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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 2023

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2023	2022	*% Change Increase/ (decrease)*
Revenue *(RMB'000)*	**450,539**	325,604	38.4%
Gross profit[1] *(RMB'000)*	**298,992**	219,750	36.1%
Gross margin[2]	**66.4%**	67.5%	(1.1%)
Loss for the year *(RMB'000)*	**(47,170)**	(66,436)	(29.0%)
Net loss margin[3]	**(10.5%)**	(20.4%)	(9.9%)
Loss per share – Basic and diluted *(RMB cents)*	**(2.1)**	(3.2)	
Total dividend per share *(RMB cents)*	**–**	–	
Number of restaurants[4] *(as at 31 December)*	**29**	38	

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 2023 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

		Year ended 31 December	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
REVENUE	*3*	**450,539**	325,604
Cost of sales		**(151,547)**	(105,854)
Gross profit		**298,992**	219,750
Other income	*5*	**11,740**	9,402
Other gains and losses	*6*	**(5,805)**	42,918
Selling and distribution expenses		**(285,212)**	(293,534)
Administrative expenses		**(48,967)**	(55,411)
Finance costs	*7*	**(10,910)**	(15,859)
LOSS BEFORE TAX		**(40,162)**	(92,734)
Income tax (expense) credit	*8*	**(7,008)**	26,298
LOSS FOR THE YEAR	*9*	**(47,170)**	(66,436)
Other comprehensive expense:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(159)**	(547)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		**(47,329)**	(66,983)

	Notes	Year ended 31 December **2023** ***RMB'000***	 2022 *RMB'000*
Loss (profit) for the year attributable to:			
Owners of the Company		**(45,418)**	(69,228)
Non-controlling interests		**(1,752)**	2,792
		(47,170)	(66,436)
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(45,582)**	(69,769)
Non-controlling interests		**(1,747)**	2,786
		(47,329)	(66,983)
LOSS PER SHARE			
Basic and diluted	*11*	**RMB(2.1) cents**	RMB(3.2) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000
NON-CURRENT ASSETS			
Property and equipment		**26,084**	40,451
Right-of-use assets		**115,462**	164,329
Intangible assets		**1,191**	1,440
Equity investments at fair value through other comprehensive income		**–**	5,000
Long-term rental deposits		**23,299**	31,059
Deferred tax assets		**25,061**	32,675
		191,097	274,954
CURRENT ASSETS			
Inventories		**5,098**	8,069
Trade receivables	*12*	**5,440**	4,760
Prepayments, deposits and other receivables		**26,812**	18,932
Amounts due from related parties		**2,807**	4,321
Pledged bank deposits	*13*	**–**	15,045
Restricted bank deposits	*13*	**4,098**	4,680
Cash and cash equivalents	*13*	**20,658**	47,575
		64,913	103,382
CURRENT LIABILITIES			
Trade payables	*14*	**62,720**	44,699
Other payables and accruals		**72,878**	112,340
Borrowings		**25,000**	28,400
Amounts due to related parties		**3,944**	–
Contract liabilities		**8,760**	7,696
Lease liabilities		**61,507**	86,885
Tax liabilities		**–**	647
		234,809	280,667
NET CURRENT LIABILITIES		**(169,896)**	(177,285)
TOTAL ASSETS LESS CURRENT LIABILITIES		**21,201**	97,669

	Notes	**31 December 2023** *RMB'000*	31 December 2022 *RMB'000*
NON-CURRENT LIABILITIES			
Lease liabilities		**90,499**	122,366
Restoration provisions		**4,454**	5,443
		94,953	127,809
NET LIABILITIES		**(73,752)**	(30,140)
CAPITAL AND DEFICITS			
Share capital	*15*	**18,393**	18,393
Treasury shares	*15*	**(2,274)**	(894)
Other deficits		**(91,464)**	(47,216)
Deficits attributable to owners of the Company		**(75,345)**	(29,717)
Non-controlling interests		**1,593**	(423)
TOTAL DEFICITS		**(73,752)**	(30,140)

NOTES TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Shanghai XNG Holdings Limited (the "**Company**") as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands. The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited ("**Stock Exchange**"). The address of 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 address of the principal place of business of the Company is located at Rm. 2001, 20/F, Tower 2, Lippo Centre, No. 89 Queensway, Hong Kong.

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

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**"). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the going concern basis which assumes the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business. Management continues to closely monitor the liquidity position of the Group, which includes the sensitivity analysis of forecast bank and cash balances for various factors over the short and medium term to ensure adequate liquidity is maintained.

The Group incurred a loss attributable to the owners of the Company of approximately RMB45,418,000 for the year ended 31 December 2023 and, as at 31 December 2023, the Group's current liabilities exceeded its current assets by approximately RMB169,896,000 and the Group's total liabilities exceeded its total assets by approximately RMB73,752,000, while the Group had cash and cash equivalents of approximately RMB20,658,000.

These conditions indicate that the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the directors of the Company have reviewed the Group's cash flow forecasts which cover a period of not less than twelve months from the date of the end of the reporting period.

Cash flow forecasts, which assume the continuity of normal business activity, indicate that the Group will have sufficient liquidity to meet its operation, existing contractual debt obligation and capital expenditure requirements for at least twelve-month period from the date of the end of the reporting period. Such cash flow forecasts include the following assumptions:

(i) The Group will continue 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) the Group has entered into a strategic cooperation agreement with Micro Connect to provide financing for new and existing restaurants of the Group in Shanghai through respective joint operating agreement. Up to the date of this announcement, the Group has obtained fundings amounted to RMB18,291,000 from Micro Connect;

(iii) the Group has been actively negotiating with certain banks for new banking facilities; and

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

Taking into account all assumptions and plans as described above, the directors of Company are of the opinion that the Group will have sufficient working capital to maintain its operations and to pay its financial obligations as and when they fall due for at least twelve months from the end of the reporting period. The directors of the Company are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Should the Group fail to achieve a combination of the abovementioned plans and measures, it might not be able to continue to operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their realisation amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively, if applicable. The effects of these adjustments have not been reflected in the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs AND CHANGES IN OTHER ACCOUNTING POLICIES

(a) New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	*Insurance contracts*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform-Pillar Two model Rules*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*

Except as described below, the application of the new and amendments to IFRSs in the current year has 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.

Impacts on application of Amendments to IAS 8 Definition of Accounting Estimates

The Group has applied the amendments for the first time in the current year. 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. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

Impacts on application of Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has applied the amendments for the first time in the current year. 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.

In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions and provisions for decommissioning and restoration that occurred on or after 1 January 2022;

(ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities and decommissioning and restoration and the corresponding amounts recognised as part of the cost of the related asset.

The application of the amendments has had no material impact on the Group's financial position and performance.

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

The Group has applied the amendments for the first time in the current year. IAS 1 Presentation of Financial Statements 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 has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in the consolidated financial statements.

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund ("MPF") – Long Service Payment ("LSP") offsetting mechanism in Hong Kong

The Group has several subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee's accrued retirement benefits derived from employers' MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**") which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the "**Abolition**"). The Abolition will officially take effect on 1 May 2025 (the "**Transition Date**"). In addition, under the Amendment Ordinance, the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The Group considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee's LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of IAS 19 to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA's guidance, as a result of the Abolition, these contributions are no longer considered "linked solely to the employee's service in that period" since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as "independent of the number of years of service" and the practical expedient in paragraph 93(b) of IAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of IAS 19.

This change in accounting policy has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in the consolidated financial statements.

(b) Amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between and Investor and its Associate or Joint Venture*[1]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2]
Amendments to IAS 1	*Non-current Liabilities with Covenants*[2]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[2]
Amendments to IAS 21	*Lack of Exchangeability*[3]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

Except for the amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current and Amendments to IAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 Financial Instruments: Presentation.

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if an entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2023, the application of the 2020 and 2022 Amendments will not result in reclassification of the Group's liabilities.

3. REVENUE

(i) Disaggregation of revenue from contracts with customers

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Types of goods or services		
Restaurant operations	**441,610**	312,550
Sale of packed foods	**7,208**	10,441
Management fee from franchisee	**1,721**	2,613
Total	**450,539**	325,604
Timing of revenue recognition		
A point in time	**448,818**	322,991
Over time	**1,721**	2,613
Total	**450,539**	325,604

(ii) Performance obligations for contracts with customers and revenue recognition policies

Restaurant operations

The performance obligation is the promise to provide catering services. Revenue from catering services is recognised at a point in time when the services are rendered. A receivable is recognised by the Group when the services are rendered to the customers at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. Payment of the transaction price is due immediately at the point the services are rendered to the customers. For payments settled by credit cards and other payment platforms by customers, the settlement period is normally within 3 days from the trade date, and for sales of food and beverages through food delivery agents, the Group allows a credit period of 3 to 30 days.

Sale of packed foods

For sales of packed foods, revenue is recognised when control of the goods has been transferred to the customer, being at the point the customer purchases the goods at the restaurants. Payment of the transaction price is due immediately at the point the customer purchases the goods.

Management fee from franchisee

Revenue relating to management fees from franchisees is recognised over time. Advance consideration allocated to the management fees from franchisees is recognised as a contract liability and is released over the period of services.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) and the expected timing of recognising revenue are as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Within one year	**8,495**	7,516
More than one year	**265**	180
	8,760	7,696

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.

4. OPERATING SEGMENTS

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

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

Geographical information

The Group's operations are located on the Mainland PRC and Hong Kong.

Information about the Group's revenue from continuing operations from external customers is presented based on the location of the restaurants. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	Year ended 31 December		**31 December**	31 December
	2023	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The PRC	**391,187**	273,837	**135,656**	195,725
Hong Kong	**59,352**	51,767	**7,081**	10,495
	450,539	325,604	**142,737**	206,220

Note: Non-current assets excluded financial instruments and deferred tax assets.

Information about major customers

No revenue from sales to a single customer amounted to 10% or more of the Group's revenue during the years ended 31 December 2023 and 2022.

5. OTHER INCOME

	Year ended 31 December 2023 RMB'000	2022 RMB'000
Additional tax deduction *(Note a)*	**9,697**	4,109
Interest income	**621**	527
Government grants *(Note b)*	**551**	3,800
Dividend income from equity investments at fair value through other comprehensive income	**300**	–
Management fee income	**179**	120
Others	**392**	846
	11,740	9,402

(a) The amounts represent the additional input value added tax deduction, pursuant to the announcement of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs of the PRC, which become effective from 1 April 2019 onwards.

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

6. OTHER GAINS AND LOSSES

	Year ended 31 December 2023 RMB'000	2022 RMB'000
Gain on disposal of a subsidiary	**1,721**	–
Loss on deregistration of subsidiaries and branches	**–**	(1,795)
Foreign exchange differences, net	**(4)**	(217)
Impairment losses reversed (recognised) in respect of		
– property and equipment	**732**	6,966
– right-of-use assets	**(5,841)**	5,709
– trade receivables	**1,125**	–
– other receivables	**2,720**	969
(Provision) reversal on provision of litigation compensation	**(5,000)**	5,000
Gain on early termination of leases	**379**	16,781
Loss on disposal of property and equipment	**(1,637)**	(783)
Write-off of aged trade payables	**–**	9,022
Write-off of aged other payables	**–**	1,266
	(5,805)	42,918

7. FINANCE COSTS

	Year ended 31 December 2023 RMB'000	2022 RMB'000
Interest on bank loans	**1,484**	1,072
Interest on lease liabilities	**9,426**	14,787
	10,910	15,859

8. INCOME TAX EXPENSE (CREDIT)

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax	**–**	2,312
Under (over) provision in prior years		
Hong Kong	**–**	21
PRC Enterprise Income Tax	**(606)**	(10,757)
Deferred tax	**7,614**	(17,874)
	7,008	(26,298)

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both years.

No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

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.

9. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging (crediting):

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Cost of inventories recognised as an expense	**151,547**	105,854
Depreciation of property and equipment	**18,027**	29,614
Depreciation of right-of-use assets	**62,006**	97,226
Amortisation of intangible assets	**249**	490
Auditor's remuneration	**1,080**	1,800
COVID-19-related rent concessions	**–**	27,364
Employee benefit expense (including directors' emoluments):		
Wages and salaries	**146,381**	118,831
Defined contribution pension schemes	**13,917**	19,035
Share Award Scheme expenses	**1,334**	4,487
	161,632	142,353

10. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2023 and 2022, nor has any dividend been proposed since the end of the reporting period.

11. LOSS PER SHARE

The calculation of the basic and diluted loss per share from continuing operations attributable to owners of the Company is based on the following data:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(45,418)**	(69,228)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,168,864,000**	2,194,054,000

The weighted average number of ordinary shares for the purpose of basic loss per share has been adjusted for the treasury shares held by the Group.

The computation of diluted loss per share does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price for shares for both 2023 and 2022.

12. TRADE RECEIVABLES

	31 December 2023 *RMB'000*	31 December 2022 *RMB'000*
Trade receivables	**7,191**	7,629
Less: Allowance for credit losses	**(1,751)**	(2,869)
	5,440	4,760

As at 1 January 2022, trade receivables from contracts with customers amounted to approximately RMB5,468,000.

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.

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the invoice dates:

	31 December 2023 *RMB'000*	31 December 2022 *RMB'000*
0 – 30 days	**3,203**	2,805
31 – 60 days	**47**	651
61 – 90 days	**40**	27
Over 90 days	**2,150**	1,277
	5,440	4,760

As at 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately RMB4,793,000 (2022: RMB4,760,000) which are past due as at the reporting date. Out of the past due balances of approximately RMB1,503,000 (2022: RMB1,277,000) has been past due 90 days or more and is not considered as in default.

13. CASH AND CASH EQUIVALENTS, RESTRICTED BANK DEPOSITS AND PLEDGED BANK DEPOSITS

	31 December 2023 *RMB'000*	31 December 2022 *RMB'000*
Bank balances and cash	**20,434**	47,356
Restricted bank deposits *(Note)*	**4,098**	4,680
Time deposits with original maturity of less than three months	**224**	10,319
Time deposits with original maturity of three months or longer	**–**	4,945
	24,756	67,300
Less: Pledged time deposits for bank loans – Current portion	**–**	(15,045)
Restricted bank deposits – Current portion	**(4,098)**	(4,680)
Cash and cash equivalents	**20,658**	47,575

Note: As at 31 December 2023, bank balances of approximately RMB4,098,000 (2022: RMB4,680,000) was restricted for pending legal disputes ordered by the court in the PRC. A subsidiary has been disposed of during the year ended 31 December 2023 with restricted bank deposits of approximately RMB4,690,000.

As at 31 December 2023, time deposits of Nil (2022: RMB15,045,000) were pledged for bank loans borrowed by the Group.

At the end of the reporting period, the bank balances and cash (including time deposits) of the Group denominated in RMB amounted to approximately RMB20,201,000 (2022: RMB44,596,000). The RMB is not freely convertible into other currencies, however, under the PRC'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.

14. TRADE PAYABLES

	31 December 2023 *RMB'000*	31 December 2022 *RMB'000*
Trade payables	**62,720**	44,699

The following is an aged analysis of trade payable presented based on the invoice date:

	31 December 2023 *RMB'000*	31 December 2022 *RMB'000*
0 – 90 days	**49,239**	13,206
91 – 365 days	**8,901**	28,071
Over 1 year	**4,580**	3,422
	62,720	44,699

The average credit period on purchases of goods is 90 days.

15. SHARE CAPITAL

	Number of shares		**Share capital**	
	31 December 2023 *'000*	31 December 2022 *'000*	**31 December 2023** *RMB'000*	31 December 2022 *RMB'000*
Authorised:				
At beginning and end of the year	**10,000,000**	10,000,000	**83,112**	83,112
Issued and fully paid:				
At beginning and end of the year	**2,213,031**	2,213,031	**18,393**	18,393
Treasury shares:				
At beginning and end of the year	**11,477**	74,719	**894**	9,626
Repurchase of shares	**25,190**	52,930	**1,380**	3,335
Transfer of treasury shares to Share Award Scheme reserve	**–**	(116,172)	**–**	(12,067)
At end of the year	**36,667**	11,477	**2,274**	894

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As of 2023, the Group's revenue amounted to RMB450.5 million, with an increase of RMB124.9 million or 38.4% from RMB325.6 million as of 2022; the Group's gross profit amounted to RMB299.0 million, with an increase of approximately RMB79.2 million or 36.1% from RMB219.8 million as of 2022. In 2023, the loss attributable to the owners of the parent company was approximately RMB45.4 million, representing a decrease of RMB23.8 million, when compared with the loss of RMB69.2 million in 2022.

In 2023, the Group operated a restaurant network of 24 "Shanghai Min" restaurants, one "Maison De L'Hui" restaurant, 3 "The Dining Room" restaurants 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 2023 and 2022, respectively.

	As at 31 December			
	2023		2022	
	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	**23**	**338,016**	30	229,304
– The Dining Room	**1**	**21,775**	2	19,719
– Other brands *(Note (iv))*	**1**	**22,467**	2	11,760
Hong Kong				
– Shanghai Min	**2**	**33,353**	2	26,448
– The Dining Room	**2**	**25,999**	2	25,319
Total revenue of restaurant operations *(Note (i))*	**29**	**441,610**	38	312,550
Other revenue		**8,929**		13,054
Total revenue		**450,539**		325,604

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 Wolfgang Puck (2022: Oreno and Wolfgang Puck).

In 2023, 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 2023 an extremely grim year for the business environment.

FINANCIAL REVIEW

Total Revenue

Revenue of the Group increased by RMB124.9 million, or 38.4%, from RMB325.6 million in 2022 to RMB450.5 million in 2023.

Total revenue of restaurant operations

Total revenue of restaurant operations increased by RMB129.1 million, or 41.3% from RMB312.5 million in 2022 to RMB441.6 million in 2023, primarily reflecting:

- an increase of RMB16.4 million in revenue contributed by restaurants newly opened as of 31 December 2023;
- an increase of RMB163.4 million (or 68.6%) in comparable restaurant sales in 2023 as compared with that of 2022; and
- the relocation, adjustment and closure of stores as of 31 December 2023 resulted in a decrease in overall revenue of RMB50.8 million.

Other revenue

Other revenue decreased by RMB4.2 million, from RMB13.1 million in 2022 to RMB8.9 million in 2023. The decrease was mainly due to a decrease of RMB3.3 million in sales of value added products, and a decrease of RMB0.9 million in franchise fees and management fees charged by Mizhilian compared to last year.

Cost of sales

The cost of sales increased by RMB45.6 million, or 43.2%, from RMB105.9 million in 2022 to RMB151.5 million in 2023. The cost of sales as a percentage of revenue increased from 32.5% in 2022 to 33.6% in 2023.

Other income

Other income in 2023 amounted to RMB11.7 million, mainly comprised of RMB9.7 million from additional tax deduction, RMB0.6 million from interest income and RMB0.6 million from government grants.

Other gains and losses

Other gains and losses in 2023 amounted to RMB5.8 million, mainly comprised of RMB1.7 million from gain on disposal of a subsidiary, RMB5.1 million from impairment losses of fixed assets and right-of-use assets, RMB3.8 million from reversal of bad debt on trade and other receivables and RMB5.0 million from provision of litigation compensation.

Selling and distribution expenses

Selling and distribution expenses decreased by RMB8.3 million, or 2.8%, from RMB293.5 million in 2022 to RMB285.2 million in 2023.

Labor costs relating to the restaurants operations increased by RMB24.0 million, or 21.9%, from RMB109.6 million in 2022 to RMB133.6 million in 2023. As a percentage of the Group's revenue, labor costs decreased from 33.9% in 2022 to 29.8% in 2023.

Rental costs relating to restaurants operations increased by RMB27.6 million, or 583.5%, from RMB4.7 million for the year ended 2022 to RMB32.3 million for the year ended 2023. As a percentage of the Group's revenue, rental costs increased from 1.5% in 2022 to 7.2% in 2023.

Depreciation expenses relating to the restaurants operations decreased by RMB46.3 million, or 37.6%, from RMB123.2 million in 2022 to RMB76.9 million in 2023. As a percentage of the Group's revenue, depreciation expenses decreased from 38.2% in 2022 to 17.1% in 2023.

Administrative expenses

Administrative expenses decreased by RMB6.4 million, or 11.6%, from RMB55.4 million in 2022 to RMB49.0 million in 2023, and as a percentage of revenue, administrative expenses decreased from 17.0% to 10.9% over the same period.

Income tax expense (credit)

Income tax expense (credit) decreased by RMB33.3 million from income tax credit of RMB26.3 million in 2022 to income tax expense of RMB7.0 million in 2023.

Loss for the year

As a result of the foregoing, the loss for the year of the Company decreased by RMB19.2 million from the loss of RMB66.4 million in 2022 to the loss of RMB47.2 million in 2023. The net loss margin decreased from 20.4% in 2022 to 10.5% in 2023.

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 2023, the Group's total interest-bearing bank loans were RMB25.0 million. The gearing ratio was 202.9% (31 December 2022: 130.9%). Gearing ratio represents net debt divided by adjusted capital plus net debt. Net debt includes interest-bearing bank loans, trade payables, other payables and accruals, contract liabilities and amounts due to related parties, less cash and cash equivalents, restricted bank deposits and pledged deposits. Capital represents deficits attributable to owners of the Company.

The Group had net cash inflows from operating activities of RMB48.2 million in 2023 (2022: RMB71.7 million). As at 31 December 2023, the Group had RMB20.7 million in cash and cash equivalents (31 December 2022: RMB47.6 million). The following table sets out certain information regarding the consolidated cash flows for the years ended 31 December 2023 and 2022:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Net cash from operating activities	**48,225**	71,749
Net cash from (used in) investing activities	**11,812**	(9,162)
Net cash used in financing activities	**(86,887)**	(96,057)
Net decrease in cash and cash equivalents	**(26,850)**	(33,470)
Cash and cash equivalents at 1 January	**47,575**	78,453
Effect of foreign exchange, net	**(67)**	2,592
Cash and cash equivalents at 31 December	**20,658**	47,575

Operating activities

Net cash inflow from operating activities decreased by RMB23.5 million from RMB71.7 million as at 31 December 2022 to RMB48.2 million as of 31 December 2023, which was mainly due to the decrease in movements in working capital this year.

Investing activities

Net cash from investing activities was RMB11.8 million as of 31 December 2023, compared with net cash used in investing activities of RMB9.2 million in 2022, which was mainly because that the Company withdrew its pledged bank deposits of RMB15.0 million in the current period.

Financing activities

Net cash used in financing activities decreased by RMB9.2 million from a cash outflow of RMB96.1 million as of 31 December 2022 to a cash outflow of RMB86.9 million as of 31 December 2023, which was primarily attributable to the proceeds from new bank loans of RMB15.0 million, repayment of bank loans of RMB18.5 million, interest paid of RMB10.9 million, repurchase of shares of RMB1.4 million, advance from related parties of RMB3.9 million and rental payments related to lease contracts included in cash used in financing activities of approximately RMB75.0 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 2023 and 31 December 2022 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 2023.

Significant investments

The Group did not have any significant investments for the year ended 31 December 2023.

Capital commitment

Capital commitments were approximately RMB7.6 million and RMB5.3 million as at 31 December 2023 and 31 December 2022, respectively.

Pledge of group assets

As at 31 December 2023, the Group has no pledge of 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 2023, the Group employed approximately 544 people in Mainland China and Hong Kong, including 471 employees in restaurants and 73 employees in functional departments (694 employees in 2022, a year-on-year decrease of 22%).

In 2023, 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

With the various challenges faced by the domestic real economy, the Group carried out corresponding strategic adjustments to its operations in the second half of 2023, planning ahead for new small and medium-sized businesses and seeking development in a stable manner.

1. As the Group's new-generation Chinese cuisine brands, Jingjing Nanguo (晶晶南國) brand and Xingxing Nanguo (星星南國) brand, both of which specialize in Shanghainese cuisine made from selected specialty ingredients from Jiangsu and Zhejiang regions, have a young and trendy atmosphere and cater to the needs of both business and mid-range family consumption. The Group is proactively select locations in CBD and shopping malls in urban areas.

2. The Dining Room brand has been relaunched and is open for franchising. Along with the establishment of the first batch of franchisees at the airport in the spring of 2024, we will focus on the development of high-quality, fast food for one person to take home consumption scenarios, and Leverage the Group's R&D strengths to stimulate the potential for deeper exploration and optimization of the supply chain.

3. At the same time, the Group will prepare and incubate highly personalized high-end Chinese food brands to act as laboratories for future Chinese food research and development, lay out the corresponding supply chain of key ingredients, and incubate beverage light meal models to serve as the next-generation main brands.

In relation to the finance, the Group has also further optimized its operating management costs and allocation of operating resources to ensure stable and steady development and transformation in the adjustment of economic cycle ups and downs. The management is confident to overcome the challenges and difficult situation of the current market, and actively reserve resources such as talents, content, brand and location selection to welcome the next round of development.

SIGNIFICANT EVENTS SUBSEQUENT TO THE REPORTING PERIOD

The Group did not have any significant events from 31 December 2023 and up to the date of this announcement.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: nil).

CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code ("**CG Code**") as set out in Appendix C1 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 2023, 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 C3 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 2023.

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 2023.

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 2023. The Audit Committee has also reviewed the Company's consolidated financial statements for the year ended 31 December 2023. 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 WILSON & PARTNERS CPA LIMITED

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 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, Wilson & Partners CPA Limited ("**WPCPA**"), to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board on 28 March 2024. The work performed by WPCPA in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by WPCPA on the preliminary announcement.

AUDIT OPINION

The consolidated financial statements have been audited by the Group's auditor, Wilson & Partners CPA Limited. The independent auditor has issued an unmodified audit opinion with a Material Uncertainty Related to Going Concern section in the auditor's report on the Group's consolidated financial statements for the year ended 31 December 2023. An extract of the independent auditor's report is set out in the section headed "**EXTRACT OF THE AUDITOR'S REPORT**" below.

EXTRACT OF THE AUDITOR'S REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with 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 3.1 to the consolidated financial statements, which indicates that the Group incurred a loss attributable to the owners of the Company of approximately RMB45,418,000 for the year ended 31 December 2023 and, as at 31 December 2023, the Group's current liabilities exceeded its current assets by approximately RMB169,896,000 and the Group's total liabilities exceeded its total assets by approximately RMB73,752,000, while the Group had cash and cash equivalents of approximately RMB20,658,000. These conditions, along with other matters as set forth in Note 3.1 to the consolidated financial statements, 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.

The aforesaid "Note 3.1 to the consolidated financial statements" in the extract from the Auditor's Report is disclosed as Note 1 to 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 2023 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, 28 March 2024

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. LEUNG Yio Cho, Mr. ZHANG Zhenyu and Ms. LI Yuping.