and are recognised in profit or loss.

2.6 Intangible assets

System software

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

2.7 Impairment of non-financial assets

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

2.8 Financial assets

2.8.1 Classification

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

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

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.8 Financial assets (Continued)

2.8.1 Classification (Continued)

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

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

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

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

2.8.2 Recognition and measurement

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

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

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

2.8.3 Derecognition

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

2.9 Offsetting financial instruments

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

2.10 Impairment of financial assets

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

- Other receivables and deposits; and
- Cash and cash equivalents.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.10 Impairment of financial assets (Continued)

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

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

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

2.11 Trade and other receivables

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

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

2.12 Inventories

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

2.13 Cash and cash equivalents

For the purpose of presentation in the consolidated statements of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, as well as bank overdrafts.

Bank overdrafts are shown within borrowings in the current liabilities in the consolidated statement of financial position.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.14 Share capital

Ordinary shares are classified as equity.

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

2.15 Trade and other payables

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

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

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in interest expense over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

2.17 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.18 Convertible preferred shares

The Group has issued convertible preferred shares which give options to holders a right for redemption into cash after specified timing or a right for conversion into ordinary shares of the Company. The convertible preferred shares will be automatically converted into ordinary shares upon occurrence of certain events outside the control of the Company.

The Group designates convertible preferred shares as financial liabilities at FVPL. Convertible preferred shares are classified as non-current liabilities or current liabilities depending on whether the convertible preferred shares holders can demand the Company to redeem the convertible preferred shares for cash within 12 months after the end of the reporting period or not. They are initially recognised at fair value. Any directly attributable transaction costs are recognised as finance costs in the consolidated statement of comprehensive income.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.18 Convertible preferred shares (Continued)

Subsequent to initial recognition, the convertible preference shares are carried at fair value with changes in fair value recognised as “other gains, net” in the consolidated statements of comprehensive income. The component of fair value changes relating to the Company’s own credit risk is recognised in other comprehensive income. Amounts recorded in other comprehensive income related to credit risk are not subject to recycling in the statement of comprehensive income, but are transferred to retained earnings when realised.

2.19 Provisions

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

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

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

2.20 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.20 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

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.

2.21 Employee benefits

(a) Short-term obligations

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

(b) Defined contribution plans

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

(c) Bonus plans

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

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.21 Employee benefits (Continued)

(d) Termination benefits

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

2.22 Revenue recognition

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

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

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

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

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

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

(a) Revenue from bar operations

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

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

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.22 Revenue recognition (Continued)

(b) Revenue from franchisees

Revenue from franchised bars operating under the trading name of “Helens” comprise a one-off non-refundable fee attributable to the Group’s support services for these franchisees on their implementation of franchise systems, and annual management service fees which are based upon a certain percentage of franchisee’ sales.

The one-off implementation service fee income is recognised over the terms of the franchise agreements which are subject to annual renewal with durations being shorter of one year or the period from the date of the agreement to the nearest year-end. The annual management service fee income is recognised over the period when related services are rendered. The Group does not have other transactions with franchisees. The Group does not sell any food ingredients, beverages and consumables to franchisees.

2.23 Interest income

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

2.24 Leases

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

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

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

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

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.24 Leases (Continued)

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

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

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

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

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

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

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

2.25 Dividend distribution

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

2.26 Government grants

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

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

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.27 Contingent liabilities

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

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

3 Financial risk management

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

3.1 Market risk

3.1.1 Foreign exchange risk

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

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

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).

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

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

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

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 cash equivalents (excluding cash on hand). Details of the Group's cash and cash equivalents have been disclosed in Note 18 to the consolidated financial statements. The Group's lease liabilities are also interest-bearing but with fixed rates.

As of 31 December 2021, if interest rates on cash and cash equivalents (excluding cash on hand) had been 50 basis points higher/lower with all variables held constant, profit before income tax for the periods then ended would have been approximately RMB8,110,000 higher/lower (2020: RMB115,000), mainly as a result of higher/lower interest income on the cash and cash equivalents (excluding cash on hand).

3.1.3 Credit risk

The credit risk of the Group mainly arises from cash and cash equivalents (excluding cash on hand), rental and other deposits. The carrying amounts of each financial asset represent the Group's maximum exposure to credit risk in relation to financial assets.

(a) Risk management

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

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

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

(b) Impairment of financial assets

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

The Group's other financial assets carried at amortised cost include rental and other deposits in the consolidated statements of financial position. The impairment loss of rental and other deposits is measured based on the twelve months expected credit loss. The twelve months expected credit loss is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within twelve months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss. As of 31 December 2021 and 2020, management considered the expected credit loss rates of rental and other deposits to be immaterial and the expected credit losses of rental and other deposits as immaterial under 12 months expected credit loss method. Therefore, no provision was recognised.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Market risk (Continued)

3.1.4 Liquidity risk

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

Taking into account the Group's financial resources, its internally generated cash and banking facilities, the directors of the Company believe that the Group has sufficient capital to meet its liquidity needs for at least twelve months from 31 December 2021.

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

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

| | Repayable on demand RMB'000 | Less than 1 year RMB'000 | More than 1 year RMB'000 | Total RMB'000 |
|--|-----------------------------------|--------------------------------|--------------------------------|------------------|
| At 31 December 2021 | | | | |
| Trade payables | - | 75,139 | - | 75,139 |
| Other payables and accruals (excluding amount due to a director) | - | 49,722 | - | 49,722 |
| Lease liabilities | - | 324,880 | 1,291,379 | 1,616,259 |
| | - | 449,741 | 1,291,379 | 1,741,120 |
| At 31 December 2020 | | | | |
| Trade payables | - | 36,456 | - | 36,456 |
| Other payables and accruals (excluding amount due to a director) | - | 22,310 | - | 22,310 |
| Amount due to a director | 35,136 | - | - | 35,136 |
| Lease liabilities | - | 138,309 | 526,263 | 664,572 |
| Borrowings | - | 13,255 | - | 13,255 |
| | 35,136 | 210,330 | 526,263 | 771,729 |

The table below analyses the borrowings of the Group into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Market risk (Continued)

3.1.4 Liquidity risk (Continued)

| | Within 1 year RMB'000 | Between 1 and 2 years RMB'000 | Between 2 and 5 years RMB'000 | Total RMB'000 |
|----------------------------|-----------------------------|-------------------------------------|-------------------------------------|------------------|
| At 31 December 2021 | | | | |
| Borrowings | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| At 31 December 2020 | | | | |
| Borrowings | 13,000 | - | - | 13,000 |
| | <u>13,000</u> | <u>-</u> | <u>-</u> | <u>13,000</u> |

3.2 Capital management

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

The Group monitors capital on the basis of the total debt to total capital ratio. Total debt represents borrowings. Total capital represents total equity, as shown in the consolidated statements of financial position. The total debt to total capital ratios at 31 December 2021 and 2020 were as follows:

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

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.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Critical accounting estimates and assumptions (Continued)

4.1 Current and deferred taxation

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

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

4.2 Depreciation

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

4.3 Determination of lease terms

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

4.4 Recognition of share-based payment expenses

As disclosed in Note 29, the Group issued certain shares to WTSJ Holding and NEWCE Holding at par value which results in the recognition of share-based payment expenses. Significant estimates on key assumptions are required to be made by management in determining the fair value of the issued shares, including risk-free rate, expected volatility and expected dividend yield.

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

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

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

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Revenue and segment information

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

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

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

During the years ended 31 December 2021 and 2020, all of the Group’s revenues are from contracts with customers. Please refer to Note 2.22 for details of accounting policies on revenue recognition.

(a) Disaggregation of revenue

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

| | Year ended 31 December | |
|---|------------------------|----------------|
| | 2021 | 2020 |
| | RMB’000 | RMB’000 |
| Revenue from: | | |
| - Bar operations | 1,835,108 | 812,877 |
| - Franchisee | 508 | 5,068 |
| | <u>1,835,616</u> | <u>817,945</u> |
| Disaggregated by timing of revenue recognition: | | |
| - Point in time | 1,835,108 | 812,877 |
| - Over time | 508 | 5,068 |
| | <u>1,835,616</u> | <u>817,945</u> |

No customers contributed over 10% of the total revenue of the Group for the years ended 31 December 2021 and 2020.

All contracts entered by the Group are for periods one year or less. The Group has applied the practical expedient as permitted by HKFRS 15 and the transaction allocated to the remaining performance obligations is not disclosed.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Revenue and segment information (Continued)

(b) Segment revenue by customers' geographical location

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

| | Year ended 31 December | |
|-----------|------------------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| The PRC | 1,832,982 | 816,281 |
| Hong Kong | 2,634 | 1,664 |
| | <u>1,835,616</u> | <u>817,945</u> |

(c) Non-current assets by geographical location

As of 31 December 2021 and 2020, most of the Group's non-current assets (other than intangible assets and deferred tax assets) were located in the PRC.

6 Other expenses

| | Year ended 31 December | |
|--|------------------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| Logistics and warehousing-related costs | 51,731 | 18,827 |
| Office expenses | 11,369 | 9,242 |
| Repair and maintenance | 5,033 | 3,669 |
| Auditor's remuneration | | |
| — Audit services | 4,900 | 48 |
| — Non-audit services | 715 | - |
| Training expenses | 2,821 | 3,471 |
| Fees for professional advisory and consulting services | 1,302 | 2,379 |
| Others | 20,991 | 20,537 |
| | <u>98,862</u> | <u>58,173</u> |

7 Government grants and concessions

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

(a) Government grants mainly represented exemptions on value-added tax granted by the government authorities in the PRC which were applicable to certain subsidiaries of the Group, and the additional COVID-19 relief exemptions granted by the government authorities in the PRC and Hong Kong during the year ended 31 December 2021 and 2020.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Employee benefit expenses (including directors' emoluments) and manpower service expenses

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

(a) Pensions costs - defined contribution plans

Hong Kong

Retirement benefit costs - defined contribution schemes

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, the Group and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the Group's and the employees' mandatory contributions were subject to a cap of HKD1,500 per month.

The PRC

As stipulated under the relevant rules and regulations in the PRC, the subsidiaries operating in the PRC contribute to state-sponsored retirement plans for its employees. For the years ended 31 December 2021 and 2020, depending on the provinces of the employees' registered residences and their current region of work, the subsidiaries contributed certain percentages of the basic salaries of its employees and had no further obligations for the actual payment of pensions or postretirement benefits beyond the contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to the retired employees.

(b) Manpower service expenses

During the year ended 31 December 2021 and 2020, the Group entered into certain manpower service arrangements with several external manpower service agents in the PRC. Under these arrangements, certain of the Group's manpower requirements were fulfilled by these agents at agreed service fees whereas the human resources provided were directly employed by the relevant service organisations. The individuals providing services to the Group do not have any employment relationship with the Group.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 Employee benefit expenses (including directors' emoluments) and manpower service expenses (Continued)

(c) Five highest paid individuals

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

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

The emoluments fell within the following band:

| | Year ended 31 December | |
|---|----------------------------------|----------------------------------|
| | 2021 Number of individuals | 2020 Number of individuals |
| Emolument band Below HKD1,000,000 | <u>2</u> | <u>3</u> |

During the years ended 31 December 2021 and 2020, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

9 Finance costs, net

| | Year ended 31 December | |
|---|------------------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| Interest income on bank deposits | <u>(563)</u> | <u>(34)</u> |
| Interest expenses on lease liabilities (Note 21(c)) | 54,222 | 28,226 |
| Interest expenses on borrowings | 3,468 | 433 |
| Finance costs | <u>57,690</u> | <u>28,659</u> |
| Finance costs, net | <u>57,127</u> | <u>28,625</u> |

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Income tax expense

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

(a) Hong Kong profits tax

During the years ended 31 December 2021 and 2020, no provision for Hong Kong profits tax has been made at the rate of 16.5% as the Group did not derive any income subject to Hong Kong profits tax during the years ended 31 December 2021 and 2020.

(b) PRC corporate income tax

During the years ended 31 December 2021 and 2020, the Group's subsidiaries in the PRC are subject to corporate income tax ("CIT") at a standard rate of 25%, except for Shenzhen Helens Management Co., Ltd. which is an enterprise established in the Qianhai Shenzhen-Hong Kong Modern Services Industry Cooperation Zone ("Qianhai Zone") and is engaged in business that falls within the catalogue for CIT preferential treatments of Qianhai Zone and therefore subject to a preferential corporate income tax rate of 15%.

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

| | Year ended 31 December | |
|---|------------------------|---------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| (Loss)/profit before income tax | <u>(176,850)</u> | <u>96,967</u> |
| Tax calculated at the applicable tax rates of the respective subsidiaries | 37,374 | 22,885 |
| Tax effect of: | | |
| Expenses not deductible for tax purpose | 11,886 | 3,552 |
| Tax losses not recognised | 3,890 | 458 |
| Income tax expense | <u>53,150</u> | <u>26,895</u> |

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 Earnings per share

(a) Basic

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2021 and 2020.

In determining the weighted average number of ordinary shares deemed to be in issue during the years ended 31 December 2021 and 2020, 1,000 shares, being the number of ordinary shares issued by the Company on 16 January 2018 (date of incorporation), were deemed to have been issued and allocated on 1 January 2018 as if the Company has been incorporated by then, when computing the basic and diluted earnings per share for the years ended 31 December 2021 and 2020.

On 9 February 2021, the shareholders of the Company resolved that all issued and unissued ordinary shares of the Company increased from 500,000,000 shares of USD0.0001 each to 500,000,000,000,000 shares of USD0.0000000001 each by subdivision of one share at par value of USD0.0001 each to 1,000,000 shares at par value of USD0.0000000001 each (the "Subdivision"). Immediately following the Subdivision, the number of ordinary shares in issue was 1,000,000,000. In determining the weighted average number of ordinary shares in issue, the Subdivision has been adjusted retrospectively as if the Subdivision was effective since the beginning of the year ended 31 December 2018.

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

(b) Diluted

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

For the year ended 31 December 2021, the Group incurred losses and the potential ordinary shares were not included in the calculation of the diluted loss per share as they are anti-dilutive. Accordingly, diluted loss per share for the year ended 31 December 2021 is the same as basic loss per share.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 Earnings per share (Continued)

(b) Diluted (Continued)

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

12 Dividends

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

13 Plant and equipment

| | Office equipment RMB'000 | Computer equipment RMB'000 | Furniture and fixture RMB'000 | Leasehold improvement RMB'000 | Total RMB'000 |
|------------------------------------|-----------------------------|-------------------------------|----------------------------------|----------------------------------|------------------|
| At 1 January 2020 | | | | | |
| Cost | 27 | 215 | 35,826 | 98,922 | 134,990 |
| Accumulated depreciation | (6) | (55) | (5,002) | (15,362) | (20,425) |
| Net book amount | 21 | 160 | 30,824 | 83,560 | 114,565 |
| Year ended 31 December 2020 | | | | | |
| Opening net book amount | 21 | 160 | 30,824 | 83,560 | 114,565 |
| Additions | - | 76 | 24,089 | 78,432 | 102,597 |
| Business combinations (Note 30) | - | - | - | 3,737 | 3,737 |
| Depreciation | (5) | (48) | (8,676) | (23,288) | (32,017) |
| Currency translation differences | - | - | (4) | (35) | (39) |
| Closing net book amount | 16 | 188 | 46,233 | 142,406 | 188,843 |

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 Plant and equipment (Continued)

| | Office equipment RMB'000 | Computer equipment RMB'000 | Furniture and fixture RMB'000 | Leasehold improvement RMB'000 | Total RMB'000 |
|------------------------------------|--------------------------------|----------------------------------|-------------------------------------|-------------------------------------|------------------|
| At 31 December 2020 | | | | | |
| Cost | 27 | 291 | 59,911 | 181,056 | 241,285 |
| Accumulated depreciation | (11) | (103) | (13,678) | (38,650) | (52,442) |
| Net book amount | 16 | 188 | 46,233 | 142,406 | 188,843 |
| Year ended 31 December 2021 | | | | | |
| Opening net book amount | 16 | 188 | 46,233 | 142,406 | 188,843 |
| Additions | - | 3 | 120,990 | 649,265 | 770,258 |
| Business combinations (Note 30) | - | - | - | 1,130 | 1,130 |
| Depreciation | (5) | (63) | (19,015) | (63,517) | (82,600) |
| Impairment losses (a) | - | - | (326) | (6,025) | (6,351) |
| Closing net book amount | 11 | 128 | 147,882 | 723,259 | 871,280 |
| At 31 December 2021 | | | | | |
| Cost | 27 | 294 | 180,901 | 831,451 | 1,012,673 |
| Accumulated depreciation | (16) | (166) | (32,693) | (102,167) | (135,042) |
| Impairment losses | - | - | (326) | (6,025) | (6,351) |
| Net book amount | 11 | 128 | 147,882 | 723,259 | 871,280 |

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

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

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

Based on the results of the impairment assessment conducted, the carrying amount of certain bars exceeded their recoverable amount and therefore impairment of approximately RMB6,351,000 and RMB4,634,000 (Note 21(b)) was recognised for these bars’ plant and equipment and right-of-use assets, respectively, in the Group’s consolidated statement of comprehensive income for the year ended 31 December 2021.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 Intangible assets

| | System software RMB'000 |
|------------------------------------|-------------------------------|
| At 1 January 2020 | |
| Cost | 147 |
| Accumulated amortisation | (21) |
| Net book amount | <u>126</u> |
| Year ended 31 December 2020 | |
| Opening net book amount | 126 |
| Additions | - |
| Amortisation | (17) |
| Closing net book amount | <u>109</u> |
| At 31 December 2020 | |
| Cost | 147 |
| Accumulated amortisation | (38) |
| Net book amount | <u>109</u> |
| Year ended 31 December 2021 | |
| Opening net book amount | 109 |
| Additions | - |
| Amortisation | (17) |
| Closing net book amount | <u>92</u> |
| At 31 December 2021 | |
| Cost | 147 |
| Accumulated amortisation | (55) |
| Net book amount | <u>92</u> |

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 Financial instruments by categories

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

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 Prepayments, deposits and other receivables

| | As of 31 December | |
|---|-------------------|---------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Non-current portion | | |
| Rental and other deposits | 83,179 | 23,278 |
| Prepayments for acquisitions of property, plant and equipment | | |
| - Properties (b) | 223,260 | - |
| - Others | 16,608 | 3,574 |
| | <u>323,047</u> | <u>26,852</u> |
| Current portion | | |
| Rental and other deposits | 21,641 | 7,073 |
| Prepayments | 743 | 147 |
| Deferred listing expenses | - | 1,002 |
| Other tax receivable | 1,841 | 1,585 |
| Others | 1,665 | 393 |
| | <u>25,890</u> | <u>10,200</u> |

- (a) As of 31 December 2021, the carrying amounts of deposits and other receivables approximated their fair values and were primarily denominated in RMB.
- (b) The balance represented the prepayment for acquisitions of certain office properties. As at 31 December 2021, acquisitions were not yet completed as the property delivery and other registration procedures including but not limited to obtaining the housing ownership certificates were still in process.

17 Inventories

| | As of 31 December | |
|---|-------------------|---------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Food ingredients, beverages and consumables | <u>61,502</u> | <u>36,855</u> |

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

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

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 Cash and cash equivalents

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

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

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

| | As of 31 December | |
|-----|-------------------|---------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| RMB | 135,783 | 22,796 |
| HKD | 1,490,883 | 1,459 |
| USD | 65 | - |
| | <u>1,626,731</u> | <u>24,255</u> |

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

As of 31 December 2021, cash and cash equivalents of the Group amounting to approximately RMB393,816,000 (2020: RMB22,796,000), which included cash and cash equivalents amounting to approximately RMB28,257,000 held under a subsidiary's bank account with a bank in the PRC and denominated in HKD, were deposited with the banks in the PRC where the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the government of the PRC.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 Share capital

Authorised

| | Number of ordinary shares | Nominal value of ordinary shares USD | Number of convertible preferred shares | Nominal value of Convertible preferred shares USD |
|---|------------------------------|--|--|--|
| As of 31 December 2019 and 2020 | 500,000,000 | 50,000 | - | - |
| Effect of share subdivision (Note (b)) | 499,999,500,000,000 | - | - | - |
| Redesignation (Notes (c) and (e)) | (25,591,032) | (2,559) | 25,591,032 | 2,559 |
| Conversion of convertible redeemable preferred shares into ordinary shares (Note (i)) | 25,591,032 | 2,559 | (25,591,032) | (2,559) |
| As of 31 December 2021 | <u>500,000,000,000,000</u> | <u>50,000</u> | <u>-</u> | <u>-</u> |

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 Share capital (Continued)

Issued

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

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

Notes:

- (a) On 16 January 2018, 1,000 ordinary shares were issued for approximately USD0.0001 pursuant to the Group's Reorganisation. As of 31 December 2020, total issued number and nominal value of ordinary shares of the Company amounted to 1,000 share and approximately RMB1 respectively.
- (b) On 9 February 2021, the Company underwent a share subdivision whereby each of the issued and unissued ordinary shares of the Company with a par value of USD0.0001 each was subdivided into 1,000,000 Shares with a par value of USD0.0000000001, such that immediately following such share subdivision, the authorised share capital of the Company was USD50,000 divided into 500,000,000,000,000 ordinary shares with a par value of USD0.0000000001 each, and the issued ordinary shares was 1,000,000,000 shares with a nominal value of USD0.1.
- (c) On 9 February 2021, following the share subdivision, the authorised share capital of the Company was changed from USD50,000 divided into 500,000,000,000,000 Shares of a nominal value of USD0.0000000001 each to USD50,000 divided into (i) 499,999,975,977,096 ordinary shares of a nominal value of USD0.0000000001 each and (ii) 24,022,904 Series A Preferred Shares of a nominal value of USD0.0000000001 each, by redesignation of 24,022,904 authorised but unissued shares as Series A Preferred Shares.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 Share capital (Continued)

Issued (Continued)

Notes: (Continued)

- (d) On 9 February 2021, following the share subdivision and redesignation of Shares, the Company allotted and issued 11,146,876 Shares and 864,099 Shares to WTSJ Holding and NEWCE Holding, respectively at par value.
- (e) On 10 February 2021, the authorised share capital of the Company was changed from USD50,000 divided into (i) 499,999,975,977,096 ordinary shares of a nominal value of USD0.000000001 each and (ii) 24,022,904 Series A Preferred Shares of a nominal value of USD0.000000001 each to USD50,000 divided into (i) 499,999,974,408,968 ordinary shares of a nominal value of USD0.000000001 each, (ii) 24,022,904 Series A Preferred Shares of a nominal value of USD0.000000001 each and (iii) 1,568,128 Series A+ Preferred Shares of par value of USD0.000000001 each, by redesignation of 1,568,128 authorised but unissued shares as Series A+ Preferred Shares.
- (f) On 7 June 2021, (i) 3,100,389 shares had been issued to TLTQ Holding Limited for the purpose of the director RSU Scheme; (ii) 9,999,611 Shares had been issued to SHXM Holding Limited for the purpose of the senior management RSU Scheme; and (iii) 13,700,000 Shares had been issued to NLNQ Holding Limited for the purpose of the employee RSU Scheme.
- (g) On 7 June 2021, 47,652,017 shares had been issued by the Company to TSLZ Holding Limited for the purpose of the post-IPO RSU Scheme. As at 31 December 2021, the aforementioned shares have not been granted.
- (h) On 10 September 2021, upon the listing on the Main Board of the Stock Exchange of Hong Kong Limited, the Company issued 154,847,500 new ordinary shares at par value of USD0.000000001 per share for cash consideration of HKD19.77 each, and raised gross proceeds of approximately HKD3,061,335,000 (equivalent to approximately RMB2,539,164,000). After netting off these gross proceeds with share issuance cost amounting to approximately RMB98,103,000, the respective share capital amount was approximately RMB0.1 and share premium arising from the issuance was approximately RMB2,441,061,000. The share issuance costs paid mainly includes share underwriting commissions, lawyers' fee and other related costs, which are incremental cost directly attributable to the issuance of the new shares. These share issuance costs were treated as a deduction against the share premium arising from the issuance.
- (i) On 10 September 2021, all the 25,591,032 convertible and redeemable preferred shares were converted into the same number of ordinary shares (Note 26). The fair value of the Preferred Shares immediately before the conversion was RMB419,153,000, and the conversion resulted in the increase in share capital of RMB0.003 and share premium of approximately RMB419,153,000.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 Reserves

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 Reserves (Continued)

(a) Appropriation for statutory surplus reserve

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

(b) Share issuance costs

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

21 Leases

(a) The Group's leasing activities

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

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

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

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 Leases (Continued)

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

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

| | As of 31 December | |
|---------------------------------------|-------------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| Right-of-use assets-properties | | |
| Opening net book amount | 554,506 | 386,229 |
| Additions | 1,018,712 | 273,434 |
| Depreciation charge | (220,246) | (105,276) |
| Impairment losses (Note 13(a)) | (4,634) | - |
| Currency translation differences | - | 119 |
| Closing net book amount | <u>1,348,338</u> | <u>554,506</u> |
| Lease liabilities | | |
| Non-current portion | 1,060,620 | 460,379 |
| Current portion | 185,520 | 78,862 |
| | <u>1,246,140</u> | <u>539,241</u> |

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

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

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

| | Year ended 31 December | |
|---|------------------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| Depreciation charge of right-of-use assets | 220,246 | 105,276 |
| Finance costs on lease liabilities (Note 9) | 54,222 | 28,226 |
| Gain on COVID-19 rent concessions (Note 7) | 484 | 10,597 |
| Impairment losses (Note 13) | <u>4,634</u> | <u>-</u> |

During the year ended 31 December 2021, the Group received rent concessions from landlords during certain periods of severe social distancing and travel restriction measures introduced by the PRC and Hong Kong government to contain the spread of COVID-19. These aforementioned rent concessions amounted to a total of approximately RMB484,000 (2020: RMB10,597,000). Pursuant to the applicable practical expedients under the amendments to HKFRS 16, the Group has recognised all of these concessions in the Group's consolidated statement of comprehensive income under "government grants and concessions" during the year ended 31 December 2021 and 2020.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 Leases (Continued)

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

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

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

* Payments for short-term leases were not shown separately, but included in the line of “profit before income tax” in respect of the net cash generated from operations which were presented in Note 27(a) using the indirect method.

22 Deferred income tax

| | As of 31 December | |
|----------------------------|-------------------|---------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Deferred income tax assets | 29,886 | 18,322 |
| | <u>29,886</u> | <u>18,322</u> |

Deferred income tax assets

| | Rights-of-use assets and lease liabilities RMB'000 | Advertising expenses RMB'000 | Tax losses RMB'000 | Impairment losses RMB'000 | Total RMB'000 |
|---------------------------------------|--|------------------------------------|-----------------------|---------------------------------|------------------|
| As of 1 January 2020 | 2,693 | 322 | 6,014 | - | 9,029 |
| Credited to profit and loss | 1,351 | 3 | 7,939 | - | 9,293 |
| As of 31 December 2020 | <u>4,044</u> | <u>325</u> | <u>13,953</u> | <u>-</u> | <u>18,322</u> |
| As of 1 January 2021 | 4,044 | 325 | 13,953 | - | 18,322 |
| (Charged)/credited to profit and loss | 9 | 927 | 7,882 | 2,746 | 11,564 |
| As of 31 December 2021 | <u>4,053</u> | <u>1,252</u> | <u>21,835</u> | <u>2,746</u> | <u>29,886</u> |

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 Deferred income tax (Continued)

Deferred income tax assets (Continued)

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. As of 31 December 2021, the Group did not recognise certain deferred income tax assets of approximately RMB6,614,000 (2020: RMB2,724,000), in respect of accumulated tax losses amounting to approximately RMB33,697,000 (2020: RMB16,511,000), that can be carried forward against future taxable income. These unrecognised tax losses were attributable to a Hong Kong subsidiary and do not have an expiry date.

The PRC subsidiaries of the Group have undistributed earnings of approximately RMB367,064,000 as of 31 December 2021 (2020: RMB213,304,000), which, if paid out as dividends, would be subject to tax in the hands of the recipient. Assessable temporary differences exist, but no deferred tax liabilities have been recognised as the parent entity is able to control the timing of distributions of dividends from the PRC subsidiaries and is not expected to distribute these profits in the foreseeable future.

23 Trade payables

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

As of 31 December 2021 and 2020, the aging analysis of trade payables, based on invoice date, were as follows:

| | As of 31 December | |
|-----------|-------------------|---------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| 0-90 days | 75,139 | 36,456 |

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 Other payables and accruals

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

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

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

| | As of 31 December | |
|-----|-------------------|---------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| RMB | 60,571 | 84,499 |
| HKD | 2,626 | 1,351 |
| | <u>63,197</u> | <u>85,850</u> |

25 Borrowings

| | As of 31 December | |
|--|-------------------|---------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Bank borrowings repayable within 12 months | - | 13,000 |
| | <u>-</u> | <u>13,000</u> |

As of 31 December 2020, bank borrowings amounting to approximately RMB8,200,000 and RMB4,800,000 carried at interest rates of 4.55% and 7% per annum, respectively.

As of 31 December 2020, bank borrowings of the Group were denominated in RMB, approximated their fair values and secured by personal guarantee from Mr. Xu, the director and Controlling Shareholder of the Company.

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

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 Financial liabilities at fair value through profit or loss

On 4 February 2021, the Company, Helens Hill (BVI) and Mr. Xu, among others, entered into the Series A Preferred Share Purchase Agreement (as supplemented by a supplemental agreement dated 8 February 2021) with BA Capital Project Helens, L.P. (“BA Capital”), pursuant to which BA Capital agreed to subscribe for a total of 24,022,904 Series A Preferred Shares for a total consideration of USD30,793,990 (approximately RMB199,277,000) at an issuance price of USD1.28 per share.

On 9 February 2021, the Company, Helens Hill (BVI) and Mr. Xu, among others, entered into the Series A+ Preferred Shares Purchase Agreement with China World Investment Limited (“China World Investment”), pursuant to which China World Investment agreed to subscribe for a total of 1,568,128 Series A+ Preferred Shares for a total consideration of USD2,010,120 (approximately RMB13,008,000) at an issuance price of USD1.28 per share.

As a closing condition to the Series A Preferred Share Purchase Agreement and the Series A+ Preferred Share Purchase Agreement, our Company, Mr. Xu, Helens Hill (BVI), BA Capital and China World Investment, among others, entered into the final shareholders’ agreement on 10 February 2021 (“date of issuance”). On the same date, Series A Preferred Shares and Series A+ Preferred Shares were issued.

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

(a) Voting rights

Each Preferred Share had voting rights equivalent to the number of ordinary shares into which such Preferred Shares could be then convertible.

(b) Liquidation rights

In the events of any liquidation and after satisfaction of all creditors’ claims and other claims that may be preferred by law, the holders of Preferred Shares should be entitled to receive for each Preferred Share, on parity with each other and prior and in preference to any distribution of any of the assets or funds of the Company to the holders of any other class or series of shares by reason of their ownership of such shares, the greater of (a) an amount equaled to 100% of the Applicable Issue Price with an eight percent (8%) compound per annum return calculating from the date of issuance of such Preferred Share to the date on which such distribution was made, plus all declared but unpaid dividends (applicable for Series A Preferred Share); and (b) the amount per share as would have been payable if the Preferred Shares were converted into Ordinary Shares immediately prior to such liquidation event (such greater amount, the “Preference Amount”). If the assets and funds thus distributed among the holders of the Preferred Shares should be insufficient to permit the payment to such holders of the Preference Amount in full, then the entire assets and funds of the Company legally available for distribution should be distributed ratably among the holders of the Series A+ Preferred Shares and the Series A Preferred Shares in proportion to the aggregate Preference Amount each such holder was otherwise entitled to receive pursuant to this paragraph.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 Financial liabilities at fair value through profit or loss (Continued)

(b) Liquidation rights (Continued)

The liquidation events were defined to include: (i) any liquidation, dissolution or winding up of the company; (ii) any consolidation, amalgamation, scheme of arrangement or merger of the group companies (as defined in the share purchase agreement) taken as a whole with or into any other person or other reorganization in which the members or shareholders of such group companies taken as a whole immediately prior to such consolidation, amalgamation, merger, scheme of arrangement or reorganization own less than fifty percent (50%) of the surviving entity's voting power or equity interest (on an as-converted basis) in the aggregate immediately after such consolidation, merger, amalgamation, scheme of arrangement or reorganization, or any transaction or series of related transactions pursuant to which in excess of fifty percent (50%) of such group companies' voting power or equity interest (on an as-converted basis) was transferred; (iii) a sale, transfer, lease or other disposition of all or substantially all of the assets of the group companies taken as a whole (or any series of related transactions resulting in such sale, transfer, lease or other disposition of all or substantially all of the assets of such group companies); or (iv) the exclusive licensing of all or substantially all of any group companies' intellectual property to a third party.

(c) Conversion rights

Each Preferred Share should be convertible, at the option of the holder thereof, at any time after the Applicable Issue Date into such number of fully paid and non-assessable ordinary shares at an initial conversion ratio of 1:1 subject to: (i) adjustment for subdivision or consolidation of shares; (ii) adjustment for ordinary share dividends and distributions; (iii) adjustments for other dividends; (iv) adjustments for reorganizations, mergers, consolidations, reclassifications, exchanges, substitutions; (v) adjustments for dilutive issuance (issuance of new securities below the conversion price).

Each Preferred Share should automatically be converted (without the need for the consent or approval of any Member or the Board), based on the then-effective conversion price, without the payment of any additional consideration, into fully-paid and non-assessable ordinary shares upon the earlier of (A) the closing of an IPO, or (B) the date specified by written consent or agreement of holders holding 50% or more of the issued and outstanding Preferred Shares.

(d) Redemption rights

China World Investment should have one-off right to require the Company to redeem or repurchase all of the Series A+ Preferred Shares held by China World Investment on the date of the Redemption Notice if an IPO of the Company had not occurred within twelve (12) months after the signing date of the Series A+ Preferred Share Purchase Agreement.

The redemption price for each Series A+ Preferred Shares requested to be redeemed should be equal to (i) one hundred percent (100%) of the Series A+ Preferred Shares Issue Price, plus (ii) all declared or accrued but unpaid dividends thereon.

(e) Co-sale right

If any of the shareholders (Mr. Xu, Helens Hill (BVI) and other ordinary shareholders of the Company) (a "Transferor") proposed to transfer, directly or indirectly, any company securities or any interest in the Company to one or more persons other than the holders of Preferred Shares ("Rightholder"), the Transferor should give the Company and each Rightholder a written notice of the Transferor's intention to make the transfer (the "Transfer Notice"), each Rightholder should have the right to participate in such sale, to the prospective transferee identified in the Transfer Notice on the same terms and conditions by notifying the Transferor in writing.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 Financial liabilities at fair value through profit or loss (Continued)

Fair value changes amounting to approximately RMB207,669,000, representing the differences between the IPO price of HKD19.77 per share and the initial issuance price of USD1.28 per share for these 25,591,032 convertible preferred shares, were recognised in profit or loss.

Upon the IPO of the Company on 10 September 2021, all of the aforementioned 25,591,032 convertible preferred shares were converted into the same number of ordinary shares, pursuant to which approximately RMB0.0026 was recognised as share capital and approximately RMB 419,153,000 was recognised as share premium.

The movements of the convertible preferred shares during the year ended 31 December 2021 are set out as below:

| | RMB'000 |
|--|-------------|
| At 1 January 2021 | - |
| Issuance of Series A Preferred Shares and Series A+ Preferred Shares | 212,285 |
| Fair value changes | 207,669 |
| Currency translation differences | (801) |
| Transfer to ordinary shares | (419,153) |
| | <hr/> |
| At 31 December 2021 | - |
| | <hr/> <hr/> |

27 Notes to the consolidated statements of cash flows

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

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

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 Notes to the consolidated statements of cash flows (Continued)

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

| | Lease liabilities RMB'000 | Amount due to a director RMB'000 | Borrowings RMB'000 | Convertible preferred shares RMB'000 |
|--|------------------------------|-------------------------------------|-----------------------|---|
| As of 31 December 2019 | 384,176 | 44,591 | - | - |
| Interest expenses on lease liabilities | 28,226 | - | - | - |
| Cash flows | | | | |
| - Proceeds from borrowings | - | - | 16,000 | - |
| - Repayments of borrowings | - | - | (3,000) | - |
| - Payment of principal element of lease liabilities | (107,888) | - | - | - |
| - Payment of interest element of lease liabilities | (28,226) | - | - | - |
| - Repayments to a director | - | (9,455) | - | - |
| Other non-cash movements | | | | |
| - Gain on COVID-19 rent concessions (Note 7) | (10,597) | - | - | - |
| - Additions of lease liabilities | 273,434 | - | - | - |
| - Exchange difference | 116 | - | - | - |
| As of 31 December 2020 | <u>539,241</u> | <u>35,136</u> | <u>13,000</u> | <u>-</u> |
| Interest expenses on lease liabilities | 54,222 | - | - | - |
| Cash flows | | | | |
| - Proceeds from borrowings | - | - | 237,000 | - |
| - Repayments of borrowings | - | - | (250,000) | - |
| - Payment of principal element of lease liabilities | (311,329) | - | - | - |
| - Payment of interest element of lease liabilities | (54,222) | - | - | - |
| - Repayments to a director | - | (35,136) | - | - |
| - Proceeds from issuance of convertible preferred shares | - | - | - | 212,285 |
| Other non-cash movements | | | | |
| - Gain on COVID-19 rent concessions (Note 7) | (484) | - | - | - |
| - Additions of lease liabilities | 1,018,712 | - | - | - |
| - Fair value changes (Note 26) | - | - | - | 207,669 |
| - Exchange difference | - | - | - | (801) |
| - Conversion of convertible redeemable preferred shares into ordinary shares (Note 26) | - | - | - | (419,153) |
| As of 31 December 2021 | <u>1,246,140</u> | <u>-</u> | <u>-</u> | <u>-</u> |

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 Notes to the consolidated statements of cash flows (Continued)

(c) Major non-cash transactions

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

28 Capital commitments

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

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

29 Equity settled share-based payments

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

On 9 February 2021, the Company allotted and issued 11,146,876 shares and 864,099 shares to WTSJ Holding Limited ("WTSJ") and NEWCE Holding Limited ("NEWCE"), respectively at par value. The shareholders of WTSJ and NEWCE comprise both employees and non-employees of the Group. These shares immediately vested on the date of grant.

The excess of the fair value of the equity interest of the Group on the grant date over the cash consideration of par value paid by the shareholders of WTSJ and NEWCE is accounted for as share-based payment expenses in the Group's consolidated statement of comprehensive income. Accordingly, share-based payment expenses of approximately RMB91,683,000 were recognised during the year ended 31 December 2021.

The valuation of the equity interests of the Company for the share-based payment transactions was undertaken by ValQuest Advisory, an independent qualified professional valuer, which took reference to the fair value of the Series A Preferred Shares and Series A+ Preferred Shares issued on 10 February 2021 and adopted black-scholes option model and equity allocation model to determine the fair value of the underlying equity interests of the Company as at 9 February 2021.

The fair value of the shares granted and the significant input to the model at grant date are summarised as below:

| | |
|--|-----------------|
| Fair value of the shares granted (RMB) | 91,683,000 |
| Number of shares granted | 12,010,975 |
| Grant date | 9 February 2021 |
| Vesting date | 9 February 2021 |
| Risk-free rate | 2.67% |
| Expected volatility | 76.03% |
| Expected dividend yield | 0.00% |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 Business combinations

During the years ended 31 December 2021 and 2020, the Group has acquired the plant and equipment of franchised bars from the franchisees at considerations amounting to approximately RMB1,130,000 and RMB3,737,000, respectively, which were accounted for as business combinations under HKFRS 3. Management has assessed and concluded that other than plant and equipment, which mainly represents leasehold improvement, there were no other identifiable assets (including intangible assets) and liabilities resulted from these acquisitions. As the considerations of these acquisitions approximate the fair value of the corresponding plant and equipment, no goodwill was recognised. Certain of these aforementioned acquisitions were from franchisees operated by related parties as sole proprietors and the corresponding transaction amounts were disclosed in Note 31(b)(ii).

During the years ended 31 December 2021 and 2020, the revenue attributable to the Group's self-owned bars since acquisition dates operating with these plant and equipment acquired from franchised bars amount to approximately RMB12,804,000, and RMB22,538,000, respectively, and net losses and net profit of these bars amounted to approximately RMB3,666,000 and RMB326,000, respectively.

Had these franchised bars been consolidated from 1 January 2021, consolidated revenue of the Group for the years ended 31 December 2021 and 2020 would have been approximately RMB1,839,354,000 and RMB855,169,000. It was impracticable to disclose the consolidated pro-forma profit or loss for the years ended 31 December 2021 and 2020 as though the acquisition date for all acquisitions that occurred during the respective years had been as of the beginning of the respectively annual reporting period because the data required to adjust the differences in the accounting policies between the Group and the subsidiaries were not collected in the prior period and it is not practicable to create, or recreate, the information.

31 Related party transactions and balances

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

The Controlling Shareholder is disclosed in Note 1.

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

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

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 Related party transactions and balances (Continued)

a) Balances with related parties

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

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

b) Transactions with related parties

Save as disclosed elsewhere in the consolidated financial statements, during the years ended 31 December 2021 and 2020, the following transactions were carried out with related parties at terms mutually agreed by both parties:

i) Personal guarantees provided by the related parties

During the year ended 31 December 2020, the Group's bank borrowings and banking facilities secured by personal guarantee from Mr. Xu as set out in Note 25. In December 2021, the aforementioned bank borrowings were repaid and the personal guarantee from Mr. Xu was released.

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

| | As of 31 December | |
|--------------------------------------|-----------------------------|-----------------------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| Provision of services to franchisees | 117 | 2,109 |
| Purchase of plant and equipment | 294 | 1,226 |
| | <u> </u> | <u> </u> |
| | <u> </u> | <u> </u> |
| | 411 | 3,335 |
| | <u> </u> | <u> </u> |

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

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 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 | Total RMB'000 |
|---------------------------------------|-----------------|-------------------|-----------------------------------|--|--|------------------|
| For the year ended 31 December | | | | | | |
| 2020 | | | | | | |
| Directors | | | | | | |
| - Mr. Xu Bingzhong | - | 341 | 60 | 60 | 21 | 482 |
| - Mr. Zhang Bo | - | 241 | 60 | 60 | 8 | 369 |
| - Mr. Zhao Jun | - | 295 | 60 | 60 | 28 | 443 |
| - Ms. Lei Xing | - | 191 | 60 | 60 | 12 | 323 |
| | - | 1,068 | 240 | 240 | 69 | 1,617 |

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 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 | Total RMB'000 |
|---------------------------------------|-----------------|-------------------|-----------------------------------|--|--|------------------|
| For the year ended 31 December | | | | | | |
| 2021 | | | | | | |
| Directors | | | | | | |
| - Mr. Xu Bingzhong | - | 374 | 60 | 96 | 78 | 608 |
| - Mr. Zhang Bo | - | 313 | 50 | 96 | 35 | 494 |
| - Mr. Zhao Jun | - | 287 | 50 | 96 | 102 | 535 |
| - Ms. Lei Xing | - | 312 | 29 | 96 | 36 | 473 |
| | - | 1,286 | 189 | 384 | 251 | 2,110 |
| Independent Non-Executive Directors | | | | | | |
| - Mr. Li Dong | 133 | - | - | - | - | 133 |
| - Mr. Wang Renrong | 133 | - | - | - | - | 133 |
| - Mr. Wong Heung Ming, Henry | 133 | - | - | - | - | 133 |
| | 399 | - | - | - | - | 399 |

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 Benefits and interest of directors (Continued)

a) Directors' emoluments (Continued)

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

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

During the years ended 31 December 2021 and 2020, none of the directors of the Company (i) received or paid any remuneration in respect of accepting office; (ii) received or paid emoluments in respect of services in connection with the management of the affairs of the Company or its subsidiaries' undertaking; and (iii) waived or has agreed to waive any emolument.

b) Directors' retirement benefits and termination benefits

During the years ended 31 December 2021 and 2020, no emoluments, retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable.

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

During the years ended 31 December 2021 and 2020, no consideration was provided to third parties for making available directors' services.

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

During the years ended 31 December 2021 and 2020, there were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors.

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

During the year ended 31 December 2021 and 2020, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the years ended 31 December 2021 and 2020 or at any time during the years ended 31 December 2021 and 2020.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 Notes to the statement of financial position of the Company

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

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 Notes to the statement of financial position of the Company (Continued)

(a) Other receivables and prepayments

| | As of 31 December | |
|---------------------------|-------------------|-------------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| Deferred listing expenses | - | 997 |
| Others | - | 1 |
| | <u>-</u> | <u>998</u> |
| | <u><u>-</u></u> | <u><u>998</u></u> |

(b) Cash and cash equivalents

| | As of 31 December | |
|--|-----------------------|-----------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| Cash and cash equivalents | <u>799,907</u> | <u>-</u> |
| Maximum exposure to credit risk (excluding cash on hand) | <u>799,907</u> | <u>-</u> |
| | <u><u>799,907</u></u> | <u><u>-</u></u> |

(c) Amount due to a subsidiary

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

(d) Other payables and accruals

| | As of 31 December | |
|--------------------------|---------------------|---------------------|
| | 2021 RMB'000 | 2020 RMB'000 |
| Accrued audit fees | 4,900 | - |
| Accrued listing expenses | - | 2,390 |
| Others | 6 | 1 |
| | <u>4,906</u> | <u>2,391</u> |
| | <u><u>4,906</u></u> | <u><u>2,391</u></u> |

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 Notes to the statement of financial position of the company (Continued)

(e) Reserve movement of the Company

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

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 Subsidiaries

| Name of subsidiary | Place and date of incorporation/ establishment | Principal activities and place of operation | Issued and paid up capital/registered capital | Effective interest held by the Group | |
|---|--|---|---|--------------------------------------|-------|
| | | | | As of 31 December 2021 | 2020 |
| Direct Interests: | | | | | |
| XBZ Hill Holding Limited | The BVI; 25 January 2018 | Investment holding; The BVI | USD1,000/ USD1,000 | 100% | 100% |
| CFPL (Cayman) Limited | Cayman; 18 September 2020 | Investment holding; The BVI | USD50,000/ USD50,000 | 98.5% | 98.5% |
| Indirect Interests: | | | | | |
| Helens Hill Limited | Hong Kong; 29 December 2017 | Bar operations; Hong Kong | HKD1/ HKD1 | 100% | 100% |
| WZYX Holding Limited | The BVI; 30 September 2020 | Investment holding; The BVI | USD1/ USD1 | 100% | 100% |
| CFPL (Hong Kong) Limited | Hong Kong; 23 October 2020 | Investment holding; The BVI | USD1/USD1 | 100% | 100% |
| Fuzhou Zhiyingju Catering Management Co., Ltd.* (福州支應居餐飲管理有限責任公司) | The PRC; 12 January 2018 | Bar operations; The PRC | RMB1,000,000/ RMB1,000,000 | 100% | 100% |
| Wuhan City Aoerdesang Catering Services Co., Ltd.* (武漢市奧爾德桑餐飲服務有限公司) | The PRC; 6 February 2018 | Bar operations; The PRC | RMB1,000,000/ RMB1,000,000 | 100% | 100% |
| Jiangxi Suleiyige Catering Management Co., Ltd.* (江西蘇勒伊格餐飲管理有限公司) | The PRC; 9 April 2018 | Bar operations; The PRC | RMB2,000,000/ RMB2,000,000 | 100% | 100% |
| Shenzhen Helens Enterprise Management Co., Ltd.* (深圳海倫司企業管理有限公司) | The PRC; 20 April 2018 | Management service; The PRC | RMB5,000,000/ RMB5,000,000 | 100% | 100% |
| Hunan Gelidisi Catering Management Co., Ltd.* (湖南格里迪斯餐飲管理有限公司) | The PRC; 20 April 2018 | Bar operations; The PRC | RMB2,000,000 | 100% | 100% |
| Shenzhen Helens Brand Management Co., Ltd.* (深圳市海倫司品牌管理有限公司) | The PRC; 7 May 2018 | Management service; The PRC | RMB1,000,000/ RMB1,000,000 | 100% | 100% |
| Shenzhen Guxiang Fengqing Catering Co., Ltd.* (深圳市古鄉風情餐飲有限責任公司) | The PRC; 23 May 2018 | Bar operations; The PRC | RMB1,000,000/ RMB1,000,000 | 100% | 100% |
| Hunan E'aisaisi Catering Management Co., Ltd.* (湖南額艾塞斯餐飲管理有限公司) | The PRC; 29 May 2018 | Bar operations; The PRC | RMB2,000,000/ RMB2,000,000 | 100% | 100% |
| Zhejiang Fuyixiang Catering Services Co., Ltd.* (浙江福怡祥餐飲服務有限公司) | The PRC; 5 June 2018 | Bar operations; The PRC | RMB9,510,000/ RMB10,000,000 | 100% | 100% |
| Hefei Mengtesile Catering Management Co., Ltd.* (合肥蒙特斯勒餐飲管理有限公司) | The PRC; 3 July 2018 | Bar operations; The PRC | RMB1,000,000/ RMB1,000,000 | 100% | 100% |
| Suzhou He'erdesi Catering Management Co., Ltd.* (蘇州赫爾德斯餐飲管理有限公司) | The PRC; 16 July 2018 | Bar operations; The PRC | RMB1,850,000/ RMB2,000,000 | 100% | 100% |

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 Subsidiaries (Continued)

| Name of subsidiary | Place and date of incorporation/ establishment | Principal activities and place of operation | Issued and paid up capital/registered capital | Effective interest held by the Group | |
|--|--|---|---|--------------------------------------|------|
| | | | | As of 31 December 2021 | 2020 |
| Indirect Interests: | | | | | |
| Shanghai Heyinsitai Catering Management Co., Ltd.* (上海荷因斯泰餐飲管理有限公司) | The PRC; 4 September 2018 | Bar operations; The PRC | RMB2,000,000/ RMB2,000,000 | 100% | 100% |
| Liaoning Hailunsi Enterprise Management Co., Ltd. (遼寧海倫司企業管理有限公司) | The PRC; 9 September 2018 | Bar operations; The PRC | RMB1,580,000/ RMB5,000,000 | 100% | 100% |
| Tianjin Sinuode Catering Management Co., Ltd.* (天津漸諾德餐飲管理有限公司) | The PRC; 22 November 2018 | Bar operations; The PRC | RMB1,000,000/ RMB1,000,000 | 100% | 100% |
| Zhengzhou Aolinpisi Catering Management Co., Ltd.* (鄭州奧林匹斯餐飲管理有限公司) | The PRC; 21 December 2018 | Bar operations; The PRC | RMB1,000,000/ RMB1,000,000 | 100% | 100% |
| Guizhou Saidigesi Catering Management Co., Ltd.* (貴州塞迪格斯餐飲管理有限公司) | The PRC; 3 January 2019 | Bar operations; The PRC | RMB1,000,000 | 100% | 100% |
| Sichuan Hantengbao Catering Management Co., Ltd.* (四川漢騰堡餐飲管理有限公司) | The PRC; 12 April 2019 | Bar operations; The PRC | RMB1,000,000/ RMB1,000,000 | 100% | 100% |
| Beijing Asimengte Catering Management Co., Ltd.* (北京阿斯蒙特餐飲管理有限責任公司) | The PRC; 20 June 2019 | Bar operations; The PRC | RMB1,000,000/ RMB1,000,000 | 100% | 100% |
| Jilin Helens Enterprise Management Co., Ltd.* (吉林海倫司企業管理有限公司) | The PRC; 26 July 2019 | Bar operations; The PRC | RMB50,000/ RMB5,000,000 | 100% | 100% |
| Jinan Kanbeier Catering Management Co., Ltd.* (濟南坎貝爾餐飲管理有限責任公司) | The PRC; 9 August 2019 | Bar operations; The PRC | RMB190,000/ RMB1,000,000 | 100% | 100% |
| Heilongjiang Helens Enterprise Management Co., Ltd.* (黑龍江省海倫司企業管理有限公司) | The PRC; 19 August 2019 | Bar operations; The PRC | RMB100,000/ RMB5,000,000 | 100% | 100% |
| Wuhan Maidilong Trading Co., Ltd.* (武漢邁迪隆貿易有限公司) | The PRC; 15 October 2019 | Trading and sourcing; The PRC | RMB1,981,140/ RMB2,000,000 | 100% | 100% |
| Hebei Disihade Catering Management Co., Ltd.* (河北迪斯哈德餐飲管理有限責任公司) | The PRC; 29 November 2019 | Bar operations; The PRC | RMB160,000/ RMB3,000,000 | 100% | 100% |
| Chongqing Yangkai Catering Co., Ltd.* (重慶陽凱餐飲有限公司) | The PRC; 17 January 2020 | Bar operations; The PRC | RMB1,000,000/ RMB1,000,000 | 100% | 100% |
| Beijing Helens Business Management Service Co., Ltd.* (北京海倫司商業管理服務有限公司) | The PRC; 10 June 2020 | Management service; The PRC | RMB1,000,000/ RMB1,000,000 | 100% | 100% |

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 Subsidiaries (Continued)

| Name of subsidiary | Place and date of incorporation/ establishment | Principal activities and place of operation | Issued and paid up capital/registered capital | Effective interest held by the Group | |
|--|--|---|---|--------------------------------------|------|
| | | | | As of 31 December 2021 | 2020 |
| Indirect Interests: | | | | | |
| Yunnan Secret Forest Catering Management Co., Ltd.* (雲南秘森林餐飲管理有限公司) | The PRC; 10 December 2020 | Bar operations; The PRC | RMB1,000,000 | 100% | 100% |
| Guangxi Zuijunya Catering Management Co., Ltd.* (廣西醉俊雅餐飲管理有限責任公司) | The PRC; 18 December 2020 | Bar operations; The PRC | RMB2,000,000 | 100% | 100% |
| Sichuan Ishadula Catering Management Co., Ltd. (四川伊沙杜拉餐飲管理有限公司) | The PRC; 18 May 2021 | Bar operations; The PRC | RMB1,000,000 | 100% | N/A |
| Hainan Chers Catering Co., Ltd. (海南切爾斯餐飲有限責任公司) | The PRC; 16 July 2021 | Bar operations; The PRC | RMB1,000,000 | 100% | N/A |
| Lanzhou Cheles Catering Management Co., Ltd. (蘭州切爾斯餐飲管理有限公司) | The PRC; 30 July 2021 | Bar operations; The PRC | RMB2,000,000 | 100% | N/A |
| Fuzhou Cheles Catering Management Co., Ltd. (福州切爾斯餐飲管理有限責任公司) | The PRC; 6 September 2021 | Bar operations; The PRC | RMB1,000,000 | 100% | N/A |
| Xi'an Jingleshuo Catering Management Co., Ltd.* (西安景樂樂餐飲管理有限公司) | The PRC; 25 February 2021 | Bar operations; The PRC | RMB1,250,000/ RMB2,000,000 | 100% | N/A |
| TSLZ Holding Limited | The BVI; 25 May 2021 | Employee Trust; The BVI | Share capital USD1 | 100% | N/A |

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

35 Subsequent events

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

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

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2022

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 [6] to [60], comprise:

- the consolidated statement of financial position as at 31 December 2022.
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, 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 ("HKSA") 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 |
|--|---|
| <p>Impairment assessment of right-of-use assets and plant and equipment in bars</p> <p>Refer to Notes 2.7, 4.5, 14 and 22 to the consolidated financial statements.</p> <p>As at 31 December 2022, the right-of-use assets and plant and equipment of the Group amounted to approximately RMB457,037,000 and RMB391,114,000, respectively, majority of which are in relation to the Group’s bars.</p> <p>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.</p> | <p>Our procedures in relation to impairment assessment of right-of-use assets and plant and equipment in bars included:</p> <ul style="list-style-type: none"> 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; |

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|--|
| <p>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.</p> <p>Based on the results of the impairment assessment conducted, impairment provision of approximately RMB279,456,000 and RMB433,449,000 was recognised for right-of-use assets and plant and equipment, respectively, in the Group’s consolidated statement of comprehensive income for the year ended 31 December 2022.</p> <p>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, raw material costs-to-revenue ratio, employee benefit and manpower service expenses-to-revenue ratio, and discount rates.</p> | <ul style="list-style-type: none"> • 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, raw material costs-to-revenue ratio, and employee benefit and manpower service expenses-to-revenue ratio, by considering market data, the Group’s management plans and the bars’ historical performances, and benchmarked with industry; • 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 evaluated management’s sensitivity analysis performed on the forecasted revenue, forecast raw material costs, forecast employee benefit and manpower service expenses, and discount rates adopted in the impairment assessment so as to assess the potential implications on the results of the impairment assessment for changes in significant assumptions within a reasonable range. |

Based on the above procedures, we found the significant assumptions adopted in management’s impairment assessment to be supported by the evidence we obtained.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

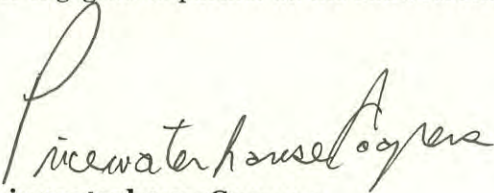
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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



PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 March 2023

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

| | Note | Year ended 31 December | |
|--|-------|------------------------|------------------|
| | | 2022 RMB'000 | 2021 RMB'000 |
| Revenue | 5 | 1,559,308 | 1,835,616 |
| Government grants and concessions | 7 | 38,202 | 14,024 |
| Raw materials and consumables used | 18 | (561,906) | (576,787) |
| Employee benefit and manpower service expenses | 9 | (1,003,455) | (581,628) |
| Depreciation of right-of-use assets | 22 | (315,923) | (220,246) |
| Depreciation of property, plant and equipment | 14 | (199,996) | (82,600) |
| Amortisation of intangible assets | 15 | (17) | (17) |
| Short-term rental and other related expenses | | (84,769) | (46,865) |
| Utilities expenses | | (65,050) | (57,710) |
| Travelling and related expenses | | (11,528) | (12,601) |
| Listing expenses | | - | (30,893) |
| Advertising and promotion expenses | | (34,384) | (42,500) |
| Other expenses | 6 | (103,787) | (98,862) |
| Impairment losses of plant and equipment and right-of-use assets | 14&22 | (712,905) | (10,985) |
| Fair value changes of convertible preferred shares | 26 | - | (207,669) |
| Other losses, net | 8 | (83,215) | - |
| Finance income | 10 | 4,960 | 563 |
| Finance costs | 10 | (42,007) | (57,690) |
| Loss before income tax | | (1,616,472) | (176,850) |
| Income tax credit/(expense) | 11 | 15,322 | (53,150) |
| Loss for the year attributable to owners of the Company | | (1,601,150) | (230,000) |
| Other comprehensive income/(loss): <i>Item that may be subsequently reclassified to profit or loss</i> | | | |
| Currency translation differences | | 44,107 | (5,415) |
| Total comprehensive loss for the year attributable to owners of the Company | | (1,557,043) | (235,415) |
| Loss per share for loss attributable to owners of the Company (expressed in RMB per share) | | | |
| Basic | 12 | (1.459) | (0.213) |
| Diluted | 12 | (1.459) | (0.213) |

The notes on pages 11 to 60 are integral parts of these consolidated financial statements.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2022

| | Note | As of 31 December | |
|---|------|-------------------------|-------------------------|
| | | 2022 | 2021 |
| | | RMB'000 | RMB'000 |
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 14 | 693,254 | 871,280 |
| Intangible assets | 15 | 75 | 92 |
| Right-of-use assets | 22 | 457,037 | 1,348,338 |
| Deposits and prepayments | 17 | 89,689 | 323,047 |
| Deferred tax assets | 23 | 46,469 | 29,886 |
| | | <u>1,286,524</u> | <u>2,572,643</u> |
| Current assets | | | |
| Inventories | 18 | 35,962 | 61,502 |
| Prepayments, deposits and other receivables | 17 | 55,718 | 25,890 |
| Cash and bank balances | 19 | 1,096,998 | 1,626,731 |
| Term deposit with original maturity over three months | 19 | 201,566 | - |
| | | <u>1,390,244</u> | <u>1,714,123</u> |
| Total assets | | <u><u>2,676,768</u></u> | <u><u>4,286,766</u></u> |
| Equity | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 20 | 1 | 1 |
| Reserves | 21 | 1,822,867 | 2,876,719 |
| Total equity | | <u><u>1,822,868</u></u> | <u><u>2,876,720</u></u> |
| Liabilities | | | |
| Non-current liability | | | |
| Lease liabilities | 22 | 565,202 | 1,060,620 |
| Current liabilities | | | |
| Trade payables | 24 | 62,742 | 75,139 |
| Other payables and accruals | 25 | 37,810 | 63,197 |
| Lease liabilities | 22 | 175,800 | 185,520 |
| Current income tax liabilities | | 12,346 | 25,570 |
| | | <u>288,698</u> | <u>349,426</u> |
| Total liabilities | | <u><u>853,900</u></u> | <u><u>1,410,046</u></u> |
| Total equity and liabilities | | <u><u>2,676,768</u></u> | <u><u>4,286,766</u></u> |

The notes on pages 11 to 60 are integral parts of these consolidated financial statements.

The consolidated financial statements on pages 6 to 60 were approved for issue by the Board of Directors on 24 March 2023 and were signed on its behalf.

Mr. Xu Bingzhong
Executive Director and Chief Executive Officer

Ms. Yu Zhen
Executive Director and Chief Financial Officer

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

| | Attributable to owners of the Company | | | | | | | Total equity RMB'000 |
|--|---------------------------------------|--------------------------|---|------------------------------|-----------------------------|--|-----------|-------------------------|
| | Share capital RMB'000 | Share premium RMB'000 | Share-based compensation reserve RMB'000 | Statutory reserve RMB'000 | Exchange reserve RMB'000 | Retained earnings/ earnings/ (accumulated losses) RMB'000 | | |
| Balance at 1 January 2021 | 1 | - | 1,100 | 10,985 | 195 | 147,957 | 160,238 | |
| Comprehensive income | - | - | - | - | - | (230,000) | (230,000) | |
| Loss for the year | | | | | | | | |
| Other comprehensive income | | | | | | | | |
| <i>Item that may be subsequently reclassified to profit or loss</i> | | | | | | | | |
| Currency translation differences | - | - | - | - | (5,415) | - | (5,415) | |
| Total comprehensive income | - | - | - | - | (5,415) | (230,000) | (235,415) | |
| Transaction with owners | | | | | | | | |
| Issuance of new shares upon listing, net of share issuance costs | -* | 2,441,061 | - | - | - | - | 2,441,061 | |
| Conversion of convertible redeemable preferred shares into ordinary shares (Note 26) | -* | 419,153 | - | - | - | - | 419,153 | |
| Equity settled share-based payment (Note 29) | - | - | 91,683 | - | - | - | 91,683 | |
| Appropriation to statutory reserve | - | - | - | 7,451 | - | (7,451) | - | |
| Total transaction with owners | - | 2,860,214 | 91,683 | 7,451 | - | (7,451) | 2,951,897 | |
| Balance at 31 December 2021 | 1 | 2,860,214 | 92,783 | 18,436 | (5,220) | (89,494) | 2,876,720 | |

*The balances were rounded to the nearest thousand.
The notes on pages 11 to 60 are integral parts of these consolidated financial statements.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

| | 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 1 January 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 | | | | | | | |
| <i>Item that may be subsequently reclassified to profit or loss</i> | | | | | | | |
| Currency translation differences | - | - | - | - | 44,107 | - | 44,107 |
| Total comprehensive income | - | - | - | - | 44,107 | (1,601,150) | (1,557,043) |
| Transaction with owners | | | | | | | |
| Capital injection from minority shareholders | - | - | - | - | - | - | - |
| 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 31 December 2022 | 1 | 2,860,214 | 595,974 | 18,666 | 38,887 | (1,690,874) | 1,822,868 |

*The balances were rounded to the nearest thousand.

The notes on pages 11 to 60 are integral parts of these consolidated financial statements.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022**

| | Note | Year ended 31 December | |
|---|-------|-------------------------|-------------------------|
| | | 2022 RMB'000 | 2021 RMB'000 |
| Cash flows from operating activities | | | |
| Cash generated from operations | 27(a) | 157,371 | 430,887 |
| Income tax paid | | (14,485) | (64,301) |
| Net cash generated from operating activities | | <u>142,886</u> | <u>366,586</u> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | (371,164) | (993,518) |
| Proceeds from disposal of plant and equipment | 27(c) | 10,200 | - |
| Net cash paid for business combination | | - | (1,130) |
| Interest received | | 4,960 | 563 |
| Net cash used in investing activities | | <u>(356,004)</u> | <u>(994,085)</u> |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | 27(b) | - | 237,000 |
| Repayments of borrowings | 27(b) | - | (250,000) |
| Repayments to a director | 27(b) | - | (35,136) |
| Proceeds from issuance of convertible preferred shares | 27(b) | - | 212,285 |
| Proceeds from issuance of new shares | | - | 2,539,164 |
| Interests paid | | - | (3,468) |
| Payment of listing expenses | | - | (97,101) |
| Payment of principal element of lease liabilities | 27(b) | (178,204) | (311,329) |
| Payment of interest element of lease liabilities | 27(b) | (42,007) | (54,222) |
| Net cash (used in)/generated from financing activities | | <u>(220,211)</u> | <u>2,237,193</u> |
| Net (decrease)/increase in cash and bank balances | | | |
| Cash and bank balances at beginning of the year | | (433,329) | 1,609,694 |
| Currency translation differences | | 1,626,731 | 24,255 |
| | | 105,162 | (7,218) |
| Cash and bank balances at end of the year | | <u><u>1,298,564</u></u> | <u><u>1,626,731</u></u> |

The notes on pages 11 to 60 are integral parts of these consolidated financial statements.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

The Company was incorporated in the Cayman Islands on 16 January 2018 as an exempted company with limited liability under the Companies Act (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of its registered office is 3-212 Governors Square, 23 Lime Tree Bay Avenue, P.O. Box 30746, Seven Mile Beach, Grand Cayman KY1-1203, Cayman Islands. The Company's shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Listing") on 10 September 2021 (the "Listing Date").

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

The financial statements are presented in Renminbi ("RMB"), unless otherwise stated, and have been approved for issue by the Company's board of directors (the "Board") on 24 March 2023.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

The 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.

(a) New amendments early adopted by the Group

The Group has early adopted the Amendments to HKFRS 16 - COVID-19 Related Rent Concession from 1 January 2020.

The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (b) any reduction in lease payments affects only payments due on or before 30 June 2022; and (c) there is no substantive change to other terms and conditions of the lease.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(a) New amendments early adopted by the Group (Continued)

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. As a result, rent concessions totaling approximately RMB 11,711,000 (2021: RMB 484,000) have been recognised under “government grants and concessions” in the consolidated statement of comprehensive income during the year ended 31 December 2022 with a corresponding adjustment to the lease liabilities as detailed in Notes 7 and 22.

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

Standards, amendments and interpretations that have been issued but not yet effective and not been early adopted by the Group during the year ended 31 December 2022 are as follows:

| | | Effective for annual periods beginning on or after |
|---|---|--|
| HK Interpretation 5 (2020) | Presentation of financial statements - classification by the borrower of a term loan that contains a repayment on demand clause | 1 January 2024 |
| HKFRS 17 Insurance Contracts | Insurance contracts | 1 January 2023 |
| Amendments to HKAS 1 | Classification of liabilities as current or non-current | 1 January 2024 |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies | 1 January 2023 |
| Amendments to HKAS 8 | Definition of accounting estimates | 1 January 2023 |
| Amendments to HKFRS 10 and HKAS 28 | Sale or contribution of assets between an investor and its associate or joint venture | To be determined |
| Amendment to HKAS 12 | Deferred tax related to assets and liabilities arising from a single transaction | 1 January 2023 |

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.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.2 Subsidiaries

2.2.1 Consolidation

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

(a) Business combination

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

(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.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(c) Disposal of subsidiaries

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

2.2.2 Separate financial statements

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

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

2.3 Segment reporting

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

2.4 Foreign currency translation

2.4.1 Functional and presentation currency

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

2.4.2 Transactions and balances

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

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.4 Foreign currency translation (Continued)

2.4.2 Transactions and balances (Continued)

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.

2.4.3 Group companies

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

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

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

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

2.5 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.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.5 Property, plant and equipment (Continued)

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.

2.6 Intangible assets

System software

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

2.7 Impairment of non-financial assets

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

2.8 Financial assets

2.8.1 Classification

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

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

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.8 Financial assets (Continued)

2.8.1 Classification (Continued)

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

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

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

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

2.8.2 Recognition and measurement

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

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

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

2.8.3 Derecognition

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

2.9 Offsetting financial instruments

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

2.10 Impairment of financial assets

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

- Other receivables and deposits; and
- Cash and bank balances

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.10 Impairment of financial assets (Continued)

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

To manage risk arising from cash and 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.

2.11 Trade and other receivables

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

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

2.12 Inventories

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

2.13 Cash and bank balances

For the purpose of presentation in the consolidated statements of cash flows, cash and bank balances include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.14 Share capital

Ordinary shares are classified as equity.

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

2.15 Trade and other payables

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

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

2.16 Convertible preferred shares

The Group has issued convertible preferred shares which give options to holders a right for redemption into cash after specified timing or a right for conversion into ordinary shares of the Company. The convertible preferred shares will be automatically converted into ordinary shares upon occurrence of certain events outside the control of the Company.

The Group designates convertible preferred shares as financial liabilities at FVPL. Convertible preferred shares are classified as non-current liabilities or current liabilities depending on whether the convertible preferred shares holders can demand the Company to redeem the convertible preferred shares for cash within 12 months after the end of the reporting period or not. They are initially recognised at fair value. Any directly attributable transaction costs are recognised as finance costs in the consolidated statement of comprehensive income.

Subsequent to initial recognition, the convertible preference shares are carried at fair value with changes in fair value recognised as "other gains, net" in the consolidated statements of comprehensive income. The component of fair value changes relating to the Company's own credit risk is recognised in other comprehensive income. Amounts recorded in other comprehensive income related to credit risk are not subject to recycling in the statement of comprehensive income, but are transferred to retained earnings when realised.

2.17 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.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.18 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

(c) Offsetting

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

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

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.19 Employee benefits

(a) Short-term obligations

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

(b) Defined contribution plans

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

(c) Bonus plans

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

(d) Termination benefits

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

(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 31 December 2022 and 2021. The fair value of the employee service received in exchange for the grant of RSUs 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 hold 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.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.20 Revenue recognition

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

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

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

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

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

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

(a) Revenue from bar operations

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

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

(b) Revenue from franchisees

Revenue from franchised bars operating under the trading name of "Helens" comprises management service fees which are based upon a certain percentage of franchisee' sales and recognised over the period when related services are rendered.

The Group 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.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.21 Interest income

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

2.22 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.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.22 Lease (Continued)

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

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

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

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

2.23 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.

2.24 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.

2.25 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.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management

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

3.1 Market risk

3.1.1 Foreign exchange risk

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

During the years ended 31 December 2022 and 2021, 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).

| | Currency denomination | As of 31 December | |
|------------------------|-----------------------|-------------------|-----------------|
| | | 2022 RMB'000 | 2021 RMB'000 |
| Cash and bank balances | HKD | 178,900 | 799,867 |
| | USD | 794,671 | 40 |

As of 31 December 2022, if HKD had strengthened/weakened by 5% against RMB with all other variables held constant, the profit before income tax for the year ended 31 December 2022 would have been approximately RMB 8,945,000 lower/higher (2021: RMB39,993,000).

As of 31 December 2022, if USD had strengthened/weakened by 5% against RMB with all other variables held constant, the profit before income tax for the year ended 31 December 2022 would have been approximately RMB 39,734,000 lower/higher (2021: RMB2,000).

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

As of 31 December 2022, 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 periods then ended would have been approximately RMB6,483,000 higher/lower (2021: RMB8,110,000), mainly as a result of higher/lower interest income on the cash and bank balances (excluding cash on hand).

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Market risk (Continued)

3.1.3 Credit risk

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

(a) Risk management

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

The Group's cash and 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.

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

(b) Impairment of financial assets

While cash and 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.

The Group's other financial assets carried at amortised cost include rental and other deposits in the consolidated statements of financial position. The impairment loss of rental and other deposits is measured based on the twelve months expected credit loss. The twelve months expected credit loss is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within twelve months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss. Due to the continued impact of the COVID-19 pandemic and the Group's strategic consideration of bars' optimization and adjustments including the closure of certain bars, expected credit losses on rental deposits of approximately RMB17,436,000 (Note 8) were recognised during the year ended 31 December 2022.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Market risk (Continued)

3.1.4 Liquidity risk

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

Taking into account the Group's financial resources, its internally generated cash and banking facilities, the directors of the Company believe that the Group has sufficient capital to meet its liquidity needs for at least twelve months from 31 December 2022.

There were no undrawn banking facilities available to the Group as of 31 December 2022 and 2021.

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 31 December 2022 | | | |
| Trade payables | 62,742 | - | 62,742 |
| Other payables and accruals | 30,764 | - | 30,764 |
| Lease liabilities | 210,389 | 640,472 | 850,861 |
| | <u>303,895</u> | <u>640,472</u> | <u>944,367</u> |
| At 31 December 2021 | | | |
| Trade payables | 75,139 | - | 75,139 |
| Other payables and accruals | 49,722 | - | 49,722 |
| Lease liabilities | 324,880 | 1,291,379 | 1,616,259 |
| | <u>449,741</u> | <u>1,291,379</u> | <u>1,741,120</u> |

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.2 Capital management

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

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, 2022 and 2021, 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.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 Recognition of share-based payment expenses

As disclosed in Note 29, the Group issued certain shares to WTSJ Holding and NEWCE Holding at par value which results in the recognition of share-based payment expenses. Significant estimates on key assumptions are required to be made by management in determining the fair value of the issued shares, including risk-free rate, expected volatility, and expected dividend yield.

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

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

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

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Revenue and segment information

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

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

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

During the years ended 31 December 2022 and 2021, all of the Group’s revenues are from contracts with customers. Please refer to Note 2.20 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 | |
|---|------------------------|------------------|
| | 2022 | 2021 |
| | RMB’000 | RMB’000 |
| Revenue from: | | |
| - Bar operations | 1,547,988 | 1,835,108 |
| - Franchisees | 11,320 | 508 |
| | <u>1,559,308</u> | <u>1,835,616</u> |
| Disaggregated by timing of revenue recognition: | | |
| - Point in time | 1,547,988 | 1,835,108 |
| - Over time | 11,320 | 508 |
| | <u>1,559,308</u> | <u>1,835,616</u> |

No customers contributed over 10% of the total revenue of the Group for the years ended 31 December 2022 and 2021.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 | |
|-----------|------------------------|------------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| The PRC | 1,555,202 | 1,832,982 |
| Hong Kong | 4,106 | 2,634 |
| | <u>1,559,308</u> | <u>1,835,616</u> |

(c) Non-current assets by geographical location

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

6 Other expenses

| | Year ended 31 December | |
|--|------------------------|---------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Logistics and warehousing-related costs | 43,829 | 51,731 |
| Office expenses | 7,367 | 11,369 |
| Repair and maintenance | 8,576 | 5,033 |
| Auditor's remuneration | | |
| – Audit services | 5,800 | 4,900 |
| – Non-audit services | 1,035 | 715 |
| Cleaning and garbage handling fees | 4,083 | 4,736 |
| Service fees to third-party platform service providers | 10,845 | 8,520 |
| Software development fees | 7,636 | 4,404 |
| Others | 14,616 | 7,454 |
| | <u>103,787</u> | <u>98,862</u> |

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 Government grants and concessions

| | Year ended 31 December | |
|--|------------------------|-----------------|
| | 2022 RMB'000 | 2021 RMB'000 |
| Government grants (a) | 26,491 | 13,540 |
| Gain on COVID-19 rent concessions (Note 22(c)) | 11,711 | 484 |
| | <u>38,202</u> | <u>14,024</u> |

- (a) During the year ended 31 December 2022, government grants mainly represented the grants amounting to a total of approximately RMB19,184,000 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 | |
|--|------------------------|-----------------|
| | 2022 RMB'000 | 2021 RMB'000 |
| Loss on disposal of plant and equipment (a) | (142,040) | - |
| Expected credit loss on rental deposits (a) | (17,436) | - |
| Penalties and compensation for early termination | (4,095) | - |
| Gain on termination of leases (a) | 19,301 | - |
| Exchange gain | 61,055 | - |
| | <u>(83,215)</u> | <u>-</u> |

- (a) Due to the continued impact of the COVID-19 pandemic and the Group's strategic consideration of bars' optimization and adjustments including the closure of certain bars, the Group incurred net losses arising from the aggregation of disposal of plant and equipment, termination of leases, impairment of plant and equipment, and expected credit losses on rental deposits during the year ended 31 December 2022.

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

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 Employee benefit expenses (including directors' emoluments) and manpower service expenses

| | Year ended 31 December | |
|--|------------------------|----------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Wages, salaries, and other benefits | 157,784 | 213,871 |
| Pension costs - defined contribution schemes (Note a) | 28,230 | 32,572 |
| Equity settled share-based payments (Note 29) | 503,191 | 91,683 |
| | <hr/> | <hr/> |
| Total employee benefit expenses (including directors' remunerations) | 689,205 | 338,126 |
| Manpower service expenses (Note b) | 314,250 | 243,502 |
| | <hr/> | <hr/> |
| | <u>1,003,455</u> | <u>581,628</u> |

(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 31 December 2022 and 2021, depending on the provinces of the employees' registered residences and their current region of work, the subsidiaries contributed certain percentages of the basic salaries of its employees and had no further obligations for the actual payment of pensions or postretirement benefits beyond the contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to the retired employees.

(b) Manpower service expenses

During the years ended 31 December 2022 and 2021, 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.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 include 1 and 3 director(s) for the years ended 31 December 2022 and 2021, respectively, whose emoluments are reflected in the analysis presented in Note 31. The emoluments payable to the remaining 4 and 2 individuals for the years ended 31 December 2022 and 2021 are as follows:

| | Year ended 31 December | |
|--|------------------------|-----------------|
| | 2022 RMB'000 | 2021 RMB'000 |
| Wages, salaries, and other benefits | 568 | 901 |
| Pension costs - defined contribution plans | 63 | 121 |
| Share-based payments expenses | 365,678 | - |
| | <u>366,109</u> | <u>1,022</u> |

The emoluments fell within the following band:

| Emolument band | Year ended 31 December | |
|----------------------------------|----------------------------------|----------------------------------|
| | 2022 Number of individuals | 2021 Number of individuals |
| Below HKD1,000,000 | - | 2 |
| 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 31 December 2022 and 2021, 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 costs, net

| | Year ended 31 December | |
|---|------------------------|-----------------|
| | 2022 RMB'000 | 2021 RMB'000 |
| Interest income on bank deposits | <u>(4,960)</u> | <u>(563)</u> |
| Interest expenses on lease liabilities (Note 22(c)) | 42,007 | 54,222 |
| Interest expenses on borrowings | - | 3,468 |
| Finance costs | <u>42,007</u> | <u>57,690</u> |
| Finance costs, net | <u>37,047</u> | <u>57,127</u> |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 Income tax (credit)/expense

| | Year ended 31 December | |
|--------------------------------------|------------------------|---------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Current income tax | | |
| - PRC corporate income tax | 1,261 | 64,714 |
| Deferred income tax (Note 23) | (16,583) | (11,564) |
| Income tax (credit)/expense | <u>(15,322)</u> | <u>53,150</u> |

(a) Hong Kong profits tax

During the years ended 31 December 2022 and 2021, no provision for Hong Kong profits tax has been made at the rate of 16.5% as the Group did not derive any income subject to Hong Kong profits tax during the years ended 31 December 2022 and 2021.

(b) PRC corporate income tax

During the years ended 31 December 2022 and 2021, the Group's subsidiaries in the PRC are subject to corporate income tax ("CIT") at a standard rate of 25%, except for Shenzhen Helens Management Co., Ltd. which is an enterprise established in the Qianhai Shenzhen-Hong Kong Modern Services Industry Cooperation Zone ("Qianhai Zone") and is engaged in business that falls within the catalogue for CIT preferential treatments of Qianhai Zone and therefore subject to a preferential corporate income tax rate of 15%.

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

| | Year ended 31 December | |
|---|------------------------|------------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Loss before income tax | <u>(1,616,472)</u> | <u>(176,850)</u> |
| Tax calculated at the applicable tax rates of the respective subsidiaries | (292,117) | 37,374 |
| Tax effect of: | | |
| Expenses not deductible for tax purpose | 980 | 11,886 |
| Tax losses and temporary differences not recognised for deferred tax assets | <u>275,815</u> | <u>3,890</u> |
| Income tax (credit)/expense | <u>(15,322)</u> | <u>53,150</u> |

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 31 December 2022 and 2021.

In determining the weighted average number of ordinary shares deemed to be in issue during the years ended 31 December 2022 and 2021, 1,000 shares, being the number of ordinary shares issued by the Company on 16 January 2018 (date of incorporation), were deemed to have been issued and allocated on 1 January 2018 as if the Company has been incorporated by then, when computing the basic and diluted earnings per share for the years ended 31 December 2022 and 2021.

On 9 February 2021, the shareholders of the Company resolved that all issued and unissued ordinary shares of the Company increased from 500,000,000 shares of USD0.0001 each to 500,000,000,000,000 shares of USD0.0000000001 each by subdivision of one share at par value of USD0.0001 each to 1,000,000 shares at par value of USD0.0000000001 each (the “**Subdivision**”). Immediately following the Subdivision, the number of ordinary shares in issue was 1,000,000,000. In determining the weighted average number of ordinary shares in issue, the Subdivision has been adjusted retrospectively as if the Subdivision was effective since the beginning of the year ended 31 December 2018.

During the year ended 31 December 2022, the company has granted an aggregate of 52,996,468 RSUs (2021: 266,901,524), 6,097 RSUs had subsequently lapsed and the remaining 52,990,371 RSUs were fully 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 | |
|---|------------------------|----------------|
| | 2022 | 2021 |
| Loss for the year attributable to owners of the Company (RMB'000) | (1,601,150) | (230,000) |
| Weighted average number of ordinary shares in issue (Thousand) (Note 20) | 1,097,175 | 1,079,014 |
| Basic loss per share (RMB) | <u>(1.459)</u> | <u>(0.213)</u> |

(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.

For the year ended 31 December 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 31 December 2022 is the same as basic loss per share.

13 Dividends

No dividend was declared or paid by the Company during the years ended 31 December 2022 and 2021.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 1 January 2021 | | | | | | | |
| Cost | - | 27 | 291 | 59,911 | - | 181,056 | 241,285 |
| Accumulated depreciation | - | (11) | (103) | (13,678) | - | (38,650) | (52,442) |
| Net book amount | - | 16 | 188 | 46,233 | - | 142,406 | 188,843 |
| Year ended 31 December 2021 | | | | | | | |
| Opening net book amount | - | 16 | 188 | 46,233 | - | 142,406 | 188,843 |
| Additions | - | - | 3 | 120,990 | - | 649,265 | 770,258 |
| Business combinations | - | - | - | - | - | 1,130 | 1,130 |
| Depreciation | - | (5) | (63) | (19,015) | - | (63,517) | (82,600) |
| Impairment losses (a) | - | - | - | (326) | - | (6,025) | (6,351) |
| Closing net book amount | - | 11 | 128 | 147,882 | - | 723,259 | 871,280 |
| At 31 December 2021 | | | | | | | |
| Cost | - | 27 | 294 | 180,901 | - | 831,451 | 1,012,673 |
| Accumulated depreciation | - | (16) | (166) | (32,693) | - | (102,167) | (135,042) |
| Impairment losses | - | - | - | (326) | - | (6,025) | (6,351) |
| Net book amount | - | 11 | 128 | 147,882 | - | 723,259 | 871,280 |

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 1 January 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 31 December 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 31 December 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 |

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 impact of COVID-19 in 2022, 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 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 16.13% to 23.94% as at 31 December 2022 (2021: 11.99% to 15.65%). 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 31 December 2022 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 31 December 2022 taking into account the uncertainties on how the forward-looking customer consumptions in the PRC will recover from the COVID-19 impact.

Based on the results of the impairment assessment conducted, the carrying amount of certain bars exceeded their recoverable amount and therefore impairment of approximately RMB433,449,000 and RMB279,456,000 (Note 22(b)) was recognised for these bars’ plant and equipment and right-of-use assets, respectively, in the Group’s consolidated statement of comprehensive income for the year ended 31 December 2022 (2021: RMB6,351,000 and RMB4,634,000, respectively).

Furthermore, due to the closure of certain bars, the Group disposed of certain plant and equipment, resulting in a loss of approximately RMB142,040,000.

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15 Intangible assets

| | System software RMB'000 |
|------------------------------------|-------------------------------|
| At 1 January 2021 | |
| Cost | 147 |
| Accumulated amortisation | (38) |
| Net book amount | <u>109</u> |
| Year ended 31 December 2021 | |
| Opening net book amount | 109 |
| Additions | - |
| Amortisation | (17) |
| Closing net book amount | <u>92</u> |
| At 31 December 2021 | |
| Cost | 147 |
| Accumulated amortisation | (55) |
| Net book amount | <u>92</u> |

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 Intangible assets (Continued)

| | System software RMB'000 |
|------------------------------------|-------------------------------|
| At 1 January 2022 | |
| Cost | 147 |
| Accumulated amortisation | (55) |
| Net book amount | <u>92</u> |
| Year ended 31 December 2022 | |
| Opening net book amount | 92 |
| Additions | - |
| Amortisation | (17) |
| Closing net book amount | <u>75</u> |
| At 31 December 2022 | |
| Cost | 147 |
| Accumulated amortisation | (72) |
| Net book amount | <u>75</u> |

16 Financial instruments by categories

| | As of 31 December | |
|---|-------------------|------------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Financial assets | | |
| Financial assets carried at amortised cost | | |
| Other receivables and deposits (Note 17) | 54,060 | 106,485 |
| Cash and bank balances (Note 19) | 1,298,564 | 1,626,731 |
| | <u>1,352,624</u> | <u>1,733,216</u> |
| Financial liabilities | | |
| Financial liabilities carried at amortised cost | | |
| Trade payables (Note 24) | 62,742 | 75,139 |
| Other payables and accruals | 30,764 | 49,722 |
| Lease liabilities (Note 22) | 741,002 | 1,246,140 |
| | <u>834,508</u> | <u>1,371,001</u> |

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 Prepayments, deposits, and other receivables

| | As of 31 December | |
|--|-------------------|----------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Non-current portion | | |
| Rental and other deposits | 37,126 | 83,179 |
| Prepayments for acquisitions of property, plant, and equipment | | |
| - Properties (b) | - | 223,260 |
| - Others | 3,373 | 16,608 |
| Other prepayments (c) | 49,190 | - |
| | <u>89,689</u> | <u>323,047</u> |
| Current portion | | |
| Rental and other deposits | 10,974 | 21,641 |
| Prepayments | 2,461 | 743 |
| Other tax receivable | 25,667 | 1,841 |
| Other prepayments (c) | 10,656 | - |
| Others | 5,960 | 1,665 |
| | <u>55,718</u> | <u>25,890</u> |

- (a) As of 31 December 2022, the carrying amounts of deposits and other receivables approximated their fair values and were primarily denominated in RMB.
- (b) The balance as at 31 December 2021 represented the prepayment for acquisitions of certain office properties which were completed during the year ended 31 December 2022.
- (c) Other prepayments represent subsidies to certain franchisees for pre-opening capital expenditures to the franchisees. These subsidies are amortised on a straight-line basis over the franchise period which aligns with the franchisee's access to the franchise rights. During the year ended 31 December 2022, amortisation of approximately RMB4,091,000 was recognised as write-offs of service fees charged to franchisees.

18 Inventories

| | As of 31 December | |
|--|-------------------|---------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Food ingredients, beverages, and consumables | <u>35,962</u> | <u>61,502</u> |

The cost of inventories recognised as expenses and included in the consolidated statement of comprehensive income during the year ended 31 December 2022 amounted to approximately RMB561,906,000 (2021: RMB576,787,000).

No write-downs of inventories to net realisable value were charged to the consolidated statement of comprehensive income during the years ended 31 December 2022 and 2021, respectively.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 Cash and bank balances

| | As of 31 December | |
|--|-------------------|------------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Cash and bank balances | 1,096,998 | 1,626,731 |
| Term deposit with original maturity over three months | 201,566 | - |
| | <u>1,298,564</u> | <u>1,626,731</u> |
| Maximum exposure to credit risk (excluding cash on hand) | <u>1,297,206</u> | <u>1,622,019</u> |

As of 31 December 2022 and 31 December 2021, the carrying amounts of cash and bank balances approximated their fair values.

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

| | As of 31 December | |
|-----|-------------------|------------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| RMB | 213,756 | 135,783 |
| HKD | 180,415 | 1,490,883 |
| USD | 904,393 | 65 |
| | <u>1,298,564</u> | <u>1,626,731</u> |

Cash and bank balances (excluding cash on hand) earned interest at floating rates based on daily deposits rate. As of 31 December 2022 and 31 December 2021, the carrying amounts of cash and bank balances approximated their fair values.

As of 31 December 2022, cash and bank balances of the Group amounting to approximately RMB57,721,000 (2021: RMB393,816,000), 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.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 Share capital

Authorised

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

Issued

| | Number of ordinary shares | Nominal value of ordinary shares* USD | Share capital RMB |
|-------------------------------------|---------------------------------|---|-------------------------|
| As of 31 December 2021 | 1,219,249,507 | 0.101 | 1 |
| Restricted shares granted (Note(a)) | 52,996,468 | - | - |
| Restricted shares lapsed (Note(a)) | (6,097) | - | - |
| As of 31 December 2022 | <u>1,272,239,878</u> | <u>0.101</u> | <u>1</u> |

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

Note:

- (a) On 16 January 2022, 6 July 2022, and 31 October 2022, 6,725,619, 12,469,015, and 33,801,834 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 USD0.000000001 each in the share capital of the Company. 6,097 RSUs subsequently lapsed.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21

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 1 January 2021 | - | 10,985 | 195 | 1,100 | 147,957 | 160,237 |
| Loss for the year | - | - | - | - | (230,000) | (230,000) |
| Appropriation for statutory surplus reserve (a) | - | 7,451 | - | - | (7,451) | - |
| Issuance of new shares upon listing (Note 20) | 2,539,164 | - | - | - | - | 2,539,164 |
| Share issuance costs(b) | (98,103) | - | - | - | - | (98,103) |
| Conversion of convertible redeemable preferred shares into ordinary shares (Note 26) | 419,153 | - | - | - | - | 419,153 |
| Share-based compensation expenses (Note 29) | - | - | - | 91,683 | - | 91,683 |
| Currency translation differences | - | - | (5,415) | - | - | (5,415) |
| As of 31 December 2021 | 2,860,214 | 18,436 | (5,220) | 92,783 | (89,494) | 2,876,719 |
| As of 1 January 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 31 December 2022 | 2,860,214 | 18,666 | 38,887 | 595,974 | (1,690,874) | 1,822,867 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 Reserves (Continued)

(a) Appropriation for statutory surplus reserve

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

(b) Share issuance costs

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

22 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.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 Leases (Continued)

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

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

| | As of 31 December | |
|--|-------------------|------------------|
| | 2022 RMB'000 | 2021 RMB'000 |
| Right-of-use assets-properties | | |
| Opening net book amount | 1,348,338 | 554,506 |
| Additions | 197,657 | 1,018,712 |
| Depreciation charge | (315,923) | (220,246) |
| Impairment losses (Note 14(a)) | (279,456) | (4,634) |
| Derecognition from termination of leases | (493,579) | - |
| | <u>457,037</u> | <u>1,348,338</u> |
| Lease liabilities | | |
| Non-current portion | 565,202 | 1,060,620 |
| Current portion | 175,800 | 185,520 |
| | <u>741,002</u> | <u>1,246,140</u> |

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

(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 | |
|--|------------------------|------------------|
| | 2022 RMB'000 | 2021 RMB'000 |
| Depreciation charge of right-of-use assets | 315,923 | 220,246 |
| Finance costs on lease liabilities (Note 10) | 42,007 | 54,222 |
| Gain on COVID-19 rent concessions (Note 7) | 11,711 | 484 |
| Impairment losses (Note 14) | (279,456) | (4,634) |
| | <u>741,002</u> | <u>1,246,140</u> |

During the year ended 31 December 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 (2021: RMB484,000). 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 years ended 31 December 2022 and 2021.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 Leases (Continued)

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

During the years ended 31 December 2022 and 2021, the total cash outflows for leases were as follows:

| | Year ended 31 December | |
|---|------------------------|----------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Cash outflows from operating activities | | |
| Payments for short-term leases in respect of staff quarters (*) | 49,849 | 30,777 |
| | <u>49,849</u> | <u>30,777</u> |
| Cash outflows from financing activities | | |
| Payment of principal element of lease liabilities | 178,204 | 311,329 |
| Payment of interest element of lease liabilities | 42,007 | 54,222 |
| | <u>178,204</u> | <u>311,329</u> |
| | <u>42,007</u> | <u>54,222</u> |

* Payments for short-term leases were not shown separately, but included in the line of "profit before income tax" in respect of the net cash generated from operations which were presented in Note 27(a) using the indirect method.

23 Deferred income tax

| | As of 31 December | |
|----------------------------|-------------------|---------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Deferred income tax assets | 46,469 | 29,886 |
| | <u>46,469</u> | <u>29,886</u> |

Deferred income tax assets

| | Rights-of-use assets and lease liabilities RMB'000 | Advertising expenses RMB'000 | Tax losses RMB'000 | Impairment losses RMB'000 | Total RMB'000 |
|---------------------------------------|--|------------------------------------|-----------------------|---------------------------------|------------------|
| As of 1 January 2021 | 4,044 | 325 | 13,953 | - | 18,322 |
| Credited to profit and loss | 9 | 927 | 7,882 | 2,746 | 11,564 |
| As of 31 December 2021 | <u>4,053</u> | <u>1,252</u> | <u>21,835</u> | <u>2,746</u> | <u>29,886</u> |
| As of 1 January 2022 | 4,053 | 1,252 | 21,835 | 2,746 | 29,886 |
| (Charged)/credited to profit and loss | (2,191) | (1,251) | (5,832) | 25,857 | 16,583 |
| As of 31 December 2022 | <u>1,862</u> | <u>1</u> | <u>16,003</u> | <u>28,603</u> | <u>46,469</u> |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 Deferred income tax (Continued)

Deferred income tax assets (Continued)

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. As of 31 December 2022, the Group did not recognise certain deferred income tax assets of approximately RMB95,983,000 (2021: RMB6,614,000), in respect of accumulated tax losses amounting to approximately RMB395,132,000 (2021: RMB33,697,000), that can be carried forward against future taxable income. These unrecognised tax losses include approximately RMB32,940,000 (2021: RMB33,697,000) were attributable to a Hong Kong subsidiary and do not have an expiry date, the remaining unrecognised tax losses approximately RMB362,192,000 (2021: Nil) will expire within 5 years.

The PRC subsidiaries of the Group have undistributed earnings of approximately RMB72,016,000 as of 31 December 2022 (2021: RMB367,064,000), 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.

24 Trade payables

| | As of 31 December | |
|----------------|-------------------|---------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Trade payables | 62,742 | 75,139 |
| | <u>62,742</u> | <u>75,139</u> |

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

| | As of 31 December | |
|-----------|-------------------|---------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| 0-90 days | 62,742 | 75,139 |
| | <u>62,742</u> | <u>75,139</u> |

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

| | As of 31 December | |
|-----|-------------------|---------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| RMB | 62,742 | 75,139 |
| | <u>62,742</u> | <u>75,139</u> |

As of 31 December 2022 and 2021, the carrying amounts of trade payables approximated their fair values.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 Other payables and accruals

| | As of 31 December | |
|---|-------------------|---------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Salary, staff welfare payables and manpower service | 22,806 | 54,930 |
| Amount due to a related party (Note 30(b)) | 530 | - |
| Others | 14,474 | 8,267 |
| | <u>37,810</u> | <u>63,197</u> |

As of 31 December 2022 and 31 December 2021, 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 | |
|-----|-------------------|---------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| RMB | 37,810 | 60,571 |
| HKD | - | 2,626 |
| | <u>37,810</u> | <u>63,197</u> |

26 Fair value changes of convertible preferred shares

Fair value changes amounting to approximately RMB207,669,000, representing the differences between the IPO price of HKD19.77 per share and the initial issuance price of USD1.28 per share for these 25,591,032 convertible preferred shares, were recognised in profit or loss.

Upon the IPO of the Company on 10 September 2021, all of the aforementioned 25,591,032 convertible preferred shares were converted into the same number of ordinary shares, pursuant to which approximately RMB0.0026 was recognised as share capital and approximately RMB 419,153,000 was recognised as share premium.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 Notes to the consolidated statements of cash flows

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

| | Year ended 31 December | |
|---|------------------------|-----------------|
| | 2022 RMB'000 | 2021 RMB'000 |
| Loss before income tax | (1,616,472) | (176,850) |
| Adjustments for: | | |
| Other losses, net (Note 8) | 83,215 | - |
| Finance income (Note 10) | (4,960) | (563) |
| Finance costs (Note 10) | 42,007 | 57,690 |
| Depreciation of right-of-use assets (Note 22) | 315,923 | 220,246 |
| Depreciation of property, plant and equipment (Note 14) | 199,996 | 82,600 |
| Gain on COVID-19 rent concessions (Note 7) | (11,711) | (484) |
| Equity settled share-based payment (Note 29) | 503,191 | 91,683 |
| Impairment losses of plant and equipment and right-of-use assets (Note 14&22) | 712,905 | 10,985 |
| Fair value changes of convertible preferred shares (Note 26) | - | 207,669 |
| Amortisation of intangible assets (Note 15) | 17 | 17 |
| | <u>224,111</u> | <u>492,993</u> |
| Changes in working capital: | | |
| - Inventories | 25,540 | (24,647) |
| - Prepayments, deposits and receivables | (50,401) | (88,625) |
| - Trade payables | (12,397) | 38,683 |
| - Other payables and accruals | (29,482) | 12,483 |
| | <u>157,371</u> | <u>430,887</u> |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 Notes to the consolidated statements of cash flows (Continued)

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

| | Lease liabilities RMB'000 | Amount due to a director RMB'000 | Borrowings RMB'000 | Convertible Preferred shares RMB'000 |
|--|------------------------------|-------------------------------------|-----------------------|---|
| As of 31 December 2020 | 539,241 | 35,136 | 13,000 | - |
| Interest expenses on lease liabilities | 54,222 | - | - | - |
| Cash flows | | | | |
| - Proceeds from borrowings | - | - | 237,000 | - |
| - Repayments of borrowings | - | - | (250,000) | - |
| - Payment of principal element of lease liabilities | (311,329) | - | - | - |
| - Payment of interest element of lease liabilities | (54,222) | - | - | - |
| - Repayments to a director | - | (35,136) | - | - |
| - Proceeds from issuance of convertible preferred shares | - | - | - | 212,285 |
| Other non-cash movements | | | | |
| - Gain on COVID-19 rent concessions (Note 7) | (484) | - | - | - |
| - Additions of lease liabilities | 1,018,712 | - | - | - |
| - Fair value changes (Note 26) | - | - | - | 207,669 |
| - Exchange difference | - | - | - | (801) |
| - Conversion of convertible redeemable preferred shares into ordinary shares (Note 26) | - | - | - | (419,153) |
| As of 31 December 2021 | <u>1,246,140</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| As of 1 January 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 31 December 2022 | <u>741,002</u> | <u>-</u> | <u>-</u> | <u>-</u> |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 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 | |
|--|-------------------|----------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Net book amount (Note 14) | 152,240 | - |
| Loss on disposal of plant and equipment (Note 8) | (142,040) | - |
| Proceeds from disposal of plant and equipment | <u>10,200</u> | <u>-</u> |

(d) Major non-cash transactions

Apart from non-cash transactions disclosed in Note (b) above, during the years ended 31 December 2022 and 2021, there were no non-cash transactions among the group.

28 Capital commitments

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

| | As of 31 December | |
|---------------------------------|-------------------|---------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Contracted but not provided for | <u>-</u> | <u>14,311</u> |

29 Equity settled share-based payments

The equity-settled share-based payments expense recognized during the years ended 31 December 2022 and 2021 are summarized as below:

| | Year ended 31 December | |
|-------------------------------|------------------------|---------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Share-based payments expenses | <u>503,191</u> | <u>91,683</u> |

On 16 January 2022, 6 July 2022, and 31 October 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.

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29 Equity settled share-based payments (Continued)

During the year ended 31 December 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 14 January 2022, 5 July 2022, and 28 October 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 31 December 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 31 December 2022 and 2021 were as follows:

| Name of the related parties | Relationship with the Group |
|--|---|
| Mr. Xu Bingzhong | Controlling Shareholder |
| Shenzhen Jiangzhu Technology Co., Ltd. | A company owned 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 31 December 2022 and 2021, the following transactions were carried out with related parties at terms mutually agreed by both parties:

- (i) Personal guarantees provided by the related parties

During the year ended 31 December 2020, the Group's bank borrowings and banking facilities secured by personal guarantee from Mr. Xu. In December 2021, the aforementioned bank borrowings were repaid and the personal guarantee from Mr. Xu was released.

b) Balances with related parties as sole proprietors

| | As of 31 December | |
|--|-------------------|---------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Non-trade nature | | |
| Amount due to a related party | | |
| - Shenzhen Jiangzhu Technology Co., Ltd. | 530 | - |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 | Total RMB'000 |
|--|-----------------|-------------------|-----------------------------------|--|--|------------------|
| For the year ended 31 December 2021 | | | | | | |
| Directors | | | | | | |
| - Mr. Xu Bingzhong | - | 374 | 60 | 96 | 78 | 608 |
| - Mr. Zhang Bo | - | 313 | 50 | 96 | 35 | 494 |
| - Mr. Zhao Jun | - | 287 | 50 | 96 | 102 | 535 |
| - Ms. Lei Xing | - | 312 | 29 | 96 | 36 | 473 |
| | - | 1,286 | 189 | 384 | 251 | 2,110 |
| Independent Non-Executive Directors | | | | | | |
| - Mr. Li Dong | 133 | - | - | - | - | 133 |
| - Mr. Wang Renrong | 133 | - | - | - | - | 133 |
| - Mr. Wong Heung Ming, Henry | 133 | - | - | - | - | 133 |
| | 399 | - | - | - | - | 399 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 31 December 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 non-executive directors with effect from 17 June 2022; Ms. Yu Zhen and Ms. Cai Wenjun have been appointed as executive directors of the Company with effect from 17 June 2022.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 Benefits and interest of directors (Continued)

a) Directors' emoluments (Continued)

During the years ended 31 December 2022 and 2021, none of the directors of the Company (i) received or paid any remuneration in respect of accepting office; (ii) received or paid emoluments in respect of services in connection with the management of the affairs of the Company or its subsidiaries' undertaking; and (iii) waived or has agreed to waive any emolument.

b) Directors' retirement benefits and termination benefits

During the years ended 31 December 2022 and 2021, no emoluments, retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable.

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

During the years ended 31 December 2022 and 2021, no consideration was provided to third parties for making available directors' services.

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

During the years ended 31 December 2022 and 2021, 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 31 December 2022 and 2021, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the years ended 31 December 2022 and 2021 or at any time during the years ended 31 December 2022 and 2021.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 Notes to the statement of financial position of the Company

| | Note | As of 31 December | |
|---|------|-------------------------|-------------------------|
| | | 2022 | 2021 |
| | | RMB'000 | RMB'000 |
| Assets | | | |
| Non-current asset | | | |
| Investment in subsidiaries | | 6 | 6 |
| Amounts due from a subsidiary | | 1,591,830 | 1,842,453 |
| | | <u>1,591,836</u> | <u>1,842,459</u> |
| Current assets | | | |
| Cash and bank balances | | 1,120,304 | 799,907 |
| | | <u>1,120,304</u> | <u>799,907</u> |
| Total assets | | <u><u>2,712,140</u></u> | <u><u>2,642,366</u></u> |
| Equity | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 20 | 1 | 1 |
| Reserves | (b) | 2,672,298 | 2,603,423 |
| Total equity | | <u><u>2,672,299</u></u> | <u><u>2,603,424</u></u> |
| Liabilities | | | |
| Current liabilities | | | |
| Amounts due to a subsidiary | (a) | 34,036 | 34,036 |
| Other payables and accrual | | 5,805 | 4,906 |
| | | <u>39,841</u> | <u>38,942</u> |
| Total liabilities | | <u><u>39,841</u></u> | <u><u>38,942</u></u> |

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 Notes to the statement of financial position of the Company (Continued)

(a) Amount due to a subsidiary

As of 31 December 2022 and 31 December 2021, 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 1 January 2021 | - | - | - | (5,680) | (5,680) |
| Loss for the year | - | - | - | (331,910) | (331,910) |
| Issuance of new shares upon listing | 2,539,164 | - | - | - | 2,539,164 |
| Share issuance costs | (98,103) | - | - | - | (98,103) |
| Conversion of convertible redeemable preferred shares into ordinary shares (Note 26) | 419,153 | - | - | - | 419,153 |
| Share-based compensation expenses (Note 29) | - | - | 91,683 | - | 91,683 |
| Currency translation differences | - | (10,884) | - | - | (10,884) |
| As at 31 December 2021 | <u>2,860,214</u> | <u>(10,884)</u> | <u>91,683</u> | <u>(337,590)</u> | <u>2,603,423</u> |
| As at 1 January 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 31 December 2022 | <u>2,860,214</u> | <u>(10,884)</u> | <u>594,874</u> | <u>(771,906)</u> | <u>2,672,298</u> |

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 Subsidiaries

The Company's major subsidiaries as at 31 December 2022 and 2021 are set out below:

| Name of subsidiary | Place and date of incorporation/ establishment | Principal activities and place of operation | Issued and paid up capital/registered capital | Effective interest held by the Group | |
|---|--|---|---|--------------------------------------|------------------|
| | | | | As of | |
| | | | | 31 December 2022 | 31 December 2021 |
| XBZ Hill Holding Limited | The BVI; 25 January 2018 | Investment holding; The BVI | USD1,000/ USD1,000 | 100% | 100% |
| CFPL (Cayman) Limited | Cayman; 18 September 2020 | Investment holding; The BVI | USD50,000/ USD50,000 | 98.5% | 98.5% |
| Helens Hill Limited | Hong Kong; 29 December 2017 | Bar operations; Hong Kong | HKD1/HKD1 | 100% | 100% |
| WZYX Holding Limited | The BVI; 30 September 2020 | Investment holding; The BVI | USD1/USD1 | 100% | 100% |
| CFPL (Hong Kong) Limited | Hong Kong; 23 October 2020 | Investment holding; The BVI | USD1/USD1 | 100% | 100% |
| Fuzhou Zhiyingju Catering Management Co., Ltd.* (福州支應居餐飲管理有限責任公司) | The PRC; 12 January 2018 | Bar operations; The PRC | RMB1,000,000/ RMB1,000,000 | 100% | 100% |
| Wuhan City Aoerdesang Catering Services Co., Ltd.* (武漢市奧爾德桑餐飲服務有限公司) | The PRC; 6 February 2018 | Bar operations; The PRC | 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; 9 April 2018 | Bar operations; The PRC | RMB2,000,000/ RMB2,000,000 | 100% | 100% |
| Shenzhen Helens Enterprise Management Co., Ltd.* (深圳海倫司企業管理有限公司) | The PRC; 20 April 2018 | Management service; The PRC | 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; 23 May 2018 | Bar operations; The PRC | 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; 29 May 2018 | Bar operations; The PRC | 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; 5 June 2018 | Bar operations; The PRC | RMB70,000,000/ RMB70,000,000 | 100% | 100% |
| Zhengzhou Aolimpisi Catering Management Co., Ltd.* (鄭州奧林匹斯餐飲管理有限公司) | The PRC; 21 December 2018 | Bar operations; The PRC | 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; 16 July 2018 | Bar operations; The PRC | RMB52,000,000/ RMB52,000,000 | 100% | 100% |
| TSLZ Holding Limited | The BVI; 25 May 2021 | Employee Trust; The BVI | USD1/USD1 | 100% | 100% |

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2023

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 6 to 71, comprise:

- the consolidated statement of financial position as at 31 December 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 31 December 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 ("HKSA") 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 |
|---|--|
| <p>Impairment assessment of right-of-use assets and plant and equipment in bars</p> <p>Refer to Notes 2.2.3, 4.4, 14 and 23 to the consolidated financial statements.</p> <p>As at 31 December 2023, the right-of-use assets and plant and equipment of the Group amounted to approximately RMB 182,779,000 and RMB 423,423,000, respectively, majority of which are in relation to the Group's bars.</p> <p>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.</p> <p>Based on the results of the impairment assessment conducted, impairment provision of approximately RMB 2,228,000 and RMB 9,110,000 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 31 December 2023.</p> | <p>Our procedures in relation to impairment assessment of right-of-use assets and plant and equipment in bars included:</p> <ul style="list-style-type: none"> 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 Matters (Continued)

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|--|
| <p>Impairment assessment of right-of-use assets and plant and equipment in bars (continue)</p> <p>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, raw material costs-to-revenue ratio, employee benefit and manpower service expenses-to-revenue ratio, and discount rates.</p> | <p>Our procedures in relation to impairment assessment of right-of-use assets and plant and equipment in bars included (continue):</p> <ul style="list-style-type: none"> • 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 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. <p>Based on the above procedures, we found the significant assumptions adopted in management’s impairment assessment to be supported by the evidence we obtained.</p> |

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 HKSAAs 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 HKSAAs, 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- 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.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', is written over a large, stylized 'P' that is part of the PwC logo.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2024

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 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 | | <u>151,964</u> | <u>(1,616,472)</u> |
| Income tax credit | 11 | 28,536 | 15,322 |
| Profit/(loss) for the year attributable to owners of the Company | | <u>180,500</u> | <u>(1,601,150)</u> |
| Other comprehensive income: | | | |
| <i>Item that may be subsequently reclassified to profit or loss</i> | | | |
| Currency translation differences | | (28,440) | 44,107 |
| Total comprehensive income/(loss) for the year attributable to owners of the Company | | <u>152,060</u> | <u>(1,557,043)</u> |
| 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 12 to 71 are integral parts of these consolidated financial statements.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 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 |
| | | <u>740,830</u> | <u>1,286,524</u> |
| 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 | - |
| | | <u>1,424,154</u> | <u>1,390,244</u> |
| Total assets | | <u><u>2,164,984</u></u> | <u><u>2,676,768</u></u> |
| Equity | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 21 | 1 | 1 |
| Reserves | 22 | 1,821,406 | 1,822,867 |
| Total equity | | <u><u>1,821,407</u></u> | <u><u>1,822,868</u></u> |

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2023**

| | Note | As of 31 December | |
|-------------------------------------|------|-------------------|------------------|
| | | 2023 | 2022 |
| | | RMB'000 | RMB'000 |
| Liabilities | | | |
| Non-current liability | | | |
| Contract liabilities | 5 | 5,620 | - |
| Other payables | 26 | 11,010 | - |
| Lease liabilities | 23 | 174,601 | 565,202 |
| | | <u>191,231</u> | <u>565,202</u> |
| 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 |
| | | <u>152,346</u> | <u>288,698</u> |
| Total liabilities | | <u>343,577</u> | <u>853,900</u> |
| Total equity and liabilities | | <u>2,164,984</u> | <u>2,676,768</u> |

The notes on pages 12 to 71 are integral parts of these consolidated financial statements.

The consolidated financial statements on pages 6 to 71 were approved for issue by the Board of Directors on 28 March 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

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 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 1 January 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 | | | | | | | |
| <i>Item that may be subsequently reclassified to profit or loss</i> | | | | | | | |
| 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 31 December 2022 | 1 | 2,860,214 | 595,974 | 18,666 | 38,887 | (1,690,874) | 1,822,868 |

The notes on pages 12 to 71 are integral parts of these consolidated financial statements.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

| | Attributable to owners of the Company | | | | | | Total Equity RMB'000 |
|--|---------------------------------------|-----------------------------|---|---------------------------------|--------------------------------|----------------------------------|----------------------------|
| | Share capital RMB'000 | Share premium RMB'000 | Share-based compensation reserve RMB'000 | Statutory reserve RMB'000 | Exchange reserve RMB'000 | Accumulated losses RMB'000 | |
| Balance at 1 January 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 31 December 2023 | 1 | 2,706,693 | 595,974 | 23,766 | 10,447 | (1,515,474) | 1,821,407 |

The notes on pages 12 to 71 are integral parts of these consolidated financial statements.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 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 | | <u>275,018</u> | <u>142,886</u> |
| 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 | | <u>(437,158)</u> | <u>(557,570)</u> |
| 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 | | <u>(323,147)</u> | <u>(220,211)</u> |
| 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 | | <u><u>625,612</u></u> | <u><u>1,096,998</u></u> |

The notes on pages 12 to 71 are integral parts of these consolidated financial statements.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

The Company was incorporated in the Cayman Islands on 16 January 2018 as an exempted company with limited liability under the Companies Act (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of its registered office is 3-212 Governors Square, 23 Lime Tree Bay Avenue, P.O. Box 30746, Seven Mile Beach, Grand Cayman KY1-1203, Cayman Islands. The Company's shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Listing") on 10 September 2021 (the "Listing Date").

The Company is an investment holding company and its subsidiaries comprising the Group principally engage in bar operations and franchise business 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 28 March 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.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 31 December 2023 are as follows:

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

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of accounting policies (Continued)

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.

(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.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of accounting policies (Continued)

2.2 Material accounting policies(Continued)

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.

2.2.4 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.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

(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.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of accounting policies (Continued)

2.2 Material accounting policies(Continued)

2.2.8 Revenue recognition(Continued)

(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.

2.2.9 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.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of accounting policies (Continued)

2.2 Material accounting policies(Continued)

2.2.9 Leases(Continued)

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

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

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

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

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

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

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

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of accounting policies (Continued)

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 ceases.

(a) Business combination

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

2.3.3 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.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of accounting policies (Continued)

2.3 Other accounting policies(Continued)

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.

2.3.8 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.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of accounting policies (Continued)

2.3 Other accounting policies(Continued)

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.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of accounting policies (Continued)

2.3 Other accounting policies(Continued)

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.

(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 31 December 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.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management

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

3.1 Market risk

3.1.1 Foreign exchange risk

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

During the years ended 31 December 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).

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

As of 31 December 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 31 December 2023 would have been approximately RMB 4,219,000 higher/lower (2022: loss before income tax would have been approximately RMB9,021,000 lower/higher).

As of 31 December 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 31 December 2023 would have been approximately RMB 52,817,000 higher/lower (2022: loss before income tax would have been approximately RMB45,220,000 lower/higher).

As of 31 December 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 31 December 2023 would have been approximately RMB 194,000 higher/lower (2022: Nil).

As of 31 December 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 31 December 2023 would have been approximately RMB 13,000 higher/lower (2022: Nil).

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 31 December 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 cash on 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.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 credit 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.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.2 Credit risk (Continued)

(b) Impairment of financial assets (Continued)

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

| | Trade receivables RMB'000 |
|--|------------------------------|
| At 31 December 2022 | - |
| Impairment losses for the year ended 31 December 2023 | 241 |
| | <hr/> |
| At 31 December 2023 | <u>241</u> |

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

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

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 31 December 2023.

There were no undrawn banking facilities available to the Group as of 31 December 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 31 December 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 |
| | <u>137,464</u> | <u>222,696</u> | <u>360,160</u> |
| At 31 December 2022 | | | |
| Trade payables | 62,742 | - | 62,742 |
| Other payables and accruals | 30,764 | - | 30,764 |
| Lease liabilities | 210,389 | 640,472 | 850,861 |
| | <u>303,895</u> | <u>640,472</u> | <u>944,367</u> |

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 31 December 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.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Revenue and segment information

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

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

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

During the years ended 31 December 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 RMB’000 | 2022 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 | <u>71,107</u> | <u>11,320</u> |
| | <u>1,208,613</u> | <u>1,559,308</u> |
| Disaggregated by timing of revenue recognition: | | |
| - Point in time | 1,137,506 | 1,547,988 |
| - Over time | <u>71,107</u> | <u>11,320</u> |
| | <u>1,208,613</u> | <u>1,559,308</u> |

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

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 RMB'000 | 2022 RMB'000 |
| Mainland China | 1,200,697 | 1,555,202 |
| Outside of Mainland China | 7,916 | 4,106 |
| | <u>1,208,613</u> | <u>1,559,308</u> |

(c) Non-current assets by geographical location

As of 31 December 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 RMB'000 | 31 December 2022 RMB'000 | 1 January 2022 RMB'000 |
|----------------------|--------------------------------|--------------------------------|------------------------------|
| Contract liabilities | <u>9,170</u> | <u>-</u> | <u>-</u> |

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 31 December 2023, revenue of approximately RMB 5,028,000 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 31 December 2023 are as follows:

| | 31 December 2023 RMB'000 | 31 December 2022 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 | - |
| | <u>9,170</u> | <u>-</u> |

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 Other expenses

| | Year ended 31 December | |
|--|------------------------|-----------------|
| | 2023 RMB'000 | 2022 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 |
| | <u>79,257</u> | <u>103,787</u> |

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 Government grants and concessions

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

- (a) During the year ended 31 December 2023, government grants mainly represented the grants amounting to a total of approximately RMB 2,390,000 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 RMB'000 | 2022 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 |
| | <u>(46,306)</u> | <u>(83,215)</u> |

- (a) Due to the Group's strategic consideration of bars' optimization and adjustments including the closure of certain bars, the Group incurred net losses arising from the aggregation of 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 31 December 2023.

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

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 Employee benefit expenses (including directors' emoluments) and manpower service expenses

| | Year ended 31 December | |
|--|------------------------|-----------------|
| | 2023 RMB'000 | 2022 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 |
| | <hr/> | <hr/> |
| Total employee benefit expenses (including directors' remunerations) | 132,552 | 689,205 |
| Manpower service expenses (b) | 166,248 | 314,250 |
| | <hr/> | <hr/> |
| | 298,800 | 1,003,455 |
| | <hr/> | <hr/> |

(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 31 December 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 31 December 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.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 31 December 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 31 December 2023 and 2022 are as follows:

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

The emoluments fell within the following band:

| | Year ended 31 December | |
|----------------------------------|----------------------------------|----------------------------------|
| | 2023 Number of individuals | 2022 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 |
| | <u></u> | <u></u> |

During the years ended 31 December 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 RMB'000 | 2022 RMB'000 |
| Interest income on bank deposits | <u>(68,598)</u> | <u>(4,960)</u> |
| Interest expenses on lease liabilities (Note 23(c)) | <u>27,800</u> | <u>42,007</u> |
| Finance costs | <u>27,800</u> | <u>42,007</u> |
| Finance (income)/costs, net | <u>(40,798)</u> | <u>37,047</u> |

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 | <u>(28,536)</u> | <u>(15,322)</u> |

(a) Hong Kong profits tax

During the years ended 31 December 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 31 December 2023 and 2022.

(b) PRC corporate income tax

During the years ended 31 December 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%.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 Income tax credit (Continued)

(c) Singapore profits tax

During the year ended 31 December 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 31 December 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 RMB'000 | 2022 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 31 December 2023 and 2022.

During the year ended 31 December 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) |

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 Earnings per share (Continued)

(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 31 December 2023. For the year ended 31 December 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 31 December 2022 is the same as basic loss per share.

13 Dividends

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

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 1 January 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 31 December 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 31 December 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 |

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 1 January 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 | <u>206,106</u> | <u>-</u> | <u>669</u> | <u>173,066</u> | <u>5,795</u> | <u>307,618</u> | <u>693,254</u> |
| Year ended 31 December 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 | <u>200,135</u> | <u>-</u> | <u>386</u> | <u>109,535</u> | <u>5,742</u> | <u>107,625</u> | <u>423,423</u> |
| At 31 December 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 | <u>200,135</u> | <u>-</u> | <u>386</u> | <u>109,535</u> | <u>5,742</u> | <u>107,625</u> | <u>423,423</u> |

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 31 December 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 31 December 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 31 December 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 31 December 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 31 December 2023 (2022: RMB433,449,000 and RMB279,456,000, respectively).

Furthermore, due to the closure of certain bars during the years ended 31 December 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 RMB 215,052,000 (2022: RMB 142,040,000).

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 Intangible assets

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

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 Intangible assets (Continued)

| | System software RMB'000 |
|------------------------------------|-------------------------------|
| At 1 January 2023 | |
| Cost | 147 |
| Accumulated amortisation | (72) |
| Net book amount | <u>75</u> |
| Year ended 31 December 2023 | |
| Opening net book amount | 75 |
| Amortisation | (17) |
| Closing net book amount | <u>58</u> |
| At 31 December 2023 | |
| Cost | 147 |
| Accumulated amortisation | (89) |
| Net book amount | <u>58</u> |

16 Financial instruments by categories

| | As of 31 December | |
|--|-------------------|------------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Financial assets | | |
| <u>Financial assets carried at amortised cost</u> | | |
| 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 |
| | <u>1,367,888</u> | <u>1,352,624</u> |
| Financial liabilities | | |
| <u>Financial liabilities carried at amortised cost</u> | | |
| Trade payables (Note 25) | 30,717 | 62,742 |
| Other payables and accruals | 24,444 | 30,764 |
| Lease liabilities (Note 23) | 255,673 | 741,002 |
| | <u>310,834</u> | <u>834,508</u> |

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 Prepayments, deposits, and other receivables

| | As of 31 December | |
|--|-------------------|-----------------|
| | 2023 RMB'000 | 2022 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 |
| | <u>58,006</u> | <u>89,689</u> |
| 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 |
| | <u>77,073</u> | <u>55,718</u> |

- (a) As of 31 December 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 31 December 2023, amortisation of approximately RMB 10,656,000 (2022: RMB 4,091,000) was recognised as a reduction of service fees charged to franchisees.

18 Inventories

| | As of 31 December | |
|--|-------------------|-----------------|
| | 2023 RMB'000 | 2022 RMB'000 |
| Food ingredients, beverages, and consumables | <u>20,217</u> | <u>35,962</u> |

The cost of inventories recognised as expenses and included in the consolidated statement of comprehensive income during the year ended 31 December 2023 amounted to approximately RMB 359,769,000 (2022: RMB 561,906,000).

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

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 Trade receivables

| | As of 31 December 2023 RMB'000 |
|------------------------------|--------------------------------------|
| Trade receivables | 48,171 |
| Loss allowance (Note 3.2(b)) | (241) |
| | <u>47,930</u> |

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 | <u>48,171</u> |
| | <u>48,171</u> |

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

20 Cash and bank balances

| | As of 31 December | |
|--|-------------------|------------------|
| | 2023 RMB'000 | 2022 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 | - |
| | <u>1,278,934</u> | <u>1,298,564</u> |
| Maximum exposure to credit risk (excluding cash on hand) | <u>1,278,081</u> | <u>1,297,206</u> |

As of 31 December 2023 and 31 December 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 RMB'000 | 2022 RMB'000 |
| RMB | 134,077 | 213,756 |
| USD | 1,056,348 | 904,393 |
| HKD | 84,382 | 180,415 |
| SGD | 3,875 | - |
| JPY | 252 | - |
| | <u>1,278,934</u> | <u>1,298,564</u> |

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

As of 31 December 2023, cash and bank balances of the Group amounting to approximately RMB 292,246,000 (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.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 Share capital

Authorised

| | Number of ordinary shares | Nominal value of ordinary shares USD |
|---------------------------------|------------------------------|--|
| As of 31 December 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 1 January 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 31 December 2022 | 1,262,240,267 | 0.101 | 1 |
| As of 31 December 2023 | 1,262,240,267 | 0.101 | 1 |

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

Note:

- (a) On 16 January 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 16 January 2022, 6 July 2022, and 31 October 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 31 December 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.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 1 January 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 31 December 2022 | <u>2,860,214</u> | <u>18,666</u> | <u>38,887</u> | <u>595,974</u> | <u>(1,690,874)</u> | <u>1,822,867</u> |
| As of 1 January 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 31 December 2023 | <u>2,706,693</u> | <u>23,766</u> | <u>10,447</u> | <u>595,974</u> | <u>(1,515,474)</u> | <u>1,821,406</u> |

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 Reserves (Continued)

(a) Appropriation for statutory surplus reserve

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

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.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 Leases (Continued)

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

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

| | As of 31 December | |
|--|-------------------|-----------------|
| | 2023 RMB'000 | 2022 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) |
| | <u>182,779</u> | <u>457,037</u> |
| Lease liabilities | | |
| Non-current portion | 174,601 | 565,202 |
| Current portion | 81,072 | 175,800 |
| | <u>255,673</u> | <u>741,002</u> |

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

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

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

| | Year ended 31 December | |
|--|------------------------|-----------------|
| | 2023 RMB'000 | 2022 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) |
| | <u>135,767</u> | <u>180,185</u> |

During the year ended 31 December 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 RMB 11,711,000. 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 31 December 2022.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 Leases (Continued)

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

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

| | Year ended 31 December | |
|---|------------------------|-----------------|
| | 2023 RMB'000 | 2022 RMB'000 |
| Cash outflows from operating activities | | |
| Payments for short-term leases in respect of staff quarters (*) | 18,684 | 49,849 |
| | <u>18,684</u> | <u>49,849</u> |
| 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 |
| | <u>140,112</u> | <u>178,204</u> |

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

24 Deferred income tax

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

Gross deferred income tax assets

| | lease liabilities RMB'000 | Advertising expenses RMB'000 | Tax losses RMB'000 | Impairment losses RMB'000 | Total RMB'000 |
|---------------------------------------|------------------------------|---------------------------------|-----------------------|------------------------------|------------------|
| As of 1 January 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 31 December 2022 | <u>116,475</u> | <u>1</u> | <u>16,003</u> | <u>28,603</u> | <u>161,082</u> |
| As of 1 January 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 31 December 2023 | <u>44,481</u> | <u>-</u> | <u>64,504</u> | <u>10,852</u> | <u>119,837</u> |

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 Deferred income tax (Continued)

Gross deferred tax liabilities

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

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 31 December 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 31 December 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.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 Trade payables

| | As of 31 December | |
|----------------|-------------------|---------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Trade payables | 30,717 | 62,742 |
| | <u>30,717</u> | <u>62,742</u> |

As of 31 December 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 |
| | <u>30,717</u> | <u>62,742</u> |

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 | - |
| | <u>30,717</u> | <u>62,742</u> |

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

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 Other payables and accruals

| | As of 31 December | |
|---|-------------------|-----------------|
| | 2023 RMB'000 | 2022 RMB'000 |
| Non-current portion | | |
| Refundable deposits from franchisees | 11,010 | - |
| | <u>11,010</u> | <u>-</u> |
| 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 |
| | <u>20,362</u> | <u>37,810</u> |

As of 31 December 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 RMB'000 | 2022 RMB'000 |
| RMB | 30,200 | 37,810 |
| SGD | 842 | - |
| HKD | 281 | - |
| JPY | 49 | - |
| | <u>31,372</u> | <u>37,810</u> |

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 Business combination

On 28 February 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 | <u>1,584</u> |

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 | <u>(2,489)</u> |
| Total identifiable net assets | <u>1,584</u> |

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 31 December 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 1 January 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.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 RMB'000 | 2022 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 |
| | <u>368,391</u> | <u>224,111</u> |
| 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) |
| | <u>272,278</u> | <u>157,371</u> |
| Net cash generated from operations | <u><u>272,278</u></u> | <u><u>157,371</u></u> |

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 1 January 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 31 December 2022 | <u>741,002</u> | <u>-</u> |
| As of 1 January 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 31 December 2023 | <u>255,673</u> | <u>-</u> |

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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) |
| | <u>2,702</u> | <u>10,200</u> |
| Proceeds from disposal of plant and equipment | <u>2,702</u> | <u>10,200</u> |

(d) Major non-cash transactions

Apart from non-cash transactions disclosed in Note (b) above, during the years ended 31 December 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 31 December 2023 and 2022 are summarized as below:

| | Year ended 31 December | |
|-------------------------------|------------------------|----------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Share-based payments expenses | - | 503,191 |
| | <u>-</u> | <u>503,191</u> |

On 16 January 2022, 6 July 2022, and 31 October 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.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 Equity settled share-based payments (Continued)

During the year ended 31 December 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 17 January 2022, 6 July 2022, and 31 October 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 RMB 503,191,000 were recognised during the year ended 31 December 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 31 December 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 31 December 2023 and 2022, the following transactions were carried out with related parties at terms mutually agreed by both parties:

| | Year ended 31 December | |
|---------------------------------|------------------------|----------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Decoration and design fee | 1,000 | - |
| Purchase of plant and equipment | 11,893 | - |
| | <u>12,893</u> | <u>-</u> |

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 Related party transactions and balances (Continued)

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 |
| | <u> </u> | <u> </u> |
| Trade nature | | |
| Amount due from a related party(Note 17) | | |
| - Shenzhen Jiangzhu Technology Co., Ltd. | 2,202 | - |
| | <u> </u> | <u> </u> |

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 31 December 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 17 June 2022; Ms. Yu Zhen and Ms. Cai Wenjun have been appointed as executive directors of the Company with effect from 17 June 2022.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 31 December 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 |
| | - | 1115 | - | 68 | 102 | - | 1285 |
| Independent Non-Executive Directors | | | | | | | |
| - Mr. Li Dong | 350 | - | - | - | - | - | 350 |
| - Mr. Wang Renrong | 350 | - | - | - | - | - | 350 |
| - Mr. Wong Heung Ming, Henry | 350 | - | - | - | - | - | 350 |
| | 1050 | - | - | - | - | - | 1050 |

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

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 Benefits and interest of directors (Continued)

a) Directors' emoluments (Continued)

During the years ended 31 December 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 31 December 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 31 December 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 31 December 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 31 December 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 31 December 2023 and 2022 or at any time during the years ended 31 December 2023 and 2022.

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 Notes to the statement of financial position of the Company

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

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 Notes to the statement of financial position of the Company (Continued)

(a) Amount due to a subsidiary

As of 31 December 2023 and 31 December 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 1 January 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 31 December 2022 | <u>2,860,214</u> | <u>(10,884)</u> | <u>594,874</u> | <u>(771,906)</u> | <u>2,672,298</u> |
| As at 1 January 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 31 December 2023 | <u>2,706,693</u> | <u>(10,884)</u> | <u>594,874</u> | <u>(703,887)</u> | <u>2,586,796</u> |

33 Comparative information

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

HELENS INTERNATIONAL HOLDINGS COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 Subsidiaries

The Company's major subsidiaries as at 31 December 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 | |
|---|---|---|--------------------------------------|---|--------------------------------------|------------------|
| | | | | | As of | |
| | | | | | 31 December 2023 | 31 December 2022 |
| XBZ Hill Holding Limited | The BVI; limited liability company | Investment holding; The BVI | 25 January 2018 | USD1,000/ USD1,000 | 100% | 100% |
| Helens Hill Limited | Hong Kong; limited liability company | Bar operations; Hong Kong | 29 December 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 | 12 January 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 | 6 February 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 | 9 April 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 | 20 April 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 | 23 May 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 | 29 May 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 | 5 June 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 | 21 December 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 | 16 July 2018 | RMB52,000,000/ RMB52,000,000 | 100% | 100% |

APPENDIX B — COMPARISON OF SELECTED CAYMAN ISLANDS CORPORATE LAW PROVISIONS AND SINGAPORE CORPORATE LAW PROVISIONS

COMPARISON OF CAYMAN ISLANDS AND SINGAPORE CORPORATE LAW

The following table sets forth a summary of certain differences between the provisions of the laws of the Cayman Islands applicable to our Company (namely, the Cayman Islands Companies Act) and the laws applicable to Singapore-incorporated companies (namely, the Singapore Companies Act) and their shareholders. The summaries below are not to be regarded as advice on Cayman Islands corporate law or the differences between it and the laws of any jurisdiction, including, without limitation, the Singapore Companies Act. The summaries below do not purport to be a comprehensive description of all of the rights and privileges of shareholders conferred by the Cayman Islands Companies Act as compared to the Singapore Companies Act that may be relevant to shareholders and prospective investors. In addition, shareholders and prospective investors should also note that the laws applicable to Singapore-incorporated companies and Cayman Islands exempted companies may change, whether as a result of proposed legislative reforms to the Singapore Companies Act or the Cayman Islands Companies Act, as the case may be, or otherwise. In addition, the summaries below do not describe the regulations and requirements prescribed by the SGX-ST Listing Manual.

Our Company is incorporated in the Cayman Islands as an exempted company and is therefore subject to the Cayman Islands Companies Act. Our Company's corporate affairs are governed by our Memorandum and Articles of Association and the provisions of applicable Cayman Islands laws, including the Cayman Islands common law.

| | Cayman Islands Corporate Law | Singapore Corporate Law |
|---|--|---|
| Power of Directors to Allot and Issue Shares | The Cayman Islands Companies Act has no provisions regulating the power of directors in respect of allotment and issue of shares. The directors would have the power to authorise the allotment and issue of shares if such power is provided in the articles of association of the company. | <p>The power to issue shares in a company is usually vested with the directors of that company, subject to any restrictions in the constitution of that company.</p> <p>However, notwithstanding anything to the contrary in the constitution of a company, prior approval of the company at a general meeting is required to authorise the directors to exercise any power of the company to issue shares, or the share issue is void under the Singapore Companies Act. Such approval may be confined to a particular exercise of that power or may apply to the exercise of that power generally and, once given, will only continue in force until the conclusion of the annual general meeting commencing next after the date on which the approval was given or the expiration of the period within which the next annual general meeting after that date is required by law to be held, whichever is the earlier, provided that such approval had not been previously revoked or varied by the company in a general meeting.</p> |

| | Cayman Islands Corporate Law | Singapore Corporate Law |
|---|---|--|
| Power of Directors to Dispose of the Issuer's or any of its Subsidiaries' Assets | The Cayman Islands Companies Act contains no regulations or specific restrictions on the powers of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director, chief executive officer and secretary, in exercising such officer's powers and discharging their duties (including their fiduciary duties), must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. | The Singapore Companies Act provides that the business of a company is to be managed by or under the direction or supervision of the directors. The directors may exercise all the powers of a company except any power that the Singapore Companies Act or the constitution of the company requires the company to exercise in general meeting. Under the Singapore Companies Act, prior approval of the company at a general meeting is required before the directors can carry into effect any proposals for disposing of the whole or substantially the whole of the company's undertaking or property notwithstanding anything in the company's constitution. |

| | Cayman Islands Corporate Law | Singapore Corporate Law |
|--|---|--|
| Giving of Financial Assistance to Purchase the Issuer's or its Holding Company's Shares | <p>There is no statutory restriction under the Cayman Islands Companies Act on the provision of financial assistance by a Cayman Islands exempted company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a Cayman Islands exempted company, subject to its articles of association, may provide financial assistance if the directors of the company act in accordance with their fiduciary duties such as to consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the best interests of the company, that such assistance can properly be given. Such assistance should be on an arm's length basis.</p> | <p>Generally, a public company or a company whose holding company or ultimate holding company is a public company is prohibited from giving any financial assistance to any person directly or indirectly for the purpose of, or in connection with, the acquisition or proposed acquisition of that company's shares or shares in its holding company or ultimate holding company.</p> <p>Financial assistance includes the making of a loan, the giving of a guarantee, the provision of security, the release of an obligation or the release of a debt or otherwise.</p> <p>Certain transactions are specifically provided by the Singapore Companies Act as transactions not to be prohibited. These include, among others: (i) a distribution of a company's assets by way of dividends lawfully made; (ii) a distribution in the course of a company's winding up; (iii) a payment made by a company pursuant to a reduction of capital in accordance with the Singapore Companies Act; (iv) the giving by a company in good faith and in the ordinary course of commercial dealing of any representation, warranty or indemnity in relation to an offer to the public of, or an invitation to the public to subscribe for or purchase shares in the company; (v) and the entering into by the company, in good faith and in the ordinary course of commercial dealing, of an agreement with a subscriber for shares in the company permitting the subscriber to make payments for the shares by instalments.</p> |

| | Cayman Islands Corporate Law | Singapore Corporate Law |
|--|-------------------------------------|---|
| | | <p>The Singapore Companies Act further provides that a company can give financial assistance in certain circumstances, including but not limited to: (a) where the amount of financial assistance, together with any other financial assistance given by the company under this exception repayment of which remains outstanding, does not exceed ten per cent. (10%) of the aggregate of the total paid-up capital and reserves of the company as disclosed in the most recent financial statements of the company and the company receives fair value in connection with the financial assistance; (b) where the financial assistance does not materially prejudice the interests of the company, its shareholders or the company's ability to pay its creditors; and (c) where the company, by special resolution, resolves to give financial assistance for the purpose of, or in connection with, that acquisition, provided that certain conditions and procedures under the Singapore Companies Act are also complied with.</p> <p>Where the company is a subsidiary of a listed corporation or a subsidiary whose ultimate holding company is incorporated in Singapore, the listed corporation or the ultimate holding company, as the case may be, is also required to pass a special resolution to approve the giving of the financial assistance.</p> |

| | Cayman Islands Corporate Law | Singapore Corporate Law |
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| Loans to Directors | There is no express provision under the Cayman Islands Companies Act prohibiting the making of loans by a Cayman Islands exempted company to any of its directors, unless otherwise prescribed by the company's memorandum and articles of association. | A company (other than an exempt private company) is prohibited from, among others, (a) making a loan or quasi-loan ⁽¹⁾ to a director of the company or a director of a related company (a " relevant director ") (and to the spouse or natural, step or adopted children of any such director); (b) entering into any guarantee or providing any security in connection with a loan or quasi-loan made to a relevant director by any other person; (c) entering into a credit transaction ⁽²⁾ as creditor for the benefit of a relevant director; and (d) entering into any guarantee or providing any security in connection with a credit transaction entered into by any person for the benefit of a relevant director (the " restricted transactions "), except in the following circumstances, where a transaction which would otherwise be a restricted transaction is: |

Notes:

- (1) A quasi-loan means a transaction under which one (1) party (the "**creditor**") agrees to pay, or pays otherwise than in pursuance of an agreement, a sum for another (the "**borrower**") or agrees to reimburse, or reimburses otherwise than in pursuance of an agreement, expenditure incurred by another party for the borrower: (i) on terms that the borrower (or a person on his behalf) will reimburse the creditor; or (ii) in circumstances giving rise to a liability on the borrower to reimburse the creditor.
- (2) A credit transaction means a transaction under which one (1) party (the "**creditor**"): (i) supplies any goods or disposes of any immovable property under a hire-purchase agreement or a conditional sale agreement; (ii) leases or hires any immovable property or goods in return for periodic payments; or (iii) otherwise disposes of immovable property or supplies goods or services on the understanding that payment (whether in a lump sum or instalments or by way of periodic payments or otherwise) is to be deferred.

| | Cayman Islands Corporate Law | Singapore Corporate Law |
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| | | <ul style="list-style-type: none"> <li data-bbox="938 232 1393 573">• (subject to, among others, the approval of the company in a general meeting) made to or for the benefit of a relevant director to meet expenditure incurred or to be incurred for the purposes of the company or for the purpose of enabling him to properly perform his duties as an officer of the company; <li data-bbox="938 636 1393 1155">• (subject to, among others, the approval of the company in a general meeting) made to or for the benefit of a relevant director who is engaged in full-time employment of the company or a related corporation, as the case may be, for the purpose of purchasing or otherwise acquiring a home occupied or to be occupied by that director; however, not more than one (1) such restricted transaction may be outstanding from the director at any one (1) time; <li data-bbox="938 1218 1393 1641">• made to or for the benefit of a relevant director who is engaged in full-time employment of the company or a related corporation as the case may be, where the company has at a general meeting approved of a scheme for the making of such transaction to or for the benefit of employees of the company, and the restricted transaction is in accordance with that scheme; and |

| | Cayman Islands Corporate Law | Singapore Corporate Law |
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| | | <ul style="list-style-type: none"> • made to or for the benefit of a relevant director in the ordinary course of business by a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans, quasi-loans or credit transactions made or entered into by other persons if the activities of that company are regulated by any written law relating to banking, finance companies or insurance or are subject to supervision by the MAS. <p>For these purposes, a related corporation of a company means its holding company, its subsidiary or a subsidiary of its holding company.</p> |

| | Cayman Islands Corporate Law | Singapore Corporate Law |
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| | | <p>A company (the “first mentioned company”) (other than an exempt private company) is also prohibited from, among others, (a) making a loan or quasi-loan to another company, a limited liability partnership or a variable capital company (“VCC”); (b) entering into any guarantee or providing any security in connection with a loan or quasi-loan made to another company, a limited liability partnership or a VCC by a person other than the first mentioned company; (c) entering into a credit transaction as creditor for the benefit of another company, a limited liability partnership or a VCC; and (d) entering into any guarantee or providing any security in connection with a credit transaction entered into by any person for the benefit of another company, a limited liability partnership or a VCC, if the director(s) of the first mentioned company (and the spouse, natural step and adopted children of such director(s)), individually or collectively, have an interest in 20% or more of the total voting power in the other company, the limited liability partnership or the VCC, as the case may be, unless there is prior approval by the company in general meeting for the making of, provision for or entering into the loan, quasi-loan, credit transaction, guarantee or security (as the case may be) at which the interested director(s) and his or their family members abstained from voting. This prohibition does not apply to:</p> <ul style="list-style-type: none"> • anything done by a company where the other company (whether incorporated in Singapore or otherwise) or VCC is its subsidiary, holding company or a subsidiary of its holding company; or |

| | Cayman Islands Corporate Law | Singapore Corporate Law |
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| | | <ul style="list-style-type: none"> a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, to anything done by the company in the ordinary course of that business if the activities of that company are regulated by any written law relating to banking, finance companies or insurance or are subject to supervision by the MAS. |
| Transactions Affecting Share Capital | The Cayman Islands Companies Act contains provisions relating to the reduction of share capital, and the redemption and repurchase of shares and these procedures are also regulated by any prescribed provisions in the company's memorandum and articles of association. | The Singapore Companies Act contains provisions relating to share capital reductions, permitted share buy-backs and redeemable preference shares. |

| | Cayman Islands Corporate Law | Singapore Corporate Law |
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| Mergers and Similar Arrangements | <p>The Cayman Islands Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two (2) or more constituent companies and the vesting of their undertaking, property and liabilities in one (1) of such companies as the surviving company; and (b) “consolidation” means the combination of two (2) or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies in the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (i) a special resolution of each constituent company; and (ii) such other authorisation, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.</p> | <p>The Singapore Companies Act provides that the Singapore courts have the authority, in connection with a scheme for the reconstruction of any company or companies or the amalgamation of any two (2) or more companies, and where under the scheme the whole or any part of the undertaking or the property of any company concerned in the scheme (the transferor company) is to be transferred to another company (the transferee company), to order the transfer to the transferee company of the whole or any part of the undertaking and of the property or liabilities of the transferor company. Such power only exists in relation to any corporation liable to be wound up under the Singapore Companies Act.</p> <p>The Singapore Companies Act further provides for a voluntary amalgamation process without the need for a court order. Under this voluntary amalgamation process, two (2) or more Singapore incorporated companies may amalgamate and continue as one (1) company, which may be one (1) of the amalgamating companies or a new company, in accordance with the procedures set out in the Singapore Companies Act. As part of these procedures, our board of directors of each of the amalgamating companies must make a solvency statement in relation to both the amalgamating company and the amalgamated company.</p> <p>The Singapore Companies Act also provides for a short form amalgamation procedure for (a) the amalgamation of a Singapore-incorporated company (the amalgamating holding company) with one (1) or more of its wholly-owned subsidiaries (the amalgamating subsidiary company); and (b) two (2) or more wholly-owned Singapore incorporated subsidiary companies of the same corporation.</p> <p>The Singapore Companies Act does not provide for appraisal rights to our shareholders of a company in connection with a merger.</p> |

| | Cayman Islands Corporate Law | Singapore Corporate Law |
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| Remuneration | There is no provision in the Cayman Islands Companies Act or under the Cayman Islands law regulating remuneration for directors. | The Singapore Companies Act provides that a company shall not at any meeting or otherwise provide emoluments or improve emoluments for a director in respect of his office as such unless the provision has been approved by a resolution that is not related to other matters, and any resolution passed in breach of this provision is void. For this purpose, the term "emoluments" in relation to a director includes fees and percentages, any sums paid by way of expenses allowance in so far as those sums are charged to income tax in Singapore, any contribution paid in respect of a director under any pension scheme, and any benefits received by him otherwise than in cash in respect of his services as a director. |

| | Cayman Islands Corporate Law | Singapore Corporate Law |
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| Disclosure of Interest in Contracts with our Company | <p>There is no provision under Cayman Islands Companies Act relating to directors in a position of conflict of interest. The common law principles under Cayman Islands law that a director must not put himself in a position of conflict between his personal interest and his duty to the company will apply to the directors of a Cayman Islands exempted company.</p> | <p>The Singapore Companies Act provides that, where a director or chief executive officer of a company is in any way, whether directly or indirectly, interested in a transaction or proposed transaction with that company, such a director or chief executive officer must, as soon as practicable after the relevant facts have come to his knowledge, (a) declare the nature of his interest at a meeting of the directors of the company; or (b) send a written notice to the company containing details on the nature, character and extent of his interest in the transaction or proposed transaction with the company.</p> <p>The Singapore Companies Act also provides that every director and chief executive officer of a company who holds any office or possesses any property whereby whether directly or indirectly, any duty or interest might be created in conflict with their duties or interests as director or chief executive officer shall (i) declare at a meeting of the directors of the company the fact and the nature, character and extent of the conflict; or (ii) send a written notice to the company setting out the fact and the nature, character and extent of the conflict. For these purposes, an interest of a member of a director's or chief executive officer's family (this includes his or her spouse, natural, step or adopted children) is treated as an interest of that director or chief executive officer.</p> |

| | Cayman Islands Corporate Law | Singapore Corporate Law |
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| Appointment, Qualification, Retirement, Resignation Removal Directors and of | (a) Number, Qualification and Appointment of Directors | |
| | <p>There must be at least one (1) director of a Cayman Islands exempted company. There is no requirement that any of the directors be ordinarily resident in the Cayman Islands or any requirement of holding company's share(s).</p> <p>The initial director(s) is (are) appointed by the subscriber(s) to the memorandum of association. Thereafter, the addition and/or removal of directors will normally be effected in accordance with the provisions of the company's memorandum and articles of association.</p> <p>The names and addresses of the directors and officers of a company must be entered in a register of directors and officers and kept at the registered office of the company. A copy of the register and notice of any amendments must be filed with the Registrar of Companies of the Cayman Islands. A list of the names of the then-current directors of a Cayman Islands exempted company can be inspected at the offices of the Registrar of Companies of the Cayman Islands, but the register of directors and officers is not a public document.</p> <p>The Cayman Islands Companies Act does not contain provisions on the retirement age of directors.</p> | <p>Under the Singapore Companies Act, every company must have at least one (1) director who is ordinarily resident in Singapore. Where the company has only one (1) member, that sole director may also be the sole member of the company. No person other than a natural person who has attained the age of 18 and who is otherwise of full legal capacity shall be a director of a company.</p> <p>Every director, who is by the constitution of the company required to hold a specified share qualification and who is not already qualified, must obtain his qualification within two (2) months after his appointment or such shorter period as is fixed by the constitution.</p> <p>In the case of a public company, the appointment of directors at a general meeting must generally be voted on individually. A motion for the appointment of two (2) or more persons as directors by a single resolution shall not be made unless a resolution that it shall be so made has first been agreed to at the meeting without any vote being given against it. A resolution passed in pursuance of a motion made in contravention of this shall be void, whether or not it being so moved was objected to at the time.</p> <p>The Singapore Companies Act does not contain provisions on the age limit of directors.</p> |

| | Cayman Islands Corporate Law | Singapore Corporate Law |
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| Appointment, Qualification, Retirement, Resignation Removal of Directors | (b) Disqualification of Directors | |
| | The Cayman Islands Companies Act does not contain provisions on disqualification of directors. The circumstances under which a person is disqualified from acting as a director will be as provided in the company's memorandum and articles of association. | <p>Under the Singapore Companies Act, a person may not act as a director of, or directly or indirectly take part in or be concerned in the management of, any corporation if he is an undischarged bankrupt unless he has the leave of the Singapore courts or the written permission of the Official Assignee appointed under the Insolvency, Restructuring and Dissolution Act 2018 of Singapore to do so.</p> <p>A person may be disqualified from acting as a director of a company by the Singapore courts for a period not exceeding five (5) years if: (a) he is or has been a director of a company which has at any time gone into liquidation (whether while he was a director or within three (3) years of his ceasing to be a director) and was insolvent at that time; and (b) his conduct as director of that company either taken alone or taken together with his conduct as a director of any other company or companies makes him unfit to be a director of or in any way, whether directly or indirectly, be concerned in, or take part in, the management of a company.</p> <p>A person may, subject to certain exceptions, also be disqualified from acting as a director by the Singapore courts for a period of three (3) years from the date of the making of the winding up order if he is a director of a company which is ordered to be wound up by the Singapore courts on the ground that it is being used for purposes against national security or interest.</p> |

| | Cayman Islands Corporate Law | Singapore Corporate Law |
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| | | <p>He could also be disqualified on other grounds, such as conviction of any offence (whether in Singapore or elsewhere) involving fraud or dishonesty which is punishable with imprisonment for three (3) months or more, or any offence under Part 12 of the SFA where the conviction was on or after 1 July 2015 or where he is subject to the imposition of a civil penalty under Section 232 of the SFA on or after 1 July 2015. The Singapore courts may also make a disqualification order against a person who is convicted in Singapore of any offence in connection with the formation or management of a corporation, any offence under Section 157 or 396B of the Singapore Companies Act or any offence under section 237 or 239 of the Insolvency, Restructuring and Dissolution Act 2018 of Singapore.</p> <p>A director may also be disqualified because of persistent default in relation to delivery of documents to the Registrar of Companies of Singapore.</p> <p>A person could be the subject of a debarment order made against him by the Registrar of Companies of Singapore, if the Registrar of Companies of Singapore is satisfied that a company of which he is a director at the time the order is made is in default of a relevant requirement of the Singapore Companies Act. A person who has a debarment order made against him may not act as director of any company (except in respect of a company of which he was a director immediately before the order was made), and the debarment order applies from the date the order is made and continues in force until the Registrar of Companies of Singapore cancels or suspends the order.</p> |

| | Cayman Islands Corporate Law | Singapore Corporate Law |
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| Appointment, Qualification, Retirement, Resignation Removal Directors and of | (c) Resignation of Directors | |
| | The Cayman Islands Companies Act does not contain provisions on the resignation of directors. | Under the Singapore Companies Act, a director of a company must not resign or vacate his office unless there is remaining in the company at least one (1) director who is ordinarily resident in Singapore, and any purported resignation or vacation of office in breach of this provision is deemed to be invalid. Subject to the provisions of the Singapore Companies Act, unless the constitution of the company otherwise provides, a director's resignation is effective by giving written notice to the company, and his resignation is not conditional upon the company's acceptance of such resignation. |
| Appointment, Qualification, Retirement, Resignation Removal Directors and of | (d) Removal of Directors | |
| | The Cayman Islands Companies Act does not contain provisions on the removal of directors. The removal of directors will normally be effected in accordance with the provisions of the company's memorandum and articles of association. | A director of a public company may be removed before the expiration of his period of office by an ordinary resolution (which requires special notice to be given in accordance with the provisions of the Singapore Companies Act) of our shareholders, notwithstanding anything in the constitution of that company or in any agreement between that company and the director, but where any director so removed was appointed to represent the interests of any particular class of shareholders or debenture holders, the resolution to remove him shall not take effect until his successor has been appointed. Subject to the provisions of the Singapore Companies Act, the constitution of a company may prescribe the manner in which a director may be removed from office before the expiration of his term of office. |

| | Cayman Islands Corporate Law | Singapore Corporate Law |
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| Alteration Governing Documents | of (a) Alteration of Constitution, Memorandum of Association or Articles of Association | |
| | <p>The Cayman Islands Companies Act provides that a Cayman Islands exempted company may, by special resolution of its shareholders, alter its memorandum of association with respect to any of the objects, powers or other matters specified therein. A copy of the amended memorandum of association (if an amended and restated memorandum of association is adopted) and a copy of the special resolution must be filed with the Registrar of Companies of the Cayman Islands.</p> | <p>Unless otherwise provided in the Singapore Companies Act, a company's constitution may be altered by way of special resolution, except that any entrenching provision in the constitution and any provision contained in the constitution before 1 April 2004 which could not be altered before that date may be removed or altered only if all members of the company agree.</p> <p>For these purposes, the term "entrenching provision" means a provision of the constitution of a company to the effect that other specified provisions of the constitution: (a) may not be altered in the manner provided by the Singapore Companies Act; or (b) may not be so altered except by a resolution passed by a specified majority greater than 75%, or where other specified conditions are met.</p> <p>Unless otherwise provided in the Singapore Companies Act, any alteration to the constitution of the company takes effect on and from the date of the special resolution approving such alteration or such later date as is specified in the resolution.</p> <p>Subject to Section 33 of the Singapore Companies Act, a company may by special resolution alter the provisions of its constitution with respect to the objects of the company, if any. Where a company proposes to alter its constitution, with respect to the objects of the company, it shall give 21 days' written notice by post or by electronic communications in accordance with the provisions of Singapore Companies Act, specifying the intention to propose the resolution as a special resolution and to submit it for passing at a meeting of the company to be held on a day specified in the notice.</p> |

| | Cayman Islands Corporate Law | Singapore Corporate Law |
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| | | Notwithstanding any other provision of the Singapore Companies Act, a copy of the resolution altering the objects of a company shall not be lodged with the Registrar, among others, before the expiration of 21 days after the passing of the resolution, and a copy of the resolution shall be lodged with the Registrar within 14 days after the expiration of the 21 day period, on compliance with which the alteration, if any, of the objects shall take effect. |
| Alteration Governing Documents | of (b) Alteration of articles of association | |
| | <p>The Cayman Islands Companies Act provides that a Cayman Islands exempted company may, by special resolution of its shareholders, but subject otherwise to the memorandum of association of the company, alter or add to its articles of association.</p> <p>On an amendment of the articles of association, a copy of the special resolution and the amended articles of association (if an amended and restated articles of association is adopted) must be registered with the Registrar of Companies of the Cayman Islands.</p> | The same provisions in (a) above apply here. |

| | Cayman Islands Corporate Law | Singapore Corporate Law |
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| Variation of Rights Attached to Shares | <p>The Cayman Islands Companies Act does not contain provisions determining the action necessary to change the rights of holders of shares. The variation of the rights attached to any class of shares is usually dealt with generally in the company's memorandum and articles of association of a company.</p> | <p>Under the Singapore Companies Act, if a provision is made in the constitution of a company for authorising the variation or abrogation of the rights attached to any class of shares in the company, subject to the consent of any specified proportion of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares, and in pursuance of that provision such rights are at any time varied or abrogated, the holders of not less than five per cent. (5%) in aggregate of the total number of the issued shares of that class may apply to the Singapore courts to have the variation or abrogation cancelled in accordance with the Singapore Companies Act.</p> <p>The Singapore courts may, if satisfied, having regard to all the circumstances of the case, that the variation or abrogation would unfairly prejudice our shareholders of the class represented by the applicant, disallow the variation or abrogation, and shall, if not so satisfied, confirm it and this decision shall be final.</p> |

| | Cayman Islands Corporate Law | Singapore Corporate Law |
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| Shareholders' Proposals | <p>The Cayman Islands Companies Act provides that, in the absence of any provision in the articles of association as to the persons to summon general meetings, three (3) members shall be competent to summon the same.</p> | <p>Under the Singapore Companies Act, (a) any number of members representing not less than five per cent. (5%) of the total voting rights of all the members having at the date of requisition a right to vote at a meeting to which the requisition relates; or (b) not less than 100 members holding shares on which there has been paid up an average sum, per member, of not less than S\$500, may requisition the company to give to members notice of any resolution which may properly be moved and is intended to be moved at the next annual general meeting, and circulate to members any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.</p> <p>Notwithstanding anything in its constitution, the directors of a company shall, on the requisition of members holding at the date of the deposit of the requisition not less than ten per cent. (10%) of the total number of paid-up shares (excluding treasury shares) as at the date of the deposit carries the right of voting at general meetings or, in the case of a company not having a share capital, of members representing not less than ten per cent. (10%) of the total voting rights of all members having at that date a right to vote at general meetings, immediately proceed duly to convene an extraordinary general meeting of the company to be held as soon as practicable but in any case not later than two (2) months after the receipt by the company of the requisition.</p> |

| | Cayman Islands Corporate Law | Singapore Corporate Law |
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| | | <p>If the directors do not within 21 days after the date of the deposit of the requisition proceed to convene a meeting, the requisitionists, or any of them representing more than 50% of the total voting rights of all of them, may themselves, in the same manner as nearly as possible as that in which meetings are to be convened by directors convene a meeting, but any meeting so convened shall not be held after the expiration of three (3) months from that date.</p> <p>Under the Singapore Companies Act, two (2) or more members holding not less than ten per cent. (10%) of the total number of issued shares of the company (excluding treasury shares) or, if the company does not have a share capital, not less than five per cent. (5%) in number of the members of the company or such lesser number as is provided by the constitution may call a meeting of the company.</p> <p>A meeting of a company or of a class of members, other than a meeting for the passing of a special resolution, shall be called by notice in writing of not less than 14 days or such longer period as is provided in the constitution.</p> <p>Shorter notice can be given if, (i) in the case of an annual general meeting, all the members entitled to attend and vote thereat so agree; or (ii) in the case of any other meeting, a majority in number of the members having a right to attend and vote thereat, being a majority which together holds not less than 95% of the total voting rights of all the members having a right to vote at that meeting so agree.</p> |

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| Shareholders' Action by Written Consent | Certain matters are required by the Cayman Islands Companies Act to be decided by special resolution. Where so authorised by the articles of association of a company, special resolutions may be approved in writing by all of the members entitled to vote at a general meeting of the company in one (1) or more instrument each signed by one (1) or more of the members. | Notwithstanding any other provision of the Singapore Companies Act, a private company or an unlisted public company may pass any resolution by written means (save for any resolution to dispense with the holding of annual general meetings or any resolution for which special notice is required) in accordance with the provisions of the Singapore Companies Act. There is no corresponding provision in the Singapore Companies Act which applies to a public listed company, whether listed in Singapore or elsewhere. |

| | Cayman Islands Corporate Law | Singapore Corporate Law |
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| Shareholders' Suits and Protection of Minority Shareholders | <p>In addition to following Cayman Islands case law precedents, the Cayman Islands courts would ordinarily be expected to follow English case law precedents (which would be of persuasive effect in the Cayman Islands) which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal; (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.</p> <p>In the case of a company (not being a bank) having a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint one (1) or more inspectors to examine into the affairs of the company and to report thereon in such manner as the court shall direct. The inspectors shall on the completion of their examination report to the court. Such report is not, unless the court so directs, open to public inspection. A company also may, by special resolution, appoint inspectors for the purpose of examining into the affairs of the company. Inspectors so appointed will have the same powers and perform the same duties as inspectors appointed by the court, except that instead of making their report to the court they will report in such manner and to such persons as the company by resolution of its members directs.</p> | <p>A member or a holder of a debenture of a company may apply to the Singapore courts for an order under Section 216 of the Singapore Companies Act to remedy situations where:</p> <ul style="list-style-type: none"> • a company's affairs are being conducted or the powers of the company's directors are being exercised in a manner oppressive to, or in disregard of the interests of, one (1) or more of the members, shareholders or holders of debentures of the company, including the applicant; or • a company has done an act, or threatens to do an act, or the members or holders of debentures have passed some resolution, or propose to pass some resolution, which unfairly discriminates against, or is otherwise prejudicial to, one (1) or more of the company's members or holders of debentures, including the applicant. <p>Singapore courts have wide discretion as to the relief they may grant under such application, including, among others: (i) directing or prohibiting any act or cancelling or varying any transaction or resolution; (ii) providing that the company be wound up; or (iii) authorising civil proceedings to be brought in the name of or on behalf of the company by such person or persons and on such terms as the court directs.</p> |

| | Cayman Islands Corporate Law | Singapore Corporate Law |
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| | <p>A shareholder of a company who has held shares in a company for at least six (6) months may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.</p> | <p>In addition, a member of a company who is seeking relief for damage done to the company may bring a common law derivative action in certain circumstances against the persons who have done wrong to the company.</p> <p>Further, Section 216A of the Singapore Companies Act prescribes a procedure to bring a statutory derivative action or arbitration in the name and on behalf of a Singapore-incorporated company. The statutory procedure is available to, among others, a member of a company and any other person who, in the discretion of the court, is a proper person to make an application under Section 216A of the Singapore Companies Act.</p> |
| Winding Up | <p>A Cayman Islands exempted company may be wound up:</p> <ul style="list-style-type: none"> (a) compulsorily by an order of the Cayman Islands court, (b) voluntarily by, among others, a special resolution of its members; or (c) under the supervision of the Cayman Islands court. <p>The Cayman Islands court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the court, or where the company is unable to pay its debts, or where it is, in the opinion of the Cayman Islands court, just and equitable to do so.</p> | <p>The winding up of a company may be done in the following ways:</p> <ul style="list-style-type: none"> (a) members' voluntary winding up; (b) creditors' voluntary winding up; (c) court compulsory winding up; or (d) an order made pursuant to Section 216 of the Singapore Companies Act for the winding up of the company. <p>The type of winding up depends, among others, on whether the company is solvent or insolvent.</p> |

| | Cayman Islands Corporate Law | Singapore Corporate Law |
|--------------------|--|--|
| Dissolution | <p>On the winding-up of the company, if the assets available for distribution among the shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding-up, the excess shall be distributed <i>pari passu</i> among the shareholders in proportion to the amount paid up on the shares held by them respectively. If the assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that, as nearly as may be, the losses are borne by the shareholders in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.</p> | <p>A company may be dissolved:</p> <ul style="list-style-type: none"> (a) through the process of liquidation pursuant to the winding up of the company; (b) in a merger or amalgamation of two (2) companies where the court may order the dissolution of one (1) after its assets and liabilities have been transferred to the other; or (c) when it is struck off the register by the Registrar of Companies of Singapore on the ground that it is a defunct company. |

APPENDIX C — SUMMARY OF THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF OUR COMPANY AND CAYMAN ISLANDS CORPORATE LAW

The following are summaries of material provisions of our memorandum and articles of association which are currently effective and will remain effective after this Introduction, insofar as they relate to the material terms of our Shares.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 16 January 2018 under the Cayman Islands Companies Act. Our Company's constitutional documents consist of its Memorandum of Association and its Articles of Association.

SUMMARY OF OUR MEMORANDUM

The Memorandum provides, *inter alia*, that the liability of members of our Company is limited and that the objects for which our Company is established are unrestricted (and therefore include acting as an investment company), and that our Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since our Company is an exempted company, that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.

By special resolution our Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

Our Memorandum of Association is available for inspection at the address specified in the section entitled "*General and Statutory Information*" of this Introductory Document under the sub-section headed "*Documents Available for Inspection*".

SUMMARY OF OUR ARTICLES OF ASSOCIATION

Our Articles were adopted on 16 June 2023. Our Articles of Association, as currently in effect, includes provisions to the following effect:

Share Capital

(a) Classes of shares

The share capital of our Company consists of Ordinary Shares.

(b) Variation of rights of existing shares or classes of shares

Subject to the Cayman Islands Companies Act, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two (2) persons together holding (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one (1) vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(c) Alteration of capital

Our Company may, by an ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares of such amount as it thinks expedient;
- (ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares;
- (iii) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions;
- (iv) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum;
- (v) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled;
- (vi) make provision for the allotment and issue of shares which do not carry any voting rights;
- (vii) change the currency of denomination of its share capital; and

(viii) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(d) *Transfer of shares*

Subject to the Cayman Islands Companies Act and the requirements of the HKSE, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as our Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as our Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that our Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of our Company in respect of that share.

Our Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless our Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

Our Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which our Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four (4) joint holders.

Our Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the HKSE may determine to be payable, is paid to our Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one (1) class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as our Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Hong Kong Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as our Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the HKSE) and shall also be free from all liens.

(e) *Power of our Company to purchase its own shares*

Our Company may purchase its own shares subject to certain restrictions and our Board may only exercise this power on behalf of our Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the HKSE and/or the Securities and Futures Commission of Hong Kong.

Where our Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(f) *Power of any subsidiary of our Company to own shares in our Company*

There are no provisions in the Articles relating to the ownership of shares in our Company by a subsidiary.

(g) *Calls on shares and forfeiture of shares*

Our Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one (1) sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as our Board shall fix from the day appointed for payment to the time of actual payment, but our Board may waive payment of such interest wholly or in part. Our Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced our Company may pay interest at such rate (if any) not exceeding 20% per annum as our Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, our Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not

earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of our Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares together with (if our Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as our Board may prescribe.

Directors

(a) Appointment, retirement and removal

At any time or from time to time, our Board shall have the power to appoint any person as a Director either to fill a casual vacancy on our Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first annual general meeting of our Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of our Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by our Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three (3), then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by our Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and

notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of our Company. The period for lodgement of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven (7) days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven (7) days.

A Director is not required to hold any shares in our Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from our Board.

A Director may be removed by an ordinary resolution of our Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and our Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two (2).

The office of a Director shall be vacated if he:

- (i) resigns;
- (ii) dies;
- (iii) is declared to be of unsound mind and our Board resolves that his office be vacated;
- (iv) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) is prohibited from being or ceases to be a director by operation of law;
- (vi) without special leave, is absent from meetings of our Board for six (6) consecutive months, and our Board resolves that his office is vacated;
- (vii) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (viii) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time our Board may appoint one (1) or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as our Board may determine, and our Board may revoke or terminate any of such appointments. Our Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as our Board thinks fit, and from time to time it may

also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by our Board.

(b) *Power to allot and issue shares and warrants*

Subject to the provisions of the Cayman Islands Companies Act, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as our Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as our Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of our Company or the holder of the share, it is liable to be redeemed.

Our Board may issue warrants to subscribe for any class of shares or other securities of our Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one (1) that has been lost unless our Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and our Company has received an indemnity in such form as our Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Islands Companies Act, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company shall be at the disposal of our Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither our Company nor our Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of our Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(c) *Power to dispose of the assets of our Company or any of its subsidiaries*

While there are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries, our Board may exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Cayman Islands Companies Act to be exercised or done by our Company in general meeting, but if such power or act is regulated by our Company in general meeting, such regulation shall not invalidate any prior act of our Board which would have been valid if such regulation had not been made.

(d) *Borrowing powers*

Our Board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of our Company and, subject to the Cayman Islands Companies Act, to issue debentures, debenture stock, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

(e) *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by our Board or our Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in our Company may be entitled by reason of such employment or office.

Any Director who, at the request of our Company, performs services which in the opinion of our Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as our Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as our Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

Our Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of our Company or companies with which our Company is associated in business, or may make contributions out of our Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or

other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and former employees of our Company and their dependents or any class or classes of such persons.

Our Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by our Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(f) *Compensation or payments for loss of office*

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by our Company in general meeting.

(g) *Loans and provision of security for loans to Directors*

Our Company shall not directly or indirectly make a loan to a Director or a director of any holding company of our Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of our Company or any of their respective close associates, or, if any one (1) or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(h) *Disclosure of interest in contracts with our Company or any of its subsidiaries*

With the exception of the office of auditor of our Company, a Director may hold any other office or place of profit with our Company in conjunction with his office of Director for such period and upon such terms as our Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. Our Board may also cause the voting power conferred by the shares in

any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with our Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with our Company shall declare the nature of his interest at the earliest meeting of our Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to our Company.

A Director shall not vote or be counted in the quorum on any resolution of our Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (i) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of our Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of our Company or any of its subsidiaries, including the adoption, modification or operation of either:
 - (A) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or

- (B) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of our Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of our Company by virtue only of his/their interest in those shares, debentures or other securities.

Proceedings of our Board

Our Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

Alterations to the constitutional documents and our Company's name

To the extent that the same is permissible under the Cayman Islands Companies Act and subject to the Articles, the Memorandum and Articles of our Company may only be altered or amended, and the name of our Company may only be changed, with the sanction of a special resolution of our Company.

Meetings of Members

(a) Special and ordinary resolutions

A special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under the Cayman Islands Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies of the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of our Company duly convened and held, and where relevant as a special resolution so passed.

(b) *Voting rights and right to demand a poll*

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting:

- (i) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one (1) vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of our Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and
- (ii) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one (1) vote. Where more than one (1) proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one (1) vote on a show of hands.

On a poll, a member entitled to more than one (1) vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Hong Kong Listing Rules, in the case of a Physical Meeting (as defined in the Articles), allow a resolution to be voted on by a show of hands in accordance with the relevant article(s). In the case of a Physical Meeting where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (i) at least two (2) members;
- (ii) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iii) a member or members holding shares in our Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of our Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company (including but not limited to any general meeting or creditors meeting) provided that, if more than one (1)

person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to speak and to vote, and where a show of hands is allowed, the right to vote individually on a show of hands.

All members shall have the right to: (a) speak at general meetings of our Company; and (b) vote at a general meeting except where a member is required, by the Hong Kong Listing Rules, to abstain from voting to approve the matter under consideration.

Where our Company has knowledge that any member is, under the Hong Kong Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(c) Annual general meetings

Our Company must hold an annual general meeting each financial year. Such meeting must be held within six (6) months after the end of our Company's financial year.

(d) Notices of meetings and business to be conducted

An annual general meeting of our Company shall be called by at least 21 days' notice in writing, and any other general meeting of our Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify: (a) the time and date of the meeting; (b) save for a Virtual Meeting (as defined in the Articles), the place of the meeting and if there is more than one (1) Meeting Location (as defined in the Articles) as determined by our Board pursuant to the relevant article(s), the principal place of the meeting (the "Principal Meeting Place"); (c) if the general meeting is to be a Hybrid Meeting (as defined in the Articles) or a Virtual Meeting, the notice shall include a statement to that effect and with details of the Electronic Facilities (as defined in the Articles) for attendance and participation by Electronic Means (as defined in the Articles) at the meeting or where such details will be made available by our Company prior to the meeting; and (d) particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by our Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify our Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose.

Subject to the Cayman Islands Companies Act and the Hong Kong Listing Rules, a notice or document may also be served or delivered by our Company to any member by electronic means.

Although a meeting of our Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of our Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in our Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

Extraordinary general meetings shall also be convened on the requisition of one (1) or more members holding at the date of deposit of the requisition, not less than one (1) tenth of the paid up capital (on a one (1) vote per share basis) of our Company having the right of voting at general meetings.

(e) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two (2) members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two (2) persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(f) *Proxies*

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two (2) or more shares may appoint more than one (1) proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the

same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as our Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

Accounts and Audit

Our Board shall cause proper books of account to be kept of the sums of money received and expended by our Company, and of the assets and liabilities of our Company and of all other matters required by the Cayman Islands Companies Act (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of our Company's affairs and to show and explain its transactions.

The books of accounts of our Company shall be kept at the head office of our Company or at such other place or places as our Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of our Company except as conferred by the Cayman Islands Companies Act or ordered by a court of competent jurisdiction or authorised by our Board or our Company in general meeting.

Our Board shall from time to time cause to be prepared and laid before our Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), our Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be

required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

Our Company shall by ordinary resolution appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with our Board. The auditors' remuneration shall be fixed by our Company by ordinary resolution in general meeting except as otherwise stated in the Articles or permitted by the Hong Kong Listing Rules.

The members may, at any general meeting convened and held in accordance with the Articles, remove the auditors by ordinary resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in its place for the remainder of the term.

The auditors shall audit the financial statements of our Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the HKSE.

Dividends and other methods of distribution

Our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by our Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) our Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to our Company on account of calls, instalments or otherwise.

Where our Board or our Company in general meeting has resolved that a dividend should be paid or declared, our Board may resolve:

- (i) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (ii) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as our Board may think fit.

Upon the recommendation of our Board, our Company may by ordinary resolution in respect of any one (1) particular dividend of our Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one (1) of two (2) or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever our Board or our Company in general meeting has resolved that a dividend be paid or declared, our Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

Our Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as our Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one (1) year after having been declared may be invested or otherwise used by our Board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six (6) years after having been declared may be forfeited by our Board and, upon such forfeiture, shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

Our Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two (2) consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

Inspection of Corporate Records

For so long as any part of the share capital of our Company is listed on the HKSE, any member may inspect any register of members of our Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if our Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of our Company under Cayman Islands law, as summarised in the section entitled “*Summary of Cayman Islands Corporate Law and Taxation — Protection of Minorities and Shareholders’ Suits*” of this Appendix C to the Introductory Document.

Procedures on liquidation

A resolution that our Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if our Company is wound up and the assets available for distribution among the members of our Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if our Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If our Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Islands Companies Act, divide among the members in specie or kind the whole or any part of the assets of our Company, whether the assets consist of property of one (1) kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one (1) or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the

members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Islands Companies Act, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

SUMMARY OF CAYMAN ISLANDS CORPORATE LAW AND TAXATION

Our Company was incorporated in the Cayman Islands as an exempted company on 16 January 2018 subject to the Cayman Islands Companies Act. Certain provisions of the company laws of the Cayman Islands are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the company laws of the Cayman Islands, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

Company Operations

An exempted company such as our Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

Share Capital

Under the Cayman Islands Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on those shares shall be transferred to an account, to be called the share premium account. At the option of a company, these provisions may not apply to premium on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;

- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Cayman Islands Companies Act;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

There are no limitations imposed by the laws of the Cayman Islands or our Memorandum and Articles of Association on the right to own our Shares. Our Shareholders who are non-residents of the Cayman Islands may freely hold and vote on their shares.

Financial Assistance to Purchase Shares of a Company or its Holding Company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

Purchase of Shares and Warrants by a Company and its Subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury

shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of section 37A(1) of the Cayman Islands Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Islands Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus, there is no requirement under the Cayman Islands laws that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

Dividends and Distributions

Subject to a solvency test, as prescribed in the Cayman Islands Companies Act, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

Protection of Minorities and Shareholders' Suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss vs. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of our Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one (1) which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

Disposal of Assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

Accounting and Auditing Requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it; and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

Exchange Control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

Taxation

Pursuant to section 6 of the Tax Concessions Act (2018 Revision) of the Cayman Islands, our Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciations shall apply to our Company or its operations; and
- (ii) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by our Company:
 - (A) on or in respect of the Shares, debentures or other obligations of our Company; or
 - (B) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (2018 Revision) of the Cayman Islands.

The undertaking for our Company is for a period of 30 years from 24 March 2021.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

Loans to Directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

Inspection of Corporate Records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

Register of Members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted

company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands.

Register of Directors and Officers

Pursuant to the Cayman Islands Companies Act, our Company is required to maintain at its registered office a register of directors, alternate directors and officers. The Registrar of Companies of the Cayman Islands shall make available the list of the names of the current directors of our Company (and, where applicable, the current alternate directors of our Company) for inspection by any person upon payment of a fee by such person. A copy of the register of directors and officers must be filed with the Registrar of Companies of the Cayman Islands, and any change must be notified to the Registrar of Companies of the Cayman Islands within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one (1) or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one (1) or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one (1) person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one (1) or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

Mergers and consolidations

The Cayman Islands Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two (2) or more constituent companies and the vesting of their undertaking, property and liabilities in one (1) of such companies as the surviving company; and (b) “consolidation” means the combination of two (2) or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company; and (b) such other authorisation, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting members have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

Mergers and Consolidations involving a Foreign Company

Where the merger or consolidation involves a foreign company, the procedure is similar, save that with respect to the foreign company, the directors of the Cayman Islands exempted company are required to make a declaration to the effect that, having made due enquiry, they are of the opinion that the requirements set out below have been met: (i) that the merger or consolidation is permitted or not prohibited by the constitutional documents of the foreign company and by the laws of the jurisdiction in which the foreign company is incorporated, and that those laws and any requirements of those constitutional documents have been or will be complied with; (ii) that no petition or other similar proceeding has been filed and remains outstanding or order made or resolution adopted to wind up or liquidate the foreign company in any jurisdictions; (iii) that no receiver, trustee, administrator or other similar person has been appointed in any jurisdiction and is acting in respect of the foreign company, its affairs or its property or any part thereof; and (iv) that no scheme, order, compromise or other similar arrangement has been entered into or made in any jurisdiction whereby the rights of creditors of the foreign company are and continue to be suspended or restricted.

Where the surviving company is the Cayman Islands exempted company, the directors of the Cayman Islands exempted company are further required to make a declaration to the effect that, having made due enquiry, they are of the opinion that the requirements set out below have been met: (i) that the foreign company is able to pay its debts as they fall due and that the merger or consolidated is bona fide and not intended to defraud unsecured creditors of the foreign company; (ii) that in respect of the transfer of any security interest granted by the foreign company to the surviving or consolidated company (a) consent or approval to the transfer has been obtained, released or waived; (b) the transfer is permitted by and has been approved in accordance with the constitutional documents of the foreign company; and (c) the laws of the jurisdiction of the foreign company with respect to the transfer have been or will be complied with; (iii) that the foreign company will, upon the merger or consolidation becoming effective, cease to be incorporated, registered or exist under the laws of the relevant foreign jurisdiction; and (iv) that there is no other reason why it would be against the public interest to permit the merger or consolidation.

Reconstructions and Amalgamations

Reconstructions and amalgamations may be approved by (i) 75% in value of the members or class of members; or (ii) a majority in number representing 75% in value of the creditors or class of creditors, in each case depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, it can be expected that the court would approve the transaction if it is satisfied that (i) the company is not proposing to act illegally or beyond the scope of our corporate authority and the statutory provisions as to majority vote have been complied with; (ii) the members have been fairly represented at the meeting in question; (iii) the transaction is such as a

businessman would reasonable approve and; (iv) the transaction is not one (1) that would more properly be sanctioned under some other provisions of the Cayman Islands Companies Act or that would amount to a “fraud on the minority”.

If the transaction is approved, no dissenting member would have any rights comparable to the appraisal rights (namely the right to receive payment in cash for the judicially determined value of his shares), which may be available to dissenting members of corporations in other jurisdictions.

Takeovers

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two (2) months after the expiration of that four (4)-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one (1) month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

Indemnification

The Cayman Islands laws do not limit the extent to which a company’s articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

Economic Substance

The Cayman Islands enacted the International Tax Co-operation (Economic Substance) Act (2024 Revision) (the “**ES Act**”) together with the Guidance Notes published by the Cayman Islands Tax Information Authority from time to time. Under the ES Act, if a company is considered to be a “relevant entity” and is conducting one (1) or more of the nine (9) “relevant activities” then that company will be required to comply with the economic substance requirements in relation to the relevant activity from 1 July 2019. All companies whether a relevant entity or not is required to file an annual report in the Cayman Islands with the Companies Registry confirming whether or not it is carrying on any relevant activities and if it is, it must satisfy an economic substance test.

APPENDIX D — LIST OF PAST AND PRESENT DIRECTORSHIPS

In the last three (3) years preceding the Latest Practicable Date, none of our Directors has any interest in companies which are in, or are likely to be in, competition with our Group. Save as disclosed below, none of our Directors has any major appointments which are at the directorship or senior management level in private companies in the last three (3) years preceding the Latest Practicable Date. The past and present principal directorships held by our Directors in publicly listed companies in the last five (5) years preceding the Latest Practicable Date (excluding those held in our Company), and in any member of our Group in the last three (3) years preceding the Latest Practicable Date, are as follows:

DIRECTORS

| | Present Directorships | Past Directorships |
|---------------------------|---|--|
| Mr. Xu Bingzhong (徐炳忠) | <i>Group Companies</i> | <i>Group Companies</i> |
| | Helens International Holdings Company Limited | NIL |
| | XBZ Hill Holding Limited | |
| | Shenzhen Helens Enterprise Management Co., Ltd. (深圳海伦司企业管理有限公司) | |
| | Helens Hill Limited | |
| | Helens Tokyo Co., Ltd | |
| | Helens Worldwide (BVI) Holding Limited | |
| | Helens Global (BVI) Holding Limited | |
| | Helens Global (Cayman) Limited | |
| | Helen's Inc. | |
| | <i>Other publicly listed companies</i> | <i>Other publicly listed companies</i> |
| | NIL | NIL |
| | <i>Other private companies</i> | <i>Other private companies</i> |
| | NIL | NIL |

| | Present Directorships | Past Directorships |
|-------------------------|---|--|
| Ms. Cai Wenjun (蔡文君) | <i>Group Companies</i> | <i>Group Companies</i> |
| | Helens International Holdings Company Limited | NIL |
| | Shenzhen Helens Brand Management Co., Ltd. (深圳市海伦司品牌管理有限公司) | |
| | Shenzhen Helens Technology Co., Ltd (深圳市海伦司科技有限责任公司) | |
| | Beijing Duntiezhen Enterprise Management Co., Ltd (北京盾铁臻企业管理有限公司) | |
| | <i>Other publicly listed companies</i> | <i>Other publicly listed companies</i> |
| | NIL | NIL |
| | <i>Other private companies</i> | <i>Other private companies</i> |
| | NIL | NIL |
| | | |
| Ms. Yu Zhen (余臻) | <i>Group Companies</i> | <i>Group Companies</i> |
| | Helens International Holdings Company Limited | NIL |
| | Helens Hill Limited | |
| | HLS LA INC | |
| | <i>Other publicly listed companies</i> | <i>Other publicly listed companies</i> |
| | NIL | NIL |
| | <i>Other private companies</i> | <i>Other private companies</i> |
| | NIL | NIL |
| | | |
| | | |

| | Present Directorships | Past Directorships |
|------------------------|---|--|
| Mr. He Daqing (贺大庆) | <i>Group Companies</i> | <i>Group Companies</i> |
| | Helens International Holdings Company Limited | NIL |
| | <i>Other publicly listed companies</i> | <i>Other publicly listed companies</i> |
| | NIL | NIL |
| | <i>Other private companies</i> | <i>Other private companies</i> |
| | NIL | NIL |
| Mr. Li Dong (李东) | <i>Group Companies</i> | <i>Group Companies</i> |
| | Helens International Holdings Company Limited | NIL |
| | <i>Other publicly listed companies</i> | <i>Other publicly listed companies</i> |
| | GreenTree Hospitality Group Ltd | Meta Data Limited (formerly known as OneSmart International Education Group Limited) |
| | Boqii Holding Limited | |
| | Sinosoft Technology Group Limited | |
| | Logory Logistics Technology Co., Ltd | |
| | ZJLD Group Inc | |
| | <i>Other private companies</i> | <i>Other private companies</i> |
| | NIL | NIL |

| | Present Directorships | Past Directorships |
|---|--|--|
| Mr. Wang Renrong (王仁荣) | <i>Group Companies</i> | <i>Group Companies</i> |
| | Helens International Holdings Company Limited | NIL |
| | <i>Other publicly listed companies</i> | <i>Other publicly listed companies</i> |
| | NIL | Guangzhou Zhujiang Brewery Co., Ltd |
| | | Shanghai Fudan Forward S&T Co., Ltd |
| | | Budweiser Brewing Company APAC Limited |
| | <i>Other private companies</i> | <i>Other private companies</i> |
| | Beijing China Alcoholic Quintessence Education Technology Co., Ltd (北京中酒荟萃教育科技有限公司) | NIL |
| | China Alcoholic Mingpin (Beijing) Wine Co., Ltd. (中酒酩品(北京)酒业有限公司) | |
| | China Alcoholic Huitong (Beijing) Intelligent Brewing Technology Co., Ltd (中酒慧通(北京)智能酿造科技有限公司) | |
| China Alcoholic Quintessence (Beijing) Network Technology Co., Ltd (中酒荟萃(北京)网络科技有限公司) | | |

| | Present Directorships | Past Directorships |
|------------------------------------|---|---|
| Mr. Wong Heung Ming Henry (黃向明) | <i>Group Companies</i> | <i>Group Companies</i> |
| | Helens International Holdings Company Limited | NIL |
| | <i>Other publicly listed companies</i> | <i>Other publicly listed companies</i> |
| | E-Home Household Service Holdings Ltd. | Shifang Holding Limited |
| | Ostin Technology Group Co., Ltd | Meihua International Medical Technologies Co., Ltd. |
| | Baiyu Holdings Inc. | Sansheng Holdings (Group) Co. Ltd. ⁽¹⁾ |
| | Raffles Interior Limited | |
| | Nature Wood Group Limited | |
| | <i>Other private companies</i> | <i>Other private companies</i> |
| | NIL | REDEX Pte. Ltd. (formerly known as T-RECS.AI Pte. Ltd.) |

Note:

- (1) Sansheng Holdings (Group) Co. Ltd. was formerly a publicly listed company on the HKSE until it was delisted on 27 December 2023 and is currently a private company.