上海小南国

SHANGHAI XNG HOLDINGS LIMITED

Shanghai XNG Holdings Limited

上海小南国控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3666)

AUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2022	2021	*% Change Increase/ (decrease)*
Revenue *(RMB'000)*	**325,604**	691,517	(52.9%)
Gross profit[1] *(RMB'000)*	**219,750**	468,815	(53.1%)
Gross margin[2]	**67.5%**	67.8%	(0.3%)
Loss for the year *(RMB'000)*	**(66,436)**	(87,778)	(24.3%)
Net loss margin[3]	**(20.4%)**	(12.7%)	(7.7%)
Loss per share – Basic and diluted *(RMB cents)*	**(3.2)**	(3.9)	
Total dividend per share *(RMB cents)*	**–**	–	
Number of restaurants[4] *(as at 31 December)*	**38**	53	

Notes:

1. The calculation of gross profit is based on revenue less cost of sales.

2. The calculation of gross margin is based on gross profit divided by revenue.

3. Net loss margin is calculated as loss for the year divided by revenue.

4. The number of restaurants excludes licensed stores.

AUDITED ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Shanghai XNG Holdings Limited (the "**Company**" or " **Shanghai XNG**") announces that the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2022 are as follows :

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

		Year ended 31 December	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
REVENUE	*4*	**325,604**	691,517
Cost of sales		**(105,854)**	(222,702)
Gross profit		**219,750**	468,815
Other income and gains	*4*	**57,037**	46,009
Selling and distribution expenses		**(293,534)**	(415,988)
Administrative expenses		**(53,735)**	(76,003)
Other expenses		**(6,393)**	(91,206)
Finance costs	*6*	**(15,859)**	(18,783)
LOSS BEFORE TAX	*5*	**(92,734)**	(87,156)
Income tax credit/(expense)	*7*	**26,298**	(622)
LOSS FOR THE YEAR		**(66,436)**	(87,778)
Attributable to:			
Owners of the parent		**(69,228)**	(82,368)
Non-controlling interests		**2,792**	(5,410)
		(66,436)	(87,778)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
For loss for the year		**RMB(3.2) cents**	RMB(3.9) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
LOSS FOR THE YEAR	**(66,436)**	(87,778)
OTHER COMPREHENSIVE (LOSS)/GAIN		
Other comprehensive (loss)/gain that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(547)**	1,598
Net other comprehensive (loss)/gain that may be reclassified to profit or loss in subsequent periods	**(547)**	1,598
Other comprehensive (loss)/gain that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive loss:		
Changes in fair value	**–**	433
Income tax effect	**–**	(747)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**–**	(314)
OTHER COMPREHENSIVE (LOSS)/GAIN FOR THE YEAR, NET OF TAX	**(547)**	1,284
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(66,983)**	(86,494)
Attributable to:		
Owners of the parent	**(69,769)**	(81,082)
Non-controlling interests	**2,786**	(5,412)
	(66,983)	(86,494)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2022

	Notes	31 December 2022 RMB'000	31 December 2021 RMB'000
NON-CURRENT ASSETS			
Property and equipment		**40,451**	53,377
Right-of-use assets	*10*	**164,329**	210,008
Other intangible assets		**1,440**	1,930
Equity investments designated at fair value through other comprehensive income		**5,000**	5,000
Long-term rental deposits		**31,059**	35,161
Deferred tax assets		**32,675**	22,670
Total non-current assets		**274,954**	328,146
CURRENT ASSETS			
Inventories		**8,069**	9,954
Trade receivables	*11*	**4,760**	5,468
Prepayments, other receivables and other assets		**23,253**	89,368
Pledged deposits	*12*	**15,045**	19,376
Cash and cash equivalents	*12*	**52,255**	78,453
Total current assets		**103,382**	202,619
CURRENT LIABILITIES			
Trade payables	*13*	**44,699**	42,728
Other payables and accruals		**120,036**	118,441
Interest-bearing bank loans		**28,400**	31,252
Lease liabilities	*10*	**86,885**	101,243
Tax payable		**647**	9,175
Total current liabilities		**280,667**	302,839
NET CURRENT LIABILITIES		**(177,285)**	(100,220)
TOTAL ASSETS LESS CURRENT LIABILITIES		**97,669**	227,926

	Notes	**31 December 2022** *RMB'000*	31 December 2021 *RMB'000*
NON-CURRENT LIABILITIES			
Lease liabilities	*10*	**122,366**	178,148
Long-term payables		**5,443**	6,218
Deferred tax liabilities		**–**	7,869
Total non-current liabilities		**127,809**	192,235
Net (liabilities)/assets		**(30,140)**	35,691
EQUITY			
Equity attributable to owners of the parent			
Share capital	*14*	**18,393**	18,393
Treasury shares		**(894)**	(9,626)
Other reserves		**(47,216)**	28,082
		(29,717)	36,849
Non-controlling interests		**(423)**	(1,158)
Total equity		**(30,140)**	35,691

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

Shanghai XNG Holdings Limited is a limited liability company incorporated in the Cayman Islands. The registered office is located at the offices of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the operation of chain restaurants in Mainland China and Hong Kong. There were no significant changes in the nature of the Group's principal activities during the year.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ kind of legal entity	Issued ordinary/ registered share capital *'000*	Percentage of equity attributable to the Company Direct	Indirect	Principal activities Notes
Shanghai Pudong Xiao Nan Guo Restaurant Co., Ltd. 上海浦東小南國餐飲有限公司	PRC/Limited entity	RMB5,000	–	100	(1)
Shanghai Xiao Nan Guo Restaurant Co., Ltd. 上海小南國餐飲有限公司	PRC/Limited entity	RMB30,000	–	100	(1)
Shanghai Xinqu Xiao Nan Guo Restaurant Management Co., Ltd. 上海新區小南國餐飲管理有限公司	PRC/Limited entity	RMB500	–	100	(1)
Beijing Xiao Nan Guo Restaurant Management Co., Ltd. 北京小南國餐飲管理有限公司	PRC/Limited entity	RMB1,000	–	100	(1)
Shanghai Hongmei Xiao Nan Guo Restaurant Co., Ltd. 上海虹梅小南國餐飲有限公司	PRC/Limited entity	RMB5,000	–	100	(1)
Shanghai Changning Xiao Nan Guo Restaurant Co., Ltd. 上海長寧小南國餐飲有限公司	PRC/Limited entity	RMB500	–	100	(1)
Nanjing Xiao Nan Guo Huimin Restaurant Co., Ltd. 南京小南國匯珉餐飲有限公司	PRC/Limited entity	RMB500	–	100	(1)
Suzhou Ligongdi Xiao Nan Guo Restaurant Co., Ltd. 蘇州李公堤小南國餐飲有限公司	PRC/Limited entity	RMB500	–	100	(1)
Nanjing Jiangning Xiao Nan Guo Restaurant Co., Ltd. 南京市江寧區小南國餐飲有限公司	PRC/Limited entity	RMB1,000	–	100	(1)

Name	Place of incorporation/ kind of legal entity	Issued ordinary/ registered share capital '000	Percentage of equity attributable to the Company Direct	Indirect	Principal activities Notes
Shanghai Xinyi Xiao Nan Guo Restaurant Management Co., Ltd. 上海昕怡小南國餐飲管理有限公司	PRC/Limited entity	RMB500	–	100	(1)
Shanghai Baoshan Xiao Nan Guo Restaurant Co., Ltd. 上海寶山小南國餐飲有限公司	PRC/Limited entity	RMB500	–	100	(1)
Shanghai Zhabei Xiao Nan Guo Restaurant Management Co., Ltd. 上海閘北小南國餐飲管理有限公司	PRC/Limited entity	RMB500	–	100	(1)
Tianjin Hui Zhi Nan Restaurant Management Co., Ltd. 天津慧之南餐飲管理有限公司	PRC/Limited entity	RMB500	–	100	(1)
Wuxi Hui Zhi Nan Restaurant Co., Ltd. 無錫慧之南餐飲有限公司	PRC/Limited entity	RMB500	–	100	(1)
Shanghai Huijie Restaurant Management Co., Ltd. 上海慧捷餐飲管理有限公司*	PRC/Limited entity	RMB30,000	–	100	(1)
Shanghai Xiao Nan Guo Rifeng Restaurant Management Co., Ltd. 上海小南國日豐餐飲管理有限公司*	PRC/Limited entity	RMB20,000	–	100	(1)
Shanghai Nan Xiao Guan Restaurant Management Co., Ltd. 上海南小館餐飲管理有限公司*	PRC/Limited entity	RMB10,000	–	100	(1)
Beijing Nan Zhi Xin Restaurant Management Co., Ltd. 北京南之新餐飲管理有限公司	PRC/Limited entity	RMB500	–	100	(1)
Shanghai Xiao Nan Guo Hai Zhi Yuan Restaurant Management Co., Ltd. 上海小南國海之源餐飲管理有限公司*	PRC/Limited entity	RMB450,000	–	100	(2)
Shanghai He Jiang Restaurant Management Co., Ltd. 上海盒匠餐飲管理有限公司*	PRC/Limited entity	HK$20,000	–	65	(1)
Xiao Nan Guo Management Co., Ltd. 小南國管理有限公司	Hong Kong/Limited entity	HK$0.2	–	100	(3)
Xiao Nan Guo Management (Kowloon) Limited 小南國管理(九龍)有限公司	Hong Kong/Limited entity	HK$10	–	100	(3)
Xiao Nan Guo (Causeway Bay) Management Limited 小南國(銅鑼灣)管理有限公司	Hong Kong/Limited entity	HK$300	–	100	(3)
Xiao Nan Guo (Kowloon Bay) Management Limited 小南國(九龍灣)管理有限公司	Hong Kong/Limited entity	HK$10	–	100	(3)

Name	Place of incorporation/ kind of legal entity	Issued ordinary/ registered share capital '000	Percentage of equity attributable to the Company Direct	Indirect	Principal activities Notes
Xiao Nan Guo (One Peking) Management Limited 小南國(北京道)管理有限公司	Hong Kong/Limited entity	HK$0.001	–	100	(3)
Nan Xiao Guan (City One) Management Limited 南小館(第一城)管理有限公司	Hong Kong/Limited entity	HK$0.001	–	100	(3)
Xiao Nan Guo Holdings Limited 小南國控股有限公司	Hong Kong/Limited entity	HK$330.2	–	100	(4)
Xiao Nan Guo Holdings Limited	BVI/Limited entity	US$10	100	–	(4)
Xiao Nan Guo (Hong Kong) Restaurant Group Limited	BVI/Limited entity	US$0.00001	100	–	(4)
X&D HongKong Limited	Hong Kong/Limited entity	HK$0.1	–	65	(4)
Shanghai Mizhilian Restaurant Management Co., Ltd. 上海米芝蓮餐飲管理有限公司	PRC/Limited entity	RMB200	–	50	(5)
Shanghai Yan Meng Information and Technology Development Co., Ltd. 上海焱萌信息科技發展有限公司	PRC/Limited entity	RMB10,000	–	100	(6)
Shanghai Fei Can Restaurant Management Co., Ltd. 上海飛燦餐飲管理有限公司	PRC/Limited entity	RMB5,000	–	100	(1)

* Registered as a wholly-foreign-owned enterprise under PRC law.

Notes:

(1) Operation of restaurant chain stores in Mainland China

(2) Restaurant management and operation of Chinese restaurant chain stores in Mainland China

(3) Operation of restaurant chain stores in Hong Kong

(4) Investment holding

(5) Rendering of management services and franchise operation

(6) Rendering of IT technology services and sale of software

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board (the "**IASB**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of measurement and going concern basis

The consolidated financial statements have been prepared under the historical cost basis except for the equity investments designated at fair value through other comprehensive income, which are measured at fair values as explained in the accounting policies set out below.

The Group incurred a loss attributable to the owners of the Company of approximately RMB69,228,000 during the year ended 31 December 2022, and as of that date, the Group's current liabilities exceeded its current assets by approximately RMB177,285,000 and had net liabilities of approximately RMB30,140,000.

These conditions may cast significant doubt on the Group's ability to continue as a going concern. In assessing the appropriateness of the use of the going concern basis in the preparation of the consolidated financial statements, the Directors, after given careful consideration of the past and future performance and liquidity position, prepared a cash flow forecast covering a period of one year from the date of approval of these consolidated financial statements after taking account of the following:

(i) The Group has been closely monitoring the latest developments on the coronavirus ("**COVID-19**") situation, changes to quarantine and social distancing restrictions in Hong Kong and Mainland China, so as to carry out appropriate plans to improve its operating performance and cash inflows of its operation of catering business. In addition, the Directors will strengthen to implement measures aiming at improving the working capital and cash flows of the Group, including closely monitoring the general administrative expenses and operating costs;

(ii) negotiating with banks for new banking facilities; and

(iii) the Group is actively considering to raise new capital by carrying out fund raising activities.

The Directors, after making due enquiries and considering the basis of management's projections described above and after taking into account the reasonably possible changes in the operation performance, believe there will be sufficient financial resources available to the Group to finance its operations and to meet its financial obligations as and when they fall due. Accordingly, the Directors considered that it is appropriate to prepare the consolidated financial statements on a going concern basis notwithstanding that there are inherent uncertainties associated with the future outcomes of the above plans and measures and these indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to adjust the value of assets to their estimated net realisable values, to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively, and to provide for any further liabilities which may arise. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised gains or losses in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(a) Adoption of new or amended IFRSs – effective from 1 January 2022

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which are relevant to and effective for the Group's financial statements for annual periods beginning on or after 1 January 2022:

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendment to IAS 16	*Property, Plant and Equipment – Proceeds before Intended Use*
Amendment to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Amendment to IFRSs	*Annual Improvements to HKFRSs 2018-2020*

The application of the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(b) New or amended IFRSs that have been issued but are not yet effective

The following amendments to IFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*[1]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

IAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 Making Materiality Judgements (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to IAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in IAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The Group is still in the process of assessing the full impact of the application of the amendments.

3. OPERATING SEGMENT INFORMATION

The Group operates as one business unit based on brands and services, and there was only one reportable segment, the Shanghai XNG Holdings Business, in the Group.

(a) Shanghai XNG Holdings Business (including main brands: Shanghai Min, Maison De L'Hui, the Dining Room, Oreno and Wolfgang Puck)

Geographical information

(a) Revenue from external customers

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Mainland China	**273,837**	622,149
Hong Kong	**51,767**	69,368
	325,604	691,517

The revenue information above is mainly based on the locations of the restaurants.

(b) Non-current assets

	31 December 2022	31 December 2021
	RMB'000	*RMB'000*
Mainland China	**195,725**	262,731
Hong Kong	**10,495**	2,584
	206,220	265,315

The non-current asset information above is based on the locations of the assets and excludes equity investments designated at fair value through other comprehensive income, pledged deposits, other long-term receivable and deferred tax assets.

Information about a major customer

No revenue from sales to a single customer amounted to 10% or more of the Group's revenue during the years ended 31 December 2022 and 2021.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers	**325,604**	691,517

Revenue from contracts with customers

(i) ***Disaggregated revenue information***

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Types of goods or services		
Restaurant operations	**312,550**	671,160
Sale of packed foods	**10,441**	13,381
Management fee from franchisee	**2,613**	6,976
Total revenue from contracts with customers	**325,604**	691,517
Timing of revenue recognition		
Goods and services transferred at a point in time	**322,991**	684,541
Services transferred over time	**2,613**	6,976
Total revenue from contracts with customers	**325,604**	691,517

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Restaurant operations	**8,026**	8,470

There is no revenue recognised in the current reporting period from performance obligations satisfied in previous periods.

(ii) Performance obligations

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2022	2021
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**7,516**	8,026
After one year	**180**	1,020
	7,696	9,046

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to management fees from franchisees, of which the performance obligations are to be satisfied within two to six years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

Other income and gains

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Government grants *(note a)*	**3,800**	2,317
Interest income	**527**	1,620
Foreign exchange differences, net	**(217)**	36
Management fee income	**120**	324
Reversal of impairment of property and equipment	**6,966**	–
Reversal of impairment of right-of-use assets	**5,709**	–
Dividend income from equity investments at fair value through other comprehensive income	**–**	400
Gain on disposal of right-of-use assets for early terminated leases	**16,781**	5,259
Reversal of impairment of other receivables *(note b)*	**3,108**	31,526
VAT-related income	**4,109**	2,268
Write-down of provisions for litigation claims	**5,000**	–
Write-off of aged other payables	**1,266**	–
Write-off of aged trade payables	**9,022**	–
Others	**846**	2,259
	57,037	46,009

(a) There are no unfulfilled conditions or contingencies attaching to government grants that had been recognised.

(b) The amount is related to the bond from Rosy Metro Investments Limited ("**Rosy Metro**") amounted to HK$51,300,000 for the acquisition of Million Rank Limited ("**MRL**"), a former subsidiary of the Group. During 2020, the Group made a full impairment of the Bond repayment from Rosy Metro.

On 18 August 2021, the Group come up with a deed with Rosy Metro on the repayment of the bond (the "**Deed**"). According to the Deed, Rosy Metro settled HK$20,000,000 on the signing date of the Deed, and agreed to pay another three payments of HK$18,000,000 within 2 months, 4 months and 6 months after the signing date of the Deed. Therefore, there was a reversal of impairment amounting to HK$38,000,000 (approximately RMB31,526,000) of this other receivable during 2021.

5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

		Year ended 31 December	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
Cost of inventories sold		**105,854**	222,702
Depreciation of property and equipment		**29,614**	32,167
Depreciation of right-of-use assets	*10*	**97,226**	90,452
Amortisation of other intangible assets		**490**	2,246
Lease payments not included in the measurement of lease liabilities		**6,366**	4,014
Auditor's remuneration		**1,800**	1,400
Employee benefit expense (including directors' and chief executive's remuneration:			
Wages and salaries		**118,831**	201,354
Defined contribution pension schemes		**19,035**	19,758
Share Award Scheme expenses		**4,487**	2,999
		142,353	224,111
Foreign exchange differences, net**		**217**	(36)
Interest income**	*4*	**(527)**	(1,620)
Loss on disposal of items of property and equipment*		**783**	2,021
(Reversal of impairment)/impairment of property and equipment**		**(6,966)**	6,336
(Reversal of impairment)/impairment of right-of-use assets**	*10*	**(5,709)**	30,393
Impairment of other intangible assets*		**–**	11,815
Impairment of trade receivables*		**–**	2,535
Reversal of impairment of financial assets included in prepayments, other receivables and other assets**		**(3,108)**	(31,526)
Impairment of financial assets included in prepayments, other receivables and other assets*		**2,139**	24,060
Litigation compensation*		**340**	11,075
Expenses from deregistered of subsidiaries and branches*		**1,795**	–
Gain on disposal of right-of-use assets for early terminated leases**		**(16,781)**	(5,259)

* Included in "Other expense" in the consolidated statement of profit or loss

** Included in "Other income and gains" in the consolidated statement of profit or loss

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Interest on bank loans	**1,072**	1,055
Interest on lease liabilities	**14,787**	17,728
	15,859	18,783

7. INCOME TAX

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Current – Mainland China charged for the year	**2,312**	2,331
Current – Hong Kong and Mainland China over-provision in respect of prior year	**(10,736)**	(4,506)
Deferred tax	**(17,874)**	2,797
Total tax (credit)/charge for the year	**(26,298)**	622

According to the PRC Corporate Income Tax ("**CIT**") Law, the applicable income tax rates for both domestic and foreign investment enterprises in the People's Republic of China (the "**PRC**") are 25%.

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No Hong Kong profits tax has been provided in the financial statements as the Group did not derive any estimated assessable profit in Hong Kong for the current year and in prior year.

Pursuant to Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gain or appreciation shall apply to the Company or its operations.

Pursuant to the International Business Companies Act, 1984 (the "**IBC Act**") of the BVI, international business companies incorporated pursuant to the IBC Act enjoy a complete exemption from income tax. This includes an exemption from capital gains tax and all forms of withholding tax. Accordingly, the subsidiaries incorporated in the BVI are not subject to tax.

A reconciliation of the tax expense applicable to loss before tax at the statutory rate for the jurisdiction in which the Group and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Loss before tax	**(92,734)**	(87,156)
Tax (credit) at the statutory tax rate of 25% (2021: 25%)	**(23,184)**	(21,789)
Income tax effect of lower tax rates for specific provinces or enacted by local authorities	**866**	3,334
Income tax effect of income not subject to tax	**(1,681)**	(8,411)
Income tax effect of expenses not deductible for tax	**2,493**	7,417
Over provision from prior year	**(10,736)**	(4,506)
Tax losses not recognised during the year	**5,944**	24,577
Tax (credit)/charge at the Group's effective rate	**(26,298)**	622

8. DIVIDENDS

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Proposed final – 2022: Nil (2021: Nil)	**–**	–

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the consolidated loss attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 2,194,054,000 (2021: 2,130,812,000).

The calculation of the diluted loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

The calculation of basic loss per share is based on:

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation:	**(69,228)**	(82,368)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation*	**2,194,054,000**	2,130,812,000

* Adjusted for the treasury shares held by the Group.

10. LEASES

The Group as a lessee

The Group has lease contracts for restaurant properties in its operations. Leases for properties generally have lease terms between 2 and 8 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amount of the Group's right-of-use assets and the movements during the year are as follows:

	Buildings
	RMB'000
As at 1 January 2021	160,179
Additions	179,822
Depreciation charge	(90,452)
Disposal	(8,981)
Impairment	(30,393)
Exchange realignment	(167)
As at 31 December 2021 and 1 January 2022	**210,008**
Additions	**55,082**
Depreciation charge	**(97,226)**
Disposal	**(9,783)**
Impairment	**5,709**
Exchange realignment	**539**
As at 31 December 2022	**164,329**

(b) ***Lease liabilities***

The carrying amount of lease liabilities and the movements during the year are as follows:

	2022	2021
	RMB'000	*RMB'000*
Carrying amount at 1 January	**279,391**	216,545
New leases	**55,082**	179,822
Accretion of interest recognised during the year	**14,787**	17,728
Covid-19-related rent concessions from lessors	**(27,364)**	(782)
Payments	**(87,342)**	(119,101)
Disposal	**(26,564)**	(14,240)
Exchange realignment	**1,261**	(581)
Carry amount at 31 December	**209,251**	279,391
Analysed into:		
Current portion	**86,885**	101,243
Non-current portion	**122,366**	178,148

(c) ***The amounts recognised in profit or loss in relation to leases are as follows:***

	2022	2021
	RMB'000	*RMB'000*
Interest on lease liabilities	**14,787**	17,728
Depreciation charge of right-of-use assets	**97,226**	90,452
Expense relating to short-term leases and other leases with remaining lease terms ended at or before the end of the annual reporting period (included in selling and distribution expenses)	**4,916**	2,427
Variable lease payments not included in the measurement of lease liabilities (included in selling and distribution expenses)	**1,450**	1,587
Covid-19-related rent concessions from lessors	**(27,364)**	(782)
(Reversal of impairment)/impairment of right-of-use assets	**(5,709)**	30,393
Total amount recognised in profit or loss	**85,306**	141,805

11. TRADE RECEIVABLES

	31 December 2022 *RMB'000*	31 December 2021 *RMB'000*
Trade receivables	**7,629**	8,342
Impairment	**(2,869)**	(2,874)
	4,760	5,468

The Group's trading terms with its customers are mainly on cash, credit card settlement, Alipay and WeChat payment. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	31 December 2022 *RMB'000*	31 December 2021 *RMB'000*
Within 1 month	**2,805**	4,165
1 to 2 months	**651**	73
2 to 3 months	**27**	50
Over 3 months	**1,277**	1,180
	4,760	5,468

The Group applies the simplified approach to provide for expected credit losses prescribed in IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group overall considers the shared credit risk characteristics and the maturities of the trade receivables to measure the expected credit losses.

	31 December 2022 *RMB'000*	31 December 2021 *RMB'000*
Movements in the impairment loss are as follows:		
Balance at beginning of the year	**2,874**	476
Impairment loss recognised on trade receivables	**–**	2,535
Exchange realignment	**42**	–
Amount written off as uncollectible	**(47)**	(137)
	2,869	2,874

12. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	31 December 2022 *RMB'000*	31 December 2021 *RMB'000*
Cash and bank balances	**47,356**	78,453
Other restricted bank balances *(note)*	**4,680**	–
Time deposits with original maturity of less than three months	**10,319**	–
Time deposits with original maturity of over three months	**4,945**	19,376
	67,300	97,829
Less: Pledged time deposits for bank loans – Current portion	**(15,045)**	(19,376)
Cash and cash equivalents	**52,255**	78,453

As at 31 December 2022, time deposits of RMB15,045,000 (2021: RMB19,376,000) were pledged for bank loans borrowed by the Group.

At the end of the reporting period, the cash and bank balances (including time deposits) of the Group denominated in Renminbi ("**RMB**") amounted to RMB44,596,000 (2021: RMB51,156,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and short-term deposits are deposited with creditworthy banks with no recent history of default.

Note: As at 31 December 2022, bank balances of approximately RMB4,680,000 (2021: nil) was restricted for a pending legal dispute ordered by the court of the PRC.

13. TRADE PAYABLES

An ageing analysis of the Group's trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	31 December 2022 *RMB'000*	31 December 2021 *RMB'000*
Within 3 months	**13,206**	22,854
3 months to 1 year	**28,071**	2,350
Over 1 year	**3,422**	17,524
	44,699	42,728

14. **SHARE CAPITAL**

Shares

	31 December 2022 *RMB'000*	31 December 2021 *RMB'000*
Authorised:		
Ordinary shares of HK$0.01 each	**10,000,000,000**	10,000,000,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each	**2,213,031,000**	2,213,031,000
Equivalent to RMB'000	**18,393**	18,393

A summary of movements in the Company's share capital is as follows:

	Share capital *RMB'000*	**Treasury shares** *RMB'000*	**Share premium account** *RMB'000*	**Capital redemption reserve** *RMB'000*	**Total** *RMB'000*
At 31 December 2021 and 1 January 2022	**18,393**	**(9,626)**	**723,723**	**27**	**732,517**
Transfer of treasury shares upon vesting under Share Award Scheme	**–**	**12,067**	**–**	**–**	**12,067**
Repurchase of shares for the Share Award Scheme	**–**	**(3,335)**	**–**	**–**	**(3,335)**
At 31 December 2022	**18,393**	**(894)**	**723,723**	**27**	**741,249**

The trustee under the Share Award Scheme purchased 52,930,000 shares and all of the shares were through the Share Award Scheme on the Hong Kong Stock Exchange during 2022 for a total consideration of RMB3,335,000 (equivalent to approximately HK$3,927,000) and 116,171,954 shares vested on 31 December 2022 under the Share Award Scheme.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the independent auditor's report from the external auditor of the Company:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to note 2.1 to the consolidated financial statements, which indicates that the Group incurred a loss attributable to the owners of the Company of approximately RMB69,228,000 during the year ended 31 December 2022, and as of that date, the Group's current liabilities exceeded its current assets by approximately RMB177,285,000 and had net liabilities of approximately RMB30,140,000. As stated in note 2.1, these conditions, along with other matters as set forth in note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As of 2022, the Group's revenue amounted to RMB325.6 million, with a decrease of RMB365.9 million or 52.9% from RMB691.5 million as of 2021; the Group's gross profit amounted to RMB219.8 million, with a decrease of approximately RMB249.0 million or 53.1% from RMB468.8 million as of 2021. In 2022, the loss attributable to the owners of the parent company was approximately RMB69.2 million, representing a decrease of RMB13.2 million, when compared with the loss of RMB82.4 million in 2021. The main reasons for the decline in gross profit and revenue was mainly attributable to the worsening of the COVID-19 pandemic in China in 2022 and the lockdown in Shanghai, which resulted in a significant decline in revenue.

In 2022, the Group operated a restaurant network of 31 "Shanghai Min" restaurants, one "Maison De L'Hui" restaurant, 4 "The Dining Room" restaurants, one "Oreno" restaurant and one "Wolfgang Puck" restaurant, which covers some of the most affluent and fast-growing cities in Mainland China (Note(ii)) and Hong Kong. The following table sets forth the revenue and the number of the restaurants in operation, by geographical region and brand, in 2022 and 2021, respectively.

	As at 31 December			
	2022		2021	
	Number of restaurants ***(Note (iii))***	**Revenue** ***RMB'000***	Number of restaurants *(Note (iii))*	Revenue *RMB'000*
The PRC (Mainland area *(Note (ii))*				
– Shanghai Min and Maison De L' Hui	**30**	**229,304**	33	503,827
– The Dining Room	**2**	**19,719**	10	69,494
– Other brands *(Note (iv))*	**2**	**11,760**	5	28,471
Hong Kong				
– Shanghai Min	**2**	**26,448**	2	31,820
– The Dining Room	**2**	**25,319**	3	37,548
Total revenue of restaurant operations *(Note (i))*	**38**	**312,550**	53	671,160
Other revenue		**13,054**		20,357
Total revenue		**325,604**		691,517

Notes:

(i) Total revenue of restaurant operations includes revenues of restaurant operations and takeaway business of restaurants.

(ii) The PRC (Mainland area), for the purpose of this announcement and for geographical reference only, excludes Hong Kong, Macau and Taiwan.

(iii) The number of restaurants excludes licensed stores.

(iv) Other brands in the PRC include Oreno and WolfgangPuck.

In 2022, catering service industries suffered from both the repeated outbreak of COVID-19 pandemic and the sluggish consumption resulting from the slowing-down macro economy, making 2022 an extremely grim year for the business environment.

FINANCIAL REVIEW

Total Revenue

Revenue of the Group decreased by RMB365.9 million, or 52.9%, from RMB691.5 million in 2021 to RMB325.6 million in 2022.

Total revenue of restaurant operations

Total revenue of restaurant operations decreased by RMB358.6 million, or 53.4% from RMB671.2 million in 2021 to RMB312.6 million in 2022, primarily reflecting:

- an increase of RMB6.4 million in revenue contributed by restaurants newly opened as of 31 December 2022;

- a decrease of RMB232.9 million (or 47.5%) in comparable restaurant sales in 2022 as compared with that of 2021; and

- the relocation, adjustment and closure of stores as of 31 December 2022 resulted in a decrease in overall revenue of RMB132.1 million.

Other revenue

Other revenue decreased by RMB7.3 million, from RMB20.4 million in 2021 to RMB13.1 million in 2022. The decrease was mainly due to a decrease of RMB2.9 million in sales of value added products, and a decrease of RMB4.4 million in franchise fees and management fees charged by Michelin compared to last year.

Cost of sales

The cost of sales decreased by RMB116.8 million, or 52.4%, from RMB222.7 million in 2021 to RMB105.9 million in 2022. The cost of sales as a percentage of revenue increased from 32.2% in 2021 to 32.5% in 2022.

Other income and gains

Other income in 2022 amounted to RMB57.0 million, mainly comprised of RMB16.8 million from gains on disposals of right-of-use assets, RMB12.7 million from reversal of impairment of fixed assets and right-of-use assets, RMB3.1 million from reversal of bad debt on other receivables, RMB5.0 million from reversal on provision of litigation compensation, RMB9.0 million from aged accounts payable and RMB3.8 million from government subsidies.

Selling and distribution expenses

Selling and distribution expenses decreased by RMB122.5 million, or 29.4%, from RMB416.0 million in 2021 to RMB293.5 million in 2022.

Labor costs relating to the restaurants operations decreased by RMB66.5 million, or 37.8%, from RMB176.1 million in 2021 to RMB109.6 million in 2022. As a percentage of the revenue, labor costs increased from 25.5% in 2021 to 33.7% in 2022.

Rental costs relating to restaurants operations decreased by RMB39.1 million, or 89.3%, from RMB43.8 million for the year ended 2021 to RMB4.7 million for the year ended 2022. As a percentage of the Group's revenue, rental costs decreased from 6.3% in 2021 to 1.5% in 2022.

Depreciation expenses relating to the restaurants operations increased by RMB6.8 million, or 5.8%, from RMB116.4 million in 2021 to RMB123.2 million in 2022. As a percentage of the Group's revenue, depreciation expenses increased from 16.8% in 2021 to 37.8% in 2022.

Administrative expenses

Administrative expenses decreased by RMB22.3 million, or 29.3%, from RMB76.0 million in 2021 to RMB53.7 million in 2022, and as a percentage of revenue, administrative expenses increased from 11.0% to 16.5% over the same period.

Other expenses

Other expenses of RMB6.4 million in 2022 were mainly attributable to the impairment loss of financial assets including in prepayments, other receivables and other assets of RMB2.1 million.

Income tax expense

Income tax expense decreased by RMB26.9 million from RMB0.6 million in 2021 to income tax credit of RMB26.3 million in 2022.

Loss for the year

As a result of the foregoing, the loss for the year of the Company decreased by RMB21.4 million from the loss of RMB87.8 million in 2021 to the loss of RMB66.4 million in 2022. The net profit margin decreased from -12.7% in 2021 to -20.4% in 2022.

Liquidity, capital resources and cash flow

The Group satisfied the liquidity and capital requirements primarily through bank loans and cash inflows from the operating activities.

As at 31 December 2022, the Group's total interest-bearing bank loans were RMB28.4 million. The gearing ratio was 130.9% (31 December 2021: 72.0%). Gearing ratio represents net debt divided by adjusted capital plus net debt. Net debt includes interest-bearing bank loans, trade payables and other payables and accruals, less cash and cash equivalents and pledged deposits. Capital represents equity attributable to owners of the parent.

Going concern

During year ended 31 December 2022, the Group reported a loss attributable to the owners of the Company of approximately RMB69,228,000. As at 31 December 2022, the Group's current liabilities exceeded its current assets by RMB177,285,000 and the Group had net liabilities of approximately RMB30,140,000.

These conditions may cast significant doubt on the Group's ability to continue as a going concern. Nevertheless, the financial statements were prepared on a going concern basis as the Directors are of the view that the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due, based on a cash flow forecast covering a period of one year from the date of approval of these consolidated financial statement for issue.

The Directors, after making due enquiries and considering the basis of management's projections described above and after taking into account the reasonably possible changes in the operation performance, believe there will be sufficient financial resources available to the Group to finance its operations and to meet its financial obligations as and when they fall due. Accordingly, the Directors considered that it is appropriate to prepare the consolidated financial statements on a going concern basis notwithstanding that there are inherent uncertainties associated with the future outcomes of the above plans and measures and these indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and noncurrent liabilities as current assets and current liabilities. The effect of these adjustments has not been reflected in the unaudited consolidated financial statements.

The Group had net cash inflows from operating activities of RMB72.8 million in 2022 (2021: RMB92.5 million). As at 31 December 2022, the Group had RMB52.3 million in cash and cash equivalents (31 December 2021: RMB78.5 million). The following table sets out certain information regarding the consolidated cash flows for the years ended 31 December 2022 and 2021:

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Net cash flows generated from operating activities	**72,757**	92,478
Net cash flows (used in)/generated from investing activities	**(9,952)**	3,014
Net cash flows used in financing activities	**(91,595)**	(132,165)
Net decrease in cash and cash equivalents	**(28,790)**	(36,673)
Cash and cash equivalents at the beginning of the year	**78,453**	113,376
Effect of foreign exchange, net	**2,592**	1,750
Cash and cash equivalents at the end of the year	**52,255**	78,453

Operating activities

Net cash inflow from operating activities decreased by RMB19.7 million from RMB92.5 million as at 31 December 2021 to RMB72.8 million as of 31 December 2022, which was mainly due to the decrease in revenue this year.

Investing activities

Net cash flow used in investing activities was RMB10.0 million as of 31 December 2022, compared with net cash flow generated from investing activities of RMB3.0 million in 2021, which was mainly because that the Company made investments of approximately RMB10.5 million in fixed assets in the current period.

Financing activities

Net cash flow used in financing activities decreased by RMB40.6 million from a cash outflow of RMB132.2 million as of 31 December 2021 to a cash outflow of RMB91.6 million as of 31 December 2022, which was primarily attributable to the increase in bank loans of RMB27.8 million, repayment of bank loans of RMB32.0 million, repurchase of shares of RMB3.3 million. and rental payments related to lease contracts included in cash used in financing activities of approximately RMB87.3 million as a result of the application of IFRS 16.

Foreign currency exposure

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities, investment activities and overseas financing income or expenses (when revenue or expenses from investment activities and overseas financing are denominated in a different currency from the functional currency of the relevant subsidiaries of the Group). None of the Group's purchase for the twelve-month periods ended 31 December 2022 and 31 December 2021 was denominated in currencies other than the functional currency of the relevant subsidiaries. The Group has minimal exposure to foreign exchange risk.

Material acquisitions and disposals

The Group did not have any material acquisitions and disposals for the year ended 31 December 2022.

Significant investments

The Group did not have any significant investments for the year ended 31 December 2022.

Capital commitment

Capital commitments were approximately RMB5.3 million and RMB6.5 million as at 31 December 2022 and 31 December 2021, respectively.

Pledge of group assets

As at 31 December 2022, the Group's total interest-bearing bank loans were RMB28.4 million, of which bank loans of HK$15.0 million (equivalent to RMB13.4 million) were secured by the Group's pledge of certain fixed deposits of RMB15.0 million.

Human resources and remuneration policies

As at 31 December 2022, the Group employed approximately 694 people in Mainland China and Hong Kong, including 598 employees in restaurants and 96 employees in functional departments (839 employees in 2021, a year-on-year decrease of 17%).

In 2022, the Group continued to use a three-dimensional labor structure for full-time employees, hourly employees and trainees and also entered into long-term cooperation plans with a number of domestic institutions. The Group continued to carry out a number of established incentive assessment policies, so as to increase the overall income of employees, to achieve the sharing of benefits between the Company and employees, and to improve employee work enthusiasm.

STRATEGIC OUTLOOK

In the future, we will be faced with a market catalyzed by the COVID-19 pandemic and caused by the dynamic change of population, where consumption upgrades and downgrades exist at the same time from a macro perspective, and where consumption is graded and subdivided from a micro perspective. Online and offline market is developed in a comprehensive and subdivided manner. This is a trend of the consumer market that matches the socio-economic development of our country at this stage.

Accordingly, we need to operate our customer base in a targeted manner, from the stable development of enterprises in the COVID-19 pandemic, to the development of the current young mainstream consumer group with multi-scene consumption. This is specifically reflected in our store and online development strategy.

1. The number of Shanghai Min brand stores basically remains as it is now, and will be reduced in the medium term. While retaining the traditional advantage of being relatively large and preference for business banquets, it will be renovated and rejuvenated, reducing its size and increasing its efficiency, adjusting and optimizing for the small number of high-end business banquets and family consumption, and improving both quality and customer unit price.

2. Xingxing Nanguo (星星南國) brand is our brand created during the COVID-19 pandemic, inherited most of the essence of Shanghai Min dishes, but also added elements of fashionable popular taste and cuisine. The store area is about half to one-third of the size of Shanghai Min in the past, and the unit price of customers is about three-quarters, and there are private rooms and scattered tables. This model is a good combination of light business, white-collar personal consumption, and weekend family needs in an office mall complex, with a high turn-over rate. We can leverage our existing brand and chain advantages to promote this restaurant model in the core urban CBD.

3. We have relaunched the Dining Room brand, which is positioned in daily high-frequency consumption, focusing on the consumption needs of a single or small number of people combining tea and retail elements, and the location is in line with the concept of 5-15 minute living circle, and is near high-traffic office shopping malls or community shopping malls. Take advantage of the brand advantages of Shanghai cuisine and Shanghai Min, explore and optimize the potential of the supply chain, and expand rapidly with low investment.

4. During the COVID-19 pandemic, the Group has conducted online commodity sales and has fully started the direct marketing of the Shanghai Min brand's classic flavor packaged noodles (noodles mixed with scallion (蔥油拌面), noodles in a simple sauce (陽春麵)) on e-commerce platforms, including JD.com, Tmall, Pinduoduo and Douyin. The Group will further expand its product line to include several key products, including Shanghai-related seasonings and snacks, such as Shanghai hot sauce and butterfly puff pastry (蝴蝶酥). These products will be sold out of Jiangsu, Zhejiang and Shanghai from a geographical point of view, and will be sold nationwide by using the advantages of the e-commerce platform, turning Shanghai-flavored convenience food into a national category. At the same time, we will make use of the Dining Room brand to expand in the lower price range, so as to better match the current mainstream consumer unit prices on e-commerce platforms and expand the scale of sales.

After we suffered a difficult 2022, looking back at the first quarter of 2023, in the environment of easing the COVID-19 epidemic and the economic recovery, the Group's budgets for January, February and March 2023 have exceeded the standard, forming positive operating cash flow and profit. The Group not only has sufficient cash stock, but also obtained new bank loan facilities this month, and is actively exploring further financing to ensure that the funds required for development are sufficient, and the management is confident that the Group can continue to stabilize its business development while returning to its pre-pandemic performance under the condition that the operating environment continues to improve.

SUBSEQUENT EVENTS

On 11 October 2022, the Group has entered the agreement with Yancheng Guanhua to dispose the remaining equity interest of the company which amounted to RMB5,000,000. After all funds received, the ownership will transfer to the buyer. As at 31 December 2022, RMB2,000,000 has been received and the remaining RMB3,000,000 has been received at the end of February 2023.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: nil).

CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited as its own code of corporate governance. During the year ended 31 December 2022, the Company has complied with all the applicable code provisions as set out in CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard of dealings set out in the Model Code throughout the year ended 31 December 2022.

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

The Company or any of its subsidiaries did not purchase, sell or redeem any listed securities of the Company for the year ended 31 December 2022.

REVIEW OF ANNUAL RESULTS

The Audit Committee has discussed with the management of the Company with respect to the internal control and financial reporting matters related to the preparation of the consolidated financial statements for the year ended 31 December 2022. The Audit Committee has also reviewed the Company's consolidated financial statements for the year ended 31 December 2022. The Audit Committee is of the view that these financial statements have been prepared in accordance with the applicable accounting standards, the Listing Rules and the statutory provisions, and sufficient disclosures have already been made.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement and consequently no opinion and assurance conclusion has been expressed by BDO Limited on this announcement.

PUBLICATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.xngholdings.com), and the Company's 2022 Annual Report which contains all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
Shanghai XNG Holdings Limited
Gu Dorson
Chairman

Shanghai, the People's Republic of China, 30 March 2023

As at the date of this announcement, the executive directors of the Company are Mr. GU Dorson and Ms. PING Guoqin; the non-executive directors of the Company are Ms. WANG Huili and Ms. WU Wen; and the independent non-executive directors of the Company are Mr. LUI Wai Ming, Mr. ZHANG Zhenyu and Ms. LI Yuping.