



Helen's

Helens International Holdings Company Limited
海倫司國際控股有限公司

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

Stock code : 9869

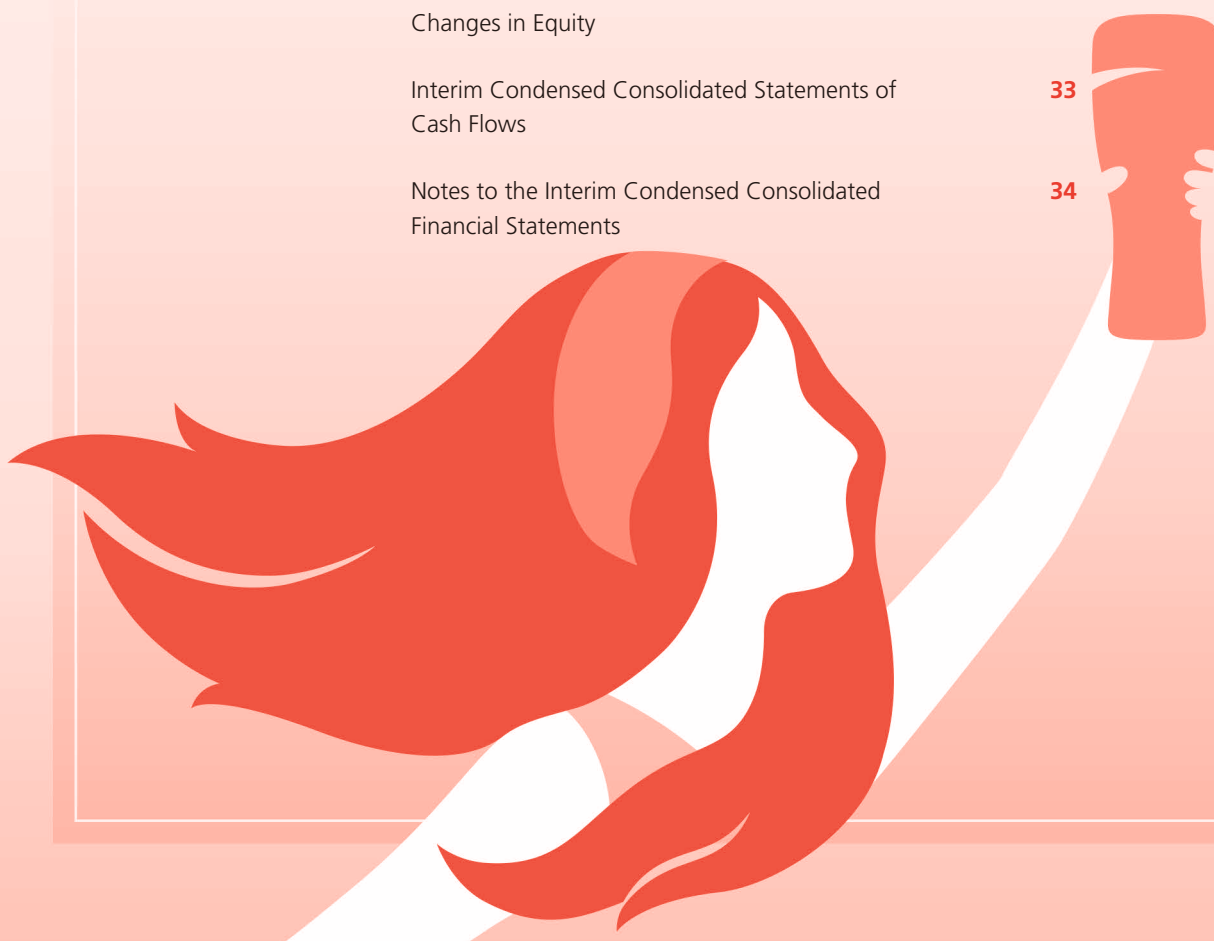
INTERIM REPORT

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Definitions

"Articles of Association" or "Articles"	the amended and restated articles of association of our Company conditionally adopted on August 23, 2021 and has come into effect upon Listing
"Audit Committee"	the audit committee of the Board
"BA Capital"	BA Capital Project Helens, L.P., a limited partnership established in the BVI and our pre-IPO investor
"Board"	the board of directors of our Company
"BVI"	the British Virgin Islands
"Cantrust"	Cantrust (Far East) Limited, the trustee of the Mr. Xu's Trust and the Director RSU Scheme
"China" or "PRC"	People's Republic of China, but for the purpose of this interim report and for geographical reference only and except where the context requires otherwise, references in this interim report to "China" and the "PRC" do not include Hong Kong, Macau and Taiwan
"China World Investment"	China World Investment Limited, a company incorporated in the Cayman Islands with limited liability on November 9, 2018 and our pre-IPO investor
"Code" or "Corporate Governance Code"	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules
"Company" or "our Company"	Helens International Holdings Company Limited (海倫司國際控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands on January 16, 2018
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to HHL International, Helens Hill (BVI), HLSH Holding and Mr. Xu
"Director(s)"	the directors of our Company, including all executive and independent non-executive directors
"Director RSU Scheme"	the restricted share unit scheme of the Company approved and adopted by the Board on March 31, 2021, the principal terms of which are set out in the paragraph headed "D. Share Incentive Schemes — 1. Pre-IPO RSU Schemes" in Appendix IV to the Prospectus

Definitions

“Employee RSU Scheme”	the restricted share unit scheme of the Company approved and adopted by the Board on March 31, 2021, the principal terms of which are set out in the paragraph headed “D. Share Incentive Schemes — 1. Pre-IPO RSU Schemes” in Appendix IV to the Prospectus
“Global Offering”	the Hong Kong public offering and the international offering of our Shares
“Group,” “our Group,” “our,” “we” or “us”	our Company, its subsidiaries from time to time
“Helens Hill (BVI)”	Helens Hill Holding Limited, a company incorporated in the BVI with limited liability on January 11, 2018, one of our Controlling Shareholders
“HHL International”	HHL International Limited (HHL國際有限公司), a company incorporated in BVI on May 12, 2021 with limited liability and wholly owned as to 1% by Helens Hill (BVI) and 99% by HLSH Holding, a Controlling Shareholder
“HK\$” or “Hong Kong Dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HLSH Holding”	HLSH Holding Limited, a company incorporated in BVI on March 24, 2021 with limited liability and wholly owned by Cantrust, a Controlling Shareholder
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchange and Clearing Limited
“Independent Third Party(ies)”	party or parties that is or are not a connected person (as defined under Chapter 14A of the Listing Rules) of our Company within the meaning of the Listing Rules
“Infiniti Trust”	Infiniti Trust (Asia) Limited, the trustee of the Senior Management RSU Scheme, Employee RSU Scheme and Post-IPO RSU Scheme
“Listing”	the listing of the Shares on the Main Board
“Listing Date”	the date, September 10, 2021, on which dealings in the Shares first commence on the Main Board
“Listing Rules” or “Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market (GEM) of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the GEM of the Stock Exchange



Definitions

"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Mr. Xu's Trust"	Tiny Tiny Hill Trust, a discretionary trust set up by Mr. Xu with Cantrust acting as trustee, the beneficiaries of which are Mr. Xu's family members and Helens Hill (BVI)
"NEWCE Holding"	NEWCE Holding Limited, a company incorporated in the BVI with limited liability on May 15, 2019, and a shareholder of our Company wholly owned by Mr. Wang Zhenpeng, our senior vice president of finance
"Over-allotment Option"	the option to be granted by us to the International Underwriter(s), exercisable by the Sole Global Coordinator on behalf of the International Underwriter(s), pursuant to which we may be required to allot and issue up to an aggregate of 20,197,500 additional Shares (representing 15% of the Shares initially being offered under the Global Offering) to cover over-allocations in the International Offering, details of which are described in the section headed "Structure of the Global Offering — Over-allotment Option" of the Prospectus
"Post-IPO RSU"	a restricted share unit to be granted under the Post-IPO RSU Scheme
"Post-IPO RSU Scheme"	the post-IPO restricted share unit scheme of the Company approved and adopted by the Board on March 31, 2021, the principal terms of which are set out in the paragraph headed "D. Share Incentive Schemes — 2. Post-IPO RSU Scheme" in Appendix IV to the Prospectus
"Pre-IPO RSU"	a restricted share unit granted under the Pre-IPO RSU Schemes
"Pre-IPO RSU Schemes"	Director RSU Scheme, Employee RSU Scheme and Senior Management RSU Scheme
"Preferred Share(s)"	convertible preferred share(s) in the share capital of our Company, including Series A Preferred Shares and Series A+ Preferred Shares
"Prospectus"	the prospectus issued by the Company on August 31, 2021 in connection with the Hong Kong Public Offering
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	the lawful currency of the PRC
"Reporting Period"	the six months ended June 30, 2021
"RSU(s)"	restricted share unit(s)
"RSU Trustees"	Cantrust and Infiniti Trust



Definitions

“Senior Management RSU Scheme”	the restricted share unit scheme of the Company approved and adopted by the Board on March 31, 2021, the principal terms of which are set out in the paragraph headed “D. Share Incentive Schemes — 1. Pre-IPO RSU Schemes” in Appendix IV to the Prospectus
“Series A Preferred Share(s)”	the series A convertible preferred share(s) of our Company with a par value of US\$0.0000000001 per share
“Series A+ Preferred Share(s)”	the series A+ convertible preferred share(s) of our Company with a par value of US\$0.0000000001 per share
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Share(s)” or “Ordinary Share(s)”	the shares of our Company, as the context so requires
“Shareholder(s)”	holder(s) of our Share(s)
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“WTSJ Holding”	WTSJ Holding Limited, a company incorporated in the BVI with limited liability on May 15, 2019, and a Substantial Shareholder of our Company
“% ”	per cent.

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

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Xu Bingzhong (徐炳忠先生) (*Chairman and Chief Executive Officer*)
Mr. Zhang Bo (張波先生)
Mr. Zhao Jun (趙俊先生)
Ms. Lei Xing (雷星女士)

Independent Non-Executive Directors

Mr. Li Dong (李東先生)
Mr. Wang Renrong (王仁榮先生)
Mr. Wong Heung Ming Henry (黃向明先生)

AUDIT COMMITTEE

Mr. Li Dong (*Chairman*)
Mr. Wang Renrong
Mr. Wong Heung Ming Henry

REMUNERATION COMMITTEE

Mr. Wang Renrong (*Chairman*)
Mr. Li Dong
Mr. Xu Bingzhong

NOMINATION COMMITTEE

Mr. Xu Bingzhong (*Chairman*)
Mr. Li Dong
Mr. Wang Renrong

COMPANY SECRETARY

Mr. Chan Kong (*member of the HKICPA*)

AUTHORIZED REPRESENTATIVES

Mr. Zhao Jun
Mr. Chan Kong

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

28th Floor, Prince Square
Taizi Road, Nanshan District
Shenzhen
Guangdong Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

3/F, H8
Hau Fook Street
Tsim Sha Tsui, Kowloon
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Walkers Corporate Limited
190 Elgin Avenue
George Town
Grand Cayman KY1-9008
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

LEGAL ADVISER IN HONG KONG

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

COMPLIANCE ADVISER

Somerley Capital Limited
20/F, China Building
29 Queen's Road Central
Hong Kong



Corporate Information

AUDITOR

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

PRINCIPAL BANKS

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

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

STOCK CODE

9869

COMPANY WEBSITE

www.helensbar.com

Financial Highlights

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended June 30,	
	2021 (RMB in thousands) (unaudited)	2020 (RMB in thousands) (unaudited)
Revenue	868,083	215,057
Profit/(loss) before income tax	4,987	(25,378)
Loss for the period attributable to owners of the Company	(24,836)	(18,526)
Adjusted net profit/(loss)⁽¹⁾	80,631	(18,526)

NON-HKFRS MEASURES

	For the six months ended June 30,	
	2021 (RMB in thousands) (unaudited)	2020 (RMB in thousands) (unaudited)
Loss for the period	(24,836)	(18,526)
Add:		
Listing expenses	25,135	—
Equity-settled share-based payments	91,683	—
Less:		
Fair value changes of convertible preferred shares	(11,351)	—
Adjusted net profit/(loss)⁽¹⁾	80,631	(18,526)

Note:

(1): We define adjusted net profit/(loss) as profit/(loss) adjusted by adding back Listing expenses and equity-settled share-based payments and excluding fair value changes of convertible preferred shares. For details of non-HKFRS measures, please refer to the sub-section headed "Management Discussion and Analysis — Non-HKFRS Measures".

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at June 30, 2021 (RMB in thousands) (unaudited)	As at December 31, 2020 (RMB in thousands) (audited)
Non-current assets	1,362,416	788,632
Current assets	93,381	71,310
Total assets	1,455,797	859,942
Total equity	227,575	160,238
Non-current liabilities	704,190	460,379
Current liabilities	524,032	239,325
Net current liabilities	430,651	168,015
Total liabilities	1,228,222	699,704
Total equity and liabilities	1,455,797	859,942

Business Review and Outlook

We adhered to the development strategy of expanding the bar network in the first half of 2021 to further increase our market share. As of June 30, 2021, the number of our bars increased to 471 from 351 as of December 31, 2020. The number of our bars further increased to 584 as of September 24, 2021 (being the latest practicable date of the purpose of this report), covering 24 provincial-level administrative regions and 104 cities.

As our bar network expanded, our brand awareness and recognition continuously grew. The average daily sales per self-operated bars also maintained a growing trend as it increased by 36.8% year-on-year from approximately RMB8,700 in the first half of 2020 to approximately RMB11,900 in the first half of 2021.

We achieved strong growth in the first half of 2021 despite the impact of the COVID-19 recurrence and related prevention and control measures. Our revenue increased from RMB215.1 million in the first half of 2020 to RMB868.1 million in the first half of 2021, representing a year-on-year growth of 303.6%. Our adjusted net profit was RMB80.6 million in the first half of 2021, compared to a loss of RMB18.5 million in the first half of 2020.

Due to the uncertainties surrounding the COVID-19 pandemic, we are mitigating the impact of COVID-19 on our business through a series of internal fine management measures, as well as cost savings and expense control brought about by economies of scale.

Looking ahead, we will accelerate the expansion of our bar network, open more bars in the areas where we have made presence and rapidly expand our bar network into new areas. In the meantime, efforts will be made to optimize our product portfolio, improve product quality, and upgrade and enrich the decoration style, in order to enhance our customers' consumption experience and increase customer stickiness.



Business Highlights

DISTRIBUTION OF OUR BAR NETWORK

As of September 24, 2021, we had a total number of 584 self-operated bars in the PRC, covering 24 provincial-level administrative regions and 104 cities. The following table sets forth the number of Helen's bars located in each geographic location as of September 24, 2021 and dates indicated.

	As of		June 30, 2020
	September 24, 2021	June 30, 2021	
Mainland China			
Bars in first-tier cities	74	64	41
Bars in second-tier cities	329	265	151
Bars in third and lower-tier cities	180	141	79
Hong Kong, PRC	1	1	1
Total	584	471	272

OPERATING INDICATORS

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

	For the six months ended June 30,	
	2021 (RMB in thousands)	2020 (RMB in thousands)
Average daily sales per self-operated bar		
Mainland China		
Bars in first-tier cities	9.9	6.0
Bars in second-tier cities	12.2	9.1
Bars in third-and lower-tier cities	12.3	9.1
Overall	11.9	8.7

We maintained a growing trend in the average daily sales per self-operated bar in the first half of 2021. This was largely because of the continued improvement of our brand awareness and recognition, as well as the enhanced revenue-generating ability of our self-operated bars.

Business Highlights

SAME-STORE PERFORMANCE

The following table sets forth the same-store sales of Helen's bars during the indicated period. "Same store" means bars that opened for at least 100 days for the six months ended June 30, 2020 and the six months ended June 30, 2021, respectively.

	For the six months ended June 30,	
	2021	2020
Number of same-store		133
Same-store sales (RMB'000)	315,090.8	154,716.1
Growth of same-store sales (%)		103.7%
Same-store sales per day (RMB'000)	1,775.6	1,266.8
Growth of same-stores sales per day (%)		40.2%

REVENUE CONTRIBUTION FROM OUR FEATURED PRODUCTS

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

	For the six months ended June 30,	
	2021	2020
All Helen's branded alcoholic drinks		
Contribution (RMB'000)	419,223	79,770
Contribution margin (%)	81.8%	76.6%
All third-party brand alcoholic drinks		
Contribution (RMB'000)	85,851	31,528
Contribution margin (%)	53.8%	52.7%

Note:

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

Management Discussion And Analysis

OVERVIEW

We are China's largest bar chain network. Our Shares were listed on the Main Board of the Stock Exchange on September 10, 2021, marking an important milestone in the Group's history. As of September 24, 2021, we had a total number of 584 self-operated bars in the PRC, covering 24 provincial-level administrative regions and 104 cities.

The bar industry in China is a large and fast-growing market and there is plenty room for leading players to consolidate the industry. The bar industry in China has gradually recovered in 2021, following the relaxation of domestic pandemic prevention policies and the introduction of consumption incentives. We recorded a strong growth in the first half of 2021 despite the impact of the COVID-19 recurrence and related prevention and control measures.

REVENUE

Our revenue increased by 303.6% from RMB215.1 million for the six months ended June 30, 2020 to RMB868.1 million for the six months ended June 30, 2021, primarily due to the rapid expansion of our bar network and the growth in the average daily sales per self-operated bars. The number of our self-operated bars increased from 272 as of June 30, 2020 to 471 as of June 30, 2021. The average daily sales per self-operated bar increased from approximately RMB8,700 in the first half of 2020 to approximately RMB11,900 in the first half of 2021.

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

	For the six months ended June 30,			
	2021		2020	
	Revenue (RMB in thousands)	%	Revenue (RMB in thousands)	%
Helen's branded products	681,466	78.5	146,842	68.3
Helen's beer	103,226	11.9	53,849	25.1
Spirituos drinks	408,976	47.1	50,315	23.4
Snacks	169,264	19.5	42,678	19.8
Third-party brand alcoholic drinks	159,585	18.4	59,800	27.8
Other products ⁽¹⁾	21,899	2.5	5,340	2.5
Other revenue ⁽²⁾	5,133	0.6	3,075	1.4
Total	868,083	100	215,057	100

Notes:

- (1) Including paper towel and other consumer goods that we provide to customers in bars.
- (2) Including the revenue generated from our mobile device charging service in bars and franchise fees. As of March 31, 2021, all of our Helen's bars are self-operated bars. We generated no revenue from franchise fees during the second quarter of 2021.

Management Discussion and Analysis

GOVERNMENT GRANTS AND CONCESSIONS

Our government grants and concessions decreased from RMB10.1 million for the six months ended June 30, 2020 to RMB3.6 million for the six months ended June 30, 2021, mainly because we were no longer entitled to the one-off rent concessions offered by landlords of certain rental properties, and that the tax concessions offered by local governments for COVID-19 have declined since the outbreak was brought under control.

COST OF RAW MATERIALS AND CONSUMABLES USED

The cost of our raw materials and consumables used increased by 267.5% from RMB73.9 million for the six months ended June 30, 2020 to RMB271.6 million for the six months ended June 30, 2021. The increase in the cost of raw materials and consumables used was primarily due to a significant increase in (i) the costs for purchase of Helen's branded products and third-party brand alcoholic drinks and (ii) the costs incurred for consumables used in Helen's bars, which were both attributed to the growth of our business and the increase in the number of bars.

EMPLOYEE BENEFIT AND MANPOWER SERVICE EXPENSES

Our employee benefit and manpower service expenses increased by 394.4% from RMB62.9 million for the six months ended June 30, 2020 to RMB311.0 million for the six months ended June 30, 2021. The substantial increase in employee benefit and manpower service expenses was mainly attributable to:

- (1) Our wages, salaries, other benefits and pension costs increased from RMB62.9 million for the six months ended June 30, 2020 to RMB122.6 million for the six months ended June 30, 2021, mainly because of an increase in the compensation for our employees;
- (2) For the six months ended June 30, 2021, we paid RMB96.7 million for manpower services as we hired outsourced employees from third-party labor outsourcing companies;
- (3) Our equity-settled share-based payments for the six months ended June 30, 2021 were RMB91.7 million.

DEPRECIATION OF RIGHT-OF-USE ASSETS

The depreciation of our right-of-use assets increased by 95.2% from RMB41.9 million for the six months ended June 30, 2020 to RMB81.8 million for the six months ended June 30, 2021. The increase was mainly because we leased more properties for bar operations as the number of bars increased. The number of our self-operated bars increased from 272 as of June 30, 2020 to 471 as of June 30, 2021.



Management Discussion And Analysis

DEPRECIATION OF PLANT AND EQUIPMENT

The depreciation of our plant and equipment increased by 45.9% from RMB18.1 million for the six months ended June 30, 2020 to RMB26.4 million for the six months ended June 30, 2021. The increase was primarily due to an increase in the fixed assets (including renovation costs, air conditioning, tables and chairs, etc.) of our self-operated bars with the rapid growth in the number of bars, and the corresponding increase in depreciation expenses.

AMORTIZATION OF INTANGIBLE ASSETS

Our amortization of intangible assets remained at RMB15,000 for the six months ended June 30, 2020 and for the six months ended June 30, 2021, representing the amortization expenses incurred in software.

SHORT-TERM RENTAL AND OTHER RELATED EXPENSES

Our short-term rental and other related expenses increased significantly by 230.2% from RMB10.6 million for the six months ended June 30, 2020 to RMB35.0 million for the six months ended June 30, 2021. The increase was primarily due to the increase in staff dormitories we leased for a short term as the number of our self-operated bar staff increased with the rapid expansion of our bar network and an increase in the rental fee.

UTILITIES EXPENSES

Our utilities expenses increased by 161.3% from RMB8.0 million for the six months ended June 30, 2020 to RMB20.9 million for the six months ended June 30, 2021. The increase was in line with the expansion of our bar network: (i) the electricity and network utilities expenses incurred for our bar operations increased as the number of bars increased; and (ii) we leased more staff dormitories as the number of our bar staff increased, which further resulted in an increase in dormitory electricity and water utilities expenses.

TRAVELLING AND RELATED EXPENSES

Our travelling and related expenses increased by 264.7% from RMB1.7 million for the six months ended June 30, 2020 to RMB6.2 million for the six months ended June 30, 2021. The increase was primarily due to expenses associated with the accelerated expansion of new bars.

LISTING EXPENSES

Our Listing expenses was nil and RMB25.1 million for the six months ended June 30, 2020 and June 30, 2021, respectively, which mainly included the professional services fees we incurred in connection with the Listing.

ADVERTISING AND PROMOTION EXPENSES

Our advertising and promotion expenses increased by 438.7% from RMB3.1 million for the six months ended June 30, 2020 to RMB16.7 million for the six months ended June 30, 2021. The increase was in line with our revenue growth trend.

Management Discussion and Analysis

OTHER EXPENSES

Our other expenses increased by 220.8% from RMB17.8 million for the six months ended June 30, 2020 to RMB57.1 million for the six months ended June 30, 2021. The increase was primarily due to the corresponding increase in our daily operation and maintenance expenses as the number of bars increased.

FAIR VALUE CHANGES OF CONVERTIBLE PREFERRED SHARES

Fair value changes of convertible preferred shares for the six months ended June 30, 2020 and 2021 was nil and RMB11.4 million, respectively. The increase was primarily 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 recorded in current profit and loss.

FINANCE INCOME

Our finance income increased by 85.7% from RMB14,000 for the six months ended June 30, 2020 to RMB26,000 for the six months ended June 30, 2021. The increase was primarily due to the increase in interest income from bank deposits as our revenue grew.

FINANCE COSTS

Our finance expenses increased by 106.3% from RMB12.7 million for the six months ended June 30, 2020 to RMB26.2 million for the six months ended June 30, 2021. The increase in financial costs was mainly attributable to the fact that lease liabilities went up with an increase in the number of bars, resulting in a rise in related interest.

(LOSS)/PROFIT BEFORE INCOME TAX

As a result of the foregoing, our loss before income tax was RMB25.4 million for the six months ended June 30, 2020, and the profit before income tax was RMB5.0 million for the six months ended June 30, 2021. The (loss)/profit before income tax margin was 11.8% and 0.6% for the same periods, respectively.

INCOME TAX (CREDIT)/EXPENSE

The income tax credit was RMB6.9 million for the six months ended June 30, 2020 compared with the income tax expense of RMB29.8 million for the six months ended June 30, 2021. This was mainly due to improved overall profitability.

Management Discussion And Analysis

NON-HKFRS MEASURES

To supplement the comprehensive statement of profit or loss presented in accordance with Hong Kong Financial Reporting Standards, we also use adjusted net profit/(loss) as a non-HKFRS measure, which is not required by, or presented in accordance with, HKFRSs. We believe that the presentation of such non-HKFRS measure when shown in conjunction with the corresponding HKFRS measures provides useful information to investors and management in facilitating a comparison of our operating performance from period to period by eliminating potential impacts of certain non-operating or non-recurring expenses and incomes that do not affect our ongoing operating performance (including Listing expenses, equity-settled share-based payments and fair value changes of convertible preferred shares). Such non-HKFRS measures allow investors to consider metrics used by our management in evaluating our performance. We believe that Listing expenses, equity-settled share-based payments and fair value changes of convertible preferred shares are non-operating or non-recurring expenses and incomes that will not affect our ongoing operating performance. We believe that adjusted net profit/(loss) provides investors with useful information in facilitating a comparison of our operating performance from period to period by eliminating potential impacts of Listing expenses, equity-settled share-based payments and fair value changes of convertible preferred shares.

	For the six months ended June 30,	
	2021 <i>(RMB in thousands)</i>	2020 <i>(RMB in thousands)</i>
Loss for the period	(24,836)	(18,526)
Add:		
Listing expenses	25,135	—
Equity-settled share-based payments	91,683	—
Less:		
Fair value changes of convertible preferred shares	(11,351)	—
Adjusted net profit/(loss)	80,631	(18,526)

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

PLANT AND EQUIPMENT

Our plant and equipment represent (i) office equipment such as printers, (ii) computer equipment, (iii) furniture and fixture used in bars such as tables and chairs and facilities in kitchens, and (iv) leasehold improvement, i.e. for decoration of bars. Our plant and equipment benefit increased from RMB188.8 million as of December 31, 2020 to RMB366.0 million as of June 30, 2021. Such increase was generally in line with the growth trend of the number of our bars.

INTANGIBLE ASSETS

Our intangible assets mainly include office systems and software that we have purchased. Our intangible assets remained generally stable with RMB0.1 million and RMB0.1 million, respectively, as of December 31, 2020 and June 30, 2021.

RIGHT-OF-USE ASSETS

Our right-of-use assets (i.e. our confirmed long-term leased properties) increased from RMB554.5 million as of December 31, 2020 to RMB847.9 million as of June 30, 2021. Such increase was generally in line with the growth trend of the number of our bars.

Management Discussion and Analysis

INVENTORIES

Our inventories represent the alcoholic drinks, food and consumables used in our bar operations, and mainly include (i) alcoholic drinks, including Helen's branded alcoholic drinks and third-party brand alcoholic drinks, (ii) a variety of snacks, and (iii) other inventories.

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

	As of	
	June 30, 2021 (RMB in thousands)	December 31, 2020 (RMB in thousands)
Inventories		
Alcoholic drinks	34,371	32,874
Food	4,829	3,378
Consumables	471	603
Total	39,671	36,855

Our inventories increased from RMB36.9 million as of December 31, 2020, to RMB39.7 million as of June 30, 2021. The increase in our inventories was mainly driven by the increased amount of alcoholic drinks, in particular the Helen's branded alcoholic drinks that were reserved in Helen's bars for our business operation, which, in turn, was also due to the increase in the number of our self-operated bars.

Our inventory turnover days decreased from 40.5 days as of December 31, 2020 to 25.4 days as of June 30, 2021. With the expansion of our bar network and our improved management capabilities and experience, we are able to carry out fine management in the inventory in self-operated bars and improve the efficiency of inventory turnover.

PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Our prepayments, deposits and other receivables primarily include (i) rent and other deposits, i.e., the deposit we paid for the staff dormitory lease, utility deposit and other short-term deposits, (ii) our deferred Listing expenses, and (iii) other tax receivables. Our prepayments, deposits and other receivables increased from RMB10.2 million as of December 31, 2020 to RMB27.5 million as of June 30, 2021. Our deposit and advance payment (long-term portion) increased from RMB26.9 million as of December 31, 2020 to RMB128.4 million as of June 30, 2021. Such increase was generally in line with the overall growth of the number of our bars.

CASH AND CASH EQUIVALENTS

Our cash and cash equivalents were RMB24.3 million and RMB26.2 million as of December 31, 2020 and June 30, 2021, respectively. The increases were mainly due to the increase of revenue resulting from the increase in the number of bars.



Management Discussion And Analysis

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

As of June 30, 2021, we had financial liabilities at fair value through profit or loss for the period of RMB201.7 million, which was primarily in connection with our Series A and Series A+ financing.

LEASE LIABILITIES

We had lease liabilities of RMB539.2 million and RMB820.9 million as of December 31, 2020 and June 30, 2021, respectively. The growth of lease liabilities was due to the increase in our leased properties for bar operation.

TRADE PAYABLES

Our trade payables mainly represent the expenses payable to our suppliers to purchase raw materials, equipment and other supplies that are necessary for our bar operations. Our trade payables increased from RMB36.5 million as of December 31, 2020 to RMB52.0 million as of June 30, 2021. The increase was primarily due to the increased number of our self-operated bars, leading to the corresponding increase of our product purchase amount.

The turnover days of our trade payables decreased from 36.8 days as of December 31, 2020 to 29.3 days as of June 30, 2021, which was mainly due to our fine operational strategy enabling us to manage our purchases and make payments more effectively.

OTHER PAYABLES AND ACCRUALS

Our other payables and accruals decreased from RMB85.9 million as of December 31, 2020 to RMB80.2 million as of June 30, 2021. Such decrease was mainly due to that the balance of amount due to a director was settled as of June 30, 2021.

LIQUIDITY AND CAPITAL RESOURCES

During the Reporting Period, we mainly used cash generated from operating activities for our business. Our cash and cash equivalents were RMB24.3 million and RMB26.2 million as of December 31, 2020 and June 30, 2021, respectively. Our cash is mainly used to meet the needs of business operation. We finance our capital requirements through cash generated from operating activities, the net proceeds from Global Offering, and other future equity or debt financings.

Management Discussion and Analysis

INDEBTEDNESS

Bank borrowings

As of June 30, 2021, our total bank borrowings amounted to RMB55.0 million. As of June 30, 2021, bank borrowings of RMB30.0 million were secured by personal guarantee from Mr. Feng Shaoming, the father-in-law of Mr. Wang Zhenpeng (the Company's senior vice president of finance and was a director of a subsidiary of the Group). The aforementioned personal guarantee from Mr. Feng Shaoming will be discharged when the corresponding bank borrowings are repaid in January 2022.

Lease liabilities

As of June 30, 2021, our lease liabilities amounted to RMB820.9 million.

Convertible Preferred Shares

As of June 30, 2021, we had convertible preferred shares issued to investors of RMB201.7 million.

CONTINGENT LIABILITIES

As of the date of this report, we did not have any significant contingent liabilities.

CAPITAL COMMITMENTS

Our capital commitments mainly represented the leasehold improvement which had been authorized and contracted for. Our capital commitments outstanding as of June 30, 2021 not provided for in the financial statements were RMB29.0 million.

CAPITAL EXPENDITURES

Our capital expenditures were incurred primarily for opening new bars, acquiring equipment, refurbishing existing bars and purchasing furniture and equipment required for bar operations. Our total capital expenditures increased from RMB17.4 million as of June 30, 2020 to RMB203.6 million as of June 30, 2021. Such increase resulted from rapid expansion and opening new bars in the relevant period.

GEARING RATIO

As of June 30, 2021, the Group's gearing ratio was 24.2%. The gearing ratio is calculated by the total debt (including interest-bearing bank and other borrowings) divided by total equity at the end of the period multiplied by 100%.



Management Discussion And Analysis

FOREIGN EXCHANGE RISK

For the six months ended June 30, 2021, we mainly operated in China, with only one bar located in Hong Kong. We are not exposed to significant foreign exchange risks because the financial assets and liabilities denominated in currencies other than the functional currency of our Group are not significant.

During the Reporting Period, the Group had not engaged in any foreign exchange hedging related activity.

PLEDGE OF ASSETS

As of June 30, 2021, the Group did not pledge any group assets.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL

For the six months ended June 30, 2021, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries, associates and joint ventures. In addition, except for the expansion plan disclosed in sections "Business" and "Future Plans and Use of Proceeds" in the Prospectus, the Group did not have any specific plans for significant investments or acquisition of material capital assets or other businesses. The Group, however, will continue to identify new business development opportunities.

EMPLOYEES AND REMUNERATION POLICIES

As of June 30, 2021, we had 1,927 employees and 5,421 outsourced personnel, most of whom were based in China. We offer competitive wages and other benefits to the employees and provide discretionary performance bonus as a further incentive. We have also improved career development pathways and talent training systems for employees to facilitate their self-growth. Our Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly.

During the six months ended June 30, 2021, the total employee benefit expenses (including directors' remuneration) were RMB311.0 million.

In accordance with the rules and regulations in the PRC, we participate in the applicable housing provident funds and various social insurance plans for employees initiated by local and provincial governments. The Group and the PRC-based employees are required to make monthly contributions to these plans calculated as a specific percentage of the employees' salaries. There was no forfeited contribution utilized to offset employers' contributions and there was no forfeited contribution available to reduce the contribution for the year ended December 31, 2020 and the six months ended June 30, 2021.

NO MATERIAL ADVERSE CHANGES

Save as disclosed in this report, there are no material changes affecting the Group's performance that need to be disclosed under paragraphs 32 and 40(2) of Appendix 16 to the Listing Rules during the period from January 1, 2021 to June 30, 2021.

Corporate Governance and Other Information

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES

The Company's Shares were listed on the Main Board of the Stock Exchange on September 10, 2021. The Company was not required to maintain any register under Part XV of the SFO on June 30, 2021.

As at the date of this interim report, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, were as follows:

(A) Long position in the Shares of the Company

Name of Director	Capacity/ Nature of interest	Long position in number of Shares held in the Company	Approximate percentage of relevant Shares in the issued share capital of the Company (%) ⁽¹⁾
Mr. Xu Bingzhong ⁽²⁾	Founder of a discretionary trust and interest in a controlled corporation	861,000,000	69.06

Notes:

- (1) The calculation is based on the total number of 1,246,704,024 shares issued on the basis that all preferred shares will be converted into Shares on an one-for-one basis, excluding any Shares that may be issued due to the exercise of any Over-allotment Option subsequent to the completion of the Global Offering.
- (2) HHL International holds 861,000,000 Shares. HHL International is owned as to (i) 1% by Helens Hill (BVI), which is wholly-owned by Mr. Xu Bingzhong; and (ii) 99% by HLSH Holding, which is wholly-owned by Cantrust, the trustee of the Mr. Xu Bingzhong's Trust. Mr. Xu Bingzhong's Trust is a discretionary trust set up by Mr. Xu Bingzhong as the settlor and protector, where Mr. Xu Bingzhong's family members and Helens Hill (BVI) are the beneficiaries. Under the SFO, Mr. Xu Bingzhong is deemed to be interested in all the Shares registered under the name of HHL International.



Corporate Governance and Other Information

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

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

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

Corporate Governance and Other Information

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

The Company's Shares were listed on the Main Board of the Stock Exchange on September 10, 2021. The Company was not required to maintain any register pursuant to Part XV of the SFO on June 30, 2021.

As at the date of this interim report, as far as known to the Company and Directors, the following persons had the interests or short positions in the Shares and underlying Shares of the Company which were required to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

Name of Substantial Shareholders	Capacity/Nature of interest	Total number of Shares held in the Company	Approximate percentage of relevant Shares in the issued share capital of the Company (%) ⁽¹⁾
Mr. Xu Bingzhong ⁽²⁾	Founder of a discretionary trust and interest in a controlled corporation	861,000,000 (Long position)	69.06
Cantrust ⁽²⁾	Trustee	861,000,000 (Long position)	69.06
HLSH Holding ⁽²⁾	Interest in a controlled corporation	861,000,000 (Long position)	69.06
HHL International ⁽³⁾	Beneficial owner	861,000,000 (Long position)	69.06
WTSJ Holding ⁽³⁾	Beneficial owner	140,146,876 (Long position)	11.24

Notes:

- (1) The calculation is based on the total number of 1,246,704,024 shares issued on the basis that all preferred shares will be converted into Shares on an one-for-one basis, excluding any Shares that may be issued due to the exercise of any Over-allotment Option subsequent to the completion of the Global Offering.
- (2) HHL International holds 861,000,000 Shares. HHL International is owned as to (i) 1% by Helens Hill (BVI), which is wholly-owned by Mr. Xu Bingzhong; and (ii) 99% by HLSH Holding, which is wholly-owned by Cantrust, the trustee of the Mr. Xu Bingzhong's Trust. Mr. Xu Bingzhong's Trust is a discretionary trust set up by Mr. Xu Bingzhong as the settlor and protector, where Mr. Xu Bingzhong's family members and Helens Hill (BVI) are the beneficiaries. Under the SFO, Cantrust and HLSH Holding are deemed to be interested in all the Shares registered under the name of HHL International.
- (3) WTSJ Holding is beneficially owned by Mr. Zhang Bo (as to approximately 19.38%), Mr. Zhao Jun (as to approximately 9.30%), Mr. Liu Yi (as to approximately 9.30%), Mr. Xia Linfan (as to approximately 9.30%), Ms. Lei Xing (as to approximately 6.20%), Mr. Yang Zhigang (as to approximately 6.20%), Ms. Xie Yan (as to approximately 4.65%), Mr. Zhu Mingzhe (as to approximately 4.65%) and four individuals (comprising three employees of our Group and one Independent Third Party; as to approximately 31.02%).



Corporate Governance and Other Information

Save as disclosed above, as at the date of this interim report, the Directors and chief executive of the Company were not aware of any other person (other than the Directors or chief executive of the Company) who had the interests or short positions in the Shares or underlying Shares of the Company which were required to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

PRE-IPO RSU SCHEMES

Our Company granted RSUs to certain individuals in our Group in 2018. Subsequently pursuant to the board resolution dated March 31, 2021, to extend such RSUs granted in 2018, our Company adopted the following new RSU schemes, and re-granted new RSUs to the aforesaid grantees. The following is a summary of the principal terms of the three Pre-IPO RSU Schemes, namely the Senior Management RSU Scheme, the Director RSU Scheme and the Employee RSU Scheme, approved and adopted by our Company on March 31, 2021 (the "**Adoption Date**").

To the extent applicable, our Company will comply with all relevant requirements under Chapter 14A of the Listing Rules and other applicable Listing Rules regarding any grant of RSU to connected persons (as defined under the Listing Rules) under the Pre-IPO RSU Schemes after the Listing.

(A) Purpose of the Pre-IPO RSU Schemes

The purpose of the Pre-IPO RSU Schemes is to incentivize employees and business associates for their services and contribution to the success of our Group, and to provide incentives to them to further contribute to our Group.

(B) Maximum number of Shares pursuant to the Pre-IPO RSU Schemes

Unless otherwise duly approved by our Shareholders, the total number of Shares underlying RSUs under the Senior Management RSU Scheme, Director RSU Scheme and Employee RSU Scheme shall not exceed 9,999,611 Shares, 3,100,389 Shares, and 13,700,000 Shares, respectively.

On June 7, 2021, (i) 3,100,389 Shares had been issued to TLQ Holding Limited, which is wholly-owned by Cantrust, for the purpose of the Director RSU Scheme; (ii) 9,999,611 Shares had been issued to SHXM Holding Limited, which is wholly-owned by Infiniti Trust, for the purpose of the Senior Management RSU Scheme; and (iii) 13,700,000 Shares had been issued to NLNQ Holding Limited, which is wholly-owned by Infiniti Trust, for the purpose of the Employee RSU Scheme.

Corporate Governance and Other Information

(C) Selected persons of the Pre-IPO RSU Schemes

Eligible participants under the Pre-IPO RSU Schemes include:

- (i) any director (including executive director, non-executive director and independent non-executive director) of any member of our Group from time to time (with respect to the Director RSU Scheme);
- (ii) any senior management member of any member of our Group from time to time (with respect to the Senior Management RSU Scheme); and
- (iii) any employee or officer of any member of our Group who is not a core connected person of our Company (with respect to the Employee RSU Scheme).

(D) Duration of the Pre-IPO RSU Schemes

The Pre-IPO RSU Schemes shall be each valid and effective for a term of ten years commencing on the Adoption Date (the "**Pre-IPO RSU Scheme Period**"), after which period no further Pre-IPO RSUs shall be granted or accepted, but the provisions of the Pre-IPO RSU Schemes shall remain in full force and effect in order to give effect to the vesting of Pre-IPO RSUs granted and accepted prior to the expiration of the Pre-IPO RSU Scheme Period.

(E) Administration of the Pre-IPO RSU Schemes

The Pre-IPO RSU Schemes shall be subject to the administration of the Board or an advisory committee appointed by the Board in accordance with the rules of such scheme. The Board has the power to construe and interpret the rules of the Pre-IPO RSU Schemes and the terms of the Awards granted thereunder. Any decision of the Board made in accordance with the rules of the Pre-IPO RSU Schemes shall be final and binding, provided in each case that such decision is made in accordance with the Articles and any applicable laws.

(F) Grant of RSUs

After the Board has selected the grantees, it will inform the RSU Trustees of the name(s) of the person(s) selected, the number of Shares underlying the Pre-IPO RSUs to be granted to each of them, the vesting schedule and other terms and conditions (if any) that the Pre-IPO RSUs are subject to as determined by the Board.

Subject to limitations and conditions of the Pre-IPO RSU Schemes, the RSU Trustees shall, upon receipt of the notification from the Board, shall grant to each of the selected persons an offer of grant of Award(s) by way of a letter, which shall attach an acceptance notice, subject to the conditions that the Board thinks fit at its discretion.

(G) 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 the Company within the time period and in a manner prescribed in the grant letter. The grantees shall not be required to bear or pay any price or fee for the grant of Awards.



Corporate Governance and Other Information

The following table shows the details of Pre-IPO RSUs that the Company granted under the Pre-IPO RSU Schemes as of June 30, 2021.

Category	Number of the Grantees	Grant date	Number of underlying Shares represented by Pre-IPO RSUs during the Reporting Period				Outstanding as of June 30, 2021
			Outstanding as of January 1, 2021	Granted	Vested ⁽³⁾	Cancelled or lapsed	
Senior Management RSU Scheme	One Grantee ⁽¹⁾	June 18, 2021	—	9,999,611	—	—	9,999,611
Director RSU Scheme	12 Grantees ⁽²⁾	June 18, 2021	—	3,100,389	—	—	3,100,389
Employee RSU Scheme	28 Grantees	June 18, 2021	—	13,700,000	—	—	13,700,000

Notes:

- (1) The grantee under the Senior Management RSU Scheme is Mr. Wang Zhenpeng, our senior vice president.
- (2) The grantees under the Director RSU Scheme are directors of the subsidiaries of our Group.
- (3) Under the Pre-IPO RSU Schemes, all Pre-IPO RSUs that have already been granted were vested on the Listing Date.

POST-IPO RSU SCHEME

The following is a summary of the principal terms of the Post-IPO RSU Scheme approved and adopted by our Company on March 31, 2021. The Post-IPO RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the Post-IPO RSU Scheme does not involve the grant of options by our Company to subscribe for new Shares.

Other than the key differences summarized below, the scheme rules of the Post-IPO RSU Scheme are substantially similar to the Pre-IPO RSU Schemes:

(A) Post-IPO RSU Mandate Limit

The maximum aggregate number of Shares underlying all grants of Post-IPO RSUs will not exceed 47,652,017 Shares.

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

(B) Selected Persons of the Post-IPO RSU Scheme

The Board may select any employee or officer of any member of our Group who is not a core connected person of our Company to be granted with RSUs under the Post-IPO RSU Scheme after the Listing.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended June 30, 2021.

Corporate Governance and Other Information

CHANGE IN THE POSITION AND INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company is not aware of any changes in the information of Directors and senior management which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the Prospectus and up to the date of this interim report.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As the Company's Shares have not been listed on the Stock Exchange on June 30, 2021, the Corporate Governance Code set out in Appendix 14 to the Listing Rules were not applicable to the Company during the six months ended June 30, 2021. The Company is committed to implementing the best corporate governance practices. The Company has complied with the code provisions under the Corporate Governance Code, except for the deviation as described below, from the Listing Date to the date of this interim report.

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

As the Company's Shares have not been listed on the Stock Exchange during the six months ended June 30, 2021, the provisions regarding compliance with the Model Code by Directors under the Listing Rules are not applicable to the Company during the six months ended June 30, 2021.

Following the Listing, the Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code from the Listing Date to the date of this interim report.



Corporate Governance and Other Information

The Company's employees, who are likely to be in possession of unpublished inside information of the Company, are also required to comply with the Model Code.

AUDIT COMMITTEE

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

The Audit Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to risk management, internal control and financial reporting with the management, including the review of the unaudited condensed consolidated interim financial results of the Group for the six months ended June 30, 2021. The Audit Committee has reviewed and considered that the interim financial results for the six months ended June 30, 2021 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

EVENTS AFTER THE END OF THE REPORTING PERIOD

On September 10, 2021, the shares of the Company were listed on the Main Board of the Stock Exchange. 134,650,000 Shares were issued under the Global Offering at the offer price of HK\$19.77 per share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%). The aggregate nominal value of the Shares was US\$0.12 as at the Listing Date and 1,246,704,024 Shares were in issue with a nominal value of US\$0.0000000001 per Share.

Save as disclosed in this interim report, no events after the Reporting Period need to be brought to the attention of the shareholders of the Company.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend to shareholders of the Company for the six months ended June 30, 2021.

SUFFICIENCY OF PUBLIC FLOAT

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

Corporate Governance and Other Information

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company's Shares were listed on the Stock Exchange on September 10, 2021. The net proceeds raised by the Company from the initial public offering amounted to approximately HK\$2,512.86 million. If the Over-allotment Option is exercised in full, we will receive additional net proceeds of approximately HK\$384.63 million. The Company intends to apply all the proceeds in the same manner as disclosed under the section headed "Future Plans and Use of Proceeds" in the Prospectus. The Group has not yet utilized the net proceeds as at the date of this report. The unutilized net proceeds have been placed as short-term deposits with licensed banks in Hong Kong or Mainland China.

Intended use of net proceeds	Allocation of net proceeds	Percentage of total net proceeds	Amount of net proceeds utilized up to the date of this report	Balance of net proceeds unutilized as at the date of this report	Intended timetable for use of the unutilized net proceeds
Used for opening new bars and realizing our expansion plan over the next three years	HK\$1,759.00 million	70.0%	0	HK\$1,759.00 million	Before December 31, 2024
Used for further enhancing the construction of the talent echelon of our bars to optimize the human resource management system	HK\$251.29 million	10.0%	0	HK\$251.29 million	Before December 31, 2024
Used for further enhancing the construction of infrastructural capacity of our bars and continuing to invest in technology research and development	HK\$125.64 million	5.0%	0	HK\$125.64 million	Before December 31, 2024
Used for further strengthening the brand awareness of the Helen's	HK\$125.64 million	5.0%	0	HK\$125.64 million	Before December 31, 2024
Used for working capital and general corporate purposes	HK\$251.29 million	10.0%	0	HK\$251.29 million	Before December 31, 2024
Total	<u>HK\$2,512.86 million</u>	<u>100.0%</u>	<u>0</u>	<u>HK\$2,512.86 million</u>	

Interim Condensed Consolidated Statement of Comprehensive Income

	Note	Six months ended June 30,	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	4	868,083	215,057
Government grants and concessions	6	3,557	10,122
Raw materials and consumables used	13	(271,594)	(73,878)
Employee benefit and manpower service expenses		(311,032)	(62,867)
Depreciation of right-of-use assets	16	(81,774)	(41,903)
Depreciation of plant and equipment	11	(26,439)	(18,146)
Amortisation of intangible assets		(15)	(15)
Short-term rental and other related expenses		(34,956)	(10,577)
Utilities expenses		(20,851)	(7,951)
Travelling and related expenses		(6,238)	(1,650)
Listing expenses		(25,135)	—
Advertising and promotion expenses		(16,698)	(3,092)
Other expenses	5	(57,092)	(17,830)
Fair value changes of convertible preferred shares	20	11,351	—
Finance income	7	26	14
Finance costs	7	(26,206)	(12,662)
Profit/(loss) before income tax		4,987	(25,378)
Income tax (expense)/credit	8	(29,823)	6,852
Loss for the periods attributable to owners of the Company		(24,836)	(18,526)
Other comprehensive income/(loss):			
<i>Item that may be subsequently reclassified to profit or loss</i>			
Currency translation differences		490	(1,347)
Total comprehensive loss for the periods attributable to owners of the Company		(24,346)	(19,873)
Loss per share for loss attributable to owners of the Company (expressed in RMB per share)			
Basic	9	(0.025)	(0.019)
Diluted	9	(0.025)	(0.019)

The accompanying notes on pages 34 to 52 form an integral part of this interim financial information.

Interim Condensed Consolidated Statement of Financial Position

	Note	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
ASSETS			
Non-current assets			
Plant and equipment	11	365,967	188,843
Intangible assets		84	109
Right-of-use assets	16	847,902	554,506
Deposits and prepayments	12	128,410	26,852
Deferred tax assets		20,053	18,322
		1,362,416	788,632
Current assets			
Inventories	13	39,671	36,855
Prepayments, deposits and other receivables	12	27,481	10,200
Cash and cash equivalents	14	26,229	24,255
		93,381	71,310
Total assets		1,455,797	859,942
EQUITY			
Equity attributable to owners of the Company			
Share capital	15	1	1
Reserves		227,574	160,237
Total equity		227,575	160,238
LIABILITIES			
Non-current liabilities			
Lease liabilities	16	704,190	460,379
Current liabilities			
Trade payables	17	52,026	36,456
Other payables and accruals	18	80,241	85,850
Borrowings	19	55,000	13,000
Lease liabilities	16	116,736	78,862
Financial liabilities at fair value through profit or loss	20	201,698	—
Current income tax liabilities		18,331	25,157
		524,032	239,325
Total liabilities		1,228,222	699,704
Total equity and liabilities		1,455,797	859,942

The accompanying notes on pages 34 to 52 form an integral part of this interim financial information.

Interim Condensed Consolidated Statements of Changes in Equity

	Attributable to owners of the Company					Total equity RMB'000
	Share capital RMB'000	Share-based compensation reserve RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	
(Unaudited)						
Balance at January 1, 2021	1	1,100	10,985	195	147,957	160,238
Comprehensive loss						
Loss for the period	—	—	—	—	(24,836)	(24,836)
Other comprehensive income						
Currency translation differences	—	—	—	490	—	490
Total comprehensive income/(loss)	—	—	—	490	(24,836)	(24,346)
Transaction with owners						
Equity settled share-based payment (Note 22)	—	91,683	—	—	—	91,683
Total transaction with owners	—	91,683	—	—	—	91,683
Balance at June 30, 2021	1	92,783	10,985	685	123,121	227,575
(Unaudited)						
Balance at January 1, 2020	1	1,100	7,007	(756)	81,863	89,215
Comprehensive loss						
Loss for the period	—	—	—	—	(18,526)	(18,526)
Other comprehensive loss						
Currency translation differences	—	—	—	(1,347)	—	(1,347)
Total comprehensive loss	—	—	—	(1,347)	(18,526)	(19,873)
Transaction with owners						
Appropriation to statutory reserve	—	—	1,387	—	(1,387)	—
Total transaction with owners	—	—	1,387	—	(1,387)	—
Balance at June 30, 2020	1	1,100	8,394	(2,103)	61,950	69,342

The accompanying notes on pages 34 to 52 form an integral part of this interim financial information.

Interim Condensed Consolidated Statements of Cash Flows

	Note	Six months ended June 30,	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations		144,682	47,617
Income tax paid		(38,380)	(752)
Net cash generated from operating activities		106,302	46,865
Cash flows from investing activities			
Purchase of plant and equipment		(202,433)	(17,401)
Net cash paid for business combination		(1,130)	—
Interest received		26	14
Net cash used in investing activities		(203,537)	(17,387)
Cash flows from financing activities			
Proceeds from borrowings		55,000	10,000
Repayments of borrowings		(13,000)	—
Repayments to a director		(35,136)	(5,955)
Proceeds from issuance of convertible preferred shares		213,049	—
Interests paid	7	(1,018)	(71)
Payment of deferred listing expenses		(1,513)	—
Payment of principal element of lease liabilities	16	(93,485)	(25,799)
Payment of interest element of lease liabilities	16	(25,188)	(12,591)
Net cash generated from/(used in) financing activities		98,709	(34,416)
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of the periods	14	24,255	22,257
Currency translation differences		500	(1,350)
Cash and cash equivalents at end of the periods		26,229	15,969

The accompanying notes on pages 34 to 52 form an integral part of this interim financial information.

Notes to the Interim Condensed Consolidated Financial Statements

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on January 16, 2018 as an exempted company with limited liability under the Companies Act (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of its registered office is 3-212 Governors Square, 23 Lime Tree Bay Avenue, P.O. Box 30746, Seven Mile Beach, Grand Cayman KY1-1203, Cayman Islands.

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

This interim condensed consolidated financial information for the six months ended June 30, 2021 ("Interim Financial Information") is presented in Renminbi ("RMB"), unless otherwise stated, and was approved for issue by the Board of Directors of the Company on September 24, 2021.

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

This Interim Financial Information has been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". This Interim Financial Information should be read in conjunction with the historical financial information of the Group for the three years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2021 included in Appendix I of the Company's prospectus dated August 31, 2021 (the "Historical Financial Information"), which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA").

New standards and amendments to existing standards not yet adopted

Notes to the Interim Condensed Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Standards and amendments to existing standards that have been issued but not yet effective on January 1, 2021 and not been early adopted by the Group as of June 30, 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	January 1, 2023
HKFRS 17 Insurance Contracts	Insurance contracts	January 1, 2023
Amendments to HKAS 1	Disclosure of accounting policies	January 1, 2023
Amendments to HKAS 8	Definition of accounting estimates	January 1, 2023
Accounting Guideline 5 (Revised)	Merger accounting for common control combinations	January 1, 2022
Amendments to HKFRS 3	Reference to the conceptual framework	January 1, 2022
Annual Improvements to HKFRS Standards	Annual improvements 2018–2020 cycle	January 1, 2022
Amendments to HKAS 1	Classification of liabilities as current or non-current	January 1, 2022
Amendments to HKAS 16	Proceeds before intended use	January 1, 2022
Amendments to HKAS 37	Onerous contracts — cost of fulfilling a contract	January 1, 2022
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group will adopt the above new or revised standards, amendments and interpretations to existing standards as and when they become effective. Management has performed preliminary assessment and does not anticipate any significant impact on the Group's financial position and results of operations upon adopting these standards, amendments and interpretations to the existing HKFRSs.

Notes to the Interim Condensed Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Going concern

The financial statements have been prepared on the basis that the Group will continue as a going concern.

As of June 30, 2021, the Group recorded net current liabilities of approximately RMB430,651,000 (December 31, 2020: RMB168,015,000). Excluding the financial liabilities at fair value through profit or loss (“**FVPL**”), which represents convertible preferred shares that will convert into ordinary shares upon Listing, and current portion of lease liabilities, which represents the net present value of its future rental that is only liable to be paid month by month in the coming one year from the balance sheet date, the Group had net current liabilities of approximately RMB112,217,000 as of June 30, 2021 (December 31, 2020: approximately RMB89,153,000). In addition, the Group generated net cash inflows from operating activities amounting to approximately RMB106,302,000 for the period ended June 30, 2021 (December 31, 2020: approximately RMB245,854,000).

Directors of the Group have reviewed its cash flow forecast, which covers a period of not less than twelve months from June 30, 2021. In preparing the cash flow forecast, the Directors have considered historical cash requirements, working capital and capital expenditures plans, estimated cash flows provided by operations and existing cash on hand. Taking into account the Group’s financial resources and its internally generated cash and bank facilities, the Directors of the Company believes that the Group has sufficient capital to meet its liquidity needs for at least twelve months from June 30, 2021.

3 FAIR VALUE ESTIMATION

The table below analyses the Group’s financial instruments carried at fair value as of December 31, 2020 and as of June 30, 2021 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs) (level 3).

Notes to the Interim Condensed Consolidated Financial Statements

3 FAIR VALUE ESTIMATION (CONTINUED)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
(Unaudited)				
As of June 30, 2021				
Financial liabilities at fair value through profit or loss ("FVPL")				
Series A and A+ Preferred Shares (Note 20)	—	—	201,698	201,698
	<u>—</u>	<u>—</u>	<u>201,698</u>	<u>201,698</u>

The fair value of financial instruments traded in active markets is determined based on quoted market prices at the end of the Reporting Period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required for evaluating the fair value of a financial instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include.

- Dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for financial instruments.

Valuation processes of the Group (Level 3)

Level 3 instruments comprise convertible preferred shares which are classified as financial liabilities at FVPL. These instruments are not traded in an active market and their valuation was undertaken by ValQuest Advisory (Hong Kong) Limited ("ValQuest Advisory"), an independent qualified professional valuer.

Market approach was used to determine the underlying equity value of the Company and black-scholes option model and equity allocation model were adopted to determine the fair value of the convertible preferred shares as at the date of issuance and June 30, 2021.

Notes to the Interim Condensed Consolidated Financial Statements

3 FAIR VALUE ESTIMATION (CONTINUED)

Valuation processes of the Group (Level 3) (continued)

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Description	Fair value at June 30, 2021 RMB'000	Unobservable inputs	Inputs as of Six months ended June 30, 2021	Relationship of unobservable inputs to fair value
Convertible preferred shares	201,698	Expected volatility	65%	Increasing/decreasing expected volatility by 5% would increase/ (decrease) the fair value of convertible preferred shares by RMB323,000 and (RMB323,000) respectively.
		Risk-free rate	2.12%	The higher the risk-free rate, the lower the fair value
		P/S ratio	6.3	The P/S ratio increase/decrease by 10% result in a change in fair value of RMB18,556,000 and (RMB18,394,000) approximately.
		DLOM	15%	The higher the DLOM, the lower the fair value

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the six months ended June 30, 2021.

The carrying amounts of the Group's financial assets and liabilities including cash and cash equivalents, rental and other deposits, accounts payables, other payables and borrowings approximate to their fair values due to their short maturities.

4 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.

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 periods, all of the Group's revenues are from contracts with customers.

Notes to the Interim Condensed Consolidated Financial Statements

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) Disaggregation of revenue

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

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from:		
— Bar operations	867,575	213,309
— Franchisees	508	1,748
	868,083	215,057
Disaggregated by timing of revenue recognition:		
— Point in time	867,575	213,309
— Over time	508	1,748
	868,083	215,057

No customers contributed over 10% of the total revenue of the Group for the periods.

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.

(b) Segment revenue by customers' geographical location

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

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
The PRC	867,935	213,828
Hong Kong	148	1,229
	868,083	215,057

Notes to the Interim Condensed Consolidated Financial Statements

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(c) Non-current assets by geographical location

As of June 30, 2021 and December 31, 2020, most of the Group's non-current assets (other than intangible assets and deferred tax assets) were located in the PRC.

5 OTHER EXPENSES

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Logistics and warehousing costs	20,766	4,441
Office expenses	8,442	3,374
Repair and maintenance	3,229	2,576
Training expenses	1,272	43
Cleaning and garbage handling fees	1,963	1,284
Service fees to third-party platform service providers	3,651	1,259
Telecommunications	910	413
Entertainment	6,502	1,902
Fees for professional advisory and consulting services	333	1,150
Others	10,024	1,388
	57,092	17,830

6 GOVERNMENT GRANTS AND CONCESSIONS

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Government grants	3,073	1,318
Gain on COVID-19 rent concessions (Note 16(c))	484	8,804
	3,557	10,122

Notes to the Interim Condensed Consolidated Financial Statements

7 FINANCE COSTS, NET

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Interest income on bank deposits	(26)	(14)
Interest expenses on lease liabilities (Note 16(c))	25,188	12,591
Interest expenses on borrowings	1,018	71
Finance costs	<u>26,206</u>	<u>12,662</u>
Finance costs, net	<u>26,180</u>	<u>12,648</u>

8 INCOME TAX EXPENSE/(CREDIT)

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current income tax		
— PRC corporate income tax	31,554	3,057
Deferred income tax	(1,731)	(9,909)
Income tax expense/(credit)	<u>29,823</u>	<u>(6,852)</u>

(a) Hong Kong profits tax

During the periods ended June 30, 2021 and 2020, no provision for Hong Kong profits tax has been made at the rate of 16.5% as the Group has no assessable profit in Hong Kong during the periods.

(b) PRC corporate income tax

During the periods ended June 30, 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%.

Notes to the Interim Condensed Consolidated Financial Statements

9 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 periods.

In determining the weighted average number of ordinary shares deemed to be in issue during the periods, 1,000 shares, being the number of ordinary shares issued by the Company on January 16, 2018 (date of incorporation), were deemed to have been issued and allocated on January 1, 2018 as if the Company has been incorporated by then, when computing the basic and diluted earnings per share for the periods ended the six months ended June 30, 2021 and 2020.

On February 9, 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 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 December 31, 2018.

	Six months ended June 30,	
	2021	2020
	(Unaudited)	(Unaudited)
Loss for the periods attributable to owners of the Company (RMB'000)	(24,836)	(18,526)
Weighted average number of ordinary shares in issue (Thousand) (Note 15)	1,009,423	1,000,000
Basic loss per share (RMB)	(0.025)	(0.019)

(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 22.

For the six months ended June 30, 2021 and 2020, the Group incurred losses and the potential ordinary shares were not included in the calculation of the diluted losses per share as their inclusion would be anti-dilutive. Accordingly, diluted losses per share for the six months ended June 30, 2021 and 2020 are the same as basic losses per share.

10 DIVIDEND

No dividend was declared or paid by the Company during the six months ended June 30, 2021 and 2020.

Notes to the Interim Condensed Consolidated Financial Statements

11 PLANT AND EQUIPMENT

	Office equipment RMB'000	Computer equipment RMB'000	Furniture and fixture RMB'000	Leasehold improvement RMB'000	Total RMB'000
(Unaudited)					
Six months ended June 30, 2021					
Opening net book amount	16	188	46,233	142,406	188,843
Additions	—	3	41,432	160,998	202,433
Business combinations	—	—	—	1,130	1,130
Depreciation	(3)	(33)	(6,214)	(20,189)	(26,439)
Closing net book amount	<u>13</u>	<u>158</u>	<u>81,451</u>	<u>284,345</u>	<u>365,967</u>
As of June 30, 2021					
Cost	27	294	101,343	343,184	444,848
Accumulated depreciation	(14)	(136)	(19,892)	(58,839)	(78,881)
Net book amount	<u>13</u>	<u>158</u>	<u>81,451</u>	<u>284,345</u>	<u>365,967</u>

12 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Non-current portion		
Rental deposits	45,836	23,278
Prepayments for acquisitions of plant and equipment	82,574	3,574
	<u>128,410</u>	<u>26,852</u>
Current portion		
Rental and other deposits	23,389	7,073
Deferred listing expenses (b)	2,515	1,002
Prepayments	956	147
Other tax receivable	—	1,585
Others	621	393
	<u>27,481</u>	<u>10,200</u>

- (a) As of June 30, 2021 and December 31, 2020, the carrying amounts of deposits and other receivables approximated their fair values.
- (b) The deferred listing expenses were incurred in connection with the Listing of the Group and will be deducted from equity upon the Listing of the Group.

Notes to the Interim Condensed Consolidated Financial Statements

13 INVENTORIES

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Food ingredients, beverages and consumables	39,671	36,855

The cost of inventories recognised as expenses and included in the interim condensed consolidated statement of comprehensive income during the period ended June 30, 2021 amounted to approximately RMB271,594,000 (December 31, 2020: approximately RMB271,385,000)

No write-downs of inventories to net realisable value were charged to the interim condensed consolidated statement of comprehensive income during the periods ended June 30, 2021 and 2020, respectively.

14 CASH AND CASH EQUIVALENTS

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Cash and cash equivalents	26,229	24,255
Maximum exposure to credit risk (excluding cash on hand)	22,434	23,026

15 SHARE CAPITAL

Authorised

	Number of ordinary shares	Nominal value of ordinary shares USD	Number of convertible preferred shares	Nominal value of convertible preferred shares
As of December 31, 2020				
(Ordinary shares of USD0.0001)	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
	<u>499,999,974,408,968</u>	<u>47,441</u>	<u>25,591,032</u>	<u>2,559</u>
As of June 30, 2021				
	<u>499,999,974,408,968</u>	<u>47,441</u>	<u>25,591,032</u>	<u>2,559</u>

Notes to the Interim Condensed Consolidated Financial Statements

15 SHARE CAPITAL (CONTINUED)

Issued

	Number of ordinary shares	Nominal value of ordinary shares USD	Share capital RMB
As of December 31, 2020	1,000	0.100	1
Effect of share subdivision (<i>Note (b)</i>)	999,999,000	—	—
Shares issued for WTSJ Holding and NEWCE Holding (<i>Note (d)</i>)	12,010,975	0.001	—
	<u>1,012,010,975</u>	<u>0.101</u>	<u>1</u>

Notes:

- (a) On January 16, 2018, 1,000 ordinary shares were issued for approximately USD0.0001. As of December 31, 2018, 2019 and 2020, total issued number and nominal value of ordinary shares of the Company amounted to 1,000 share and approximately RMB1, respectively.
- (b) On February 9, 2021, the Company underwent a share subdivision whereby all 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 each, 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 February 9, 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.
- (d) On February 9, 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 February 10, 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 USD0.0000000001 each and (ii) 24,022,904 Series A Preferred Shares of a nominal value of USD0.0000000001 each to USD50,000 divided into (i) 499,999,974,408,968 ordinary shares of a nominal value of USD0.0000000001 each, (ii) 24,022,904 Series A Preferred Shares of a nominal value of USD0.0000000001 each and (iii) 1,568,128 Series A+ Preferred Shares of par value of USD0.0000000001 each, by redesignation of 1,568,128 authorised but unissued shares as Series A+ Preferred Shares.

Notes to the Interim Condensed Consolidated Financial Statements

16 LEASES

(a) The Group's leasing activities

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

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

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

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

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

Right-of-use assets — properties

	Six months ended June 30,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Opening net book amount	554,506	386,229
Additions	375,170	61,620
Depreciation charge	(81,774)	(41,903)
	847,902	405,946

Lease liabilities

	As of June 30,	As of December 31,
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Non-current portion	704,190	460,379
Current portion	116,736	78,862
	820,926	539,241

Notes to the Interim Condensed Consolidated Financial Statements

16 LEASES (CONTINUED)

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

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

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation charge of right-of-use assets	81,774	41,903
Finance costs on lease liabilities (Note 7)	25,188	12,591
Gain on COVID-19 rent concessions (Note 6)	484	8,804

During the six months ended June 30, 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 (during the six months ended June 30, 2020: approximately RMB8,804,000). Pursuant to the applicable practical expedients under the amendments to HKFRS 16, the Group has recognised all of these concessions in the Group's interim condensed consolidated statement of comprehensive income under "government grants and concessions".

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

During the periods ended June 30, 2021 and 2020, the total cash outflows for leases were as follows:

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash outflows from operating activities		
Payments for short-term leases in respect of staff quarters (*)	11,758	5,504
Cash outflows from financing activities		
Payment of principal element of lease liabilities	93,455	25,799
Payment of interest element of lease liabilities	25,188	12,591

* 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.

Notes to the Interim Condensed Consolidated Financial Statements

17 TRADE PAYABLES

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Trade payables	<u>52,026</u>	<u>36,456</u>

As of June 30, 2021 and December 31, 2020, the aging analysis of trade payables, based on invoice date, were as follows:

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
0-90 days	<u>52,026</u>	<u>36,456</u>

18 OTHER PAYABLES AND ACCRUALS

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Amount due to a director (Note 23(a))	—	35,136
Salary and staff welfare payables	20,559	28,404
Manpower service expenses payables	22,334	10,735
Accrued listing expenses	11,465	2,390
Others	25,883	9,185
	<u>80,241</u>	<u>85,850</u>

19 BORROWINGS

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Bank borrowings repayable within 12 months	<u>55,000</u>	<u>13,000</u>

Notes to the Interim Condensed Consolidated Financial Statements

19 BORROWINGS (CONTINUED)

As of June 30, 2021, bank borrowings amounting to approximately RMB55,000,000, carried at interest rates of 6.3% per annum.

As of December 31, 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 June 30, 2021, bank borrowings of the Group were denominated in RMB, approximated RMB30,000,000 bank borrowing which secured by personal guarantee from Mr. Feng Shaoming, the father-in-law of Mr. Wang Zhenpeng, the Group's senior vice president of finance and a director of a subsidiary of the Group during the Track Record Period. The aforementioned personal guarantee from Mr. Feng Shaoming will be discharged when the Group repays the corresponding bank borrowings which are repayable in January 2022.

20 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

On February 4, 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 February 8, 2021) with 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 US\$30,793,990 (approximately RMB199,277,000) at an issuance price of US\$1.28 per share.

On February 9, 2021, the Company, Helens Hill (BVI) and Mr. Xu, among others, entered into the Series A+ Preferred Shares Purchase Agreement with 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 US\$2,010,120 (approximately RMB13,008,000) at an issuance price of US\$1.28 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 Shareholders' Agreement on February 10, 2021 ("**date of issuance**").

The movements of the convertible preferred shares are set out as below:

	Six months ended June 30, 2021 RMB'000
At January 1, 2021	—
Issuance of Series A and A+ Preferred Shares	212,285
Fair value changes	(11,351)
Exchange difference	764
	<hr/>
At June 30, 2021	201,698
	<hr/> <hr/>

The valuation of the Series A Preferred Shares and Series A+ Preferred Shares (collectively "**Preferred Shares**") as of June 30, 2021 was undertaken by ValQuest Advisory, an independent qualified professional valuer. For details of the valuation approach and key assumptions involved, please refer to Note 3.

Notes to the Interim Condensed Consolidated Financial Statements

21 CAPITAL COMMITMENTS

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

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Contracted but not provided for	29,014	16,178

22 EQUITY SETTLED SHARE-BASED PAYMENTS

Share-based payments transactions during the six months ended June 30, 2021

On February 9, 2021, the Company allotted and issued 11,146,876 shares and 864,099 shares to WTSJ Holding and NEWCE Holding, respectively at par value. The shareholders of WTSJ Holding and NEWCE Holding 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 Holding and NEWCE Holding is accounted for as share-based payment expenses in the Group's interim condensed consolidated statement of comprehensive income. Accordingly, share-based payment expenses of approximately RMB91,683,000 were recognised during the six months ended June 30, 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 February 10, 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 February 9, 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	February 9, 2021
Vesting date	February 9, 2021
Risk-free rate	2.67%
Expected volatility	76.03%
Expected dividend yield	0.00%

23 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.

Notes to the Interim Condensed Consolidated Financial Statements

23 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

The Controlling Shareholder is disclosed in Note 1.

Major related parties that had transactions with the Group during the periods 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. Yang Zhigang	Director of a subsidiary of the Group
Mr. Zhong Wei	Director of a subsidiary of the Group
Mr. Zhong Yiming	Director of a subsidiary of the Group
Mr. Zhao Peng	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

(a) Balances with related parties

	As of June 30, 2021 RMB'000 (Unaudited)	As of December 31, 2020 RMB'000 (Audited)
Non-trade nature		
Amount due to a director (Note 18)		
— Mr. Xu Bingzhong	—	35,136

These balances were interest-free, unsecured and repayable on demand. Amount due to a director was fully settled as of June 30, 2021.

(b) Transactions with related parties

Save as disclosed elsewhere in the interim condensed consolidated financial statements, during the periods the following transactions were carried out with related parties at terms mutually agreed by both parties:

(i) Personal guarantees provided by the related parties

During the six months ended June 30, 2021 and the year ended December 31, 2020, the Group's bank borrowings and banking facilities were secured by personal guarantee from Mr. Xu. The aforementioned bank borrowings were repaid and the personal guarantee from Mr. Xu was released as of June 30, 2021.

Notes to the Interim Condensed Consolidated Financial Statements

23 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Transactions with related parties (continued)

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

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Provision of services to franchisees	206	815
Purchase of plant and equipment	—	398
	206	1,213

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

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group is as follows.

	Six months ended June 30,	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Salaries, wages and other benefits	2,496	762
Contributions to defined contribution retirement plan	311	34
Others	648	—
	3,455	796

24 SUBSEQUENT EVENTS

On September 10, 2021, the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Upon the Listing of the Company, the Series A and Series A+ Preferred Shares as disclosed in Note 20 were converted into ordinary shares.