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Helens International Holdings Company Limited

海倫司國際控股有限公司

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

(Stock Code: 9869)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2024

The board (the “**Board**”) of directors (the “**Director(s)**”) of Helens International Holdings Company Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended June 30, 2024 (the “**Reporting Period**”), together with the comparative figures for the six months ended June 30, 2023. Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meanings as those defined in the prospectus of the Company dated August 31, 2021 (the “**Prospectus**”).

FINANCIAL HIGHLIGHTS

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

	2024	2023
	<i>(RMB in thousands)</i>	<i>(RMB in thousands)</i>
	(unaudited)	(unaudited)
Revenue	441,294	709,992
Profit before income tax	69,459	132,549
Profit for the period attributable to owners of the Company	69,677	157,487
Adjusted net profit⁽¹⁾	90,278	187,660

Non-HKFRS Measures

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

	2024	2023
	<i>(RMB in thousands)</i>	<i>(RMB in thousands)</i>
	(unaudited)	(unaudited)
Profit for the period	69,677	157,487
Add:		
Secondary listing expenses	12,152	—
Losses from bars optimization and adjustment	8,449	30,173
Adjusted net profit	<u>90,278</u>	<u>187,660</u>

Note:

- (1): We define adjusted net profit as profit for the period adjusted by adding back secondary listing expenses and losses from bars optimization and adjustment (which comprise impairment losses of plant and equipment and right-of-use assets, loss on disposal of plant and equipment, loss on rental deposits, penalties and compensation for early termination and gain on termination of leases) during the six months ended June 30, 2024 and 2023. For details of non-HKFRS measures, please refer to the sub-section headed “Management Discussion and Analysis — Non-HKFRS Measures”.

BUSINESS HIGHLIGHTS

Distribution of Our Bar Network

In the first half of 2024, in order to cope with the changes in the external environment, the Group continued to focus on the strategy of transformation to a platform-based company. By accelerating business expansion and optimizing the bar network through the “HiBeer Partnership” (“嗨啤合夥人”), the total number of the Group’s bars has increased from 479 at the beginning of 2024 to 581 as of August 26, 2024.

As of August 26, 2024, a total of 415 bars under the “HiBeer Partnership” programme have been contracted, of which 327 are already in operation. These establishments are spread across 204 cities, ranging from first-tier cities to county-level cities, of which 107 in existing markets and 97 in newly established markets.

As of August 26, 2024, we had a total of 581 bars globally, including three bars in Singapore, one bar in Japan, one bar in Hong Kong, China, and 576 bars across 31 provincial-level administrative regions and 239 cities in Mainland China.

	August 26, 2024	As of June 30, 2024	June 30, 2023
Mainland China			
Bars in first-tier cities	37	37	63
Bars in second-tier cities	179	172	314
Bars in third and lower-tier cities	360	323	274
Bars in regions out of Mainland China	<u>5</u>	<u>5</u>	<u>2</u>
Total	<u><u>581</u></u>	<u><u>537</u></u>	<u><u>653</u></u>

	August 26, 2024	As of June 30, 2024	June 30, 2023
Self-operated bars	187	187	515
Franchised bars	67	67	138
“HiBeer Partnership” bars	<u>327</u>	<u>283</u>	<u>—</u>
Total	<u><u>581</u></u>	<u><u>537</u></u>	<u><u>653</u></u>

OPERATING INDICATORS

Average Daily Turnover Per Bar Opened in Each City

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

	For the six months ended June 30,	
	2024 (RMB in thousands)	2023 (RMB in thousands)
Average daily turnover per self-operated bar and franchised bar		
Mainland China		
First-tier cities	8.7	8.4
Second-tier cities	7.4	8.3
Third and lower-tier cities	7.2	7.9
Overall	7.5	8.2

Average daily turnover per “HiBeer Partnership” bar⁽²⁾

Type of store	Store area	Number of store as at June 30, 2024	For the
			six months ended June 30, 2024 (RMB in thousands)
Large Store	240–260 square meters ⁽³⁾	87	6.1
Medium Store	150–240 square meters ⁽⁴⁾	114	5.3
Small Store	90–150 square meters ⁽³⁾	82	4.7
Overall	90–260 m²	283	5.4

Notes:

(2): The first HiBeer Partnership bar opened in late July 2023, so there is no data for the first half of 2023 for “HiBeer Partnership” bars.

(3): both numbers inclusive.

(4): both numbers exclusive.

Average Daily Area-effectiveness Per Bar of Different Types

The table below shows the performance of average daily area-effectiveness (average daily turnover per bar/store area) of different types of bars during the indicated periods.

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

	For the six months ended	
	2024	2023
	(RMB/ square meters)	(RMB/ square meters)
Average daily area-effectiveness per bar		
Mainland China		
Self-operated bars	21	22
Franchised bars	18	23
“HiBeer Partnership” bars	27	—

Same-store Performance

The following table sets forth the same-store sales of Helen’s bars during the indicated periods. “Same-store” means bars that opened for at least 140 days during the six months ended June 30, 2023 and the six months ended June 30, 2024, respectively.

	For the six months ended June 30,	
	2024	2023
Number of same-store	155	
Same-store turnover (RMB’000)	277,358.6	388,207.4
Growth of same-store turnover (%)	-28.6	
Same-store average		
daily turnover (RMB’000)	1,532.6	2,179.3
Growth of same-store daily		
average turnover (%)	-29.7	
Same-store average daily turnover		
per store (RMB’000)	9.9	14.1
Growth of same-store average daily		
turnover per store (%)	-29.7	

Contribution from Our Featured Products

The following table sets forth the overall contribution and contribution margin of all of Helen's branded alcoholic drinks and third-party branded alcoholic drinks in self-operated bars respectively during the indicated periods. Our contribution margin decreased slightly as compared to the same period last year due to the impact of the inbound marketing activities in the first half of 2024; however, with our optimizing supply chain capabilities, the overall gross margin of our self-operated bars remained at 70%.

	For the six months ended	
	June 30,	
	2024	2023
All Helen's branded alcoholic drinks		
Contribution (<i>RMB'000</i>)	71,473	317,795
Contribution margin (%)	<u>76.7%</u>	<u>79.4%</u>
All third-party branded alcoholic drinks		
Contribution (<i>RMB'000</i>)	42,773	66,801
Contribution margin (%)	<u>53.7%</u>	<u>55.6%</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

In the first half of 2024, the Group achieved sound profitability despite the impact of a complex and volatile external environment. In the first half of 2024, we recorded revenue of RMB441.3 million and adjusted net profit of RMB90.3 million, with an adjusted net profit margin of 20.5%.

In the first half of 2024, in order to cope with the changes in the external environment, the Group continued to focus on the strategy of transformation to a platform-based company. By accelerating business expansion and optimizing the bar network through the “HiBeer Partnership”, the total number of the Group’s bars has increased from 479 at the beginning of 2024 to 581 as of August 26, 2024.

The smooth progress of the “HiBeer Partnership” reflects our broad market demand and the industry-leading position of our brand. As of August 26, 2024, a total of 415 bars under the “HiBeer Partnership” programme have been contracted, of which 327 are already in operation. These establishments are spread across 204 cities, ranging from first-tier cities to county-level cities, of which 107 in existing markets and 97 in newly established markets.

In the first half of 2024, we strived to improve the Group’s core competitiveness mainly through efforts in the following aspects:

First, we strengthened the supply chain integration and management capabilities. On the one hand, we enriched our product matrix through regular launch of new products, iterations of existing products and other manners, thereby enhancing the attraction to consumers. In the first half of 2024, we successively launched our own new products with higher margin, such as Rose draft beer tower (玫瑰大扎), Lemon draft beer tower (檸檬大扎), Melon-tastic tower (這瓜保熟嘸嘸桶) and Fried Chicken Frame (東北嗷嗷叫雞架). These new products recorded outstanding sales after launch and were well-received by consumers. On the other hand, we integrated high-quality supply chain talents, and began to reduce costs of all our products, including our own branded alcoholic drinks, third-party brand alcoholic drinks, snacks, warehouse and transportation, trunk transportation and so on, by utilizing our growing scale advantage and employing more efficient overall management methods. With our optimizing supply chain capabilities, we were able to maintain a gross margin of 70% in our self-operated bars despite intensive inbound marketing activities in the first half of 2024.

Second, we enhanced our capability in spatial environment creation. We believe that spatial environment creation is one of our core strengths. We continued to iterate and upgrade the store environment, while actively employed cutting-edge technologies, such as adopting AI for space design. Moreover, we intensified the research and development efforts in the areas as music transitions and automatic tuning in spatial environment, and so on.

At the same time, we reshaped our corporate culture of “Go ahead with Strivers”, and motivated our partners through the “Incentive Scheme for Strivers” to improve the flexibility of bar operation, thereby attaining value creation and value sharing with our partners.

In July 2024, in order to better respond to the development of the new era, the Group further launched “Community Space”, a compound business model with high penetration and vitality. As a business terminal penetrating into thousands of communities, “Community space” will rely on the dual platforms of the Group’s product supply chain and space creation to connect people, stores and communities in the community, achieving multiple revenue-generating activities, such as in-store sales, takeaway to home, new alcoholic drinks retailing, new commercial space, etc., so as to constantly contribute value to the new life of consumers.

Looking forward, we will continue to pursue our platform-based development strategy, focus on our core businesses of supply chain management and space creation, and accelerate the deployment of our extensive terminal network through “HiBeer Partnership” programme and the “Community Space” and have consumers around the world enjoy high-quality and affordable drinks.

Revenue

Our revenue decreased by 37.8% from RMB710.0 million for the six months ended June 30, 2023 to RMB441.3 million for the six months ended June 30, 2024. This was mainly due to the fact that the Group's business in the first half of 2023 witnessed a significant recovery after the COVID-19 epidemic, with a relatively high performance base, whereas our overall revenue declined in the first half of 2024 as a result of the increase in uncertainty in the prospects of global economic recovery, the complexity and volatility of the external environment, and the impact on the consumption habits of consumers. However, with the Group's active strategic transformation to a platform-based model, the revenue of our franchise business segment has significantly increased by 234.4% from RMB39.0 million for the six months ended June 30, 2023 to RMB130.4 million for the six months ended June 30, 2024, accounting for 29.5% of total revenue for the six months ended June 30, 2024 compared to 5.5% for the six months ended June 30, 2023.

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

	For the six months ended June 30,			
	2024		2023	
	Revenue		Revenue	
	(RMB in thousands)	% of total revenue	(RMB in thousands)	% of total revenue
Helen's branded products	222,568	50.4	541,399	76.3
Helen's beer	29,648	6.7	99,221	14.0
Spirituos drinks	63,559	14.4	301,136	42.4
Snacks	129,361	29.3	141,042	19.9
Third-party brand alcoholic drinks	79,692	18.1	120,182	16.9
Other products and revenue⁽¹⁾	8,674	2.0	9,442	1.3
Sub-total	310,934	70.5	671,023	94.5
Revenue from franchise business⁽²⁾	130,360	29.5	38,969	5.5
Total	441,294	100	709,992	100

Notes:

- (1) Including paper towels, other consumer goods that we provide to customers in bars, and the revenue generated from our mobile device charging service in bars.
- (2) Including (i) revenue from providing franchising services to franchised bars and "HiBeer Partnership" bars; and (ii) revenue from sales of products to "HiBeer Partnership" bars.

Cost of Raw Materials and Consumables Used

The cost of our raw materials and consumables used decreased by 19.0% from RMB196.6 million for the six months ended June 30, 2023 to RMB159.3 million for the six months ended June 30, 2024, including the cost of raw materials and consumables of self-operated bars of RMB94.0 million and the cost of raw materials and consumables generated by sales of products to “HiBeer Partnership” bars of RMB65.3 million. The decrease in the cost of raw materials and consumables used was mainly due to the decrease of the revenue and the amount of the required raw materials and consumables.

Employee Benefit and Manpower Service Expenses

Our employee benefit and manpower service expenses decreased by 43.1% from RMB169.5 million for the six months ended June 30, 2023 to RMB96.5 million for the six months ended June 30, 2024. The decrease in employee benefit and manpower services expenses was primarily due to a concurrent reduction in employee wages and benefits resulting from the decline in the number of our employees.

Depreciation of Right-of-use Assets

The depreciation of our right-of-use assets decreased by 48.0% from RMB61.0 million for the six months ended June 30, 2023 to RMB31.7 million for the six months ended June 30, 2024. The decrease was mainly due to the termination of certain self-operated bars’ lease contracts under the optimization and adjustment of the strategic transformation of the Company.

Depreciation of Property, Plant and Equipment

The depreciation of our property, plant and equipment decreased by 45.1% from RMB58.6 million for the six months ended June 30, 2023 to RMB32.2 million for the six months ended June 30, 2024. The decrease was mainly due to the fixed assets of self-operated bars reduced as the number of bars decreased.

Short-Term Rental and Other Related Expenses

Our short-term rental and other related expenses decreased by 53.3% from RMB39.6 million for the six months ended June 30, 2023 to RMB18.5 million for the six months ended June 30, 2024. The decrease was primarily due to the number of employees in self-operated bars declined as a result of the implementation of optimization and adjustment of our bar network, leading to less short-term dormitories we leased for employees.

Utilities Expenses

Our utilities expenses decreased by 16.4% from RMB11.6 million for the six months ended June 30, 2023 to RMB9.7 million for the six months ended June 30, 2024. The decrease was mainly due to the electricity bills and network energy consumption costs and the dormitory electricity and water utilities expenses decreased with the decrease in the number of bars accordingly.

Travelling and Related Expenses

Our travelling and related expenses increased by 41.2% from RMB3.4 million for the six months ended June 30, 2023 to RMB4.8 million for the six months ended June 30, 2024. The increase was mainly due to increased travel arrangements in order to carry out business, especially the “HiBeer Partnership” programme, after the end of COVID-19.

Secondary Listing Expenses

During the six months ended June 30, 2024, we incurred secondary listing expenses of RMB12.2 million (for the six months ended June 30, 2023: nil).

Advertising and Promotion Expenses

Our advertising and promotion expenses increased by 92.9% from RMB4.2 million for the six months ended June 30, 2023 to RMB8.1 million for the six months ended June 30, 2024. The increase was mainly due to (i) the promotion expenses incurred by the Company to promote its own new products, including Rose draft beer tower (玫瑰大扎), Lemon draft beer tower (檸檬大扎), Melon-tastic tower (這瓜保熟噸噸桶), etc.; (ii) the expenses incurred by the Company to promote the “HiBeer Partnership” programme.

Other Expenses

Our other expenses decreased by 43.4% from RMB53.0 million for the six months ended June 30, 2023 to RMB30.0 million for the six months ended June 30, 2024. The decrease was primarily due to corresponding decrease in our daily operation and maintenance expenses as the number of bars decreased.

Other Gains, net

For the six months ended June 30, 2024, we incurred net other gains of RMB7.8 million which primarily comprised (i) losses on optimization and adjustment of our bars of RMB8.4 million (including loss on disposal of plant and equipment (approximately RMB10.5million), loss on rental deposits (approximately RMB4.7 million), penalties and compensation for early termination (approximately RMB2.6 million), and gain on

termination of leases (approximately RMB9.4 million)); and (ii) exchange gain of RMB16.2 million due to appreciation of USD and/or HKD denominated assets.

Finance Income

Our finance income decreased from RMB42.0 million for the six months ended June 30, 2023 to RMB29.8 million for the six months ended June 30, 2024. The decrease was primarily due to the reduction in bank deposit amounts.

Finance Costs

Our finance costs decreased by 64.9% from RMB17.4 million for the six months ended June 30, 2023 to RMB6.1 million for the six months ended June 30, 2024. The decrease in finance costs was mainly attributable to lease liabilities decline with a decrease in the number of bars, resulting in a decrease in related interest.

Profit before Income Tax

As a result of the foregoing, the profit before income tax was RMB69.5 million for the six months ended June 30, 2024, and the profit before income tax was RMB132.5 million for the six months ended June 30, 2023, and the profit before income tax margin was 15.7% and 18.7% for the same periods, respectively.

Income Tax Credit

The income tax credit was RMB0.2 million for the six months ended June 30, 2024 as compared with that of RMB24.9 million for the six months ended June 30, 2023.

Non-HKFRS Measures

The Board wishes to highlight that “adjusted net profit” is not defined under the HKFRS. It is defined by the Group as profit for the period adjusted by adding back secondary listing expenses, and losses from bars optimization and adjustment (including impairment losses of plant and equipment and right-of-use assets, loss on disposal of plant and equipment, loss on rental deposits, penalties and compensation for early termination and gain on termination of leases). In particular, the secondary listing expenses for the six months ended June 30, 2024 was RMB12.2 million, and the amount of losses from bars optimization and adjustment was approximately RMB 8.4 million; while the amount of losses from bars optimization and adjustment for the six months ended June 30, 2023 was approximately RMB30.2 million. The management of the Company believes 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-operational or non-recurring expenses that do not affect the ongoing operating performance of the Company, including secondary listing expenses, and losses from bars optimization and adjustment. Such non-HKFRS measure allows investors to consider metrics used by our management in evaluating our performance.

	For the six months ended	
	June 30,	
	2024	2023
	(RMB in	(RMB in
	thousands)	thousands)
Profit for the period	69,677	157,487
Add:		
Secondary listing expenses	12,152	—
Losses from bars optimization and adjustment (<i>Note</i>)	8,449	30,173
Adjusted net profit	<u>90,278</u>	<u>187,660</u>

Note: For the six months ended June 30, 2024, losses from bars optimization and adjustment comprised the aggregation of loss on disposal of plant and equipment (approximately RMB10.5 million), loss on rental deposits (approximately RMB4.7 million), penalties and compensation for early termination (approximately RMB2.6 million), and gain on termination of leases (approximately RMB9.4 million).

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

Property, Plant and Equipment

Our property, plant and equipment represent (i) building, (ii) office equipment such as printers, (iii) computer equipment, (iv) furniture and fixture used in bars such as tables and chairs and facilities in kitchens, (v) leasehold improvement and (vi) motor and vehicle. Our property, plant and equipment decreased from RMB423.4 million as of December 31, 2023 to RMB372.3 million as of June 30, 2024. The decrease in our property, plant and equipment in the first half of 2024 was mainly due to depreciation and shutdown of certain bars.

Intangible Assets

Our intangible assets mainly include office systems and software that we have purchased. Our intangible assets remained generally stable with RMB58,000 and RMB49,000, respectively, as of December 31, 2023 and June 30, 2024.

Right-of-use Assets

Our right-of-use assets (i.e. our confirmed long-term leased properties) decreased from RMB182.8 million as of December 31, 2023 to RMB144.6 million as of June 30, 2024. Such decrease was due to depreciation and the termination of certain self-operated bars' lease contracts under the optimization and adjustment of the strategic transformation of the Company.

Inventories

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

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

	As of	
	June 30,	December 31,
	2024	2023
	<i>(RMB in</i>	<i>(RMB in</i>
	<i>thousands)</i>	<i>thousands)</i>
Inventories		
Alcoholic drinks	12,303	16,397
Food	3,930	3,416
Consumables	4,334	404
	<hr/>	<hr/>
Total	<u>20,567</u>	<u>20,217</u>

Our inventory balance remained stable, while our inventory turnover days increased from 28.5 days as of December 31, 2023 to 31.9 days as of June 30, 2024, primarily due to an increase in inventory resulting from the supply of products to “HiBeer Partnership” bars.

Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables primarily include rental and other deposits, other tax receivable and other prepayments. Our prepayments, deposits and other receivables decreased from RMB135.1 million as of December 31, 2023 to RMB125.7 million as of June 30, 2024. The decrease was mainly due to the Group’s strategic consideration of bars optimization and adjustment, resulting in the rental deposit decreased.

Cash and Bank Balances

Our cash and bank balances were RMB1,278.9 million and RMB934.2 million as of December 31, 2023 and June 30, 2024, respectively, which were mainly from the proceeds raised from the Global Offering in 2021. The decrease in cash and bank balances in the first half of 2024 was mainly due to the payment of the 2023 final dividend.

Lease Liabilities

We had lease liabilities of RMB255.7 million and RMB197.7 million as of December 31, 2023 and June 30, 2024, respectively. The decrease of lease liabilities was mainly because of the decrease in number of bars as a result of the Group’s strategic consideration of bars optimization and adjustment.

Trade Payables

Our trade payables mainly represent the expenses payable to our suppliers to purchase raw materials, equipment and other supplies that are necessary for our bar operations. Our trade payables increased from RMB30.7 million as of December 31, 2023 to RMB37.1 million as of June 30, 2024. The increase was primarily due to the fact that we increased the raw materials and other necessary which supplied to the franchisees. Thus, our trade payables turnover days increased from 47.4 days as at December 31, 2023 to 56.4 days as at June 30, 2024.

Other Payables and Accruals

Our other payables and accruals increased from RMB20.4 million as of December 31, 2023 to RMB24.8 million as of June 30, 2024.

Liquidity and Capital Resources

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

During the Reporting Period, we mainly used cash generated from operating activities for our business. Our cash and bank balances were RMB1,278.9 million and RMB934.2 million as of December 31, 2023 and June 30, 2024, respectively. Our cash were mainly used to meet the needs of business operation. We financed our capital requirements through cash generated from operating activities, the net proceeds from Global Offering, and other future equity or debt financings. During the Reporting Period, we did not adopt any financial instruments for hedging purposes.

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

Indebtedness

Bank borrowings

As of June 30, 2024, we did not have any bank borrowings.

Lease liabilities

As of June 30, 2024, our lease liabilities amounted to RMB197.7 million.

Convertible Preferred Shares

As of June 30, 2024, we had no convertible preferred shares issued to investors.

Contingent Liabilities

As of June 30, 2024, we did not have any material contingent liabilities.

Capital Commitments

As of June 30, 2024, we did not have any capital commitments.

Capital Expenditures

Our capital expenditures were incurred primarily for opening new bars, acquiring equipment, refurbishing existing bars and purchasing furniture and equipment required for bar operations. Our total capital expenditures decreased from RMB15.8 million as of June 30, 2023 to RMB5.8 million as of June 30, 2024. The decrease was attributable to the active transformation of the Group towards a platform-based company with a light-asset model.

Gearing Ratio

As of June 30, 2024, as we did not have any bank borrowings, the gearing ratio is not applicable to our Group. The gearing ratio is calculated by the total debt (including interest-bearing bank and other borrowings) divided by total equity at the end of the period multiplied by 100%.

Foreign Exchange Risk

For the six months ended June 30, 2024, we mainly operated in China. We are exposed to foreign exchange risk primarily because the proceeds from the Global Offering are denominated in Hong Kong dollars and certain bank deposits denominated in US dollars.

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

Pledge of Assets

As of June 30, 2024, the Group did not pledge any group assets and no charge was created on the Group's assets.

Significant Investment, Material Acquisition and Disposal

For the six months ended June 30, 2024, 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, 2024, we had 745 employees and 1,733 outsourced personnel, most of whom were based in China. We offer competitive wages and other benefits to the employees and provide discretionary performance bonus as a further incentive. For more details, please refer to the sections headed "Pre-IPO RSU Schemes" and "Post-IPO RSU Scheme" in the Report of the Directors of the 2023 annual report of the Company. We have also improved career development pathways and talent training systems for employees to facilitate their self-growth. The Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly.

During the six months ended June 30, 2024, the total employee benefit expenses (including Directors' remuneration) and manpower service expenses were RMB96.5 million.

In accordance with the laws and regulations in the PRC, we participate in the applicable housing provident funds and various social insurance plans for employees initiated by local municipal and provincial governments. The Group and the PRC-based employees are required to make monthly contributions to these plans calculated as a specific percentage of the employees' salaries. There was no forfeited contribution utilized to offset employers' contributions and there was no forfeited contribution available to reduce the contribution for the six months ended June 30, 2024.

FINANCIAL INFORMATION

The Board announces the unaudited condensed consolidated results of the Group for the six months ended June 30, 2024, with comparative figures for the six months ended June 30, 2023, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended June 30,	
		2024	2023
	Note	RMB'000	RMB'000
Revenue	3	441,294	709,992
Government grants		237	4,907
Raw materials and consumables used	12	(159,342)	(196,619)
Employee benefit and manpower service expenses		(96,532)	(169,531)
Depreciation of right-of-use assets	16	(31,672)	(60,992)
Depreciation of property, plant and equipment	10	(32,231)	(58,582)
Amortisation of intangible assets		(9)	(9)
Short-term rental and other related expenses		(18,511)	(39,633)
Utilities expenses		(9,682)	(11,639)
Travelling and related expenses		(4,830)	(3,401)
Secondary listing expenses		(12,152)	—
Advertising and promotion expenses		(8,130)	(4,242)
Other expenses	4	(30,042)	(53,040)
Net impairment losses of trade receivables		(414)	—
Other gains/(losses), net	5	7,789	(9,185)
Finance income	6	29,797	41,954
Finance costs	6	(6,111)	(17,431)
Profit before income tax		69,459	132,549
Income tax credit	7	218	24,938
Profit for the period attributable to owners of the Company		69,677	157,487

		Six months ended June 30,	
		2024	2023
	<i>Note</i>	RMB'000	RMB'000
Other comprehensive income:			
Item that may be subsequently reclassified to profit or loss			
Currency translation differences		<u>5,249</u>	<u>18,074</u>
Total comprehensive income for the period		<u>74,926</u>	<u>175,561</u>
Profit for the period attributable to:			
Owners of the Company		<u>69,677</u>	<u>157,487</u>
Earnings per share for profit attributable to owners of the Company (expressed in RMB per share)			
Basic	8	0.055	0.124
Diluted	8	<u>0.055</u>	<u>0.124</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As of June 30, 2024	As of December 31, 2023
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets			
Non-current assets			
Property, plant and equipment	<i>10</i>	372,328	423,423
Intangible assets		49	58
Right-of-use assets	<i>16</i>	144,645	182,779
Deposits and prepayments	<i>11</i>	50,746	58,006
Deferred tax assets		76,150	76,564
		643,918	740,830
Current assets			
Inventories	<i>12</i>	20,567	20,217
Prepayments, deposits and other receivables	<i>11</i>	74,969	77,073
Trade receivables	<i>13</i>	130,290	47,930
Cash and cash equivalents	<i>14</i>	148,724	625,612
Term deposit with original maturity over three months	<i>14</i>	783,948	651,608
Restricted cash	<i>14</i>	1,548	1,714
		1,160,046	1,424,154
Total assets		<u>1,803,964</u>	<u>2,164,984</u>
Equity			
Equity attributable to owners of the Company			
Share capital	<i>15</i>	1	1
Reserves		1,498,858	1,821,406
Total equity		<u>1,498,859</u>	<u>1,821,407</u>

		As of June 30, 2024	As of December 31, 2023
	<i>Note</i>	RMB'000	RMB'000
Liabilities			
Non-current liability			
Contract liabilities		5,680	5,620
Other payables	18	19,269	11,010
Lease liabilities	16	131,426	174,601
		<u>156,375</u>	<u>191,231</u>
Current liabilities			
Trade payables	17	37,132	30,717
Contract liabilities		3,898	3,550
Other payables and accruals	18	24,767	20,362
Lease liabilities	16	66,281	81,072
Current income tax liabilities		16,652	16,645
		<u>148,730</u>	<u>152,346</u>
Total liabilities		<u>305,105</u>	<u>343,577</u>
Total equity and liabilities		<u>1,803,964</u>	<u>2,164,984</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

This interim condensed consolidated financial information for the six months ended June 30, 2024 (“**Interim Financial information**”) is presented in Renminbi (“**RMB**”), unless otherwise stated, and was approved for issue by the Board of Directors of the Company on August 29, 2024.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

This Interim Financial Information has been prepared in accordance with the Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting”. The Interim Financial Information does not include all the notes of the type normally included in an annual financial report. Accordingly, this Interim Financial information should be read in conjunction with the annual report for the year ended December 31, 2023 (“**2023 Financial Statements**”), which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), and any public announcements made by the Company during the interim reporting period.

The accounting policies applied are consistent with those of the 2023 Financial Statements, as described in those annual consolidated financial statements, except for the adoption of amended HKFRSs effective as of January 1, 2024. Income tax expense was recognised based on management’s estimate of the annual income tax rate expected for the full financial year.

New and amended standards adopted by the Group

The Group has applied new and amended standards effective for the financial period beginning on January 1, 2024. The adoption of these new and revised standards does not have any significant impact on the Interim Financial Information.

Amended standards not yet adopted

Amendments to existing standards that have been issued but not yet effective and not been early adopted by the Group as of June 30, 2024 are as follows:

		Effective for annual periods beginning on or after
Amendments to HKAS 21 and HKFRS 1	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to HK Int 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	to be determined

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

3 REVENUE AND SEGMENT INFORMATION

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

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

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

During the six months ended June 30, 2024 and 2023, all of the Group’s revenues are from contracts with customers.

(a) Disaggregation of revenue

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

	Six months ended June 30,	
	2024	2023
	RMB’000	RMB’000
Revenue from:		
— Bar operations	310,934	670,573
— Franchisee	130,360	39,419
	441,294	709,992
Disaggregated by timing of revenue recognition:		
— Point in time	397,173	670,573
— Over time	44,121	39,419
	441,294	709,992

No customers contributed over 10% of the total revenue of the Group for the six months ended June 30, 2024 and 2023.

(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,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China	433,762	707,580
Outside of Mainland China	7,532	2,412
	<u>441,294</u>	<u>709,992</u>

(c) Non-current assets by geographical location

As of June 30, 2024 and December 31, 2023, most of the Group's non-current assets (other than intangible assets and deferred tax assets) were located in the PRC.

4 OTHER EXPENSES

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Logistics, warehousing and repair costs	15,594	21,197
Office expenses	2,127	6,492
Service fees to third-party platform service providers	2,841	5,460
Cleaning and garbage handling fees	961	1,903
Telecommunications	606	1,499
Others	7,913	16,489
	<u>30,042</u>	<u>53,040</u>

5 OTHER GAINS/(LOSSES), NET

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
Loss on disposal of plant and equipment (a)	(10,498)	(134,887)
Loss on rental deposits (a)	(4,725)	(3,503)
Penalties and compensation for early termination (a)	(2,661)	(10,458)
Gain on termination of leases (a)	9,435	118,674
Exchange gains	16,238	20,989
	<u>7,789</u>	<u>(9,185)</u>

- (a) Due to the Group's strategic consideration of bars' optimization and adjustments including the closure of certain bars, the Group incurred net losses arising from the aggregation of loss on disposal of plant and equipment, loss on rental deposits, penalties and compensation for early termination, and gain on termination of leases during the six months ended June 30, 2024 and 2023.

6 FINANCE (INCOME)/COSTS, NET

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
Interest income on bank deposits	<u>(29,797)</u>	<u>(41,954)</u>
Interest expenses on lease liabilities (Note 16(c))	<u>6,111</u>	<u>17,431</u>
Finance (income)/costs, net	<u>(23,686)</u>	<u>(24,523)</u>

7 INCOME TAX CREDIT

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
Current income tax	(632)	5,163
Deferred income tax	<u>414</u>	<u>(30,101)</u>
Income tax credit	<u>(218)</u>	<u>(24,938)</u>

8 EARNINGS PER SHARE

(a) Basic

The basic earnings per share is calculated by dividing the earning attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended June 30, 2024 and 2023.

	Six months ended June 30,	
	2024	2023
Earnings for the period attributable to owners of the Company (<i>RMB'000</i>)	69,677	157,487
Weighted average number of ordinary shares in issue (<i>Thousand</i>) (<i>Note 15</i>)	1,265,478	1,266,902
Basic earnings per share (<i>RMB</i>)	<u>0.055</u>	<u>0.124</u>

(b) Diluted

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

There were no dilutive potential ordinary shares during the six months ended June 30, 2024 and 2023. Therefore, diluted earnings per share for the six months ended June 30, 2024 and 2023 are the same as basic earnings per share.

9 DIVIDENDS AND SUBSEQUENT EVENTS

During the six months ended June 30, 2024, the Company declared and paid dividends of approximately RMB397,474,000 to its shareholders.

On 29 August 2024, the Board of Directors approved the proposed interim dividend (RMB0.1573 per ordinary share) for the six months ended June 30, 2024.

10 PROPERTY, PLANT AND EQUIPMENT

	Office equipment <i>RMB'000</i>	Computer Equipment <i>RMB'000</i>	Furniture and fixture <i>RMB'000</i>	Leasehold improvement <i>RMB'000</i>	Building <i>RMB'000</i>	Motor and Vehicle <i>RMB'000</i>	Total <i>RMB'000</i>
As of December 31, 2023							
Cost	10	800	176,056	268,338	211,082	5,925	662,211
Accumulated depreciation	(10)	(414)	(54,127)	(96,839)	(10,947)	(183)	(162,520)
Exchange adjustments	—	—	(7)	—	—	—	(7)
Impairment loss	—	—	(12,387)	(63,874)	—	—	(76,261)
Net book amount	<u>—</u>	<u>386</u>	<u>109,535</u>	<u>107,625</u>	<u>200,135</u>	<u>5,742</u>	<u>423,423</u>
Six months ended June 30, 2024							
Opening net book amount	—	386	109,535	107,625	200,135	5,742	423,423
Additions	—	—	3,725	1,544	—	509	5,778
Disposal	—	(53)	(5,673)	(18,815)	—	—	(24,541)
Depreciation	—	(40)	(3,680)	(18,318)	(9,694)	(499)	(32,231)
Exchange adjustments	—	—	(59)	(42)	—	—	(101)
Closing net book amount	<u>—</u>	<u>293</u>	<u>103,848</u>	<u>71,994</u>	<u>190,441</u>	<u>5,752</u>	<u>372,328</u>
As of June 30, 2024							
Cost	10	642	165,933	196,060	211,082	6,434	580,161
Accumulated depreciation	(10)	(349)	(51,118)	(67,774)	(20,641)	(682)	(140,574)
Exchange adjustments	—	—	(66)	(42)	—	—	(108)
Impairment loss	—	—	(10,901)	(56,250)	—	—	(67,151)
Net book amount	<u>—</u>	<u>293</u>	<u>103,848</u>	<u>71,994</u>	<u>190,441</u>	<u>5,752</u>	<u>372,328</u>

11 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As of June 30, 2024 <i>RMB'000</i>	As of December 31, 2023 <i>RMB'000</i>
Non-current portion		
Rental and other deposits	14,934	17,522
Prepayment made to a related party (<i>Note 19</i>)	2,858	2,202
Other prepayments (<i>b</i>)	32,954	38,282
	<u>50,746</u>	<u>58,006</u>
Current portion		
Rental and other deposits	4,812	6,524
Prepayments	22,458	12,031
Interest receivables	5,698	11,321
Other tax receivable	28,068	30,632
Other prepayments (<i>b</i>)	10,785	10,908
Others	3,148	5,657
	<u>74,969</u>	<u>77,073</u>

- (a) As of 30 June 2024 and 31 December, 2023, the carrying amounts of deposits and other receivables approximated their fair values and were primarily denominated in RMB.
- (b) Other prepayments represent subsidies to certain franchisees for initial capital expenditures to the franchisees. These subsidies are amortised on a straight-line basis over the franchise period which aligns with the franchisee's access to the franchise rights. The amortisation was recognised as a reduction of service fees charged to franchisees.

12 INVENTORIES

	As of June 30, 2024 RMB'000	As of December 31, 2023 RMB'000
Food ingredients, beverages and consumables	<u>20,567</u>	<u>20,217</u>

The cost of inventories recognised as expenses and included in the interim condensed consolidated statement of comprehensive income during the six months ended June 30, 2024 amounted to approximately RMB159,342,000 (June 30, 2023: RMB196,619,000).

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, 2024 and 2023, respectively.

13 TRADE RECEIVABLES

	As of June 30, 2024 RMB'000	As of December 31, 2023 RMB'000
Trade receivables	130,945	48,171
Less: loss allowance	<u>(655)</u>	<u>(241)</u>
	<u>130,290</u>	<u>47,930</u>

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

As of June 30, 2024 and December 31, 2023, the ageing analysis of the trade receivables based on recognition date were as follows:

	As of June 30, 2024 RMB'000	As of December 31, 2023 RMB'000
Within one year	<u>130,945</u>	<u>48,171</u>
	<u>130,945</u>	<u>48,171</u>

14 CASH AND BANK BALANCES

	As of June 30, 2024 RMB'000	As of December 31, 2023 RMB'000
Cash and cash equivalents	148,724	625,612
Term deposits with original maturity over three months	783,948	651,608
Restricted cash	<u>1,548</u>	<u>1,714</u>
	<u>934,220</u>	<u>1,278,934</u>
Maximum exposure to credit risk (excluding cash on hand)	<u>933,620</u>	<u>1,278,081</u>

As of June 30, 2024 and December 31, 2023, the carrying amounts of cash and bank balances approximated their fair values.

15 SHARE CAPITAL

Authorised

	Number of ordinary shares	Nominal value of ordinary shares <i>USD</i>
As of June 30, 2024 and December 31, 2023	<u>500,000,000,000,000</u>	<u>50,000</u>

Issued

	Number of ordinary shares	Nominal value of ordinary shares* <i>USD</i>	Share capital <i>RMB</i>
As of January 1, 2024	1,262,240,267	0.101	1
Cancellation of shares	<u>(1,424,000)</u>	<u>—</u>	<u>—</u>
As of June 30, 2024	<u>1,260,816,267</u>	<u>0.101</u>	<u>1</u>

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

16 LEASES

(a) The Group's leasing activities

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

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

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

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

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

	As of June 30, 2024 RMB'000	As of December 31, 2023 RMB'000
Right-of-use assets-properties		
Opening net book amount	182,779	457,037
Additions	22,340	39,634
Business combination	—	2,489
Depreciation charge	(31,672)	(110,195)
Impairment losses	—	(2,228)
Exchange difference	(914)	(287)
Derecognition from termination of leases	(27,888)	(203,671)
	<u>144,645</u>	<u>182,779</u>
Lease liabilities		
Non-current portion	131,426	174,601
Current portion	66,281	81,072
	<u>197,707</u>	<u>255,673</u>

As of June 30, 2024 and December 31, 2023, the carrying amounts of the Group's right-of-use assets and lease liabilities were primarily denominated in RMB.

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

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

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation charge of right-of-use assets	<u>31,672</u>	<u>60,992</u>
Finance costs on lease liabilities (<i>Note 6</i>)	<u>6,111</u>	<u>17,431</u>

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

During the six months ended June 30, 2024 and 2023, the total cash outflows for leases were as follows:

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Cash outflows from operating activities		
Payments for short-term leases in respect of staff quarters (*)	<u>6,349</u>	<u>10,601</u>
Cash outflows from financing activities		
Payment of principal element of lease liabilities	41,442	96,327
Payment of interest element of lease liabilities	<u>6,111</u>	<u>17,431</u>

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

17 TRADE PAYABLES

	As of June 30, 2024 <i>RMB'000</i>	As of December 31, 2023 <i>RMB'000</i>
Trade payables	<u>37,132</u>	<u>30,717</u>

As of June 30, 2024 and December 31, 2023, the aging analysis of trade payables, based on invoice date, were as follows:

	As of June 30, 2024 <i>RMB'000</i>	As of December 31, 2023 <i>RMB'000</i>
0–90 days	<u>37,132</u>	<u>30,717</u>

18 OTHER PAYABLES AND ACCRUALS

	As of June 30, 2024 <i>RMB'000</i>	As of December 31, 2023 <i>RMB'000</i>
Non-current portion		
Refundable deposits from franchisees	<u>19,269</u>	<u>11,010</u>
	<u>19,269</u>	<u>11,010</u>
Current portion		
Salary, staff welfare payables and manpower service	12,543	14,370
Accrued listing expenses	8,473	—
Others	<u>3,751</u>	<u>5,992</u>
	<u>24,767</u>	<u>20,362</u>

As of June 30, 2024 and December 31, 2023, the carrying amounts of other payables and accruals approximated their fair values.

19 RELATED PARTY TRANSACTIONS

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

The Controlling Shareholder is disclosed in Note 1.

Major related parties that had transactions with the Group during the six months ended June 30, 2024 and 2023 were as follows:

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

(a) Transactions with related parties

Save as disclosed elsewhere in the interim condensed consolidated financial statements, during the six months ended June 30, 2024 and 2023, the following transactions were carried out with related parties at terms mutually agreed by both parties:

(i) Transactions with related parties

	Six months ended June 30,	
	2024	2023
Purchase of plant and equipment	<u>1,027</u>	<u>1,448</u>

(ii) Balances with related parties

	As of June 30, 2024 RMB'000	As of December 31, 2023 RMB'000
Trade nature		
Amount due from a related party (<i>Note 13</i>)		
— Shenzhen Jiangzhu Technology Co., Ltd	<u>2,858</u>	<u>2,202</u>

CORPORATE GOVERNANCE RELATED INFORMATION

Compliance with the Corporate Governance Code

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Company has adopted corporate governance practices based on the principles and code provisions as set out in the Corporate Governance Code as contained in Part 2 of Appendix C1 to the Listing Rules (“**Corporate Governance Code**”) as its own code of corporate governance practices.

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

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

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

authority. In addition, the Group's overall strategic and other major businesses, financial and operational policies have been formulated jointly by the Board and senior management after detailed discussion.

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

Compliance with the Model Code

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

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

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities (including sale of treasury shares (as defined under the Listing Rules)) during the Reporting Period. As of 30 June 2024, the Company did not hold any treasury shares.

Material Litigation

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

Use of Net Proceeds

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

The balance of unutilized net proceeds amounted to approximately HK\$667.6 million as at the end of the Reporting Period and the Company intends to use them in the same manner and proportions as described in the Prospectus and proposes to use the unutilized net proceeds in accordance with the expected timetable disclosed in the table below.

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

Intended use of net proceeds ⁽¹⁾	Percentage of total net proceeds (at the same rate as stated in the Prospectus)	Amount of net Proceeds (at the same rate as stated in the Prospectus) (HK\$ in million)	Balance of net proceeds as at December 31, 2023 (HK\$ in million)	Amount of net proceeds utilized during the Reporting Period (HK\$ in million)	Balance of net proceeds as at June 30, 2024 (HK\$ in million)	Intended timetable for use of the unutilized net proceeds
Used for opening new bars and realizing our expansion plan over the next three years	70.0%	2,086.1	736.5	180.0	556.5	Before December 31, 2024
Used for further enhancing the construction of the talent echelon of our bars to optimize the human resource management system	10.0%	298.0	12.0	12.0	—	Before December 31, 2024
Used for further enhancing the construction of infrastructural capacity of our bars and continuing to invest in technology research and development	5.0%	149.0	70.0	35.0	35.0	Before December 31, 2024
Used for further strengthening the brand awareness of the Helen's	5.0%	149.0	10.0	10.0	—	Before December 31, 2024
Used for working capital and general corporate purposes	10.0%	298.0	76.1	—	76.1	Before December 31, 2024
Total	100.0%	2,980.1	904.6	237.0	667.6	

Note (1): Figures in the table are approximate.

Audit Committee

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

The Audit Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to risk management, internal control and financial reporting with the management, including the review of the unaudited condensed consolidated interim financial results of the Group for the six months ended June 30, 2024. The Audit Committee has reviewed and considered that the interim financial results for the six months ended June 30, 2024 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

INTERIM DIVIDEND OUT OF THE SHARE PREMIUM ACCOUNT AND RECORD DATE

Based on the authorization granted by the Shareholders to the Board on the annual general meeting of the Company held on May 14, 2024, the Board recommended the payment of an interim dividend of RMB0.1573 per ordinary share of the Company in issue out of the share premium account of the Company for the six months ended June 30, 2024. The actual total amount of interim dividends to be paid will be subject to the total number of issued share capital of the Company as at the record date for determining the entitlement of shareholders to the interim dividend. The record date for determining entitlement to the interim dividend will be Monday, September 16, 2024.

The interim dividend will be paid on or about Monday, September 30, 2024.

For the purpose of determination of the Shareholders registered under the Company's register of members in Hong Kong and register of members in Singapore for receiving the interim dividend in Hong Kong dollars or Singapore dollars respectively, any removal of the Shares between the Company's register of members in Hong Kong and register of members in Singapore has to be made by the Shareholders no later than 4:30 p.m. (both Hong Kong and Singapore times) on Thursday, September 5, 2024.

For Hong Kong Shareholders

For the purpose of determining Hong Kong Shareholders' entitlements to the interim dividend, the register of members of the Company in Hong Kong will be closed from September 13, 2024 to September 16, 2024 (both days inclusive), during which period no transfer of Shares will be registered. For Hong Kong Shareholders, the record date for determination of entitlements under the interim dividend will be on September 16, 2024. Hong Kong Shareholders whose names appear on the register of members of the Company in Hong Kong on September 16, 2024 will be entitled to receive the interim dividend. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Link Market Services (Hong Kong) Pty Limited, at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong, not later than 4:30 p.m. (Hong Kong time) on Thursday, September 12, 2024. The dividend warrants for the payment of dividend will be posted by ordinary mail to the Hong Kong Shareholders whose names shall appear on the register of members of the Company on September 16, 2024 at their own risk.

Based on the central parity rate of Renminbi against Hong Kong dollars as quoted by the People's Bank of China on Thursday, August 29, 2024 of RMB1.00 against HK\$1.09382, the amount of interim dividend payable per ordinary share of the Company for the six months ended June 30, 2024 is HK\$0.17206. Interim dividend will be paid in Hong Kong dollars to Hong Kong Shareholders.

For Singapore Shareholders

In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Singapore share transfer agent, In.Corp Corporate Services Pte. Ltd. at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712 for registration no later than 5:00 p.m. (Singapore time) on Monday, September 16, 2024.

Based on the central parity rate of Renminbi against Singapore dollars as quoted by the People's Bank of China on Thursday, August 29, 2024 of RMB1.00 against S\$0.18278, the amount of interim dividend payable per ordinary share of the Company for the six months ended June 30, 2024 is S\$0.028751. Interim dividend will be paid in Singapore dollars to Singapore Shareholders.

EVENTS AFTER THE REPORTING PERIOD

On July 19, 2024, the Company successfully listed, by way of introduction, its ordinary shares on the Singapore Exchange Securities Trading Limited (the “SGX-ST”). The ordinary shares are traded on the Main Board of the SGX-ST under the stock code “HLS” in board lot sizes of 100 Shares. The Company’s ordinary shares remain primarily listed and traded on the Main Board of the Stock Exchange. For details, please refer to the announcement of the Company dated July 19, 2024.

Save as disclosed above and in this announcement, the Company is not aware of any other material subsequent events from June 30, 2024 to the date of this announcement.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

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

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

Hong Kong, August 29, 2024

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