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 ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2023

The board (the "**Board**") of directors (the "**Directors**") of Helens International Holdings Company Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended December 31, 2023 (the "**Reporting Period**"), together with the audited comparative figures for the year ended December 31, 2022. Unless otherwise defined herein, capitalised 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 year ended December 31,	
	2023	2022
	(RMB in thousands)	*(RMB in thousands)*
Revenue	**1,208,613**	1,559,308
Profit/(loss) before income tax	**151,964**	(1,616,472)
Profit/(loss) for the year attributable to owners of the Company	**180,500**	(1,601,150)
Adjusted net profit/(loss)[1]	**280,191**	(240,784)

Non-HKFRS Measures

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

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

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

Consolidated Statement of Financial Position

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

BUSINESS HIGHLIGHTS

Distribution of Our Bar Network

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

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

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

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

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

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

OPERATING INDICATORS

Average Daily Sales Per Bar Opened in Each City

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

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

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

Average Daily Area-effectiveness Per Bar of Different Types

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

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

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

Same-store Performance

The following table sets forth the same-store sales of Helen's bars during the Reporting Period. "Same-store" means bars that opened for at least 200 days in 2023 and 2022, respectively.

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

Notes:

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

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

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

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

Contribution from Our Featured Products

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

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

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

Revenue

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

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

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

Notes:

(1) Including paper towels and other consumer goods that we provide to customers in bars.

(2) Including the revenue generated from our mobile device charging service in bars.

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

In 2023, we introduced a new cooperation model and the single-bar model in the "HiBeer Partnership" programme so as to create a stylish gathering space for consumers by achieving complementary advantages with our partners via co-creation and sharing. We believe this will bring our partners and us numerous advantages and substantial revenue. Firstly, we can complement each other's strengths with our partners, fully mobilize advanced social resources via co-creation and sharing and acquire quality bars at lower prices and with greater precision, thus lowering the operating cost of bars and increasing the profitability and risk resistance of our bars. Secondly, by working with our partners, we can rapidly deploy our bar network and increase our market share. In particular, these models can facilitate our access to a wide range of downstream markets, which is an important step in promoting our long-term business development. In addition, our partners will benefit from our brand recognition, standardized management model, and strong supply chain capabilities, which will help them effectively manage their operational risks as a result of our uniform and standardized management.

Government Grants and Concessions

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

Cost of Raw Materials and Consumables Used

The cost of our raw materials and consumables used was RMB359.8 million for the year ended December 31, 2023, including the cost of raw materials and consumables of self-operated bars of RMB330.3 million and the cost of raw materials and consumables generated by sales of products to partnership bar of RMB29.5 million, representing a decrease of 36.0% from RMB561.9 million for the year ended December 31, 2022, primarily due to the decrease of the revenue, and a decrease in marketing activities as our overall results recovered after the COVID-19 pandemic.

Employee Benefit and Manpower Service Expenses

Our employee benefit and manpower service expenses decreased by 70.2% from RMB1,003.5 million for the year ended December 31, 2022 to RMB298.8 million for the year ended December 31, 2023. The substantial decrease in employee benefit and manpower service expenses was mainly attributable to:

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

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

Depreciation of Right-of-use Assets

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

Depreciation of Property, Plant and Equipment

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

Amortisation of Intangible Assets

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

Short-Term Rental and Other Related Expenses

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

Utilities Expenses

Our utilities expenses decreased by 46.5% from RMB65.1 million for the year ended December 31, 2022 to RMB34.8 million for the year ended December 31, 2023. The decrease was primarily due to the electricity bills and network energy consumption costs and the dormitory electricity and water utilities expenses decreased with the decrease in the number of bars accordingly.

Travelling and Related Expenses

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

Advertising and Promotion Expenses

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

Other Expenses

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

Impairment Losses of Plant and Equipment and Right-of-use Assets

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

Other Losses, net

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

Fair Value Changes of Convertible Preferred Shares

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

Finance Income

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

Finance Costs

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

Profit/(Loss) Before Income Tax

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

Income Tax Credit

The income tax credit was RMB15.3 million for the year ended December 31, 2022 compared with the income tax credit of RMB28.5 million for the year ended December 31, 2023. This was mainly due to the utilization of tax losses from the unrecognized deferred income tax assets of previous years, resulting in the decrease in current income tax charge.

Non-HKFRS Measures

To supplement the comprehensive statement of profit or loss presented in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**"), we also use adjusted net profit as a non-HKFRS measure, which is not required by, or presented in accordance with, HKFRSs. We believe that the presentation of such non-HKFRS measure when shown in conjunction with the corresponding HKFRS measures provides useful information to investors and management in facilitating a comparison of our operating performance from period to period by eliminating potential impacts of certain non-operating or non-recurring expenses and incomes that do not affect our ongoing operating performance (including equity settled share-based payments and losses from bars optimization and adjustment (which comprise impairment losses of plant and equipment and right-of-use assets, loss on disposal of plant and equipment, penalties and compensation for early termination, loss on rental deposits and gain on termination of leases)). Such non-HKFRS measures allow investors to consider metrics used by our management in evaluating our performance. We believe that equity settled share-based payments and losses from bars optimization and adjustment are non-operating or non-recurring expenses and incomes that will not affect our ongoing operating performance. We believe that adjusted net (loss)/profit provides investors with useful information in facilitating a comparison of our operating performance from period to period by eliminating potential impacts of equity settled share-based payments and losses from bars optimization and adjustment.

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

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

Property, Plant and Equipment

Our property, plant and equipment represent (i) building, (ii) office equipment such as printers, (iii) computer equipment, (iv) furniture and fixture used in bars such as tables and chairs and facilities in kitchens, (v) leasehold improvement and (vi) motor and vehicle. Our property, plant and equipment decreased from RMB693.3 million as of December 31, 2022 to RMB423.4 million as of December 31, 2023. The decrease is mainly due to shutdown of certain bars.

Intangible Assets

Our intangible assets mainly include office systems and software that we have purchased. Our intangible assets remained generally stable at RMB75,000 and RMB58,000 as of December 31, 2022 and December 31, 2023, respectively.

Right-of-use Assets

Our right-of-use assets (i.e. our confirmed long-term leased properties) decreased from RMB457.0 million as of December 31, 2022 to RMB182.8 million as of December 31, 2023. The decrease is mainly due to the termination of certain self-operated bars' lease contracts under the optimization and adjustment of the strategic transformation of the Company.

Inventories

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

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

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

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

Our inventory turnover days decreased from 31.7 days as of December 31, 2022 to 28.5 days as of December 31, 2023, mainly due to our refined management of the inventories.

Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables primarily include rental and other deposits, other tax receivable and other prepayments. The decrease in balance from approximately RMB145.4 million as of December 31, 2022 to approximately RMB135.1 million as of December 31, 2023 was mainly because the Group's strategic consideration of bars optimization and adjustment, resulting in the rental deposit decreased.

Cash and Cash Equivalents

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

Lease Liabilities

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

Trade Payables

Our trade payables mainly represent the expenses payable to our suppliers to purchase raw materials, equipment and other supplies that are necessary for our bar operations. Our trade payables decreased from RMB62.7 million as of December 31, 2022 to RMB30.7 million as of December 31, 2023. The decrease was primarily due to the decreasing number of bars, thus the procurement of suppliers was reduced.

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

Other Payables and Accruals

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

Liquidity and Capital Resources

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

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

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

Indebtedness

Bank borrowings

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

Lease liabilities

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

Convertible Preferred Shares

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

Contingent Liabilities

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

Capital Commitments

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

Capital Expenditures

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

Gearing Ratio

As of December 31, 2023, as we did not have any bank borrowings, the gearing ratio is not applicable to our Group. The gearing ratio is calculated by the total debt (including interest-bearing bank and other borrowings) divided by total equity at the end of the year multiplied by 100%.

Foreign Exchange Risk

For the year ended December 31, 2023, we mainly operated in China. We are exposed to foreign exchange risk primarily because the proceeds from the Global Offering are denominated in Hong Kong dollars and certain bank deposits denominated in US dollars.

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

Pledge and Charge of Assets

As of December 31, 2023, the Group did not pledge any group assets and no charge was created on the Group's assets.

Significant Investment, Material Acquisition and Disposal

For the year ended December 31, 2023, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries, associates and joint ventures. In addition, except for the expansion plan disclosed in sections headed "Business" and "Future Plans and Use of Proceeds" in the Prospectus, the Group did not have any specific plans for significant investments or acquisition of material capital assets or other businesses. The Group, however, will continue to identify new business development opportunities.

Employees and Remuneration Policies

As of December 31, 2023, we had 675 employees and 2,104 outsourced personnel, most of whom were based in China. We offer competitive wages and other benefits to the employees and provide discretionary performance bonus as a further incentive. For more details, please refer to the sections headed "Pre-IPO RSU Schemes" and "Post-IPO RSU Scheme" in the Report of the Directors of the annual report of the Company which will be published in due course. We have also improved career development pathways and talent training systems for employees to facilitate their self-growth. The Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly.

During the year ended December 31, 2023, the total employee benefit (including directors' remuneration) and manpower service expenses were RMB298.8 million.

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

FINANCIAL INFORMATION

The Board announces the audited consolidated results of the Group for the year ended December 31, 2023, with comparative figures for the year ended December 31, 2022, as follows:

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

		Year ended 31 December	
	Notes	**2023**	2022
		RMB'000	*RMB'000*
Revenue	*3*	**1,208,613**	1,559,308
Government grants and concessions	*4*	**8,953**	38,202
Raw materials and consumables used		**(359,769)**	(561,906)
Employee benefit and manpower service expenses	*5*	**(298,800)**	(1,003,455)
Depreciation of right-of-use assets		**(110,195)**	(315,923)
Depreciation of property, plant and equipment		**(89,369)**	(199,996)
Amortisation of intangible assets		**(17)**	(17)
Short-term rental and other related expenses		**(43,159)**	(84,769)
Utilities expenses		**(34,841)**	(65,050)
Travelling and related expenses		**(13,426)**	(11,528)
Advertising and promotion expenses		**(19,682)**	(34,384)
Other expenses	*7*	**(79,257)**	(103,787)
Impairment losses of plant and equipment and right-of-use assets	*12&13*	**(11,338)**	(712,905)
Net impairment losses of trade receivables		**(241)**	—
Other losses, net	*8*	**(46,306)**	(83,215)
Finance income	*6*	**68,598**	4,960
Finance costs	*6*	**(27,800)**	(42,007)
Profit/(loss) before income tax		**151,964**	(1,616,472)
Income tax credit	*9*	**28,536**	15,322
Profit/(loss) for the year attributable to owners of the Company		**180,500**	(1,601,150)
Other comprehensive income:			
Item that may be subsequently reclassified to profit or loss			
Currency translation differences		**(28,440)**	44,107
Total comprehensive income/(loss) for the year attributable to owners of the Company		**152,060**	(1,557,043)
Profit/(loss) per share for profit/(loss) attributable to owners of the Company (expressed in RMB per share)			
Basic	*10*	**0.142**	(1.459)
Diluted	*10*	**0.142**	(1.459)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2023

		As of 31 December	
	Notes	**2023**	2022
		RMB'000	*RMB'000*
Assets			
Non-current assets			
Property, plant and equipment	*12*	**423,423**	693,254
Intangible assets		**58**	75
Right-of-use assets	*13*	**182,779**	457,037
Deposits and prepayments	*14*	**58,006**	89,689
Deferred tax assets		**76,564**	46,469
		740,830	1,286,524
Current assets			
Inventories		**20,217**	35,962
Prepayments, deposits and other receivables	*14*	**77,073**	55,718
Trade receivables		**47,930**	—
Term deposits with original maturity over three months		**651,608**	201,566
Cash and cash equivalents		**625,612**	1,096,998
Restricted cash		**1,714**	—
		1,424,154	1,390,244
Total assets		**2,164,984**	2,676,768
Equity			
Total equity			
Share capital		**1**	1
Reserves		**1,821,406**	1,822,867
Total equity		**1,821,407**	1,822,868

	Notes	As of 31 December 2023 RMB'000	2022 RMB'000
Liabilities			
Non-current liability			
Contract liabilities		**5,620**	—
Other payables		**11,010**	—
Lease liabilities	*13*	**174,601**	565,202
		191,231	565,202
Current liabilities			
Trade payables	*15*	**30,717**	62,742
Contract liabilities		**3,550**	—
Other payables and accruals		**20,362**	37,810
Lease liabilities	*13*	**81,072**	175,800
Current income tax liabilities		**16,645**	12,346
		152,346	288,698
Total liabilities		**343,577**	853,900
Total equity and liabilities		**2,164,984**	2,676,768

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

The Company was incorporated in the Cayman Islands on 16 January 2018 as an exempted company with limited liability under the Companies Act (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of its registered office is 3–212 Governors Square, 23 Lime Tree Bay Avenue, P.O. Box 30746, Seven Mile Beach, Grand Cayman KY1-1203, Cayman Islands. The Company's shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Listing**") on 10 September 2021 (the "**Listing Date**").

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

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

2 Basis of preparation

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

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

New or revised standards, amendments and interpretations not yet adopted

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

		Effective for annual periods beginning on or after
HKAS 1	Classification of liabilities as current or non-current	1 January 2024
HKAS 1	Non-current liabilities with covenants	1 January 2024
HKFRS 16	Lease liability in a sale and leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements	Classification by the borrower of a term loan that contains a repayment on demand clause (HK Int 5 (Revised))	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier finance arrangements	1 January 2024
Amendments to HKAS 21	Lack of exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

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 years ended 31 December 2023 and 2022, all of the Group's revenues are from contracts with customers.

(a) Disaggregation of revenue

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

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

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

(b) Segment revenue by customers' geographical location

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

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

(c) Non-current assets by geographical location

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

4 Government grants and concessions

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

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

5 Employee benefit expenses (including directors' emoluments) and manpower service expenses

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

6 Finance (income)/costs, net

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

7 Other expenses

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

8 Other losses, net

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

(a) Due to the Group's strategic consideration of bars' optimization and adjustments including the closure of certain bars, the Group incurred net losses arising from the aggregation of loss on disposal of plant and equipment, loss on rental deposits, penalties and compensation for early termination, and gain on termination of leases during the year ended 31 December 2023.

9 Income tax credit

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

(a) Hong Kong profits tax

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

(b) PRC corporate income tax

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

(c) Singapore profits tax

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

10 Earnings per share

(a) Basic

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

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

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

(b) Diluted

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

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

11 Dividends

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

12 Property, plant and equipment

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

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

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

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

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

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

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

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

Based on the results of the impairment assessment conducted, the carrying amount of certain bars exceeded their recoverable amount and therefore impairment of approximately RMB9,110,000 and RMB2,228,000 (Note 13(b)) was recognised for these bars' plant and equipment and right-of-use assets, respectively, in the Group's consolidated statement of comprehensive income for the year ended 31 December 2023 (2022: RMB433,449,000 and RMB279,456,000, respectively).

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

13 Leases

(a) The Group's leasing activities

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

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

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

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

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

	As of 31 December	
	2023	2022
	RMB'000	*RMB'000*
Right-of-use assets-properties		
Opening net book amount	**457,037**	1,348,338
Additions	**39,634**	197,657
Business combination	**2,489**	—
Depreciation charge	**(110,195)**	(315,923)
Impairment losses *(Note 12)*	**(2,228)**	(279,456)
Exchange differences	**(287)**	—
Derecognition from termination of leases	**(203,671)**	(493,579)
Closing net book amount	**182,779**	457,037
Lease liabilities		
Non-current portion	**174,601**	565,202
Current portion	**81,072**	175,800
	255,673	741,002

14 Prepayments, deposits, and other receivables

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

15 Trade payables

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

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

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

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 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 throughout the Reporting Period.

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

Purchase, Sale or Redemption of the Company's Securities

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

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

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

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

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

Intended use of net proceeds[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 proceeds as at December 31, 2022 *(HK$ in million)*	Amount of net proceeds utilized during the Reporting Period *(HK$ in million)*	Balance of net proceeds December 31, 2023 *(HK$ in million)*	Amount of net proceeds utilized in total up to December 31, 2023 *(HK$ in million)*	Intended timetable for use of the unutilized
Used for opening new bars and realizing our expansion plan over the next three years	70.0%	2,086.1	1,011.5	275.0	736.5	1,349.6	Before December 31, 2024
Used for further enhancing the construction of the talent echelon of our bars to optimize the human resource management system	10.0%	298.0	92.0	80.0	12.0	286.0	Before December 31, 2024
Used for further enhancing the construction of infrastructural capacity of our bars and continuing to invest in technology research and development	5.0%	149.0	140.8	70.8	70.0	79.0	Before December 31, 2024
Used for further strengthening the brand awareness of the Helens'	5.0%	149.0	72.3	62.3	10.0	139.0	Before December 31, 2024
Used for working capital and general corporate purposes	10.0%	298.0	137.1	61.0	76.1	221.9	Before December 31, 2024
Total	**100.0%**	**2,980.1**	**1,453.7**	**549.1**	**904.6**	**2,075.5**	

Note: Figures in the table are approximate.

Audit Committee

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

Auditors

The figures in respect of the Group's consolidated statements of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended December 31, 2023 set forth in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set forth in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

EVENTS AFTER THE REPORTING PERIOD

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

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

CHANGE OF HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

FINAL DIVIDEND

The Board recommended the payment of a final dividend of RMB0.3153 per ordinary share of the Company in issue out of the share premium account of the Company for the year ended December 31, 2023 (2022: Nil). The actual total amount of final dividends to be paid will be subject to the total number of issued share capital of the Company as at the record date for determining the entitlement of shareholders to the final dividend.

The proposed dividend payment is subject to the approval by the shareholders at the forthcoming annual general meeting (the "**AGM**") to be held on Tuesday, May 14, 2024. The final dividend is payable in Hong Kong dollars based on the official exchange rate of Renminbi against Hong Kong dollars as quoted by the People's Bank of China on Tuesday, May 14, 2024. Upon shareholders' approval, the final dividend will be paid and the dividend warrants will be posted by ordinary mail to the shareholders whose names shall appear on the register of members of the Company on Monday, May 20, 2024 at their own risk on or around Friday, May 24, 2024.

CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE

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

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

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

The annual report of the Company for the year ended December 31, 2023 containing all the information required by the Listing Rules will be published on the websites of the Stock Exchange and the Company.

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

Hong Kong, March 28, 2024

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